

EIR

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The Brezhnev-Carter deal for reelection
Holding America hostage to Khomeini
The White House economic record
Vote fraud plan for the swing states

Carter must go!



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EIR

From the Editor

On the eve of the 1980 presidential elections, *Executive Intelligence Review* calls on the nation to dump Carter and elect a Democratic Congress. We endorse the policy perspective of the National Democratic Policy Committee and its advisory committee chairman, Lyndon LaRouche. "I ask my fellow citizens to elect good Democrats to Congress and key state offices. I ask them also to demonstrate their concern for their children and their grandchildren's survival, by giving a stinging electoral rebuke to President Brezhnev's meddling in the U.S. elections," wrote LaRouche in a recent document demanding that honest Democrats move to decisively defeat Carter.

What has Brezhnev to do with Carter's reelection?

This week's special report gives you the story behind Carter's reelection maneuvers—it involves a rotten deal to sell out the United States' principal allies in the Middle East and continental Europe. We detail the numerous other deals made by Jimmy Carter to ensure his reelection—including holding the American population hostage to the mad Khomeini dictatorship, and other acts of outright treason.

The moral corruption and incompetence, the degradation of the office of the President that James Earl Carter represents, is presented with the facts behind the President's drug policy, his dealings around Billygate, and his methods of intimidating all opposition through the Justice Department's Abscam/Brilab entrapment procedures. We also graphically demonstrate the deterioration of the economy since Carter took office.

The report uncovers the Carter/Mondale vote fraud apparatus, shows how they stole the election in 1976, and how they intend to have the dead cast their vote and the living, particularly in the urban areas of the key swing states, vote "early and often," to quote Mondale's 1976 instructions.

Finally, we document the importance of the congressional elections with an analysis of the 12-year process of the destruction of our legislative branch of government.



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Carter and Leonid Brezhnev in Vienna at the SALT II signing in June 1979.

Photo: Sygma

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Please bear with us if your copies of *Executive Intelligence Review* have been arriving late in the mail. Problems with our subscription fulfillment department are to blame. We expect to clear them up right away, and soon your *EIR* will be as prompt as it used to be.

Fed plays chicken game with world credit system

by David Goldman

The Federal Reserve and the Bank of England have secretly agreed to impose a tight-credit regime on the private international lending markets, according to background discussions with several Fed officials. In effect, they are playing chicken with Brazil, which has stubbornly refused to cut its growth rate in return for credits from the International Monetary Fund, and with the leading members of the European Monetary System, who have not accepted the ascendancy of the IMF in world financial affairs.

How drastic the consequences of this monetary "flight forward" will be for international trade, investment, and currency markets is not possible to say. However, Federal Reserve officials admit candidly—if not for attribution—that their object is to "create a crisis which will demonstrate the existence of risk" to leading market participants. At the last IMF meeting, the American delegation fought for measures which would transform that organization into a world central bank with its own currency, the Special Drawing Right, and authority to dictate domestic credit policy to its members. The same objectives were restated at length by New York Federal Reserve Bank president Anthony Solomon in remarks before the National Foreign Trade Council on October 21.

The Brazilian battle

Despite the low-keyed role that the Europeans took at the IMF meeting, the Europeans have had an entirely different response to the world monetary mess than the

British, Americans, and IMF staff want. First of all, the French have provided substantial bilateral credits to Brazil, improving the bargaining position of Brazilian Economics Minister Delfim Netto in his current negotiations with the private banks and the IMF. Brazil must raise over \$10 billion during the remainder of this year, and is living on short-term extensions of trade and other credits from the private banks, as *EIR* reported last week. The Anglo-American monetary authorities have not merely insisted that Brazil must accept IMF conditionality in return for IMF credit and rescheduling of government-to-government loans; they have also told Citibank and other big American lenders to Brazil that any loans to Brazil under the terms the Brazilians are willing to accept will make it difficult for Citibank to come to the Federal Reserve discount window when trouble arises in the future.

Nonetheless, Netto told the press during a visit to Paris last week that Brazil would only accept loans under terms which left its ambitious investment policy intact, to the immense consternation of its major private banking creditors, the U.S. State Department, the Treasury, and the Federal Reserve.

What hangs on the Brazil affair and similar individual situations is much more than the rate of economic growth in those countries. It was obvious at the International Monetary Fund meeting that the projected \$80 billion payments deficit for the developing sector in 1981 presages a major crisis for the second half of next year. Denied funding by the rich petrodollar countries

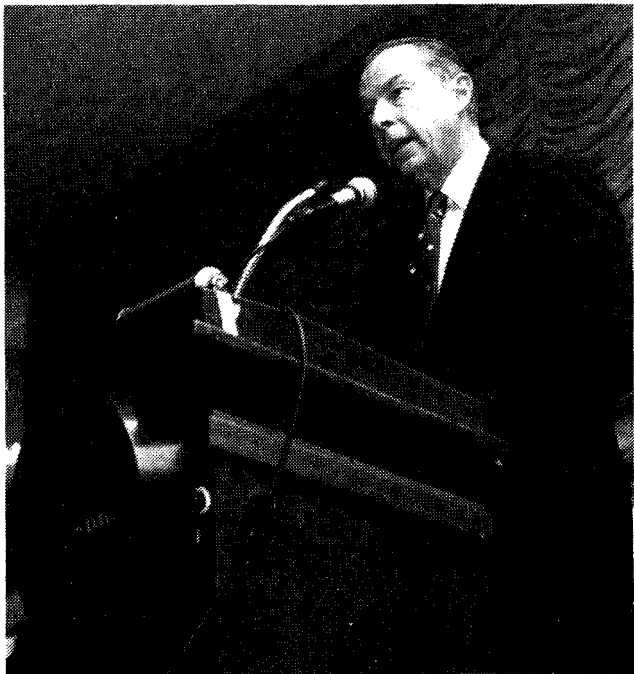


Photo courtesy of Citicorp

Walter Wriston of Citibank: an SDR booster.

and by the U.S. Congress, the IMF has neither the cash nor the political clout to manage such a crisis. The private lenders are extending short-term loans to hold the immediate situation together, at a rate which the central banks have warned them is not sustainable.

Most of the big international financial meetings over the last two years have resembled a game of poker between the U.S. and Britain on one hand—the International Monetary Fund side—and the French and Germans on the other. Now that the game is close to being called, both sides are showing some of the cards they had in the hole.

European Community initiative

The most important action of the Europeans since the IMF meeting was the expansion of a proposed European Community borrowing (to handle the payments deficits of weaker European countries) from \$3 billion to \$10 billion. At the European finance ministers meeting last week which decided on this step, Britain's Sir Geoffrey Howe proposed that lending of these funds be made "conditional" on domestic austerity programs, in imitation of the IMF's lending policies. The proposal was refused. Most important, the loan will be denominated in European Currency Units, or ECUs, a composite European currency in which European Monetary System transactions are conducted.

The big European loan will create a secondary market in ECUs, introducing their use for the first time to the private market in an important way. This is

groundwork for the use of the ECU as a real currency, in the event that the U.S. and British monetary authorities come to grief in their chicken game with the big deficit countries. When New York Fed president Anthony Solomon called for immediate measures to make the IMF's Special Drawing Right more acceptable to the private markets, Fed officials said, his motivation was preemptive. The Fed does not want the ECU to go over well on the private markets while the SDR remains in limbo.

For obvious reasons, the big American banks are anxious to make the SDR succeed. Citibank this year began offering SDR-denominated Certificates of Deposit, without notable response. Various published reports over the past several weeks have emphasized that the major obstacle to the IMF borrowing on the private markets—one way in which the IMF hopes to raise money to cover next year's big deficits—is the unacceptability of the Special Drawing Right to private lenders.

The card Europe has tipped by the aggressive ECU loan program is that the European Monetary System, now in its first phase, could move quickly into "Phase Two" if the U.S. authorities push their point to the edge of a major international crisis.

Down to the wire

Heedless, the Federal Reserve is prepared to do this. "We can manage if Brazil goes belly up," one official insisted. "We have discussed this with the central banks to the last detail. We know precisely how much Brazil owes to every commercial bank. Maybe the Federal Reserve and the central banks would have to make some bridge loans to the banks, but it could be isolated. Remember what Volcker did to Bunker Hunt [when he tried to corner the silver market in the first months of this year—D.G.] Did Bunker Hunt make money? Volcker made him pay for the whole thing! The Brazilians are going down to the wire. But they can't drive us off the cliff. They'll get hurt worse!"

The Fed is already telling the major banks that the "spreads," i.e., the difference between the banks' own cost of funds and what their borrowers pay, on loans to Brazil should be not 1½ percent but 4 percent. As noted, the Fed is warning that the discount window may be closed to violators.

Last week, we asked whether the proponents of "shock therapy," such as the Group of 30, had thought through the ultimate consequences of their actions. The above report is an answer of sorts. The U.S. monetary authorities have neither the muscle nor the competence to manage the crisis they propose to bring about. If they persist, the Eurodollar market will undergo a shakeout that will make the Herstatt failure in 1974 feel like a hiccup.

Why 'shock therapy' won't work

Richard Freeman outlines the omissions and self-contradictions in Stanley Fischer's argument for all-out deflation.

"This paper examines the consequence of pursuit of a sharply deflationary policy, with primary emphasis on the United States. The policy will be referred to as a shock or cold-turkey policy. . . . The fear is that bankruptcies and large-scale unemployment, worse than any experienced in the postwar period, would follow implementation of a deflationary policy."

After citing this fear, Stanley Fischer, Massachusetts Institute of Technology economist and author of these lines, then dismisses it. Shock therapy will not trigger a chain reaction of bankruptcies within the U. S. economy, but rather merely cause some discomfort. Therefore, it is permissible to apply this policy to the United States. Fischer, makes this same point repeatedly and obsessively, in different formulations, throughout his paper.

Fischer's thesis is not for private circulation, but appeared in a paper entitled, "The Economics of Deflation," which, along with three other papers on the same subject, were the main documents at a three-day Group of 30 symposium on the subject of "shock therapy versus gradualism" in the realm of monetary affairs. Founded in 1978, the body is an unofficial adjunct to the International Monetary Fund, whose previous chairman Johannes Witteveen, now chairs the Group. Other prominent members include the chairman of Royal Dutch Shell, Dirk de Bruyne; the chairman of the executive committee of Morgan Guaranty Trust, Dennis Weatherstone; a partner in Brown Brothers Harriman and longtime government policymaker, Robert V. Roosa; Alexandre Lamfalussy of the Bank for International Settlement, and the former editor of the London monthly journal, *The Banker*, Robert Pringle, who is the Group's executive director.

The striking thing about the meeting is the refusal of

most of the participants interviewed after the meeting to dissent from Fischer's assertion that a sharp contraction *will not plunge* the U.S. economy into a depression, nor blow out the dollar, despite an overwhelming mass of evidence that it will do just that. In short, the meeting can be viewed as a war cabinet meeting of monetarists mapping out a strategy to bring the experiment of Britain's Thatcher government to the United States. Most of the meeting's participants viewed the Thatcher experiment as "gradualism" and saw "shock therapy" as something more extreme than the Thatcher model.

Fischer's thesis

Fischer made it clear in a phone interview last week that he does not see shock therapy weakening the value of the dollar. "The dollar will appreciate after shock therapy," he said. "Even though interest rates would fall, investors would find the idea reassuring that inflation will be eliminated in the United States, and we would see capital flight into the dollar. In any event, if I'm wrong," he added, "there will still be foreign capital coming into the U.S. to take advantage of cheap American assets."

A transplanted Rhodesian, Fischer privately asserts that "I'm sure glad the Thatcher experiment is occurring in Britain and not here." Nonetheless, his public paper, "The Economics of Deflation," provides a rationale for concluding that there is not cause for concern when it is applied here. The Fischer thesis displays a problem in thinking that is rampant not only in universities—as Fischer and his paper suggest—but of a loss of wits within the Anglo-American policymaking establishment.

Consider for a moment how one would react, if in

predicting the OPEC price for oil next year someone simply produced a supply-demand curve for oil use and availability. Well, this is what Fischer does for the U.S. economy.

For example, Fischer argues that the housing market will not collapse. Fischer argues that interest rates will fall, making mortgage lending easier, and inflation will fall, making homes cheaper and easier to buy. Fischer posits at the same time an offsetting tendency for the value of housing assets to rise, thus preserving the net worth of the housing market.

To compensate for any problems, Fischer notes that household debt has risen since World War II to a ratio of 30 percent of disposable income, making people less liquid during a monetary contraction— but household tangible assets, including \$1.79 trillion in housing stock and \$0.82 trillion in consumer durables, are larger than the financial liabilities of households of \$1.33 trillion. The obvious implication is that families can sell off their homes and furniture, if need be, to pay off their debt.

In the corporate sphere, Fischer's all-purpose supply-demand formula is applied to produce the claim that although interest costs have skyrocketed as a percentage of pretax profits, from 4 percent in 1948 to 35 percent in 1979, they are "manageable" under shock therapy.

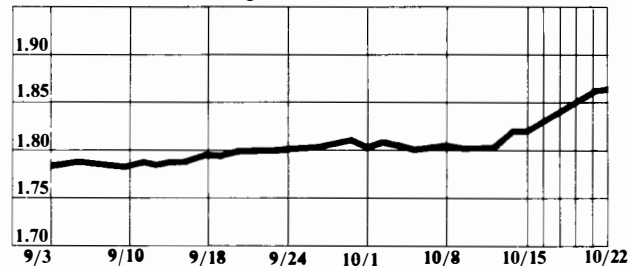
Yet, as both history and common sense show, a shock-therapy regime would decimate companies that have piled up short-term for debt rollover, inventory financing, and so forth; a blow-out in any key corporate sector, such as auto (see Domestic Credit), will devastate the commercial paper market, along with several highly leveraged money center banks—beginning with some in New York. Industry does not conform to neat supply-demand curves, but unravels at an accelerating pace, taking major banks and major chunks of the economy with it.

Fischer himself is intelligent enough to have doubts about his formula, doubts that sprinkle his paper with inconsistencies. At one point, he reassures himself that "The worst potential effects of a debt deflation have already been neutralized by deposit insurance." In the next sentence, he blurts out. "Further adverse effects can be minimized by the Fed's acting decisively as lender of last resort, as it did in the Penn Central and Franklin National cases, to prevent financial collapse." Further on, Fischer repeats: "In the event of a collapse of the housing market, mortgage purchases by the federally sponsored agencies, and quick use of fiscal policy, would make it possible to limit the contractionary effects on aggregate demand and output." In plain English: a massive federal government rescue operation—and an open admission of the "free market" failure of his proposed policy. What he does not admit is that the policy is a oneway ticket to hyperinflation of the present Thatcher variety.

Currency Rates

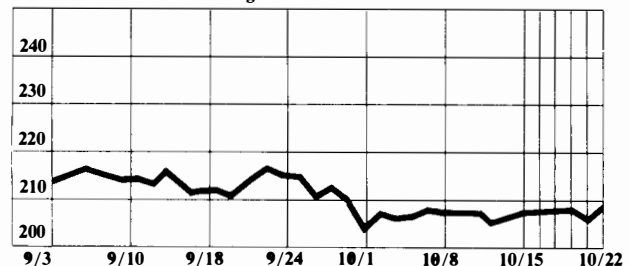
The dollar in deutschemarks

New York late afternoon fixing



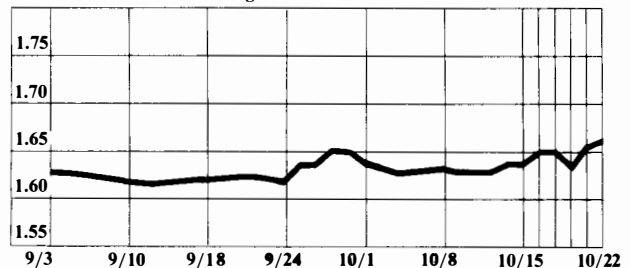
The dollar in yen

New York late afternoon fixing



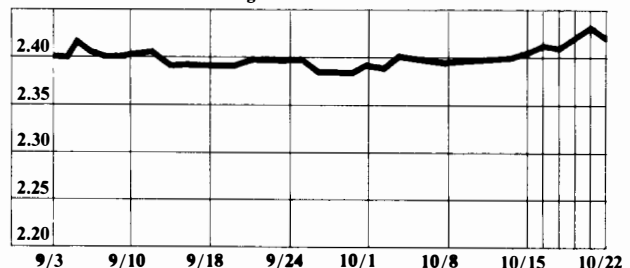
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Auto industry cooks its books

The Big Three are trying risky gimmicks to hide their illiquidity from the public.

The U.S. auto industry is cooking its books. The public has no sense how severe the liquidity strain on the auto sector really is." This scandal, reported by a source close to the Department of Transportation who weekly monitors the auto industry's accounts, underlines the fact that the auto industry could blow sky high with the next cutoff of credit to the economy, and take with it not only the very large auto supply industry but 50 key Midwestern cities, while engulfing the entire U.S. economy in a chain reaction of bankruptcies.

"First," this source stated, "GM is deferring pension fund pay-ins for a whole portion of its workers, who don't have high seniority." GM justifies this move on the double grounds that some of its laid-off workers don't legally have to be covered by pension fund pay-ins, and that in the future the auto industry will have a "lower labor content," that is, there will be far fewer workers to pay pensions for. GM has also changed its relationship to its auto dealers. "GM used to give its dealerships a 20-day grace period after the delivery of cars from the factory, but it has junked that policy and now demands immediate payment for the cars." By means of these gimmicks, GM will add to its cash flow \$400 to \$800 million. This gimmick is not repeatable.

Ford Motor Company is pulling the same sort of thing to aid its cash flow. The financially battered

Chrysler Corporation had already tried it last year, and this year resorted to other short-term financial games. "Chrysler suppliers agreed to keep their prices low, without passing on the inflation increase." This has saved Chrysler from a 5 to 10 percent or more increase in expenses. Further, Chrysler is three to four months in arrears on payments to its suppliers, and in February owed them more than \$100 million for that month alone.

Chrysler workers have also agreed to a \$140 million income reduction this year. But Chrysler's financial problems have still persisted and this has not been sufficient. The Carter administration is finding ways to funnel money to cash-strapped Chrysler from many government agencies, including the Federal Home Administration, which ostensibly has nothing to do with auto.

Contrary to the popular misrepresentation of the problem, the auto industry did not "underestimate" the U.S. car-buying public's demand for small cars. The auto industry began putting away funds in 1974, by cutting dividends, for the investment in downsizing cars. But the 1979 Iranian oil squeeze was so large that the pace of the consumer move to small cars was faster than anticipated. The auto companies had already locked themselves into large non-deferrable expenses for downsizing, for excessive pollution and safety standards and the like, when on top of the

oil price shock, Federal Reserve Board chairman Paul Volcker sent interest rates into double digits in the autumn of last year.

The industry's cash flow started having problems as early as 1978, and by the early part of this year was in deep trouble. The auto industry, the second largest in the United States, plays a pivotal role for many other industries. Auto consumes 20 to 25 percent of all U.S. steel, 50 percent of the malleable iron, 33 percent of the zinc, 13 percent of the copper and 60 percent of the synthetic rubber. These industries and the large auto-parts supplier industry depend heavily on auto, as their bleak balance sheets show for this year.

Furthermore, in the industrial Midwest, the auto industry is the income lifeline, through tax payments, of the major urban centers. According to this source, "There are 50 cities in the Midwest, in the Flint-Detroit belt, in the Lorraine County, Ohio region and around St. Louis that are in need of going to the public market, but can't." He added, "I mean cities like Hamtramck and Flint in Michigan. The financing pressures on these cities are great. Aside from having to expense out their services, the biggest cost is their debt rollover. The Treasury is scared stiff over the situation, because if they had to handle it like New York City, there would have to be 50 Big MACs."

When the prime was only 11.5 percent a month and a half ago, Chrysler chairman Lee Iacocca said, "If interest rates go higher, we're a dead fish in the water." Despite the impressive sales for the new models for the first ten days of this October, Mr. Iacocca was right.

Florida dereg part of billygate?

Florida's governor is deregulating the banks—and making some money for Carter friends.

The Florida administration of Gov. Robert Graham is implementing an extensive banking deregulation program in the state which is reorienting the state economy away from the agriculture, transportation, construction, and other productive industries toward "postindustrial" light manufacturing carried on in free trade zones for export. This will involve turning Florida into primarily an international banking center.

Graham's program was lauded in a recent London *Financial Times* survey, "Banking in Florida," as turning Miami into the "Hong Kong" of the Caribbean.

Not only is the Carter-Graham faction of liberal Florida Democrats in control of this policy—the President's allies and even his brother Billy stand to make quite a bit of money from the dramatic Florida shift, in what is shaping up as another sordid aspect of the "Billygate" scandal. The chief beneficiary of Graham's Florida banking deregulation is Barnett Banks of Jacksonville, the state's number-two bank, and one of the lead banks for Jacksonville's Charter Oil Company, the Libyan-connected oil importer which is First Brother Billy's employer.

So tightly connected to Carter is this "Jacksonville mafia" that when the post of Federal Reserve Chairman was temporarily vacant during the Carter cabinet shakeup of July 1979, the President appointed Fred Schultz, then chairman of Barnett Banks Investment Services, as act-

ing chairman of the Fed. Schultz, a Jacksonville native, made a fortune channeling foreign investment into Florida real estate, and his family stands to make another if the Graham "Hong Kong" program goes through.

Schultz is currently vice-chairman of the Federal Reserve, and as such has responsibility second only to Volcker's for carrying out the administration's wide-ranging program for national banking deregulation. Schultz has day-to-day oversight for example, on the implementation of the Depository Institutions Deregulation Act, which as this column has repeatedly documented, is making banking flatly unprofitable for the nation's 20,000 smaller commercial and savings banks. Under the program, Schultz's associates at Barnett in particular plan to buy up many such weakened smaller banks in Florida and states throughout the South.

Since his 1978 inauguration, Graham has passed a rapid series of laws opening up the state to outside banks. He openly declares that the Florida local banking system, which consists of hundreds of small banks tied to local communities, will have to meet the competition or go out of business. Graham has also used the Florida International Banking Act of 1977 to make the state into what Lloyds Bank of Britain refers to as "a bonanza—no other word for it—for foreign banks." Under the act, the state government totally ended all tax-

tion on foreign banking, and since Graham's inauguration, 19 foreign banks have set up shop in the state.

Graham told the *Financial Times* that he is committed to the Carter administration's program of circumventing regulatory protection against interstate banking in the United States, and has acted boldly to bring the major New York and other out-of-state banks into Florida—24 have set up their Master Edge Act branches, which control all their international lending outside New York, in Miami. These Master Edges have taken billions of dollars of business away from local banks, because although Edges are only supposed to finance international transactions under the Edge Act, they have in practice taken over much of the domestic banking needs of Florida companies involved in international trade.

Graham passed the Federal Competitive Equality law, guaranteeing foreign banks that any banking deregulation passed federally will be ratified on the state level at once. He has personally intervened to help Citibank, Bankers Trust and other New York giants to set up loan offices and trust offices in Florida. "It was in the public interest for Florida to have as wide a range of finance as possible," the *Financial Times* quotes him. Graham supported Bankers Trust when it sued the state of Florida for prohibiting out-of-state trust operations under the state banking code.

As the foreign and out-of-state competition drives smaller banks under, Billy Carter's friends at Barnett Banks plan to buy up a network of them statewide, chairman Guy Botts has said, and grow from their present \$3.6 billion in assets to a \$20 billion bank.

Central banks boost sterling and dollar

The Federal Reserve wants the D-mark to come down as much as 25 percent.

The surprising strength of the U.S. dollar and the pound is a by-product of the Federal Reserve and Bank of England reaction to the failure of last month's annual meeting of the International Monetary Fund. In the short term, the rise of sterling to \$2.43 and the dollar to \$1.86 against the West German mark is the result of an increased differential in interest rates between those currencies and their major competitors, the leading currencies of the European Monetary System. But, the policy causing the interest rate differentials is less obvious.

In the last several weeks, the extreme fluctuations in the yield curve on Eurodollar deposits has indicated great uncertainty among market participants concerning the near-term behavior of interest rates. Normally, the spread between the rates for one-month and one-year Eurodollar deposits indicate market expectations concerning interest rates; a lower rate, on one-year money shows that borrowers believe rates will fall, and prefer to borrow for one month.

Apparently, the market's uncertainty indicates that its perceptions are a few weeks behind the initiatives of the British and American central banks. In brief, the Federal Reserve and Bank of England want to enforce a global liquidity squeeze, in retaliation for the dismal response they received to their standing plan to turn the International Monetary Fund into a world

central bank in the 1980s.

The authority of the IMF was undercut by its potential funders, including the U.S. Congress and the petrodollar-rich Arab countries, and by aggressive debtors like Brazil, who are successfully holding out against the IMF's proposed harsh debt rescheduling terms.

The two central banks' objective is to squeeze their potential competitors. A result of this objective is a flow of short-term funds into the dollar and sterling, due to higher interest rates in both sectors.

It happens that this coincides with the central banks' domestic policy. As *EIR* has reported during the last several weeks, the frustration of the Bank of England and Federal Reserve over the failure of a year of monetarist experimentation has reached a turning point. With some trepidation, the Fed is now evaluating the merits of "shock therapy," watching the semipublic debate over the extreme version of monetarist doctrine in such arenas as the Group of 30. For strictly domestic reasons, interest rates are most likely to keep rising in the short run. As soon as the rise in rates undercuts the housing market and other interest-rate-sensitive parts of economic activity, perhaps around the beginning of 1981, credit demand and interest rates are likely to fall again.

This is the standard Wall Street forecast, and the reason why economists like Lawrence Kudlow of

Bear, Stearns forecast a severe dollar weakening when the interest rate cycle finally breaks.

But the situation is more complicated than this. The central banks are principally concerned with the state of the international monetary system. In conversations with *EIR*, senior Federal Reserve officials insisted that no matter what happened to the domestic economy, real interest rates must be kept at about 3 percent. That is, the Fed's interest rate objective is the rate of inflation plus 3 percent, or a level considerably higher than the present one. Chairman Volcker's insistence that the Fed is now concerned with money-supply aggregates rather than interest rates should be ignored. However unconcerned the Fed is about the effect of rising interest rates on the U.S. economy, they cannot be unconcerned about the effect of interest rates on the dollar.

Senior Federal Reserve officials are now predicting a German mark rate against the dollar of DM 2.25 to 2.50—a devaluation of 17 to 25 percent. *EIR* thinks this prediction is ridiculous. However, the Fed and Bank of England commitment to a weaker German mark could produce some weakness over the immediate period ahead. It assumes that world trade will decline in the context of global austerity, and that export-dependent nations like West Germany will suffer most.

However, this approach also leads to a global payments crisis which ultimately could destroy the dollar's ability to function in offshore markets. The central banks, having failed to impose their IMF plan, are subjecting the leading currencies to warfare that can produce sharp and misleading fluctuations.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$2 bn.	China/Hong Kong from France	Two 900 Mw. nuclear power stations, China's first, to be provided by French Framatome. <i>Far Eastern Economic Review</i> says China Light and Power of Hong Kong, which will buy much of the plant's power, favored French bid over those of Westinghouse and Germany's KWU in order to assure siting near Hong Kong. Westinghouse's efforts also prejudiced by U.S. nuclear nonproliferation policy.	Concessionary terms.	Giscard announced agreement in principle.
\$1.5 bn.	NATO from U.S.	Boeing has signed contract for 18 "militarized versions of the Boeing 707" with NATO. This is Boeing's largest single military order and first time NATO has bought planes directly from a supplier. Planes are updated version of AWACS now deployed to Saudi Arabia. German and Canadian firms will supply components.		
\$218 mn.	Brazil from France	Electrical equipment for Porto Primavera Dam being subcontracted by Mecanica Pesada of Brazil to four French companies and their Brazilian affiliates.	Mostly concessionary suppliers credits.	
\$190 mn.	Saudi Arabia from Germany/France/South Korea	Steel rolling mill to turn out 400,000 tons per year of merchant bars and wire rod for Saudi construction industry to be built on turnkey basis at Jubail by consortium led by Mannesmann, with Schloemann-Siemag, Siemens, a French company and a South Korean construction firm.		
\$150 mn.	Brazil from U.S.	Westmoreland Coal will supply Brazil with 3 mn. tons of high-grade metallurgical coal between 1982 and 1985.		Agreed in principle
\$23 mn.	Saudi Arabia from Italy	ENI has signed two contracts with Arabian American Oil Co. for oil industry infrastructure work and underwater pipelines.		
	Mexico/U.S.	Combustion Engineering and Grupo Industrial Alfa of Monterrey, Mexico, have formed joint venture for energy-related construction and engineering in Mexico.		Companies with local participation have an edge in bidding.
\$38 mn.	Italy/Japan	Nissan and Alfa Romeo signed a joint venture agreement to produce 60,000 cars per year in a new plant to be built near Naples. Alfa Romeo will produce 80 percent of the parts for a Nissan-designed model. Part of Nissan's aggressive overseas expansion program.	Nissan plans first foray into foreign financing by seeking Arab money in Euromarket.	FIAT opposed Japanese entry into Italian market.

Japan: a high score on economics, but not politics

by Richard Katz

If, two years ago, virtually every business and political leader in America was damning Japan for alleged export "dumping," today, the rallying cry is the reverse. Practically no week goes by without at least one major business or news magazine questioning, as did *Iron Age*, "What Can American Manufacturers Learn From the Japanese?"

U.S. government documents like the September 1980 "United States-Japan Trade Report" of the House of Representatives Trade Subcommittee, formerly a bastion of protectionism, now calmly reason: "It has become increasingly clear to us, and to many businessmen dealing with Japan, that our trade problems result less and less from Japanese import barriers, and more and more from domestic, American structural problems of competitiveness and quality. *There are clearly lessons to be learned from Japan* [emphasis added]."

Japan's industrial production in August was 2 percent above that for the year before—better than any other major industrial country. Even the most pessimistic of Japan's economists predict a mild, short-lived recession ending in the spring of 1981. It would take a major oil shortage or huge price hike or a significant decline of world trade to send Japan into serious recession.

Amidst the clamor over Japan's success story, few observers have understood with sufficient clarity what Japan does right, and where it goes wrong. Certain U.S. legislators and corporate executives insist that the secret of Japan's success lies in such features as accelerated depreciation tax codes or systems of government-private collaboration. These particular factors exist but the "secret" which allows them to work is much more straightforward: it is Japan's commitment to producing succes-



sive arrays of products with ever higher technological content. This policy is the sole reason Japan has survived the oil crisis.

On the other hand, Japan's *political-economic* strategy suffers a deficiency which could ultimately undo the economic miracle. Particularly since the accession of the late prime minister Masayoshi Ohira in late 1978, Japan has accepted political conditions which severely limit the possible expansion of world trade and thus its own potential market. Japan has accepted international austerity policies toward the developing countries and tolerated the U.S. imposing a conservationist reindustrialization policy upon itself. As a result, Japan's businessmen have resorted disproportionately to what they themselves know can only be a temporary tactic of relying on exports of consumer durables to the advanced sector countries. Should this strategy continue, Japan will run out of markets if it does not first provoke trade war.

Japan's high-technology strategy

The case of steel illustrates Japan's technological approach. In the United States, the Carter administration proposes to declare steel a "sunset" industry and let it rot. "It uses too much energy," they complain. Japan's steel industry faces a crisis just as serious as that here—poor markets at home and abroad mean Japan's steelmakers still sell less tonnage than before the 1973 oil crisis, and Japan's mills still operate at less than 75 percent of capacity.

Instead of proposing to scrap the industry, Japan's steelmakers invested heavily to produce steel with less

Computerized freight terminal in Tokyo.

energy and more efficiency. They invested even though they showed no profits for four years straight following 1973.

The key was conversion to the continuous casting process in which the steel pipes, plate, or tubing is made immediately from molten steel before it cools. This produces steel using 30 percent less energy per ton than conventional processes. At the same time, the steel makers shifted from basic kinds of steel requiring less skill to specialty steel employing more highly skilled labor and techniques. The two strategies enabled Japanese firms to increase labor productivity in steel by an astounding 40 percent over pre-oil-crisis levels—without speedup. And it returned the steel industry to a profit in 1979.

The case of steel is typical of the entire economy. Investing in *high-technology* forms of energy saving in energy-intensive industries was one of Japan's responses to the oil crisis. Most importantly, Japan transformed the entire structure of its economy away from industries using lower skilled labor and less advanced machinery to those using higher skills and technologies. Comparing 1973 to 1979 in Table 1, there is a drastic shift from basic manufactured goods like textiles to specialized machinery such as electronic goods, machine tools,

autos, and computers.

American businessmen are quick to point out that Japan's rate of private investment in plant and equipment has been almost twice as high as that of the U.S.—as high as 20 percent of real GNP at the peak in 1973. The 1973 oil crisis hit investment hard, but Japan struggled to restore its high investment rates. This year, Japan's firms plan to raise investment 15 percent above 1979 after discounting for inflation, despite the emerging recession, opposite the response in most countries (Figures 1 & 2).

Those who refer simply to Japan's high investment rate miss the point that Japan's investment is geared to advancing Japan's overall technological status. As a result, since the 1973 oil crisis, Japan has been able to improve labor productivity 40 percent, including a very high 12 percent increase in 1979 alone—a year when U.S. productivity fell for the first time ever in a non-recession year.

U.S. comparisons are so dismal because American policy since 1973 has been to use the oil crisis to de-industrialize the U.S., as seen in Table 2.

In the 1980s, Japan will switch from being a net importer of technological know-how to a major technology powerhouse on its own. This includes emphasis

TABLE 1
**Change in composition of U.S.-Japan trade
1973 vs. 1979**

Commodity as percent of total U.S. imports from Japan

Commodity	1973	1979
Food (mostly fish)	3.0	0.8
Manufactured goods	25.0	19.0
Textiles	3.0	1.4
Steel	11.0	10.1
Rods and bars	2.0	2.0
Plates and sheets	6.0	4.5
Tubes, pipes, fittings, etc.	2.0	3.0
Metal Mfgs.	6.0	4.0
Machinery	25.0	30.0
Specialized	0.2	2.6
Machine tools	0.2	1.5
General industrial	n.a.	3.4
Office machinery	3.0	4.0
Telecommunications		
(e.g., TVs, stereos)	11.0	11.0
Electrical machinery	3.0	5.0
Transport machinery	21.0	37.0
Automobiles	14.0	26.0
Miscellaneous manufactures	18.0	9.0
Clothing	2.5	0.6

TABLE 2
**Shift in composition of U.S.
manufacturing industries, 1973-78**

Sector	Shipments as % of total*		Energy intensity indicator† %
	1973	1978	
Food	13.5	14.3	4.1
Textiles	3.7	3.8	6.8
Paper	4.0	4.0	12.2
Chemicals	8.7	8.7	10.5
Petroleum and coal products	4.0	4.4	15.9
Rubber and plastics	3.2	3.1	4.6
Stone, clay, and glass	2.7	2.7	12.9
Primary metals	8.1	7.2	15.8
Machinery, not electrical	9.7	9.5	1.9
Electrical eqpt.	8.0	8.2	1.9
Transportation eqpt.	14.2	14.9	2.1
Other**	20.2	19.2	

*Inflation-adjusted data

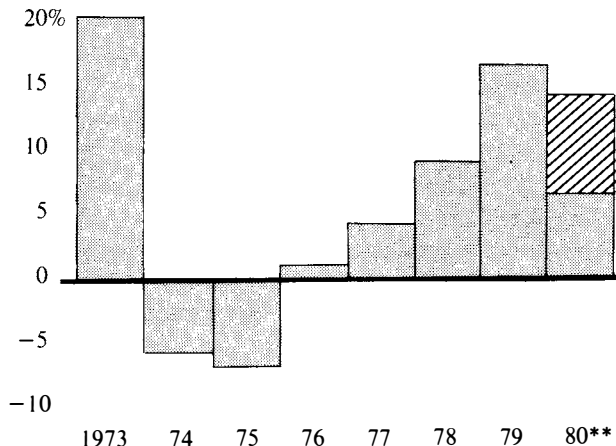
**Includes tobacco, apparel, lumber, furniture, printing, leather, fabricated metal products, instruments and miscellaneous

†Fuel and electricity costs as % total value added. Does not include feedstocks; thus, primary metals, chemicals and petroleum are relatively more energy-intensive than would appear from these figures.

Figure 1

Private investment in plant and equipment 1973-80*

Percentage change from previous year



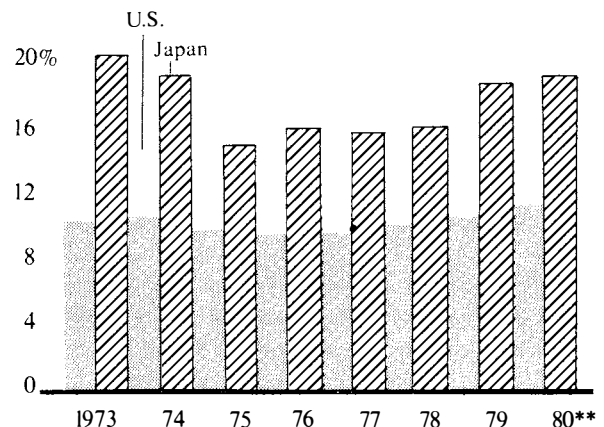
Source: Japan Economic Planning Agency

*1980 is annualized rate based on January-June figures

**actual percent change of January-June 1980 from January-June 1979 is 6.6 percent but corporations have now raised their capital investment plans and expect that their spending in the year ending March 1981 will be 15 percent above year before in constant 1970 yen. If carried out this would provide an approximate 12 percent increase in calendar 1980 over 1979.

Figure 2

Capital investment ratio: Japan vs. U.S.*



*Private investment in plant and equipment as percent of Gross National Product in constant 1970 yen (dollars) of U.S. and Japan.

**Japanese 1980 figures are annualized rate based on January-June actual figures. U.S. 1980 figures are annualized rate based on actual January-March figures.

Source: Japan Economic Planning Agency, U.S. Department of Commerce.

Figure 1 shows how hard Japan's economy was hit by the 1973-74 oil crisis. From a 20 percent private plant and equipment investment rate in 1972, investment fell sharply, then slowly recovered, raising 1979 growth to "economic miracle" levels. Growth so far in 1980 has been slow by Japanese standards, but corporations have revised their outlook and plan to achieve a 15 percent expansion in the plant and equipment investment. Figure 2 shows that even at its low point, Japan maintained a far higher ratio than the U.S. did of private capital investment to GNP.

on applying robotics to domestic industry such as autos, as well as exporting robots; numerical-controlled machine tools; computers, chips, and software; nuclear and fusion power; and such life sciences as genetic engineering. Japan's industrialists are using frontier technologies to keep basic industry up to date—nothing spectacular, just basic common sense.

Market share or market expansion

One criticism of current Japanese government policy regarding plant and equipment exports reveals the chief deficiency in Japan's current political-economic strategy. The criticism by an advisory committee to the Ministry of International Trade and Industry (MITI)—the ministry closest to business thinking—warned that Japan's plant and equipment exports in fiscal 1980 would fall 15 percent in current dollars from 1979's not overly inspiring level. At \$12 billion, plant and equipment exports were only 11 percent of total exports, a far cry from the 20 to 25 percent share MITI had pro-

claimed as a goal some years back. The reasons for the drop were only secondarily the drop in world demand due to austerity measures; the principal reason, said the committee, was the fall in Japan's competitiveness due to stringent credit conditions. Had the plant and equipment share been higher, then Japan would have been under less pressure to grab ever higher market shares for autos and steel to meet skyrocketing import bills.

The stringent credit conditions applied by Japan in the last year and a half, not to mention the loss of up to \$4 to \$5 billion in potential plant sales to the Soviet Union under the post-Afghanistan embargo, resulted from a deal with Carter made by late prime minister Ohira during his May 1979 visit to Washington. Ohira agreed that Japan would 1) support Carter's full foreign policy, including the China card, an anti-Soviet diplomatic, economic, and military posture, and rearmament in Japan itself; and 2) not violate the Carter administration's *diktat* against industrialization of the developing countries. Ohira put a virtual prohibition on interna-

tional loans to the developing countries, damping Japan's crucial capital equipment exports to those nations.

In return, Carter agreed to ease up on the brutal levels of protectionism waged against Japan during the term of Ohira's predecessor, Takeo Fukuda, and to allow greater export by Japan of such consumer durables as autos. The contrast between the fall in physical quantity of exports during the Fukuda period and the mushrooming allowed following Ohira's rise is astounding (Figure 3). Under blackmail from Washington, Japan agreed to compete for shares of existing world markets rather than expand world trade by creating new industrial markets in the Third World.

This deal was renewed during the late September 1980 Washington visit of Masayoshi Ito, the foreign minister of the new Zenko Suzuki cabinet. Carter was notably lenient toward Japan on the auto issue, even going so far as to pressure the House of Representatives to tone down a resolution on the issue of Japanese auto exports here.

Under Fukuda, Japan had collaborated with France and West Germany in trying to expand overall world trade through granting low-interest credits to OPEC and non-oil developing countries for industrial capital development projects. By 1978, Japan hit a record \$15 billion in international loans. During this time, Iraq was Japan's number-one capital equipment purchaser, as well as its second largest oil supplier.

Treasury Secretary Michael Blumenthal fired off an angry series of letters to Fukuda, denouncing this violation of International Monetary Fund austerity "conditionality." Blumenthal simultaneously drove up the value of the yen 75 percent from January 1979 to November 1978, crippling Japan's export competitiveness.

The most public expression of Carter administration motives came in the January 1979 "U.S.-Japan Trade Report" of the House trade subcommittee. The report stated: "We believe that the Japanese threat in these high-technology areas may soon become the most explosive issue between our two countries." The report then attacked Japan's transfer of industrial technology to the developing countries: "We foresee 'Japan Trade Crises' recurring with other developing countries—the so-called 'New Japans' of the Far East such as Taiwan, Korea, Hong Kong, and Singapore—and later other developing nations of the world."

The role of exports

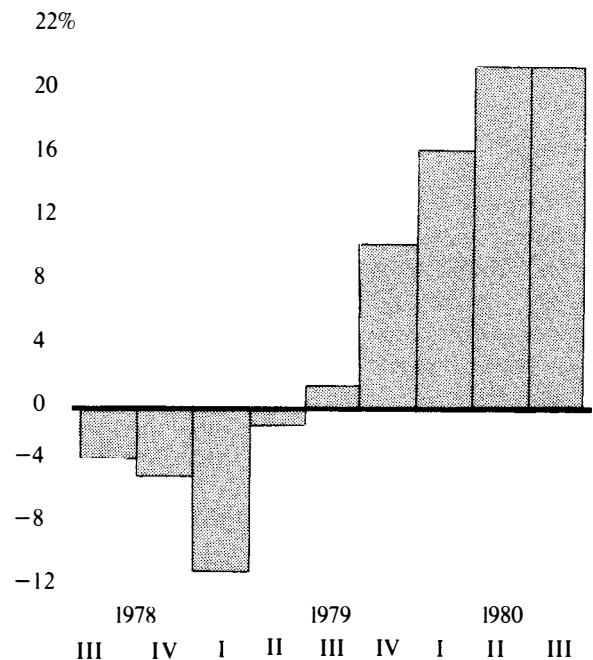
Japanese business tolerated the deal made by Ohira and still tolerates the continuation of the deal by Ohira's protégé Suzuki for fear of offending Washington, and of suffering the resumption of trade war.

Protectionism is a powerful lever over trade-dependent Japan. Resourceless Japan is totally dependent on

imports not only for oil but also for all its raw materials. Japan's imports are not discretionary items, but absolute physical necessities for production. As a result, the ratio of physical imports to Gross National Product, both measured after discounting for inflation, has remained stable at about 12 percent of GNP throughout the 1970s. Whenever the price of oil and other commodities goes up, Japan has no choice but to pay it. Oil now swallows about 40 percent of Japan's import bill.

Japan has been able to raise its export prices on steel, autos, TVs, and other goods, and the value of the yen has risen, which brings in more money for exports and makes imports cheaper. However, the increases have not kept pace with import price hikes. Japan simply must send out increasing amounts of steel, cars, and TVs to pay for the same amount of oil, iron ore, and coal. By the spring of 1980, Japan had to send out more than 20 percent of its GNP in exports to get back only about 12¼ percent in imports. And despite this, the exports still were not enough to pay for all the imports; Japan ran a multibillion-dollar trade deficit in

Figure 3
Export volume, 1978-1980*

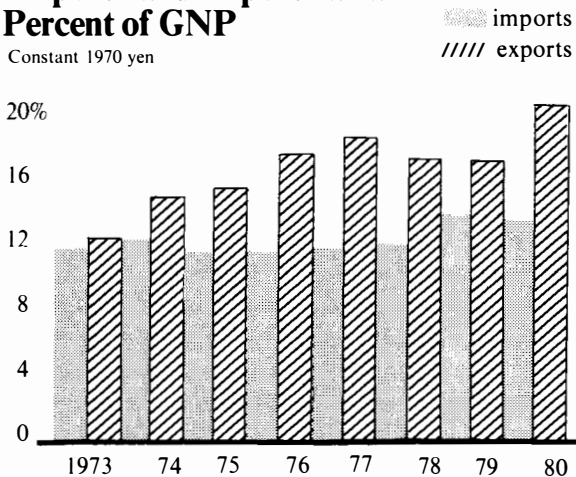


Drastic negative growth in Japan's physical exports (as opposed to dollars earned) took place during the 1978-early 1979 period. A turnaround occurred in the second quarter of 1979, as Washington lifted its protectionist pressure in exchange for foreign policy support.

Figure 4

Exports and imports as a Percent of GNP

Constant 1970 yen



Source: Japan Economic Planning Agency

*1980 is annualized rate based on January-June figures

money terms (see Figures 4 and 5).

The difference between the import price hikes and the lesser export price increases was so great that *if* Japan's productivity had not increased and *if* Japan had not changed the export products to those of higher technological content, then in 1980, Japan would have had to send out 30 percent of its GNP rather than 20 percent to pay for the same level of imports. Given the level of domestic austerity a 30 percent export ratio would have required, and the protectionism Japan would have provoked abroad, this would have been an impossible level to achieve.

Even with the productivity and technology increases Japan did not meet the challenge, and is now suffering a mild recession as a result. Figure 4 shows the gap between physical export and import ratios narrowing in 1978 and 1979 as Japan's high-technology strategy overcomes the first oil crisis. The post-Khomeini price hike more than wiped out the gain. Because Japan could not meet the 60 to 70 percent overall import price hikes even with increased exports, the physical volume of Japan's imports actually fell about 4 percent in January-August 1980 from year-before levels. Therefore, some sector of production had to fall. Productivity kept the fall in the third quarter to an estimated 2 percent below peak production levels in the first quarter of 1980.

With Japan striving to maintain investment levels, even while giving away 7 percent of GNP to pay for imports (Figures 1, 2, and 4), the cuts in production came primarily out of government public works projects and secondarily out of personal consumption. For the first time since the 1974-75 recession, real wages fell in

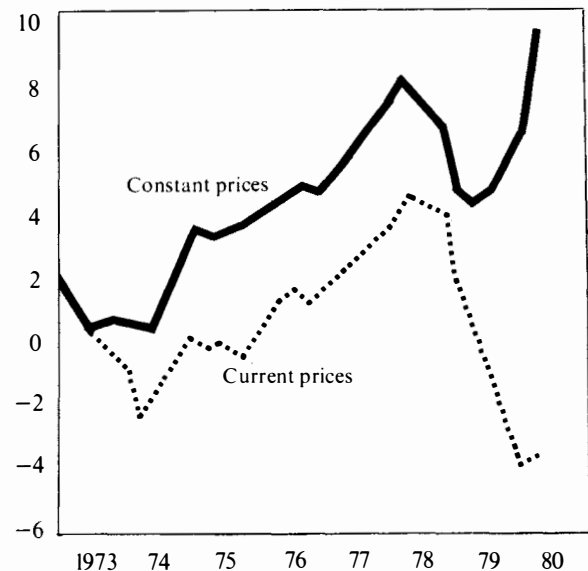
Japan, to about 2 percent less than 1979 levels—resulting in less domestic auto purchase, and a 5 percent decline in housing, but not the decimation suffered in the U.S.

Is this simply a temporary decline in production and personal consumption? Or is it a more deep-rooted problem such as the U.S. suffers? As long as Japan's productivity, technological advances, and export growth (in volume and price) outstrip import price hikes, Japan will quickly recover from this recession.

In the medium- to long-term, Japan's current capitulation to Carter presents a problem. It cannot go on

Figure 5

Japan's current account balance, 1973-1980*



Source: Japan Economic Planning Agency

*in constant 1970 yen compared to current yen. In trillion yen (at current rates about \$5 billion.)

Despite a 75 percent rise in the value of the yen since 1980, which has cheapened imports and provided more income on exports, the price increase for oil and other imported resources far outstripped the price increments for Japanese exports. As seen in Figure 4, by the spring of 1980, Japan sent out one and a half times as much in manufactures as it took in in oil and other commodities, if trade is measured in constant yen at 1970 prices, which expresses physical volume. Figure 5 shows that in current yen, which measures the actual revenue paid and received by firms, Japan was taking in about \$20 billion less than it paid out toward the end of 1979. In physical volume terms (constant yen) it sent out \$50 billion worth of goods more than it took in. Japan had the worst of both worlds.

forever increasing market share in autos and similar products, as Japan's industrialists know full well. More importantly in the long term, how can Japan sell industrial robots to the U.S., for example, if the U.S. is ripping up its basic industry like auto and steel in favor of synfuels and an electronics-services economy? Since Reagan's advisers have the same approach as Carter on this question, the problem will not go away after November.

The Industrial Structure Council

One of the most important arenas in which the fight over Japan's future strategy is being fought out is the Industrial Structure Council of MITI. Made up of the top industrialists and most important officials of MITI, the council's deliberations are crucial to the process by which Japan launched the technological advancement described above. The council has issued three "long-term vision" reports—in 1963, 1971, and 1980—which could almost be described as ten-year plans.

At meetings of the council the participants ask questions like: how advanced should the economy be in five years, ten years, twenty or thirty years? How do we advance from an economy in which the trend-setting industries are textiles and export of toys and which is fueled by coal, to one five to ten years later dominated by steel and fueled by oil, to one still five to ten years further in which auto and chemicals lead the way, and then yet later to a nuclear-fueled economy exporting capital goods and computers and in which factories are manned by robots? Finally, how do we manage these successive metamorphoses so that Japan ends up as a fusion-powered economy and, as one MITI official predicted in 1970, supplies half the world's energy through mass production of fusion power reactors?

Once the businessmen and officials reach a consensus on where Japan should be five, ten, thirty years down the line, then they ask: How do we get there from here? Which industries, which paths of technology, what kinds of research are necessary to get there? Therefore, which frontier industries should get priority for bank credit, investment tax credits, government loans?

The best of Japanese industrialists and officials do not think primarily along the lines of what kind of technological gimmick is needed to achieve a certain growth rate. Rather, they decide what rates of growth and patterns of investment are needed to shift the economy from one technological mode to a series of successively higher ones.

Compare this to predominant American corporate thinking which so often thinks of technology as undirected "improvements" or of growth simply as "more." It also helps that Japan's leading industrialists, such as

the 82-year-old doyen Toshio Doko, are professional engineers rather than Harvard Business graduates.

It is only within this context of thinking that the various formal features of Japanese economic structure, so often described by American business or congressional observers, work, e.g. accelerated investment depreciation tax codes directed toward frontier industries, close government-industry-banking collaboration, a motivated labor force. It should be noted on the last point—lest cultural factors be suspected—that when Quasar took over the delapidated Motorola plant in Chicago, they turned it into a model of productivity and quality using American workers.

The major difference between the 1971 and 1980 plans of the Industrial Structure Council indicate the strategic shortsightedness of Japan's political and business leadership. The 1971 report introduced as a goal the notion of what the Japanese call "knowledge-intensive industry," such as fusion power, industrial robots, computers. The crux of the 1971 report was the strategic assessment that Japan's own ability to advance, including overcoming chronic shortages of skilled labor, lay in a division of labor with the developing sector. This meant transferring technology to industrialize the developing countries—in the words of the U.S. House trade subcommittee, creating "New Japans." This was the policy followed to one degree or another until the demise of Fukuda in late of 1978.

The 1980 report labeled "Long-term Vision of MITI Policies in the 1980s," presumes on the other hand that the other advanced countries will suffer only 3 percent average annual growth throughout the 1980s due to the energy crunch. Somehow, by 1990 nuclear and coal will have been developed to revive higher growth. At that point, the report says, Japan's ability to compete will depend on whether it used the 1980s to develop primacy in advanced technologies like robotics, numerical-controlled machine tools, computers, and semiconductors. It is already number one in robotics and is challenging the U.S. in semiconductors. These, rather than autos or steel, will be the subjects of trade expansion.

The belief that Japan can somehow develop in isolation for 10 years illustrates Japan's classic dichotomy: sharp in business practice and brilliant on *domestic* economic planning and technological advancement, but unbelievably disoriented in the world of international politics and political economy. If other nations, particularly the United States, were to follow Japan's path of technological planning, the world economy would be experiencing an unprecedented boom. But if Japan believes it can advance technologically and find export markets while the rest of the world stagnates, then sooner or later it will find its economic boom out of gas, in more ways than one.

Business Briefs

International Credit

Europeans assemble \$10 billion facility

The Finance Ministers of the European Community (EC) met Oct. 20 to complete a plan to assemble an oil-payments loan facility by early 1981. The ministers let it be known that the facility will pool \$10 billion in lendable funds acquired through deposits from oil-producing countries (see page 4).

The announcement momentarily puts to rest an intense debate within the EC around the resources of the European Monetary System (EMS), the currency parity grid which has been operating since March 1979. The French government had hoped to use the occasion of EMS borrowing of \$10 billion in relendable funds to extend EMS activities beyond currency coordination, into direct financing of EC industrial trade programs with non-EC countries. Had the French plan gone through, the \$10 billion facility would also have been open to southern European countries such as Spain, and Greece, as well as to some Third World trading partners.

Euromarkets

Bond markets hit by interest rate confusion

Gulf Canada failed on Oct. 22 to launch a \$200 million bond issue with a high rating and a coupon of 12 $\frac{7}{8}$ percent, and by late afternoon, the issue had to be called off. The cancellation affirms that a recent rally on dollar-denominated bond markets is being short-circuited by investor confusion over which direction interest rates will take in coming weeks.

The tension on the dollar bond market has been evident in Europe. Between end September and mid-October, nearly \$1 billion in fixed-interest dollar bonds were sold to international investors. While the volume is on a par with the record bond market rally of last spring, traders fear the current surge is short-

lived. (Bond sales take off when investors assume that interest rates are going downward, and they don't have to stock up on short-term paper to protect earnings.)

This week Morgan Stanley's "aggressive" efforts to market a \$200 million Citicorp issue in Europe at a cut-rate coupon of 12 percent met with a negative response. The issue had to be immediately discounted to get sold.

Government Policy

Administration plan to kill breeder exposed

Idaho's Sen. Jim McClure and Cong. Steve Syms have charged that there exists a secret Carter administration plan to kill the U.S. nuclear breeder reactor program entirely. At a press conference held Oct. 21 in Rigby, Idaho, the two Republicans cited a National Security Council memorandum of June 12, 1980, entitled "Recommendations for Post-International Fuel Cycle Evaluation Implementation of the President's Non-Proliferation Policy." The memo, circulated to all members of the White House policy review committee including the Vice-President, the Secretaries of State, Defense and Energy, the Joint Chiefs of Staff, and the CIA, provides detailed plans for the next steps to finish off the breeder program.

McClure and Syms said the administration intends to make its final decision on the plan Nov. 14. They demanded that Carter either repudiate the memo's policy or defend it publicly before the Nov. 4 election. Carter administration supporters with links to the nuclear industry, including Sens. Henry Jackson and Frank Church, have been telling pronuclear circles that if reelected, Carter will promote nuclear energy.

According to McClure and Syms, a special task force is preparing to carry out the memo's recommendations, under Gus Speth, chairman of Carter's Council on Environmental Quality (CEQ), and Kitty Shirmer of the Office of Management and Budget.

"We think that if Carter is reelected,

Congress will throw in the towel on CRBR," said a CEQ source. "They won't want to face another four-year war of attrition. And if Congress passes a nuclear waste bill anything like the present McCormack version (which includes research for disposing of reprocessed wastes), Carter would veto it."

Comecon

East-West German plans in jeopardy

Currency exchange requirements imposed by the East German government in mid-October have reduced the flow of visitors into East Germany by nearly 60 percent. Adopted in the context of an escalation of cold war propaganda from East Berlin, the measures doubled to nearly \$14 the amount of hard currency Western visitors must exchange per day. The funds are not redeemable upon leaving.

Klaus Bölling, spokesman for the Chancellor's office, said that although Bonn will remain committed to its policy of developing ties with the Soviet bloc, the currency regulations could not fail to retard East-West German relations. He suggested that several joint economic projects under discussion might be shelved. These include a power plant near Leipzig which was to have supplied West Berlin as well as East Germany.

Industrial Development

Fusion conference discusses boom potential

A conference sponsored by the Fusion Energy Foundation Oct. 15 at the Hotel Concord in Los Angeles discussed not only nuclear fusion power but the space program, water development, technology transfer to the Third World, and a buildup of science education as aspects of rebuilding U.S. industrial power.

Speakers included foundation re-

search director Uwe Parpart, pioneer fusion scientist Friedwardt Winterberg, and Dr. N. W. Snyder, designer for Parsons Engineering Company's North American Water and Power Alliance plan. In attendance were representatives of California congressman James Lloyd, Lockheed, Hughes Aircraft, Litton, McDonnell Douglas, and 30 smaller firms. Lloyd's aide, Sandy Baldonado, welcomed the participants on behalf of the congressman, who was one of the early cosponsors of the McCormack fusion bill signed into law Oct. 7. National Farm Organization spokesman Art Wilson of Cholame, California, and Dr. W. P. Plummer, a specialist in medical aid to Africa, also participated.

In New Jersey on Oct. 21, personnel from Exxon, AT&T, the Energy Department, regional utilities, labor unions, contractors, investment brokers, and small businesses as well as farmers and engineers heard the FEF's executive director, Dr. Morris Levitt. The meeting opened with messages from a Democratic congressman, Robert A. Rowe, and the mayor of Elizabeth, N.J.

Agriculture

Organic farming for United States?

"The well-established benefits from organic farming justify a switchover by many U.S. farmers," the *Baltimore Sun* editorialized on Oct. 19. The *Sun* proclaimed that although the changeover may be slow, organic farming is definitely on the agenda for the United States. Such a statement in a leading American daily reflects the heating up of the campaign to replace America's high-technology agricultural methods with low-technology, low-capital organic methods.

The Council for Agricultural Science and Technology has just released a study comparing organic and conventional farming. "Soil erosion would increase," concludes CAST, "if the total food production were maintained, and, in the long run, the balance of payments earned by exports of agricultural products

would decrease." Organic farming rejects use of farm chemicals and adoption of organic methods by farms now using a mixed grain-livestock system would result in decreases in crop yield estimated at 15 to 25 percent per acre.

To maintain today's level of agricultural production using organic methods, Pat Cohill, special project director of the American Agri-Women, pointed out in an interview with the *Christian Science Monitor*, cropland would have to be doubled. The "warm, cozy writing" about organic farming, Cohill says, contains "an inherent threat to our food supply if it encourages legislation to place the farm decision-making in any hands but those of the farmer-entrepreneur."

"Dare we forget," asks Cohill, "that organic farming is the method long used by the Chinese, and that China is a nation which only in the last few years of its long history has been able to feed its people?"

Energy

India announces nuclear breeder schedule

India will be completing the design of a 250 to 500 megawatt fast breeder commercial reactor by 1986 or 1987, G. Venkataraman, chief physicist at the Kalpakam Research Facilities, said last week.

India's 15 megawatt breeder test reactor, built at the facilities, is scheduled to start operating by the end of the year. Based on the design for the French Rhapsodie reactor, it will convert thorium into fissile material. The larger commercial breeder will use the thorium-based fuel cycle, based on the scientific information on irradiation of thorium obtained from the test reactor.

India has also announced plans to construct seven more heavy water plants by 1986. Last week, the Atomic Energy Commission site selection committee located India's fifth nuclear power station at Kakrapar in Gujrat State. The station, consisting of four 235 megawatt reactors, will follow the already standardized design used in the project now under construction in Uttar Pradesh.

Briefly

● **MUTUAL SAVINGS BANKS** report that during September, they had a net deposit outflow of \$425 million. This compares to last year's record outflow of \$1.1 billion; according to Mutual Savings Association spokesmen, however, the September loss more than offsets the total deposit inflow for the previous four months. Whether the deposit outflow continues depends on inflation rates over coming weeks.

● **THE U.S. LEAGUE** of Savings Associations will be heard Nov. 14 in its suit against the Depository Institutions Deregulation Committee. The League is charging that the DIDC's May 28 actions to restructure rate ceilings on six-month money market certificates and 30-month certificates are illegal. The Federal Reserve had postponed the hearings for over a month. They will now be held in the U.S. District Court in Washington, D.C.

● **OTMARE EMMINGER**, former president of the West German Central Bank, announced Oct. 22 that a "realistic" exchange rate for the deutschmark would be 1.80 to the U.S. dollar. The remark was issued after the mark closed at 1.86 the same day. The currency is under heavy pressure due to Germany's posting of a record payments deficit this year.

● **FRENCH BANKS** are gearing up Eurocredits for Third World borrowers. Paribas announced this week it is lead managing a \$250 million, eight-year syndicated credit for Brazil; and a \$350 million, eight-year loan for Nigeria to finance a steel manufacturing complex. *Crédit Lyonnais* is working on a \$200 million financial credit, and a \$100 million export credit for the same Nigerian project. France's government-owned export bank *Coface* is backing an additional \$250 million, eight-year export credit for Brazil.

Why Carter must go

by Criton Zoakos, Editor-in-Chief

The proposition of electing a Democratic Congress in 1980 and dumping Carter at the same time, has been attractive to Democratic elected officials for over a year now. Since Oct. 15, this widespread sentiment became the basis for a series of intensive political campaigns around the country based on the simple slogan: "Elect a Democratic Congress *and* Dump Carter!" This is the electoral strategy of the influential and fast-growing National Democratic Policy Committee, a party body formed after the Democratic Convention last August. The most influential figure within the Policy Committee, Lyndon LaRouche, the former candidate for the Democratic presidential nomination, now serving as Advisory Committee chairman at the NDPC, recently issued a recommendation to influential Democrats to do everything in their power to remove Carter from office. Mr. LaRouche, principally proceeding from concerns over matters of foreign policy and national security policy, reacted to Soviet president Brezhnev's recent endorsement of Carter with a call to "dump Carter" and, "in the interests of true peace, teach President Brezhnev a lesson about American politics."

The underlying point that Lyndon LaRouche and the National Democratic Policy Committee make on the matter of war danger is that, given that no intentional, premeditated launching of war is likely or feasible during the nuclear era, the one serious cause for world war would be the domestic and international economic and monetary policies of "austerity" and "IMF conditionalities." These monetarist policies are currently responsible for the political and military destabilization of large regions of the world and these destabilizations in turn are increasingly serving to feed further frictions, conflicts, and miscalculations in the already tense relations between the two superpowers.

If LaRouche considers Carter's economic policies to be the cause of disasters in foreign policy, millions of voters and thousands of Democratic Party officials share with him the sense that Carter's economic policies are the cause of all the domestic disasters they have had to put up with in the last



Photo: Sygma

four years. Whether this sentiment will produce a strong Democratic Congress *and* dump Carter will be seen in a few days at the polls.

Long-time observers of electoral politics are virtually unanimous in their agreement that such a dramatically skewed election result, if it occurs, will be a historical turning point. It will also be a well-deserved revenge of the congressional Democrats against what has been done to them between 1970 and 1980 by the (nonelected) party leadership. This damage to Congress is documented elsewhere in this issue of *EIR*. For the first time since 1968, this year's election presents the possibility for reversing the dominance of McGovernism and the oppressive McGovern reforms. A defeat of Carter and a Democratic victory in Congress next Tuesday would virtually guarantee the end of McGovernite rule.

Party constituencies versus Carter

The bitterness and hostility toward Carter from the traditional party constituencies has been assuming massive proportions in the last 18 months, and it has been mutual. From the beginning of its term, the Carter administration dedicated its efforts to undermining the influence of popular constituencies over national policies, especially economic policies. Carter came in for the purpose of "educating," or conditioning, the American people to the idea that the age of prosperity, the age of unlimited opportunity and the American Dream was forever over. His policies resulted in a large-scale and growing wave of bankruptcies of American farming;

In this section

This Special Report was prepared under the direction of Editor-in-Chief Criton Zoakos and National Editor Konstantin George.

Why Carter must go

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the collapse of the construction industry, whose activities and employment have been reduced by over 20 percent; the shrinking of the auto industry by 25 to 30 percent; similar levels of collapse in steel and virtually all other traditional mass industries, the historical constituency base of the Democratic Party; well before any resistance could be organized against Mr. Carter's Friedmanite economic policies, the Carter administration launched a large-scale terror and intimidation program through the Justice Department, the series of Abscam, Brilab, Pendorf and other entrapment and slander operations which have targeted over 100,000 people, each an important member of the regional and local constituency machines that make American politics (and economics) work.

So, a war has been going on between Carter and the traditional party constituencies for four years. As a result, this year's Democratic National Convention was attended by less than 10 percent of the party's congressmen and senators, with most of those who did show up departing after the second day of the convention when it became evident that it would not be possible to have the convention delegates released and thus have an "open convention."

Meanwhile, most Democrats up for reelection made it clear that not only they would not campaign for Carter, but they would prefer it if he did not campaign for them. A rarity has occurred: party candidates are refusing to ride on the coattails of their presidential candidate—who happens to be the incumbent. Virtually all the Democratic congressmen from the South are refusing to campaign for Carter, but only a few of them, such as Mayor Ferrer of Miami, have said so publicly.

Up until the National Democratic Policy Committee opened fire against Carter publicly, the Democratic opposition to Carter was conducted quietly and privately. Expressing that sentiment at the time was a spokesman of the House Democratic Campaign Committee who preferred to remain anonymous: "Most congressmen will keep their distance from Carter and hope that people will remember their congressman and take out their frustration on the head of the ticket. Many senators up for reelection also believe that close association with Carter will hurt them."

NDPC focus

Given that 10 days before the election Carter was lagging four percentage points behind Reagan, the strategy adopted by the Carter campaign organization is pivoted on two efforts: a dramatic augmentation of vote fraud capability, euphemistically code-named "Operation Big Vote," and a frantic attempt to get the hostages home either by means of capitulation to Khomeini or by the risky application of some sort of violence. A return of the hostages before Election Day

was calculated by Carter campaign strategists to be worth two percentage points at the opinion polls. Any remaining vote advantages of Governor Reagan are expected to be taken care of by outright vote fraud operations, especially focused in the critical swing states of Pennsylvania, Ohio, Florida, Michigan, Illinois, Texas, New Jersey, and New York.

If Carter carries even four of these states, it is then possible that under certain circumstances he may win the election despite Reagan's overwhelming superiority west of the Mississippi. Ironically, recent days have indicated increasing electoral activity, sponsored by the National Democratic Policy Committee, under the slogan "Elect a Democratic Congress and Dump Carter," in the cities of Philadelphia, Cleveland, Detroit, Chicago, and Houston.

This sort of deployment is probably the most classic case of "minimum effort for maximum result." The postwar patterns of every presidential election year have shown that no Democratic presidential candidate can carry the states of Pennsylvania, Ohio, Michigan, Illinois, and Texas unless he secures pluralities ranging from 150,000 to 300,000 votes in the particular cities mentioned above. If the NDPC succeeds in keeping Carter's pluralities below these threshold levels while electing Democratic congressmen, Carter will lose the election.

The Carter deal with Brezhnev

Excerpts from Contributing Editor Lyndon H. LaRouche's Oct. 16 policy statement, "Why Does Brezhnev Wish Carter Back Into the White House?":

The Soviet leadership has reached a rotten accommodation with the Carter administration, selling out the United States's principal allies of both the Arab Middle East and continental Western Europe. Brezhnev's endorsement of President Carter's reelection is a product of that agreement.

This development represents a breaking point for every honest member of the Democratic Party and the national government. The issue is not merely that President Brezhnev has endorsed Carter's reelection, but that this endorsement is the reflection of a rotten agreement between the Carter administration and Moscow.

In a certain ironic sense, the Democratic Party as a constituency party will have a better chance of surviving a Reagan presidency than it will of surviving a second Carter administration at this point. Many trade union officials, farm leaders and congressmen interviewed and consulted by *EIR* have expressed grave concern that if Carter gets reelected, the top two items on his domestic agenda will be a) take revenge against those Democrats who either opposed him or failed to support him and b) escalate dramatically the Abscam and Brilab operations of the Justice Department. The combined effect will be the terminal gutting of the party as a constituency-based organization.

A possible Reagan administration on the other hand, is displaying ironies of its own. In a nutshell, those ironies can be summarized as follows: if Reagan wins, there will immediately follow a rather large factional explosion within the broad and diverse coalition that now constitutes the "Reagan camp." The following principal constituency-based forces are now heavily represented in that camp: the grass-roots nationalist movement which secured the governor's victory during the primaries; farmers and export-oriented agricultural interests; local and regional power machines threatened by Abscam and related operations; traditional ethnic minorities frustrated with Carter's various foreign policies; the Teamsters, overtly, and other organized labor

power centers, covertly, who are trying to fight back against Carter's Brilab; and a large straightforward anti-Carter component which has no particular sympathy for many of Governor Reagan's current policies, most notably his known commitments to Milton Friedman-style monetarism and his tight-credit inclinations.

The mix of constituency sentiments behind Governor Reagan is thus explosive. It is highly unlikely that the Kissinger-Bush-Max Fisher grouping of advisers, dominant in the Reagan camp since the nomination of George Bush, will be able to ride this particular tiger should Governor Reagan become the President-elect. The key issues that will come to the surface for resolution will be, first of all, the matter of credit policy, export policy, industrial revival, effective national security, and the areas in which these concerns overlap. The constituencies' clamor for bold advances toward a perspective for prosperity, will place Governor Reagan's allusions to Franklin Delano Roosevelt into a perspective that it is doubtful he himself intended.

Under such circumstances, a Democratic majority in Congress, elected on the basis of opposition to Carter and based on the large constituencies' opposition to Carter's programs, has a better chance of doing the nation some good and keeping the Democratic Party alive, than under any possible circumstances in a second Carter administration.

As allied forces of Iraq, the exiled Iranians, and other Arab countries have moved to bring about the removal of the Khomeini obscenity in Iran, the Carter administration shamelessly moves to conduit strategic support to a Khomeini regime still perpetrating what are tantamount to acts of war against the United States. Moscow is also supporting Khomeini. Libya, Syria, and North Korea, as well as the Carter administration client government of Zia's Pakistan are conduiting military aid to the beleaguered Khomeini "Jacobin terror" regime.

Moscow's relevant policies are currently being directed with prominent involvement of the Soviet Communist Party's foreign intelligence "think tank," IMEMO, and the Soviet KGB of General H. "Kim" Philby. Philby's father was a founding field executive of the Arab Bureau, and the younger Philby conducted an important operation for SIS's Arab Bureau in the Lebanon-Syria region immediately prior to his leap into Moscow. Philby's known policies today are congruent with those of British SIS's desired deployment of the Soviet Union to the present date. IMEMO, which created the U.S. Communist Party-linked

U.S.A.-Canada Institute, is a British intelligence and policy-making center, shaped to its present form in association with Philby associate Maclean.

What is presently occurring is a headlong rush toward a "controlled confrontation" between U.S.A. and Soviet forces in the Middle East, as prearranged in effect under the terms of the rotten agreement between Moscow and the Carter administration. The included objective is cutting of substantial portions of the world's Middle East petroleum supply.

This is not to imply that Mr. Carter is allied otherwise with Mr. Brezhnev. It is an adversaries' partnership, a deal whose understood objectives include imposing economic disaster upon U.S. allies of continental Western Europe and elsewhere, as well as the most massive petroleum hoax against the American economy and people to date. Mr. Carter's and Mr. Brezhnev's administrations have strongly differing reasons for participating in the rotten agreement for "controlled confrontation." The agreement is operational nonetheless, and is downright evil as well as violently contrary to the most fundamental interests of the United States and its allies.

The Carter family's trashy record

by Konstantin George

A nearly four-year accumulation of cold, hard facts tells the story of the Carter Presidency. With the possible exception of President James Buchanan, where historical documents prove Buchanan was over his head in conspiratorial dealings to shatter the Union, the Carter Presidency goes on record as the worst in American history.

The first basic mooring point in defining the quality of any chief executive is the level of moral qualities associated with that particular head of state and his closest associates, family or otherwise.

One couldn't ask for a better initial vantage point to fathom the stench of the trash now occupying the White House.

Examine Jimmy Carter's family. Brother Billy's dirty business and bribery dealings with the same radical Libyan leaders allied to the Ayatollah Khomeini, who finance murder and international terrorism, though well known, does not constitute some errant black-sheep-of-the-family mode of behavior.

Billygate is but one component of Carter Familygate. Meet the Carter family:

Jimmy Carter's sister, Ruth Carter Stapleton, is a quack self-proclaimed "faith healer," who traipses around the Middle East on junkets paid for by her "friends," the same radical Arabs who are making brother Billy rich.

Jimmy's son, Chip Carter, a publicly acknowledged habitual pot smoker, as a member of the First Family has the privilege of smoking the illegal and mind deforming substance under the observation of his Secret Service protection.

Jimmy's other son, Jeff is the subject of a Senate Judiciary Subcommittee investigation concerning his possible establishment of a Philippine connection to bail out the Carter family's financially troubled peanut warehouse.

Brother Billy, as recently revealed by Sen. Robert Dole, has two of his chief business associates, George Belluomine and Robert Sprague under Justice Department investigation for drug running.

Jimmy's sister Gloria's son, has served time in jail, convicted of armed robbery.

The immediate "Georgia Boys" circle brought into the White House with the Carter family trash, are an

equally venal bunch, having in common with Carter and his administration the quality of slavish subservience to the powerful, international drug money-based financial interests whose political vehicle, the Trilateral Commission, established the Carter administration.

Carter, Mondale, and the Carter cabinet read like a who's who of the Trilateral Commission. The Carter administration has done more to ensure the widest proliferation of mind-destroying drugs than all previous administrations combined.

Carter's self-proclaimed "closest associates" make no secret of being kingpins of the drug lobby. Meet the people Jimmy Carter calls his friends:

Jimmy's "closest friend," Peter Bourne, is the Carter family psychiatrist. Bourne is a loud public advocate of drug use. Carter appointed him to head the White House Office on Drug Abuse Policy. Bourne's earlier experiences before he teamed up with Carter in 1970, included helping the Haight-Ashbury Drug Clinic in San Francisco, which retooled burned-out victims of the drug counterculture into radical, politicized proto-terrorists.

- Hunter Thompson was a former "political correspondent" for *Rolling Stone* magazine. We quote this drug freak: "Both Carter and his wife have always been amazingly tolerant of my behavior. . . . I have never made much of an effort to adjust my behavior in front of them."

- Carter campaign director and former White House Chief of Staff Hamilton Jordan was accused of sniffing cocaine in a New York disco.

- Tim Kraft, Carter's reelection campaign director, was forced to resign because of charges involving two separate instances of cocaine sniffing.

Carter's operatives

Ham Jordan was quoted, as recently as this past week, as saying he considers limited nuclear war an "excellent way" of uniting the country around Carter. Man-of-peace Carter believes in the feasibility of so-called limited nuclear war with the Soviet Union, having made such policy official U.S. doctrine through Presidential Directive 59 signed in July 1980.

As White House Legal Counsel, Carter appointed

Washington lawyer Lloyd Cutler. Since his appointment Cutler has written innumerable op-eds from his White House perch, calling for the abolition of the U.S. Constitution.

The Carter purges

Cutler's writings and Carter's actions are identical. Under Carter, the Bill of Rights has been de facto rendered null and void. The Carter Presidency has been a four-year declaration of war against America's unionized workers and their friends in business and politics—the machinery that makes America work.

Under the pretext of “combatting white collar crime and labor racketeering,” Carter's rule has set into motion a campaign by the Department of Justice that has unleashed an army of hardened criminals to carry out entrapment, blackmail, extortion, bribery, and murder—all directed against the leaders of America's constituency-based political machines.

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Carter's thug perpetrators go scot free. The victims are framed, indicted, convicted, and jailed, with the Constitution—the law of the land—contemptuously tossed aside.

Carter Justice Department scam operations such as Abscam, Brilab, and Pendorf have targeted the political enemies of the Carter gang. The slavish adherence of the Carter gang to the dictates of the international drug financiers' lobby and goal of that lobby to destroy American society, make clear how only a mass reign of terror can hope to enforce such goals.

Those targeted include elected union officials, city councilmen, mayors, and corporate executives. A special critical feature of this Carter reign of terror has been the systematic purging of respected Democratic leaders of Congress throughout the past decade, culminating in Abscam. Since Carter's inauguration, the Department of Justice has attained 18,000 white collar crime convictions, compared to almost none before 1976. For every conviction, three indictments; over 50,000 total. Over 100,000 constituency leaders, representing tens of millions of voters have been destroyed in the four years of Carter. There have been more political convictions, trials, arrests, than under Stalin, and all under the name of “human rights.”

Halfway to 1984

With his reign of terror, Carter is halfway toward consolidating a dictatorship. Under Carter, the government-within-the-government structure required to impose a dictatorship has been established. The facts:

- In 1975, Trilateral Commission member Samuel Huntington wrote a study for the Commission entitled *Crisis in Democracy*. The study called for the end of “unlimited economic growth” and terminating “the indefinite extension of political democracy.” That's

Harvard for totalitarianism.

- In January 1977, the Trilateral Commission became the U.S. government, with Huntington posted to the NSC under Brzezinski to put the study into action. He authored Presidential Review Memorandum 32. PRM 32 established a Federal Emergency Management Agency. In an emergency, such as a Middle East oil cutoff or other pretext, FEMA assumes complete dictatorial powers over the nation.

The FEMA “government within a government” reorganization shut out the Pentagon and Joint Chiefs of Staff from involvement in national emergency action. All such functions were centralized under the director of FEMA. Under the provisions of Carter's executive order ignored by the Congress, the director of FEMA, appointed by the President, maintains total control over all federal agencies involved in crisis management from his chair on the National Security Council.

The provisions of the Carter June 19, 1979 Enabling Act do not end there. FEMA is also authorized through its status within the NSC to participate in advance planning and crisis management of terrorism together with the Working Group on Terrorism of the Special Coordinating Committee of the NSC.

For the post of FEMA Director, Carter chose John W. Macy, to the public, a total unknown. Macy's career had three recent stages of note. From 1961 to 1969, he was based at the White House as Special Assistant to the President for search and evaluation of candidates for presidential appointment. From 1969 to 1972, he was President of the Public Broadcasting Corporation, closely tied to the British Broadcasting Company, that is, British intelligence. The BBC's role in aiding Khomeini's rise to power, through vituperative Persian-language pro-Muslim fundamentalist broadcasts, is well-documented.

The third recent chapter of Macy's biography provides a special touch only to be found in Carter appointments. Directly before his appointment to head FEMA, Macy, as a “project manager” for Public Sector Management contracts was under contract to the government of—you guessed it, Iran.

Carter's international allies

In the same spirit that governs Carter's domestic devastation policies, his administration has systematically sought to undermine the industrial nation allies of the United States, and the oil-producing nations who together make the world economy work, to the extent it does, in spite of Carter policies.

In this undeclared war waged against our Western European allies and Japan, Carter's assault has centered on seeking to disrupt and manipulate the West's oil flow from the Middle East in true thug and blackmail fashion.



Photo: Wide World

Billy and Jimmy on the 1976 campaign trail

The paradigm of this thuggery policy is the Carter alliance with Khomeini and Qaddafi. In having forged this alliance, Carter is guilty of treason. The facts:

- Carter policy governed the overthrow of the Shah and the installation of the Khomeini regime.
- Carter ally Khomeini shut down Iran's oil production, setting off a Carter-Libya-Iran price caper that doubled the price of oil in less than a year.
- As State Department documents leaked to the press have revealed, Carter knew full well that U.S. diplomats in Teheran were going to be taken hostage. Carter did nothing.
- The hostage seizure by Khomeini and the mullahs, the fundamentalist pals of Jimmy and Billy's Libyan buddies, saved Carter from certain defeat in the primaries and an assured one-term Presidency, because Carter cynically manipulated the situation involving 52 American lives for nearly a year to suit his electoral needs. Just before the New Hampshire primary vote, the April 1 Wisconsin primary, and now again on the eve of the election, the "hostages to be set free" stories have surfaced.

The alliance with Khomeini is the norm for Carter foreign policy. Carter has consistently allied with the declared enemies of the U.S. The facts:

- Red China has publicly sworn to maneuver the United States into a nuclear war with the Soviet Union that would destroy the U.S. Carter abandoned Taiwan, turned the traditional U.S. emphasis on Japan and South Korea upside-down, and embraced China.
- Carter the liar and hypocrite, the apostle of so-

called human rights, has allied the United States with the People's Republic of China and China's Cambodian puppets, the forces of Pol Pot.

The United Nations estimates confirm that Pol Pot, with China's blessing and active assistance, murdered four million Cambodians. Jimmy Carter embraced the perpetrators of that holocaust.

- For Jimmy Carter, anything to please these Asiatic Hitlers and Eichmanns. But nothing for U.S. allies Japan and South Korea. One of Carter's first acts in office was to call for total troop withdrawal from South Korea, leaving Korea to fend for itself against a Chinese-backed North Korean invasion.

Total withdrawal was blocked by Congress, but Kim Il Sung remembers Carter's generosity. Kim wants Carter reelected. He just offered Carter a "peace treaty" for Carter's second term, if Carter completes the pull-out.

The longer Carter remains in office, the worse it gets, exponentially. Carter's biggest crime on the scale of human destruction is occurring now. His refusal to commit any U.S. food aid in the requisite amounts to stave off mass famine in East Africa means—and Carter knows this—that he has already in effect sentenced to death thousands of Africans every day. If Carter's policy continues, millions are condemned to die. By the time of the next inauguration, the worst genocide in history will be underway.

The handwriting, drawing the grim 1981-1984 world body count if Carter stays in office, even *if* we avoid nuclear war, is on the wall.

The record of economic sabotage

by Kathy Burdman

The presidential administration of Jimmy Carter has carried out a clear and consistent economic program for the United States, contrary to widespread charges that Carter has fumbled the economy badly. The Carter administration has, in fact, proceeded deliberately, and succeeded, with its objective of reducing American consumption and standards of living, scaling back production, and phasing out the U.S. dollar as the international currency.

Jimmy Carter is now attempting to sell himself as the candidate of labor, the candidate of the average hard-working American family, who will protect the economy from the threat of Republican austerity. On Carter's own record, and the deliberate intent of his appointee Federal Reserve chairman Paul Volcker, this is an insult to the American voter. No other candidate in this election or in any previous U.S. presidential election in memory has either publicly advocated or implemented the level of tight money and economic triage already achieved by Jimmy Carter.

The intent

From the day of his inauguration, Carter has instituted in particular a direct attack on the personal consumption of the American population, as openly called for by Fed chairman Volcker. "The standard of living of the average American has got to decline,"

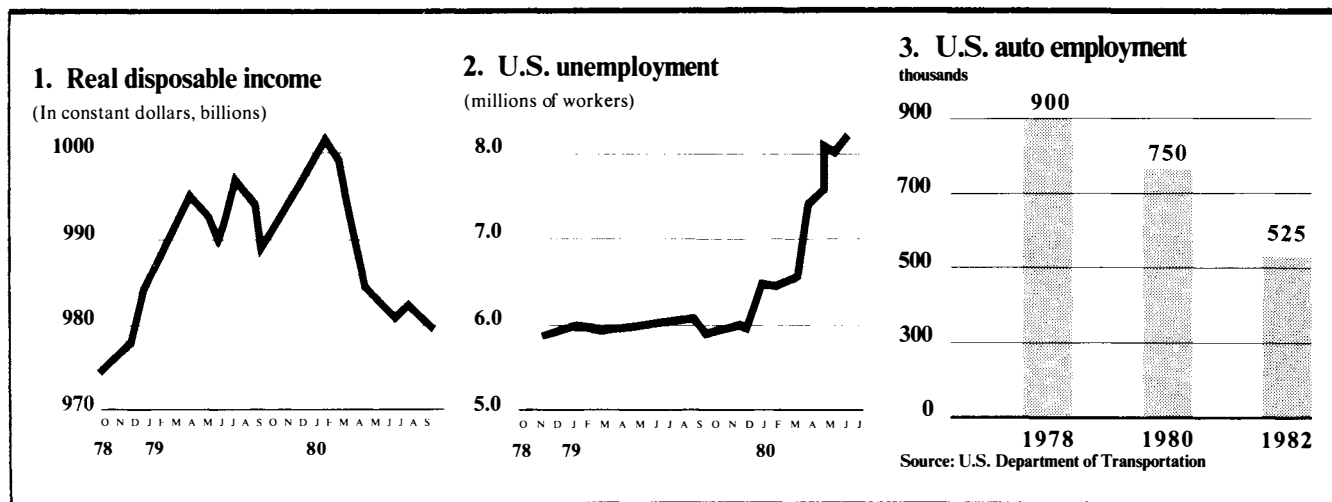
Volcker told Congress frankly on October 8, 1979. This is precisely what has occurred.

Volcker moved immediately after this statement to implement his "October package" of "voluntary" credit controls and a tightening of Federal Reserve credit that within months led to a doubling of the prime interest rate from 11 percent to 20 percent, a post-war record, cutting off credit to whole segments of the U.S. economy. In particular, consumer credit, even after taking inflation into account, plummeted by 10 percent during the period from December 1979 to this June, as the credit controls were applied selectively to consumer spending.

Although six million Americans were then out of work, on Oct. 9 Jimmy Carter endorsed Volcker's statement with gusto. "The No. 1 threat to our national economy is inflation," he said in a nationally televised press conference. "So whatever it takes to control inflation, that's what I will do."

As a direct result, between December 1979 and now, Americans' real disposable income, the cash which families actually have left to spend after taxes and inflation are taken out, has plummeted by \$26 billion (Figure 1). With Volcker's latest round of renewed interest rate hikes since August of this year, there appears to be no floor for personal income in sight.

Simultaneously, U.S. unemployment has soared to



over eight million, by the administration's official figures (Figure 2). Unemployment in the automobile industry alone has rocketed to almost 200,000. Total employment in the industry fell from 900,000 workers in 1978 to below 750,000 this year, and is projected to fall to 525,000 or less by administration officials in the Department of Transportation by 1982 (Figure 3).

This may be the tip of the iceberg. Real unemployment is estimated by *EIR* at closer to 10 percent, or in excess of 10 million workers, when so-called discouraged workers who are temporarily not seeking employment, and thus have been left out of U.S. Department of Labor statistics, are counted back in. If additionally the total number of workers dropped by such methods over the past four years are included back into the statistics, unemployment rises to 15 percent.

War by inflation

Carter claims his measures were justified "to fight inflation," which he stated was a major goal immediately upon taking office. In his much publicized "Anti-Inflation Speech" of October 24, 1978, Carter declared "war on inflation" and called for a "time of national austerity" to fight inflation.

The result: consumer prices have risen through the roof by over 40 percent since Carter's 1977 inauguration (Figure 4). Inflation is now predicted to continue at double-digit levels "for the foreseeable future" by top Wall Street economists.

Carter's interest rate squeeze has in fact been a "war by inflation" against the U.S. economy. By raising interest rates to 20 percent levels, the Carter Fed created a permanent, double-digit annual inflation, first, because borrowing costs must be added to all production costs, and second, because production itself is slashed as American consumers are stripped of buying power.

This downturn of production is in fact the deliberate

aim of the Carter administration, which publicly stands for zero economic growth, and has called for the "sunset" of America's basic heavy steel, auto, housing, and other consumer-related industries.

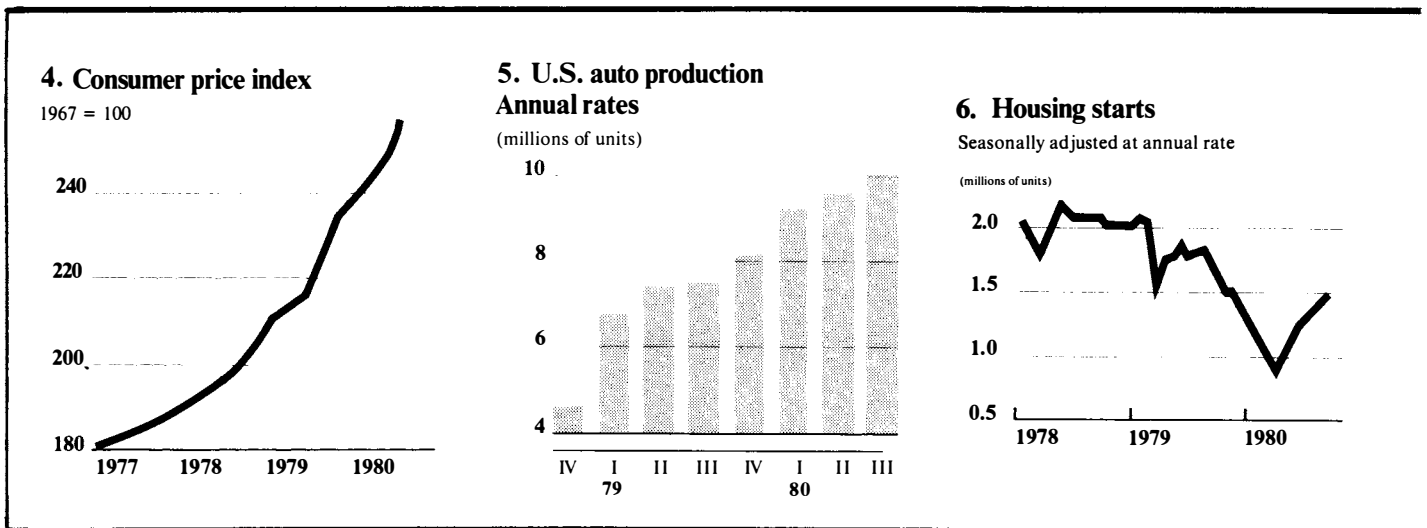
It is America's consumer industries that will be the *first* to go, in line with Volcker's dictum that living standards must fall.

American basic auto production, the motor of the economy, is down in the third quarter of this year to only 4.2 million cars at an annual rate, less than half the 1978 annual rate (Figure 5). U.S. housing starts have collapsed by over 25 percent since the beginning of 1978, and the current new interest rate squeeze "will kill off the market" even further, according to the U.S. League of Savings Associations (Figure 6).

The basic U.S. steel industry, backbone of the U.S. economy, has experienced almost a 50 percent production decline during Carter's administration to date. Steel depends on auto and housing for over a third of its own market (Figure 7).

The American steel industry will shut down more than 15 percent of its total capacity between now and 1988; it has already lost 12 million of the 150 million tons of capacity it had in 1978 (Figure 7). The actual rate of attrition of capacity could be larger without a short-term recovery in capacity utilization, which has fallen from more than 90 percent last year to a projected average of 71 percent during 1980. Steel industry estimates have stated that \$5 billion of investment annually is required merely to maintain the condition of existing capacity; yet the industry will barely raise \$2.5 billion in investment capital this year, or half of replacement costs.

Agricultural net income is projected to fall by 25 percent below 1979's level, from \$31 billion last year to between \$21 and \$27 billion, according to the U.S. Department of Agriculture. The Carter administration's



policy toward the farm sector, including the postponement of \$35 billion in water projects, unfavorable terms of agricultural credit, the useless grain embargo against the Soviet Union, and the escalation of energy costs to the farm sector have all resulted in an attrition from agriculture of 2,000 farmers per week. The results of these blows against agriculture have already appeared in a higher food price component in the producers' price index and promise to be a long-term contributor to 20 percent-plus inflation.

Indicating how severe the depression in the farm sector is for the adjoining sectors of the American economy is the present situation in the agricultural equipment industries. Sales of tractors are down by one-quarter in unit terms, although inflation has made that drop much smaller in dollar terms. Conditions are set for severe liquidity problems in the farm implement sector. One of the five largest producers, Massey-Ferguson, is already in liquidity trouble, and the sector as a whole has been shut out of the market for long-term bonds since August.

U.S. international standing

Much of what has been done to the U.S. economy by Carter and Volcker has been justified on the basis of "protecting the U.S. dollar" by high interest rates to attract foreign capital inflows. It should also be noted that, on this logic, U.S. interest rates are now headed up again with no clear ceiling. Since August (Figure 8), the prime has begun to rise again from the summer's low of 11 percent to the current 14 percent. Leading Wall Street economists, such as Bear, Stearns's Lawrence Kudlow, project a prime of 16 percent or higher by the end of the year to be fully possible.

Considering the severe shock to U.S. basic industry engendered by Volcker's 1979-80 round of rate hikes, the rate of decline of U.S. industry when hit a second

time in a row will be almost incalculable by standard measures.

In spite of its deleterious effects on the economy, Carter's interest rate policy has been a total failure with the U.S. dollar. Since Carter took office, not only have gold prices soared by over 600%, from the \$100-ounce range in 1976 to over \$700 recently (Figure 9), but the dollar's value against foreign currencies has plummeted, turning the U.S. into a tourist Mecca for vacationing West Germans, Japanese, and other "hard currency" countries' citizens (Figure 9).

The U.S. dollar's fall against the deutschemark, from its 1976 Carter inaugural levels of 2.36 DM per dollar, has been precipitous—a 22 percent decline to the \$1.85 level. The dollar has plummeted against the Japanese yen's 1976 value of over 290 yen per dollar to a current level of 207 yen per dollar, a fall of 29 percent. Predictions are for levels of 200 yen or worse by early next year, foreign exchange traders say.

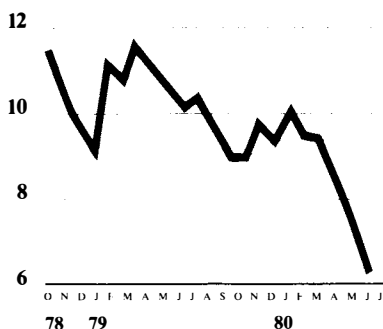
Not only has the Fed not saved the dollar thus far—it has no prospect of doing so in the future, no matter how high the rates and how low America's production levels sink.

Given the fact that inflation is still taking off in the U.S., and is beginning to fall in Europe and Japan, where the economies are headed into a recession, fears of a renewed dollar crisis have recently been voiced by the financial community.

"The Fed has lucked out so far," said Bear, Stearns's Lawrence Kudlow last week. "It's been coasting on a strong dollar. We haven't had any serious dollar crisis yet. The dollar may break soon. Inflation is headed down in our competitor countries of Europe and Japan, and up here. Then, we get real dollar problems." While *EIR* is not forecasting a dollar crisis at the moment, the point is clear: Carter's policies are responsible for the dollar's demise to date, and any in the future.

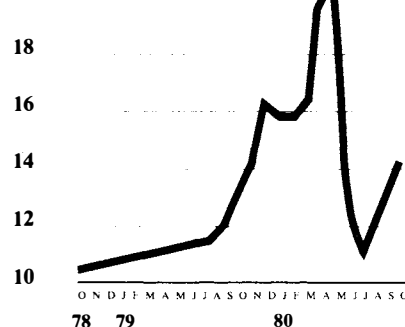
7. U.S. steel production

(million metric tons)



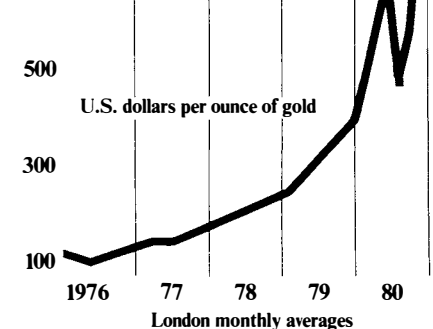
8. U.S. prime lending rate (%)

20%



9. The fall of the U.S. dollar vis-à-vis gold

\$700



Source: Consolidated Gold Fields

Carter's drug record: the Inferno

by Nora Hamerman

Nora Hamerman is editor-in-chief of the national magazine War on Drugs.

A June 1980 report issued by the National Institute on Drug Abuse, reporting a national survey on drug usage for 1979, documents the following shocking results after three years in office of the Carter administration: "Two-thirds of young adults (68.2 percent), three in ten youth (30.9 percent), and one-fifth of older adults (19.6 percent) report having ever used marijuana." Over 50 percent of these users had smoked marijuana during the month they were interviewed, most reporting a pattern of usage of five days or more during the month. Moreover, the largest recruitment period was shown to be the high school age, when marijuana usage increased four-fold between youth ages 12 to 13 and ages 14 to 15.

It is not accidental that under the Presidency of Jimmy Carter, America has gone this far down the road toward becoming a nation of pot-smoking zombies. The stink of drugs has hung over Carter and his family since the days in 1976 when he attended "fundraising" concerts given for him by the Allman Brothers band, members of which were convicted on cocaine charges. Carter's chief of staff, Hamilton Jordan, was acquitted last year of accusations that he snorted cocaine at New York's Studio 54, but it was never explained what the President's top aide was doing in the notorious hangout of the dope-consuming jet set in the first place. Carter campaign manager Tim Kraft took a "leave of absence" after it was divulged that he was under investigation on at least two cocaine usage charges in September 1980.

Like the downward progression of infernal circles in Dante's Hell, such personal immorality on the part of Jimmy Carter and his family and close associates is inexorably linked to a deeper source of evil-doing. In the *Commedia* of Dante, the soul journeys downward past the sinners who refused to give up their obsessive sins of lust, gluttony, and rage, to the lower circles of crimes of violence (murder, vandalism, and theft), and finally with a sickening lurch into the domain ruled by hypocrisy, where sinners are punished for the endless varieties of fraud they have committed—the *malebolge* dominated by economic sins. The ultimate root of evil, in the icy pit of hell, is treason.

Over the past several months, the editors of *War on*

Drugs have catalogued the crimes in high places that have led our nation into the current drug epidemic. Although the list of names of the guilty spans across political parties and nations, one conclusion has been inescapable: the prodrug lobby would never have come to its present position of dominance in our national life without the continual, open complicity of the Carter White House. The Carter record on dope is so unequivocal in its service to the international drug-running cartel's policy aims, that this issue alone would be sufficient to impel the American public to drive Jimmy Carter out of the White House.

Backed decriminalization

In his first (and only) speech to Congress on drug abuse, delivered in August 1977, Jimmy Carter stated: "Penalties against possession of a drug should not be more damaging to the individual than the use of the drug itself; and where they are, they should be changed. Nowhere is this more clear than in the laws against possession of marijuana in private for personal use.

"Therefore I support legislation amending federal law to eliminate all federal criminal penalties for the possession of up to one ounce of marijuana." Even though the accumulating indictment of the extremely damaging medical effects of marijuana has caused many former advocates of "decrim"—like former National Institute of Drug Abuse head Robert DuPont—to retract their prodecriminalization stance, Carter has never wavered in this stand or attempted to justify it. In 1980, he was the only presidential candidate who refused to reply to a National Anti-Drug Coalition questionnaire on drug policy, submitting the same 1977 speech as his "full position."

Carter's stand in favor of national decriminalization, which happily has not yet been enacted, is the product of a campaign by NORML to fully legalize marijuana. Upon taking office in 1977, he brought into the administration the following advisory board members of NORML: Mathea Falco, assistant secretary of state for International Narcotics Matters; Dr. Peter Bourne, White House adviser on Drug Abuse; Dr. Thomas Bryant, head, President's Commission on Mental Health; Dr. Normal Zinberg, consultant to the National Institute for Drug Abuse.

To the shock of State Department veterans in the field, Falco immediately began to prepare the ground internationally for U.S. decriminalization. In February 1977, less than a month after Carter was sworn in, Falco and Peter Bourne attended the Geneva meeting of the United Nations Commission on Narcotic Drugs. Representatives of the U.N. member countries were shocked to find that the two senior officials of the United States (the largest contributor to the U.N.'s Fund for Drug Abuse Control) were telling representatives in private meetings that the decriminalization of marijuana was supported by the new administration. Bourne and Falco's actions were viewed as a direct violation of the U.N. Single Convention on Narcotic Drugs of 1961, and its 1972 Protocols, which strictly require participating countries to outlaw the cultivation of all psychotropic drugs except for controlled medical purposes.

"Decrim's" record fully supports the contention of the National Anti-Drug Coalition that it is legalization by another name. In New York State alone, a 1978 official report showed that heavy marijuana use in public school grades 7 to 12 had increased by 300 percent since the decriminalization of the drug 18 months earlier.

Both the New York report, issued by the State Substance Abuse Service, and the previously cited NIDA report show quantum leaps in cocaine consumption among youth during the same "decriminalized" period—indicating the correlation between marijuana and other drugs of abuse that the "pot" lobby has always denied. The New York report showed a 10 percent experimentation rate with cocaine for the grade 7 to 12 group. The NIDA study showed that from 1977 to 1979, the same period of almost nonstop scandals and rumors of cocaine usage in the White House, the group that had tried cocaine went from 19 to 28 percent among young adults.

Thus, Jimmy Carter's much-publicized campaign declaration in Brooklyn last Oct. 20 that he planned a major offensive against the drug epidemic in five East Coast cities, was greeted with bitter laughter by New York State citizens. Not only had Carter in fact not allocated a cent of additional money to drug enforcement and viable therapy programs, but his own liberal drug policy had already created the climate in which no drug enforcement was possible!

Dismantling DEA

Carter's attorney general, Benjamin Civiletti, has declared that drug enforcement is a "low priority" for the Justice Department, and narcotics cases prosecuted by the federal government have dropped under the Carter administration to half their former level. "Low priority" was also the term used by Transportation Secretary Neil Goldschmidt in justifying cutbacks in the Coast Guard cutter patrols under his jurisdiction that



Photo: Wide World

At the White House with performer Willie Nelson, who says, 'My boys don't play where they can't smoke dope.'

were formerly deployed to aid the Drug Enforcement Administration, particularly in stemming the annual influx of Colombian marijuana.

The National Anti-Drug Coalition has launched a campaign to make Americans aware of the fact that Carter's Justice Department has cut the 1980-81 budget for the Drug Enforcement Administration, the coordinating agency created to wage an effective U.S. "war on drugs" earlier in the last decade. Effective Oct. 1, the Paris regional office of the DEA was dismantled and its leading personnel returned to Washington. It was the Paris DEA that had worked with our European allies to crush the "French Connection" source of heroin supply into the United States. Reducing it to a mere district office is tantamount to declaring a drug war on Europe and allowing free rein for the reemerging French Connection and related refinement and transshipment capabilities for illegal drugs destined for U.S. shores.

Moreover, the DEA has also been forced to cut funds for task forces in several U.S. cities—notably the highly successful one in Philadelphia, one of the cities Carter promised on Oct. 20 would benefit from a new "program" to stop the drug traffic. Reached by telephone on Oct. 21, none of the responsables in the White House for the drug abuse program knew of any such "program." The National Anti-Drug Coalition denounced Carter's "drug war" as a cheap political hoax.

Dope, Inc. runs foreign policy

It is with the Carter foreign policy that we see the total dictatorship of "Dope, Inc." over administration policy. The administration's contempt for Europe, man-

ifest in the decision to downgrade the Paris DEA office, is merely logical in the face of Carter's across-the-board backing for the International Monetary Fund, the institution that controls world credit flows and lending terms for the developing sector.

War on Drugs has documented the cases of Jamaica, of Turkey, of Colombia—countries that have been forced by the IMF to turn to drug cultivation under the pretext that this would create “hard currencies” for international exchange and debt repayment. With rare candor, an article in the *London Observer* a few months back admitted this policy: “In the complicated and topsy-turvy world of international finance,” the *Observer* wrote, “the International Monetary Fund is now effectively helping those who want to legalize pot.” In Colombia, one of the country's leading IMF collaborators is banker Ernesto Samper Pizano. He is also the head of the public legalize-marijuana campaign. When he paid an extended visit to the United States last year, it was as the guest of the State Department. Mathea Falco opened her office to meetings with him to discuss making marijuana and cocaine Colombia's two main “cash crops.”

Acceptance of the IMF's monetary dictates has placed the Carter administration in league with the most notorious outlaws and brigands in the world. The administration has allied itself with the Afghani “rebels” who barter their dope crops for weapons; with the Begin government of Israel, which has been totally taken over by organized crime and holds the Israeli population in a reign of terror and corruption; and with the communist rulers of Peking, who sit atop the financial and transshipment empire, together with British banks, that runs and profits from the Golden Triangle opium trade out of Indochina, still the biggest and most lucrative in the world. In Italy, Carter is allied with the Craxi-led Socialist Party constellation that attempted to legalize heroin twice in the past year and threatens to destroy that nation with a wholesale free-drugs policy.

When the State Department and its mouthpiece, the *New York Times*, advise U.S. citizens that a Craxi government would be best for Italy, they do not tell you that one of Craxi's closest cohorts, Socialist Aldo Aniasi, presided as mayor over the transformation of Milan into a city with 100,000 heroin addicts. In the last year, as health minister, Aniasi has succeeded in forcing Italian pharmacies to dispense methadone, a substitute-heroin drug that has proved in U.S. experience to increase both drug-related crime rates and death rates.

The records of these “allies” of the Carter administration are not the product of special investigations by *War on Drugs*. These facts are easily accessible in the public domain. The question now is, what will the American public do about it?

Billygate: The real record

by Scott Thompson

The Carter administration has weathered over a dozen scandals, each of a magnitude far greater than Watergate. The most publicized among these scandals is Billygate.

At the political core of Billygate is not Billy Carter, but the administration's decision to make Libya a U.S. client—a client now unified with Syria, a Soviet client. Both are running guns to Iran, and running terrorists against America's allies in Western Europe.

At the financial core of Billygate are the Charter Company, fugitive financier Robert Vesco, and Armand Hammer, the Occidental Petroleum chief who is a long-time friend of Moscow and protégé of British Petroleum. This is the network implicated in drug trafficking, hot money laundering, and oil market manipulation.

The Carter White House, Justice Department, and National Security Agency actively conspired with these elements:

In Billygate, White House chief of staff Hamilton Jordan, the ringleader of Carter's personal “Atlanta Mafia,” was caught negotiating a \$10 million bribe with fugitive financier Robert Vesco to quash his extradition from the Bahamas. When nationally syndicated columnist Jack Anderson exposed the bribery scheme, the Justice Department launched “Operation Kingfish”—a plot to kidnap and kill Vesco.

In Billygate, National Security Adviser Zbigniew Brzezinski was caught in direct violation of the federal Espionage Act. Brzezinski not only leaked highly classified documents to Billy Carter, but promoted a \$25 million Libyan oil deal with the Charter Company.

In Billygate, Attorney General Benjamin Civiletti, the highest ranking law enforcement officer in the United States, was caught protecting the President's brother's involvement with some of the most suspect individuals on three continents.

Why, then, has the Carter White House survived this scandal?

The cover-up

Jimmy Carter has carried out the cover-up that Nixon was accused of, but never seriously attempted. The most important elements of the cover-up were not

directly carried out by Carter or his administration. They are the result of a decision to maintain Carter as a malleable instrument by the same policy-making layers in the Council on Foreign Relations who dumped Nixon.

The establishment media—including the *Washington Post* and *New York Times*, which led the Watergate witchhunt—have been virtually silent on Billygate. At the height of the scandal virtually all coverage ceased one week before the Democratic convention to assure Carter's nomination.

Thus, also, Carl Bernstein, the codramatist of "Deep Throat" in Watergate, has openly flaunted his intimate ties with Peter Jay, the former British ambassador to the United States, and a consultant to the Charter Company, a principal in the Libya deals.

The Billygate witnesses

The fingerprints of the administration show up in the abrupt silencing of four of the main Billygate witnesses.

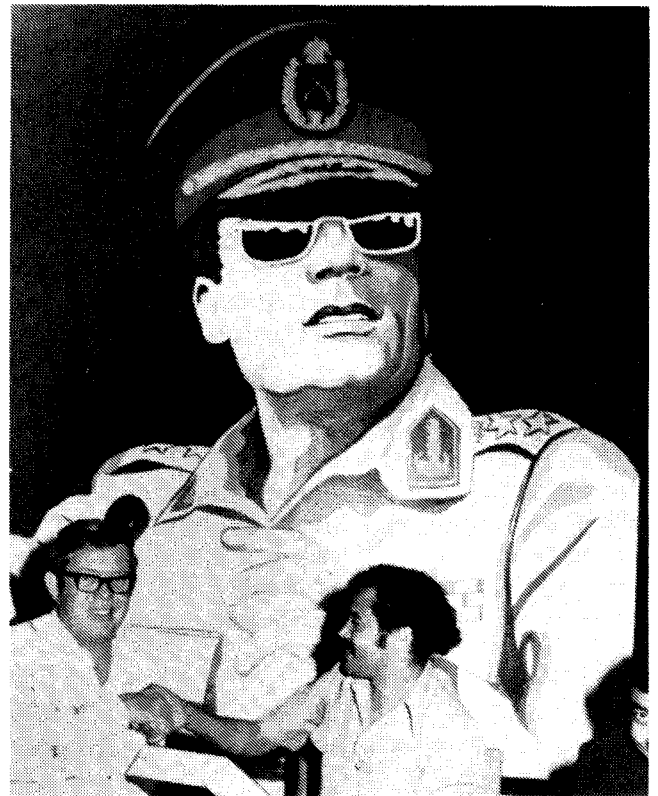
On Sept. 3, Frank Terpil, the former CIA officer whom Billy Carter described as his interpreter in Libya, walked out the door of his mansion in McLean, Virginia, after telling his family that he was "just going for a haircut." A month later Terpil, who was under indictment in New York and Washington on charges that range from illegal arms deals to conspiracy to commit murder, surfaced in a Tripoli, Libya hotel. Just down the hall from him lives "Carlos the Jackal," the terrorist who Terpil has often bragged was his prize student.

The Senate "Billygate" subcommittee, which will one day rank with the Warren Commission as cut-and-paste whitewashers, accepted Billy Carter's statements about Terpil at face value. As *EIR* has learned from Terpil's friends, he could not have been Carter's "interpreter," as he speaks only a half-dozen words of Arabic.

Terpil was instead the link between Billy Carter and a half-dozen illegal operations. Among them was a plan to use Billy's influence to obtain the licenses to export machineguns to Libya, one of Terpil's main customers since he was fired from the CIA and opened a business selling everything from booby traps to terrorists.

Terpil was also one of the links between Billy Carter and fugitive financier Robert Vesco, all three of whom have been implicated in a plot now before a New York grand jury to free the eight embargoed C-130 aircraft purchased by Libya. It is believed that Terpil and Vesco were joint administrators of a \$20 million slush fund to bribe White House officials into releasing the planes.

Despite the fact that Terpil was under investigation by the FBI, Customs, the Bureau of Alcohol, Tobacco, and Firearms, as well as two grand juries, orders were issued not to place him under full-time surveillance. Intelligence sources report that Terpil simply drove



In Libya, Billy Carter receiving an award from the mayor of Tripoli.

from his home to Montreal, where he used a fake passport to fly to Libya.

Even more astounding are reports from Terpil's former acquaintances, among other sources, that he is currently serving as a channel for the White House to negotiate the release of the 52 Americans held by Iran. Two weeks ago Terpil admitted that he had even enlisted Idi Amin, the deposed butcher of Uganda and another major client of Terpil's, into the hostage negotiations.

The two primary witnesses in the Senate Judiciary Subcommittee probing Robert Vesco's ties to the Carter administration—the only congressional body that has shown any aggressiveness in Billygate—were both indicted on charges that appear designed to destroy their credibility.

On Sept. 15, R. L. Haring, the emissary from Vesco to Hamilton Jordan in the 1977 bribery case, was indicted for conspiracy to commit murder. The indictment came down days after Haring was named as the chief witness who could corroborate Vesco's statement in this matter.

According to one congressional staff member, Haring was indicted on the basis of secret testimony by a member of the Federal Witness Protection Program: the same program in which professional con artists were hired to entrap those politicians and labor leaders on

Carter's enemies list in Abscam/Brilab-type stings. Haring's indictment stems from Project Leviticus, a Justice Department operation designed to reorganize the coal industry in the name of combatting "organized crime penetration."

A double standard

It is doubtful, given the Billygate record, that a single member of Jimmy Carter's staff would be free from jail if the same Abscam/Brilab tactics Civiletti's Justice Department has developed were applied against the executive branch.

Instead, James Feeney, the sole member of the Federal Witness Protection Program sent on a simple mission to tape meetings with Robert Vesco, was himself indicted on Abscam-related charges on Oct. 21. Where the videotapes of Abscam targets have been played on nationwide TV, the 63 tapes Feeney made of Vesco discussing his deals with Billy Carter and certain White House officials have been totally suppressed.

The Billygate record

The following is a brief condensation of the story that the Carter administration has gone to such great lengths to suppress:

- **Michele Papa**, the go-between for the Libyan government in the initial phases of Billy Carter's recruitment, was a notorious member of the Sicilian Mafia. Through his Sicilian-Arab Friendship Association, whose core members were drawn from the Sicilian Separatist Movement set up by the Mafia and Italian black nobility, Papa was directly linked to extreme left- and right-wing terrorism.

Among the neo-Nazi groups whom Papa's associates helped found is the Ordine Nero ("Black Order"), whose members carried out the bombing of the Bologna train station this August in which 83 people died. During Billy Carter's first trip to Libya in September 1978, Papa carried out secret negotiations with PLO representatives in Tripoli to whom he offered a small volunteer army.

- **Raymond Mason**, who offered Billy Carter a \$25 million commission for Libyan crude oil that former Libyan intelligence sources report was already paid to him, engineered the takeover of a Bahamas refinery to process this oil in a series of secret meetings.

Mason met with Ahmed Shahati, the unofficial "foreign minister" of Libya, on a U.S. tour sponsored by Billy Carter and former U.S. Sen. J. William Fulbright. A few days after Mason met with Billy's Libyan friends, he flew to the Bahamas to discuss financing for the takeover of Carey Energy's Bahamas refinery with Robert Vesco.

The National Oil Company of Libya and the National Iranian Oil Company, Carey's two main credi-

tors, insisted that Charter be awarded the refinery despite better offers from other firms.

- **James Schlesinger**, Carter's former secretary of Energy, enacted a \$5 per barrel entitlement for oil processed by Carey Energy's Bahamian refinery that over night made it a highly profitable venture.

- **Peter Jay**, former British ambassador to the United States, saw the Charter-Carey deal as part of a scheme to reorganize North African oil for British Petroleum. Jay was hired as a special consultant by Charter's Raymond Mason as soon as he left his ambassadorial post.

Jay has admitted knowing Mason long before the Charter-Carey deal was made. He has also admitted meeting with Jack McGregor, a Marine buddy of Billy's and another Charter employee, who discussed Billy's finances with President Carter at the height of the Charter-Carey deal. Jay, who had regular access to Jimmy Carter and who was one of the chief influences on Zbigniew Brzezinski, is believed to have been even more of an emissary than McGregor on the deal.

- **Robert Vesco**, who fled to the Bahamas in the early 1970s with over \$200 million in assets stolen from Investors Overseas Services, is a constant thread throughout Billygate.

In addition to his involvement in two White House bribe attempts, the Terpil scandal, and the Charter-Carey deal, Vesco also provides a possible drug link to the Carters. Several law enforcement sources have confirmed that Vesco controls the extensive cocaine and marijuana trade in the Caribbean.

In one of his secret meetings with Charter's Raymond Mason, it is also known that Vesco suggested a takeover of Resorts International, the casino gambling syndicate that has frequently been linked to Israeli mafia leader Meyer Lansky's drug money laundering schemes.

- **Armand Hammer**, who negotiated Soviet President Brzhnev's election eve endorsement of Carter, has also been linked to the Charter-Carey deal. Hammer has combined a business career, which in his case has spanned everything from alcohol sales during Prohibition to Czarist art treasures and Mideast oil, with international intrigue on behalf of the same Anglo-American elite that created and controls Carter.

At the height of Charter's takeover negotiations with Carey, Hammer's own Occidental Petroleum, one of the main "independents" operating in Libya, was involved in several joint ventures with Charter. It is believed that Charter relied heavily upon Hammer's good graces in Libya, in addition to the influence of the Carter family, to secure its position. Hammer's own ties to the Qaddafi regime were forged with the aid of Lord Thomson, the heir to Lord Beaverbrook's press empire and Peter Jay's *London Times* employer.

Carter vote fraud: 1980 prospects

by Lonnie Wolfe

On Oct. 6, officials of the New York City Board of Elections were startled by the sudden delivery of 150,000 postcards registering voters for next month's national election. They were brought in by the box load by various trade-union and community organizations.

Bea Dolan, the head of the Board of Elections, reported that from January to September 1980, her board has received more than 250,000 new registrations. In the four days prior to October 6—the last day of the registration period—another 50,000 registrations poured in. Nearly all were Democratic registrations.

Dolan says that there have been no validity checks nor does she plan to do any before Election Day.

“Vote fraud?” Dolan told a reporter, “What’s vote fraud?”

Dolan is in a position to know exactly how vote fraud secured Jimmy Carter the 1976 presidential election. As reports from New York and other key states indicate, Jimmy Carter is preparing to commit even greater fraud in 1980.

How fraud is set up

There are three interrelated components to a national vote fraud operation.

The first component involves voter registration. The idea is to register as many names on the voter rolls as possible—whether the individuals exist or not, whether they live at a listed address or not. It is made easier by lax registration practices such as postcard registration that make it easy to register “phantoms” without validity checks.

The Carter/Mondale organization has successfully completed this phase of operations. Carter campaign officials are claiming record levels of new voter registrations this year. This flies in the face of all available information that there is a record level of voter apathy—or voter antipathy.

Democratic National Committee get-out-the-vote coordinator Tracey Gallagher identified the Carter strategy: “We targeted 13 states based on easy voter registration practices.” These states coincide with the so-called swing or key states on whose vote the outcome of the election depends. Seven of these states allow postcard registration: New York, New Jersey, Pennsylvania, Maryland, Texas, Kentucky, and Ohio. Wisconsin al-

lows chaotic same-day registration, which lets people vote by merely showing up at the polling place on Election Day.

Other battleground states—Florida, Illinois, Louisiana, and Mississippi—have also shown anomalous registration patterns in key Democratic wards, especially in urban areas.

The outcome of the election actually hinges on the vote in these key urban areas within the battleground states—Chicago, Buffalo, New York City, Houston, San Antonio, New Orleans, Newark, Miami, Cleveland, etc. In each of these places, the first condition for vote fraud has been accomplished through increasing voter registration rolls.

The second component of the operation is the shaping of the population’s perception about the election to make the vote fraud seem credible. This is accomplished through the media and especially through the use of opinion polls. Over the course of the last two weeks, the population has been bombarded with one poll after another—each with the same message: Reagan’s strength is slipping and all the key states are becoming “toss-ups”—too close to call—with the exceptions of New York, which is now given to Carter, and California, which remains in Reagan’s column. There is little or nothing in terms of “voter perceptions” that actually accounts for the shift away from Reagan, the pollsters admit.

This propaganda barrage covers for the final component of the vote fraud operations—the actual “vote delivery” and “vote stealing” on Election Day. As evidence accumulated in 1976 shows, many of the phony voters are phantoms—people that either didn’t exist or voted for Jimmy Carter regardless of whether they showed up at the polls or not. In addition, the 1976 results showed “vote shaving” or vote stealing through operations conducted after the vote was cast, or through manipulation of voting machines or ballots.

The Democratic National Committee and Carter/Mondale campaign have also pointed to the aid they get in voter registration from so-called nonpartisan, tax-exempt organizations, which traditionally conduct Democratic voter registration drives. Two of the most significant of these operating this year are the Southwest Voter Registration Project, based in San Antonio, Tex-

as, which registers Mexican-American voters, and Operation Big Vote, a Washington, D.C.-based coalition for registering black voters.

Operation Big Vote is a coalition of 70 to 80 national black organizations coordinated by Gracia Hillman out of the offices of the Joint Center for Political Studies black think tank in Washington, D.C. A spokesman for this organization has predicted that Jimmy Carter will "again get 90 percent of the black vote as he did in 1976," despite reports from the NAACP that voter registration among blacks is lagging far behind this year due to "apathy." Operation Big Vote has claimed a goal of turning out 75 percent of black registered voters this year, compared to the 48 percent who voted in 1976.

Al Barkan, the director of the AFL-CIO national COPE operation, reports that the labor federation will have more than 140,000 field workers in key states to "get out the vote" over the next two weeks through Election Day. They will be operating from computer-generated lists of registered labor voters and where possible conduct "visits." They plan to help these individuals "get to the polls" on Election Day. In the past this has meant that, where possible, they will cast votes for their fellow workers.

These operations aim at shifting no more than 3 to 5 percent of the vote over to Jimmy Carter. According to current projections from both the Carter and Reagan camps, in all states less than 8 percent separates the two major candidates; in states such as Ohio, Pennsylvania, Michigan, Texas, Florida, Illinois, and New Jersey, the margin is less than 3 to 5 percent. This is well within the established Carter vote fraud capabilities based on the 1976 results. For example, Carter won the state of Ohio in 1976 by a bare 5,000-vote margin—less than 1 percent of the vote. In 1976, specialists in vote fraud and statistics showed in court that more than 10,000 phantom voters could have cast their votes in the city of Cleveland alone.

Field reports

We present below reports gathered by special *EIR* investigators on the potential for vote fraud in key "battleground states."

Ohio: Carter/Mondale campaign officials say both privately and publicly that the key to carrying the state is carrying Cuyahoga County, which contains the city of Cleveland, by more than 100,000 votes with a 70 percent or better "turnout." The DNC, with the help of former Cleveland mayor Carl Stokes, put together a massive voter registration drive. A record 85,000 registrations were delivered to the Board of Elections in the last month alone—25,000 from the heavily Democratic black wards of Cleveland's east side. Total registration is up in Cuyahoga County by more than 115,000 over

1976: most are from Cleveland, though the city lost population during that period. The drive was carried out by 300 deputized registrars—paid by the DNC—who registered voters "door to door." with no verification of residence or identity. The state AFL-CIO, the United Autoworkers, and the United Mineworkers, along with Operation Big Vote, are turning this and other "registration" efforts into a get-out-the-vote drive.

Texas: Carter/Mondale officials say that the vote here will depend on the Mexican-American factor. In the last 45 days of registration, the DNC, using postcard and deputy registration methods, registered 400,000 voters, mostly blacks and Hispanics. The southwest Voter Registration Project claims to have doubled Mexican-American registration since 1976, from 400,000 to more than 800,000; in 1976, 85 percent of the Mexican-Americans had their votes counted for Jimmy Carter. This year, 90,000 were registered in the last two weeks—mostly by postcard with no validity checks. 150,000 registered in Houston in the last three weeks—mostly Hispanics, mostly by postcard, with no validity checks. **New Jersey:** Here Carter/Mondale forces view the cities of Newark, Jersey City, and Camden as key. In Essex County, the DNC, working with the NAACP, the FOCUS Hispanic-American group, the local black Democratic machine, and the AFL-CIO's COPE apparatus, registered 31,000, mostly by postcard and with no validity check, in the last two weeks of registration. Similarly, more than 40,000 postcards were logged in Hudson County (Jersey City) and Camden in the last three weeks of registration, again with no validity checks. The state AFL-CIO plans to deploy "a few thousand" people to "get out the vote."

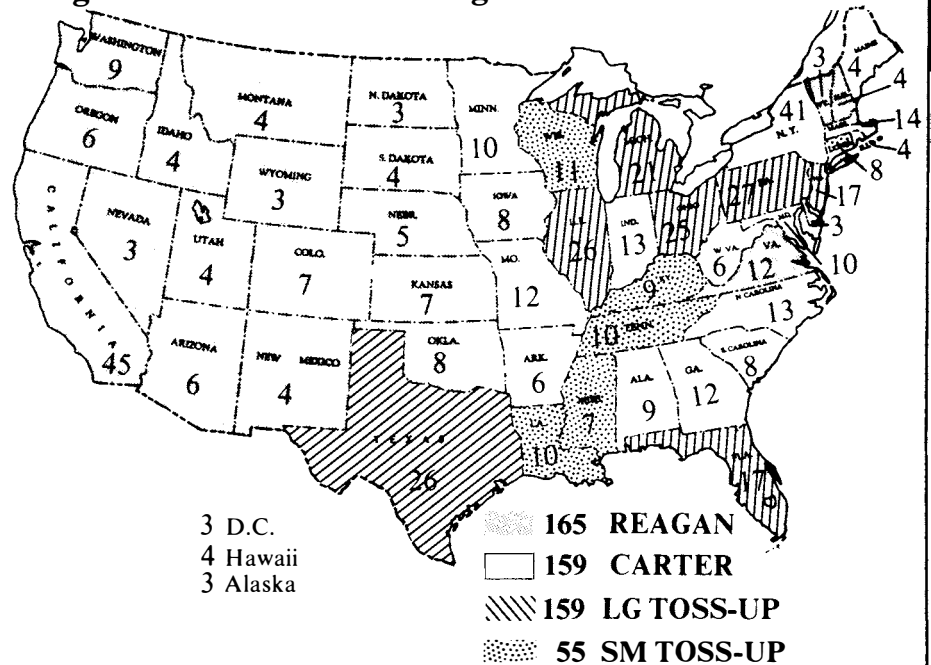
Illinois: Carter/Mondale strategist Tracey Gallagher and everyone else in the campaign says that the vote hinges on an overwhelming margin for Carter in Cook County (Chicago). Here Carter is relying on the remnants of a party machine with proven fraud capabilities dating back 100 years. The Board of Registrars, appointed by the city machine, expects a "record turnout"—a phenomenal 88 percent. There is a rush of last-minute registrations—more than 142,000 people registered in Chicago in a single day recently. Carter is also working with the Rev. Jesse Jackson's PUSH organization to "deliver" black votes.

Pennsylvania: Here, the state's two largest cities, Philadelphia and Pittsburgh, are key to Carter's chances. In Philadelphia, where Carter is counting heavily on the machine of Mayor Green, more than 92,000 new voters were registered in the last three weeks, mostly from ghetto areas in North and West Philadelphia. This is on top of 113,000 new registrations reported between April and October. The drive was conducted by the Urban Coalition, AFSCME, the International Ladies Garment

Swing states and vote-fraud targets

High probability of fraud

Wisconsin	11
Michigan	21
Illinois	26
Ohio	25
Pennsylvania	27
New York	41
New Jersey	17
Texas	26
Mississippi	7
Louisiana	10
Florida	17



The map on this page identifies the political battleground on which the 1980 presidential election will be fought. The *EIR*'s political analysts, based on reports from around the country, count 165 electoral votes for Ronald Reagan, 159 for Jimmy Carter and a total of 214 as toss-ups or too close to call.

What must concern Carter and Reagan strategists is putting together a winning combination of states from the "toss-up category" to put their candidate over the top—a 270 electoral vote majority. Any effort to do this shows the potential critical role that the Carter vote fraud capability will play in determining the outcome of the election. Each of the large toss-up states—the "Big 7"—are highly possible vote fraud states, based upon past record and current information. There is no way that Ronald Reagan can put together a winning combination without confronting this problem and neutralizing it enough to win at least three or four of the big toss-up states and a combination of smaller toss-up states. On the other hand, it is clear from this map that Carter cannot win without calling on his vote fraud capabilities.

Workers Union, and various senior citizens groups.

No figures are available from Pittsburgh, where the United Steelworkers apparatus, along with the city machine, conducted voter registration.

New York: Aside from New York City, Carter forces have targeted Buffalo for major get-out-the-vote operations directed by the AFL-CIO and the local machine of Joe Crangle. More than 32,000 new registrations were received by postcard in September and an additional 23,000 by Oct. 6; no validity checks were made.

Michigan: Voter registration figures are not available yet, but Carter campaign officials say that they are counting heavily on the UAW and various black organizations—especially Detroit mayor Coleman Young's operation—to deliver the "Carter vote." Joe Madison, the head of Operation Big Vote, claims that there will be a 85 percent black voter turnout, overwhelmingly for Carter. The Carter/Mondale campaign is circulating the story that there will be a last minute surge of "voter interest" that will push the turnout from current 45 percent levels to upwards of 65 percent.

Louisiana: Top Reagan people are worrying out loud about vote fraud, especially in New Orleans. Registration is up by about 10 percent there, according to latest figures. Certain parishes are referred to as "commercial boxes"—i.e., their votes are available for sale—and the word is out that Carter has bought them.

Florida: Carter/Mondale operatives say that the vote in Dade (Miami) County is the key to the state. They are talking about a 75 to 80 percent turnout of registered voters there, especially in the black and Hispanic ghetto areas. Since January, there has been a rapid rise in registrations in the Miami area, including an increase of more than 85,000 in the three weeks preceding the Oct. 13 close of registration. Overall, statewide Democratic registrations are up by 250,000 over 1976.

Mississippi: The Carter campaign has targeted the black vote to deliver the state. They plan to increase black voter turnout by 5 percent over 1976 figures. During the last two weeks, 22,000 registrations came in. In the past, there was widespread bussing of blacks to vote several times in different polling places.

How Carter stole the 1976 vote

by Felice Merritt and Barbara Boyd

The 1976 presidential election hinged, just as the 1980 contest promises to hinge, on the results in a handful of states. In 1976, analysis showed that the results in the Electoral College would have been changed by a shift in the results in as few as two highly populated states. A number of Republicans, joining with supporters of Lyndon LaRouche, examined those results and determined to challenge the outcome of the presidential election, believing that it had been decided by widespread vote fraud.

A well-funded and well-organized get-out-the-vote drive, targeting the almost entirely Democratic voters in minority districts of urban areas, coupled with so-called registration reforms such as postcard and same-day registration, created the capacity to affect election outcomes by fabricating relatively small margins of fraudulent votes. Postcard registration permitted the enrollment of millions of new voters. Many of them, subsequent investigation discovered, were “ghost” voters. They did not exist. Same-day registration permitted tens of thousands to be herded from poll to poll, casting multiple votes. The sum of those votes, it was determined, decided the election.

The case of New York

Although Jimmy Carter, according to the official election results, carried New York State by more than 230,000 votes in 1976, a lawsuit filed by New York Republicans and by LaRouche campaign managers showed that this large margin as well was composed of fraudulent votes.

The New York City Board of Elections received 600,000 postcard registrations from new registrants for the November 1976 general election. Of that number, approximately half were not verified in any way whatsoever. The director of the Board of Elections ordered county officials in New York *not* to send out nonforwardable first class letters to 280,000 applicants to verify their existence and their addresses, claiming she had neither the time nor the staff to make such checks. Tens of thousands of new registrations were nonetheless accepted by the Board of Elections as many as 12 days *after* registration was officially closed. The voting rolls were filled with invalid, duplicate, and fraudulent regis-

trations.

A Bronx County newspaper reporter wrote that she had registered 10 times and on Election Day succeeded in voting 10 times. A Westchester County sheriff's sampling of postcard registrations found 20 percent invalid registrations. Random checks in all New York City boroughs revealed similar rates of invalidity as well as 5 to 6 percent duplicate registrations. A check of Bronx registrations showed hundreds registered at the addresses of abandoned buildings and vacant lots.

In the midst of such chaos, the director of the New York City Board of Elections instructed election inspectors: “Do not turn anyone away from the polls.” She then issued public service radio announcements encouraging “everyone who registered to come out and vote.” Almost half of them did, resulting in a minimum of 250,000 fraudulent votes being cast in New York State in 1976.

Coordinated through a national Operation Big Vote, local political leaders, poverty officials, social service directors, ministers, and others targeted the minority populations. Then New York City councilman Ramon Velez described how he and his political machine (centered around job training programs, CETA, and drug rehabilitation programs) pulled in 100,000 new postcard voter registrants.

One of the biggest “go-getters” in the big vote operation, Velez said, was the Bronx methadone program SERA, which sent 400 of its members out into the streets to register people. “These guys were clean, rehabbed and not on methadone,” he said. Believing that Carter could get an edge in the vote in New York State, he put his machine on full mobilization. “In the last five days before the mail registration deadline, we registered 20,000 people.”

Velez pointed out that vote fraud is possible “only if a well-organized group is running it.” He explained various ways in which bogus registrations can be multiplied throughout the city. “In the South Bronx people can register and give their address at least once in every one of New York's five boroughs. In the South Bronx people can register and give their address as a burned-out building.” At the Board of Elections there was so much confusion that “the Board couldn't and didn't bother to check things like that.” One of Velez's associates described sending volunteers down to the Board of Elections to process the postcard registrations collected by the organization. No verifications were performed on any of the registrations. After the election, investigators found block after block of burned-out houses and vacant lots with five or six registered voters at each location.

In areas of New York City with a less-organized machine, other discrepancies in election results pointed to similar tampering with votes. In more than 25 percent

of the sample precincts chosen at random by investigators, voting records indicate that significantly fewer voters signed in at the polls than total votes cast on the voting machines. Voting machine mechanics report only one explanation for such a discrepancy—unauthorized votes cast on the machine.

The U.S. district court that considered this evidence ruled that significant irregularities had been shown in the election results. However, it ruled, no criminal intent on the part of election officials or Democratic Party workers had been shown, and so declined to overturn the election.

The case of Ohio

Polls taken over the last two weeks indicate that the presidential race in Ohio will be extraordinarily close. In 1976, Jimmy Carter squeaked by Gerald Ford with a margin of 5,000 votes, or less than one vote per precinct. In Ohio the coalition of Republicans and LaRouche supporters joined forces to challenge the election results in federal court, claiming vote fraud conducted through the Carter/Mondale campaign organization. Again, the crucial vehicle of the fraud was the registration and voting of thousands of fictitious persons rounded up by trade union and minority organizations to gain a critical Carter margin.

Analysis of Carter's Ohio vote shows that 400,000 of his votes, or 50 percent, came from the urban centers of Cleveland, Cincinnati, Youngstown, Toledo, and Akron—all centers of activity for Operation Big Vote. Under former Ohio secretary of state Ted Brown, the Operation Big Vote postcard and universal registration drives were resisted, with the state maintaining stringent legal requirements statewide for personal registration with a Republican and a Democrat each present. This state law was violated with abandon by Democratic election officials in these urban centers. Court testimony showed thousands of illegal registrations obtained by the appointment of deputy registrars from the ranks of AFL-CIO and UAW officials who conducted their registration drives in union halls—hardly a bastion of Republican vigilance over registration procedures. As well, large numbers of new voters were signed up in Cincinnati and Cleveland in neighborhoods characterized by block after block of abandoned buildings.

The submitted court testimony in Ohio included numerous examples of vote fraud in the urban centers where Jimmy Carter gathered his vote:

Cleveland: In Ward 11, Precinct K, a ward characteristic of Cleveland's inner city, investigators found that 40 percent of the votes were cast by nonexistent voters in a heavy Carter victory. When investigators sent out a sample of 3,200 letters to the addresses listed by voters on registration roles in the city, 10 percent were returned as nondeliverable at the address given by the voter. As

investigators pulled registration cards to construct the random sample that they would use to demonstrate the overall invalidity of the statewide vote, they also discovered many registration cards missing from the books altogether. Many of these missing cards were subsequently discovered piled on the desk of Virgil Brown, the Democrat heading the Cleveland Board of Elections and a leader of Carter get-out-the-vote efforts.

Toledo: A sample of letters mailed to the registered addresses of voters here resulted in an 11 percent invalidity rate. Investigators, in the process of confirming the random sample utilized in court, attempted to interview persons recorded as voting on Election Day and found a surprisingly high proportion stating that although they were registered, they had not in fact voted. The cause of this phenomenon was an AFL-CIO, UAW get-out-the-vote effort which ran from the precincts where union officials kept minute by minute lists of those who had voted and then called prospective voters from phone banks in the late afternoon to determine whether or not they would, indeed, vote. Those persons who stated their firm intention not to vote were then voted by the trade unionists. Many nonvoters who found votes recorded for them stated to investigators that they were called by the union phone bank.

Cincinnati: Black organizations tied to Operation Big Vote in this city bragged about their registration of 50 persons per day from inner city wards consisting of vacant lots. The results of this activity were preposterously high Carter margins in certain inner city wards—margins that are statistically impossible. For example in inner city wards 17 and 18 of this city, Jimmy Carter garnered 98 percent of the vote.

The random sample of the vote conducted by investigators for the court case concentrated on the five Ohio cities where Carter received 50 percent of his statewide vote. The sample determined that there were 13,401 fraudulent votes cast at a minimum in these cities with 23,157 votes that were irregular but not determinably fraudulent. Statistical analysis of these fraudulent votes demonstrated that they were three to one in favor of Carter.

As in New York, the Ohio federal court ruled that while there was massive evidence of voting irregularities and fraud, the U.S. Labor Party and Republican litigants had not demonstrated criminal intent by the Democratic voting officials involved, and on that basis the court case was dismissed. The Ohio secretary of state made an emergency request to the Ohio state legislature for half a million dollars to conduct further investigations; Brown's request was met in the Democratic state legislature with a threat to cut the entire budget of the secretary of state's office if Brown continued his probe.

The unholy transformation of the U.S. Congress

No amendments to the Constitution were made. The Bill of Rights was never tampered with. Yet over the last decade, and especially since the 1973 Watergate scandals, the U.S. Congress has been ominously shifted from a constituency representative body toward a parliamentary system controlled by the White House and a Democratic Party leadership that came to power with the help of Department of Justice witchhunts. This House leadership, led by House Speaker Tip O'Neill (D-Mass.), implements policy through its vehicle, the Democratic caucus. The caucus has made some of the crucial decisions for the Congress that previously were made by senior Democratic committee chairmen closely tied to local political networks. Most importantly, the caucus now elects the committee chairmen previously chosen by seniority. A leadership grouping led by O'Neill now nominates committee chairmen.

The key turning point was the Watergate affair. It is a myth that Watergate merely destroyed a Republican President. In fact it began the systematic decimation of political machines throughout the nation, Democratic and Republican. The myriad of scandals spinning off Watergate shook political strata nationwide. Following Watergate, a whole series of local scandals, frame-ups, and entrapment schemes, culminating in the Carter Justice Department's Abscam and Brilab, have wrenched apart many political machines. The erosion of especially the Democratic Party as a constituency-based organization has permitted the election of congressmen not closely tied to the base of the party. A weakened Congress, in tandem with a weakened and, under Carter, denigrated Presidency, have proven unable to legislate the economic growth of the nation.

One immediate result of Watergate was the Democratic freshman sweep in the 1974 congressional elections, when 75 first-termers entered the legislature. Most of these congressmen had not come through the political ranks in their areas, they were without legislative experience, and they were in many cases "liberals" disconnected from constituent groups. Many were in the mold of liberal Elizabeth Holtzman (D-N.Y.), elected in 1974, whose only political experience was two years as a district leader. Holtzman defeated Emmanuel Celler, an important New York political leader who had served 50 years in the House. It was this freshman class which ousted many of the senior Democrats from their committee chairmanships.

Congress is a gutted structure but it has not yet been razed and replaced by an American House of Lords and Commons. As passage of the historic McCormack fusion energy bill this session proves, Congress still has the capacity—given appropriate policy direction—to enact positive legislation.

But if the Carter administration is given another four years in office, it is determined to turn Congress into a rubber stamp for the stated policies of the Trilateral Commission, namely the "controlled disintegration" of the U.S. economy. White House counsel Lloyd Cutler, an ex-Trilateral Commission member, made this explicit in an article he wrote for the current issue of *Foreign Affairs*, the publication of the Council on Foreign Relations, which is the Eastern Establishment policy-making elite.

In the article, Cutler demands a British parliamentary system for the United States, going so far as to propose that the President have the power to dissolve Congress. The aim of White House control over Congress would be to completely break influences on Congress that stand in the way of "allocating burdens and orchestrating sacrifices."

Election of a Democratic Congress closely tied to its constituents is a necessity this year for the continuation of the American constitutional system. It is precisely such congressmen and their political machines which have been the target of the Brilab and Abscam entrapment schemes of the Carter administration and numerous scandals since Watergate.

The overthrow of powerful chairmen who used their committees to advance the interests of the producing sectors of the country was followed by two years of structural reforms that had begun to undermine their power. In January 1973, the Democratic caucus adopted a "subcommittee bill of rights" which greatly augmented the power of subcommittee chairmen (see page 00). Subcommittee chairmen, of which there are over 100, now initiate bills and manage legislation on the floor, a practice unheard of 10 years ago.

Subcommittee power can now push a proliferation of narrowly considered, undigested legislation to the floor of the House. As a result, the floor is glutted with legislation which cannot pass, but which consumes valuable time in the form of endless procedural votes.

The collapse of the centralizing and "filtering" role of committee chairmen has led to fragmentation and

near anarchy in the House's functioning, such that congressmen spend the day dashing from subcommittee to subcommittee to roll call vote to quorum call, and never have time to deliberate or become competent in major areas. Twenty years ago there were 3,059 committee and subcommittee meetings. Four years ago there were more than twice as many—6,975. The average member works 11 hours per day when the House is in session, and spends none, or little, of that time by himself, studying issues.

Another erosion point occurred in 1974 with the passage of the Congressional Budget Act. Where committee chairmen could substantially determine federal budgets in the past, the Budget Act created the House and Senate Budget Committees to circumscribe that power. One former House Armed Services Committee staffer told of the first budget clashes in 1975 when the Senate Budget Committee, then headed by Senator Edmund Muskie (D-Maine) sent the military construction authorization bill back to the conference committee because it had exceeded the Budget Committee's ceiling. Senate Armed Services Committee chairman John Stennis (D-Miss.) solved the problem by cutting all the funding for shipbuilding in Maine, the home state of the Budget Committee chairman. Stennis did not have the same trouble again, but other committee chairmen have not been able to wield such power.

In a larger sense, the destruction of the strong role of two dozen committee chairmen and House leaders has led to the unbalancing of the separation of powers concept of "checks and balances." Increasingly, the executive branch, especially under Carter, dominated by environmentalists, consumerists, public interest groups, or budget cutters, has been able to run roughshod over the weakened Congress. A veteran administrative assistant who described the 1974 massacre said, "70 percent of the time and manpower in a congressional office now goes to casework—straightening out our constituents' problems with the federal government. We carry 700 to 1,500 cases per year. We don't initiate, we don't legislate, we are reactors. We have become the ombudsmen of the executive branch."

The result? Forty-three congressmen and senators following over 100 of their colleagues in the past four years and simply getting the hell out. A case in point is Texas Democrat Ray Roberts, chairman of the Water Resources subcommittee of the House Public Works Committee. Public Works Committee chairman Bizz Johnson is in serious danger of losing his reelection bid, which would put Roberts in a good position to become committee chairman. Despite that possibility, Roberts is retiring.

When he assumed chairmanship of the Water Resources Subcommittee in 1976, he did so with the intent to use his chairmanship to develop a water policy for the nation to last through the year 2020, in the time-honored tradition of the old Rivers and Harbors Committees that

gave the United States its system of internal waterways. With environmentalists dominating the executive branch, Roberts found that the administration could do nothing except oppose existing projects. On the other hand, erosion of the seniority system left the congressman unable to initiate anything comprehensive at the congressional level. Not one new water project has been started in the past four years, let alone a comprehensive strategy. In short, Congress no longer works. What happened to it?

The rise of the Democratic caucus

The history of Congressional reform in the 1970s is the history of the rebirth of the Democratic Party caucus.

The caucus is the fundamental tool of parliamentary functioning. Ultimately, constituency influences from below, mediated through powerful committee chairmen, are to be wholly replaced by party discipline from above, dictated by the caucus. The United States is at an inflection point: the caucus procedure has broken the power of committee chairmen and fragmented and immobilized the House, but parliamentary advocates have yet to succeed in imposing effective policy control by caucus.

Following the demise of the short-lived "King Caucus" at the turn of this century, where caucus decisions were binding on Democratic members of Congress, the Democratic caucus was largely symbolic up to the 1970s. Speaker Sam Rayburn used the caucus only at the outset of each session to ratify leadership positions for the House. During the early 1960s, the vastly outnumbered liberals in the House, guided by the Institute for Policy Studies, formed the Democratic Study Group (DSG). By 1968, the DSG came out with a series of specific proposals to revive the caucus and reform the House. The removal of Lyndon Johnson from the Presidency, in tandem with the crippling of the traditional machine base of the Democratic Party at the 1968 Chicago convention, obviously gave the "reformers" the green light they needed to accelerate the assault on the House.

The first concrete reform came in 1969, with the seemingly small step of establishing monthly meetings of the Democratic caucus in the House, and allowing any member to bring up a point of discussion. Using this forum, the reformers succeeded by 1970 in establishing a Committee on Study, Organization and Review which proposed changes in the seniority system that December. In January 1971, it was decided that seniority would no longer be the automatic determinant in committee

succession, and that any 10 Democrats could obtain a vote call on a committee chairmanship. Those new rules had little effect at the time. One other reform did, however—the provision limiting members to only one chairmanship of a major legislative subcommittee. This opened 16 subcommittee chairs to new chairmen in 1971.

The DSG proposed another series of caucus reforms in January 1973, which were promptly adopted. One-fifth of the members of the Democratic caucus could now mandate a secret ballot for votes on committee chairmen. A subcommittee “bill of rights” was established that allowed the caucus to decide subcommittee jurisdictions, to allocate subcommittee budgets, to give subcommittee chairmen the right to hire their own staffs for the first time. The caucus further mandated written rules for committee procedure, which prevented chairmen from pocketing legislation and refusing to refer it to subcommittee.

Continuing procedural successes in the caucus led the reformers to attempt a major escalation. In 1973, one of the original reformers, Richard Bolling, a close ally of then Majority Leader Tip O’Neill, became head of a select committee to reform the House committee structure. The Bolling Committee proposed sweeping jurisdictional changes in three powerful committees: Ways and Means, headed by Wilbur Mills; House Administration, headed by Wayne Hays; and House Education and Labor, a stronghold of organized labor-supported congressmen. The Ways and Means Committee chairman in particular was virtually part of the House leadership; before the reforms eroded its power, Ways and Means set legislative priorities for Democrats, made committee assignments for them, and exercised immense power. During Mills’s tenure, the committee had no subcommittees, and Mills maintained total control.

Mills, Hays, and Phil Burton, representing the Labor Committee, effectively roadblocked the major jurisdictional reforms by the Bolling group. But the reform effort was back on track in 1974 following two major political dislocations: the post-Watergate sweep into the House by young, liberal Democrats, and the Tidal Basin affair, which destroyed Wilbur Mills. The election of 70-odd new Democrats gave the reformers the numbers they needed to depose sitting committee chairmen. This resulted in the toppling of Banking’s Patman by Henry Reuss, Armed Services’ Hebert by Mel Price, and Agriculture’s Poage by Tom Foley. Wilbur Mills resigned as chairman of Ways and Means, and four other standing committee chairmanships changed hands due to retirement.

In addition, further reforms were pushed through. The vote for all committee chairmen was made automatic. The powerful Appropriations Committee chairmanship was made subject to caucus approval. (In 1976, this resulted in the deposing of Florida’s Bob Sikes from the

Military Construction Subcommittee.) The Ways and Means Committee was stripped of its power to make committee assignments. A new provision forcing any committee having more than 20 members to establish at least four subcommittees diffused the power of the new Ways and Means chairman, Al Ullman.

The first phase was over. The committee chairman’s power had been broken, and effective committee chairmen had been ousted. Congress was in a weakened state. Phase Two was “ethics.” Wayne Hays, who had survived the December 1974-January 1975 massacre by beating back Frank Thompson’s challenge to his House Administration chairmanship, was felled by the Elizabeth Ray scandal.

In 1975, a Brookings Institution study by Edmund Beard and Stephen Horn called “Congressional Ethics, the View From the House,” made the following point:

How then can the reforms [of ethical standards] be achieved that low public confidence in government seems to call for? Ironically, the very climate that has accelerated the erosion of public trust may bring forth the answer. The atmosphere surrounding a heavily publicized scandal is conducive to the reordering of old standards; indeed, it appears to be vital for such a change to take place.

The Hays scandal prompted the creation of the Commission on Administration Review, an ethics panel headed by David Obey of Wisconsin. Hays chose to step down in November 1976, and in March 1977, the House adopted the Obey Commission reforms, which demand strict financial disclosure statements and a limit on outside earnings for congressmen. Those “ethical” reforms have prompted a substantial percentage of the voluntary retirements from Congress of members who cannot afford to maintain two residences (one in Washington and one in their home districts) on approximately \$64,000 a year and also send their children to college. The ethics reforms heralded a new wave of departures as the Korea-gate scandal took its toll. Another set of scandals took out key members of the Pennsylvania delegation, such as Daniel Flood and Joshua Eilberg.

Further subcommittee reforms have occurred in the past two years, while another House attempt at wholesale committee jurisdictional juggling failed once again. But the main instrument of “reform” is currently lodged in the Abscam/Brilab operations by the Carter administration. Democrat Austin Murphy’s impassioned argument before the House during the Michael Myers Abscam expulsion cuts to the heart of the last 10 years of “reforming.” What, asked Austin, is to prevent the executive branch from entrapping 100 members of the Congress, and then dissolving the House of Representatives?

We are more than a little way along the road to parliamentary government.

The erosion of leadership

Throughout most of the 20th century, the job of congressman was considered a lifetime profession. Members of Congress either died in office, after long and apparently faithful representation of their constituents, or they were voted out. That has changed, and with it Congress has changed.

Forty-three congressmen and senators are voluntarily leaving Congress this year. Two years ago, 50 retired and in 1976, 57 left. This means that over a period of four years, 159 congressmen—over one-third—have voluntarily left Congress, exclusive of departures forced by electoral defeats. During the previous two decades, the average departure rate was barely above 30.

As a result of those resignations, and of the liberal Democratic sweep in the post-Watergate 1974 election, when the 96th Congress opened in January 1979, 220 members of the House of Representatives had served in the House for *four years or less*—over half the entire membership. After the 1980 election, the figure will probably be over 60 percent. In 1971, 20 percent of the House had served at least 10 terms in the House.

The average age of members of Congress has dropped to below 50-years-old for the first time since World War II. In 1951, the average age of a member of the House was 52 years old; the average age of a senator was 58.5 years old.

Not only are the congressmen younger and less senior, but they have less precongressional political experience.

How this demographic upheaval has affected the Congress becomes clearest when one looks at the House of Representatives in 1970 compared with today, and at the enormous changes in the power structure of the House.

There is only one major House committee chairman serving today in the 96th Congress who was a committee chairman in 1970: Harley Staggers (D-W.Va.), chairman of the House Interstate and Commerce Committee. Staggers is retiring this November, meaning that the 1980 session will be without a major single point of continuity.

Even more remarkable is what has happened to the line of succession in the major committees. One

could assume that many former second- and third-ranking members of the committee would serve as committee chairmen today. Yet only *one* second-ranking member of a 1970 committee, Foreign Affairs Committee chairman Clement Zablocki (D-Wis.) has actually made the succession. Not one of the rest of those number-two men on the 1970 committees is even in Congress today (see box, page 45).

Of the number-three men on those 1970 committees, only three have become committee chairmen—Jamie Whitten of Appropriations, Frank Thompson of House Administration (over Watergated Wayne Hays), and Peter Rodino of Judiciary, replacing Emmanuel Celler, who lost a close and suspicious primary fight to Elizabeth Holtzman in 1974. Ironically, both Thompson and, less directly, Rodino are currently under the shadow of Abscam, as their accumulated power and constituency clout make them fair prey.

The House leadership itself reflects similar dislocations, as the line of succession was disrupted twice this decade—once by the death of Majority Whip Hale Boggs in a mysterious plane crash in 1971, and again by the Koreagating of then Majority Whip John McFall in 1978. Had he lived, Boggs would be Speaker of the House today, and McFall its Majority Leader.

Synonymous with the power of committee chairmen 10 years ago was the power of key regional voting blocs, most notably Texas and the Deep South, and labor-based northern urban machines. In 1970, Texas representatives held the chairmanships of the powerful Agriculture, Appropriations, and Banking Committees. Today, only Government Affairs chairman Jack Brooks remains as a reminder of former Texas clout. The South's power, with Rivers of South Carolina at Armed Services, Colmer of Mississippi at Rules, and Mills of Arkansas at Ways and Means was legendary.

Between 1958 and 1968, the South never controlled fewer than half of the House standing committees. In 1968, nine of the Senate's 16 standing committees, including all the major ones, were headed by Southerners. Old-line Democratic machines in Maryland, New York, and Pennsylvania produced the 1970 chairmen of the House Administration, Judiciary, Merchant Marine, Public Works, and Foreign Affairs Committees. Today, Abscammed John Murphy of New York is all that is left of those states' hold on major committees.

The post-Watergate change in congressional committees

Over the past 10 years, due to congressional "reforms" and numerous watergatings of leading congressional figures, the key committees in the House have changed significantly. Important committees have already been destroyed as power centers comitted to legislating the industrial and military advancement of the nation.

Armed Services Committee

In 1970 the Armed Services Committee was run by three men committed to a strong U.S. military, using America's scientific and technological capabilities. The committee, chaired by Mendel Rivers (D-S.C.) with Phillip Philbin (D-Mass.) second ranking and F. Edward Hebert (D-La.) third, was important in the passage of the Antiballistic Missile System legislation, the development of the space program and the supersonic transport plane.

In 1970 Hebert succeeded to the chairmanship, following the death of Rivers and the primary defeat of Philbin. Rivers has been the target of vicious slander attacks by such columnists as the late Drew Pearson, who labeled him "the House drunk."

Although Hebert, who was first elected to Congress in 1940, attempted to keep the committee in the hands of those supporting a strong U.S. military, he could not prevent the House leadership in the 93rd Congress from placing liberals Ron Dellums (D-Calif.) and Pat Schroeder (D-Colo.) on the committee. But the major blow to the committee came in 1974, with the Congress elected in the wake of Watergate. The huge freshman Democratic Congress, the first to elect committee chairmen by caucus, and without the seniority system, deposed Hebert as chairman. The new chairman, Mel Price (D-Ill.), though an oldtimer elected in 1944, does not have the stature of Hebert.

Six Democratic congressmen will definitely not remain on the committee in 1980, because of retirement, death, or primary defeats. The most significant is the retirement of Richard Ichord (D-Mo.), chairman of the Subcommittee on Research and Development, the com-

mittee key to advancing new military technologies. As his final activity in Congress, Ichord is heading up an investigation into America's industrial capability to sustain an in-depth military buildup.

Agriculture Committee

In 1970, the committee was in the hands of W. H. Poage, a Texas Democrat first elected to the House in 1936. By 1975, after almost four decades in the House, Poage was number two on the committee, and the men who had been second and third in 1970 had both retired.

As part of the post-Watergate ousters, Poage was replaced by Thomas Foley, a Democrat from Washington State, who along with Carter and Agriculture Secretary Bob Bergland is a member of the Trilateral Commission. Foley's chairmanship has meant a much more antiproducer orientation for the committee.

Foley has backed legislation limiting pesticide use, and has refused to move for emergency farm relief by raising parity levels to 90 percent. His stance on parity has been evident since 1977, when he allowed a member of the committee to demand a roll call vote on an emergency parity measure, defeating the measure, which had passed a voice vote. Given his record, Foley now faces a tough reelection fight.

Budget Committee

In 1974, along with other major "reforms," the Congress established the House and Senate Budget Committees and the Congressional Budget Office, charged with setting overall tax and expenditure limits that committees are required to adhere to in making their specific allocations. These new committees were a major factor in destroying the power of other individual committee chairmen. At the same time, they gave enormous power to the Budget Committee chairmen, who could shape government policy by setting spending limits for general programs and departments. Significantly, the first, and so far only, head of the Congressional Budget Office, which advises the Budget

What happened to the key House Committee leadership of 1970

Committee	Leadership	Status
Agriculture Committee	Chairman: W. R. Poage (D-Tex.)	Deposed from chairmanship in 1974, retired in disgust in 1976.
	2nd ranking: John McMillan (D-S.C.)	Defeated in primary in 1972.
	3rd ranking: Thomas Abernethy (D-Miss.)	Retired in 1972.
Armed Services Committee	Chairman: Mendel Rivers (D-S.C.)	Slandered as "House drunk" by Eastern media, died in office 1970.
	2nd ranking: Phillip Philbin (D-Mass.)	Defeated in primary after district he represented for 30 years was redistricted.
	3rd ranking: F. Edward Hebert (D-La.)	Deposed as chairman in 1974, retired in disgust in 1976.
Banking Committee	Chairman: Wright Patman (D-Tex.)	Deposed as chairman in 1975, replaced by 4th-ranking member Henry Reuss (D-Wash.)
	2nd ranking: William Barrett (D-Pa.)	Died in 1976.
	3rd ranking: Leonor Sullivan (D-Mo.)	Retired in 1976.
Administration Committee	Chairman: Samuel Friedel (D-Md.)	Lost primary in 1970 by 38 votes.
	2nd ranking: Wayne Hays (D-Oh.)	Resigned in 1976 after scandal involving entrapment by a mistress, Elizabeth Ray.
	3rd ranking: Frank Thompson (D-N.J.)	Named in Abscam entrapment scheme.
Ways and Means	Chairman: Wilbur Mills (D-Ark.)	Resigned as chairman after 16 years in 1974 after a scandal involving a drunk Mills and a stripper, Fanne Fox. Retired in 1976.
	2nd ranking: Hale Boggs (D-La.)	Died in a plane crash in 1972.
	3rd ranking: John Watts (D-Ky.)	Died in 1971.
Appropriations	Chairman: George Mahon (D-Tex.)	Retired in 1978.
	2nd ranking: Jamie Whitten (D-Miss.)	Current chairman.
	3rd ranking: Otto Passman (D-La.)	Lost the primary in 1976 after being indicted for extorting foreign aid contracts, was cleared earlier of charges of bribery in the Koreagate scandal.
Merchant Marine	Chairman: Edward Garmatz (D-Md.)	Retired in 1972 after his career was ruined by charges of bribery and conspiracy. The Justice Department acknowledged that a witness had forged documents and lied during a grand jury testimony.
	2nd ranking: Leonor Sullivan (D-Mo.)	Retired in 1976.
	3rd ranking: Frank Clark (D-Pa.)	Pleaded guilty in 1979 to mail fraud and income tax evasion and received a two year prison term in 1979.

Committees, is Alice Rivlin, formerly an economist with the liberal Brookings Institution.

While the chairman of the Budget Committee is limited to six years in office, the current chairman, Robert Giaimo (D-Conn.) is leaving anyway because he is retiring from Congress. An intense three-way fight is under way for the chairmanship between two liberal congressmen, Paul Simon (D-Ill.) and David Obey (D-Wis.), and moderate Democrat James Jones (D-Okla.). Obey's staff is confident that he has the votes in the caucus needed to win.

An Obey chairmanship would consolidate the Budget Committee as an instrument by which the House leadership and a Carter administration can ensure a budget reflecting their policies. Of Congressman Obey's two opponents, "liberal" Paul Simon supports a balanced budget and crippling credit controls. Congressman Jones, a "fiscal conservative" according to his staff, is concerned that there be adequate money to "expand the economic base."

Commerce Committee

This important committee, which oversees most federal regulatory agencies and reviews most consumer legislation, has been in the hands of Harley Staggers (D-W.Va.) for 13 years. However, the committee will change hands next session, with the retirement of Congressman Staggers, who has served in the House since 1948. Although he was able to maintain his chairmanship position when the 1974 crop of mostly liberal, post-Watergate congressmen entered the House, Staggers in fact lost control of his committee. At that time 12 freshmen were seated on the 29-member Interstate and Foreign Commerce Committee. With the help of the freshmen, Cong. John Moss (D-Calif.), a highly vocal environmentalist, in 1974 challenged Staggers for the chairmanship of the Investigations Subcommittee held by Staggers. Moss won. Although Staggers formally remained chairman, Moss was in effective control.

Now the committee is being renamed the Energy and Commerce Committee and has been given a new mandate by the Congress to "write national energy policy generally." In addition to its previous functions, the committee will consolidate under its control all energy matters with a few exceptions including research and development, which will remain with Science and Technology, and some tax matters staying with Ways and Means.

The new committee chairman will be John Dingell (D-Mich.), an environmentally oriented congressman. Dingell was a key author of the National Environmental Policy Act, which requires that every time the federal government plans a project, an environmental impact statement be filed, a process that has severely hurt federal water program and other projects.



'You need to get things done'

Former Cong. Bob Poage, a leading Texas Democrat, served in the House for nearly 40 years. When he retired in 1976, he had been ousted from his Agriculture Committee chairmanship by the new Congress that came in in the wake of Watergate.

EIR: Congressman, what do you think have been the effects of the committee reforms established in the House? We are looking into the effect they have had on the role of the committee chairmen and the committees.

Poage: I was assistant to the House Agriculture Committee chairman for sixteen years and chairman for eight, and both myself and the other chairman had the reputation of being rough operators. We ran the committee with an iron hand.

We had the reputation of being ruthless. They ousted me because many new members felt I was too arbitrary and too harsh. Mr. Foley, the current chairman, is a fine man but he is too easy with the committee. He didn't demand anything, and the committee doesn't get anything done.

EIR: Would you say there is a difference in policy between you and Mr. Foley, that you favor the producers more?

Poage: To some degree, yes.

Foley feels a greater responsibility to the consumers, that's due to the age, generation, and the times. I felt the producers are vital to the welfare of the nation. I came from a generation and time and area where production was more important than today and farmers were more important than they are today.

Forty years ago, I joined the committee. I didn't change fast enough.

EIR: How do you think the reforms have changed the Congress?

Poage: The basic thing that's happened is that Congress as a whole sought to establish rules that give new members a larger voice than ever in the past. Foley represents

that, I represent the contrary.

I think it was important to expedite things and get things done and you couldn't if there is interminable debate and discussion. You need people to move with the chairman and get things done. We did bring legislation out and we did pass it. The weakness of the present system is not simply Foley's; the members feel that more people should share the responsibility and when they do it slows down the committee and you lose a centralized committee.

There are multitudes of autonomous subcommittees with their staffs, which increases the cost of government tremendously.

There are hundreds of subcommittees, which are trying to make each individual an outstanding congressman, of outstanding importance. When there are 200 subcommittees they are never as important as a committee chairman when there are 18 committees. It hasn't given the congressmen the recognition they wanted from it.

Now the Congress is unable to pass legislation because the subcommittee hears a bill, the full committee never hears testimony, nor do they get an understanding of the bills.

The large committee has less opportunity to know the subject matter. When a bill goes to the floor and a member asks a committee member to answer a question on it, they don't know anything. The committee is thus not able to have the floor action we had. The legislation now doesn't have the preparatory activity and they don't pass as many bills. Yet many more go to the floor and more time is spent on the floor and less in hearings.

I feel that the so-called reforms haven't brought the intended results. After World War II we had reforms which cut the number of committees in half and it speeded up the action in the House. There will be a return to smaller committees, fewer committees, combined committees.

We desperately need it in Congress, we had it after the war and we abandoned it. The members should only get one committee. The only reason for more than one is for prestige at home.

When I went into Congress in 1937, I had six committees and I didn't give any serious help to any because I didn't know anything about the subjects. I think congressmen should know all about their subjects, they should be specialists. Now they are a jack-of-all-trades and master of none.

EIR: What would you consider your most important accomplishment in your forty years?

Poage: I would say the Poage-Aiken bill, which set up rural water systems all over, it established running water in small towns. I guess also the rural telephone bill, but the water one was more important.



'Like chickens without a head'

Cong. Richard Nolan was first elected to Congress in 1974. He serves on the Small Business and Agriculture Committees and is chairman of the Rural Development subcommittee of Agriculture. Congressman Nolan is retiring this year and going into the export business, out of disgust with the "paralysis" of Congress.

EIR: Why did you decide to leave Congress this year?

Nolan: I had to spend one million dollars to serve six years in Congress. I had to raise it; my district is a marginal district, and I was spending half my time campaigning and raising money. I didn't go into public service to be a professional fundraiser. It was a combination of witnessing the paralysis in Congress and spending an inordinate amount of time raising money which convinced me not to run again, to enter into an arena more constructive. I will go into export management, to assist in overseas development.

As a congressman, you go back to the district Thursday night and then come back to Washington Tuesday and you are exhausted from all the fundraisers. You only spend a couple of days legislating. You get interrupted all day with votes on innocuous matters like reading the *Journal*. A couple of us figured it out one day that the innocuous votes take away two to three months of actual working time. Under the old procedure when you had stronger committees, you had fewer votes but they lasted longer.

My point is that you can have the votes of concern to significant minorities but they can be bunched together. You can schedule the votes at a predetermined time.

Many members call for a quorum as a dilatory matter. People figure we can keep Congress from working two or three months a year. People will call for record votes for this reason. It is deliberately against Congress. They feel that that which governs best governs least. If we keep walking around like dummies and voting on irrelevant matters, it's ridiculous. . . .

We are going around like chickens without a head, because some people want a good voting record. People don't look at what the Congress votes on, just how many votes they have cast.

Ayatollahs bargain for Washington's blessing

by Robert Dreyfuss

President Carter, in a desperate bid to salvage his reelection chances, is moving dangerously close to giving Iran's ayatollahs everything they want.

The Iranian leadership, including the Muslim Brotherhood secret society that controls the levers of power in the Khomeini dictatorship, know full well what is also common knowledge among the political insiders in Washington, that without the release of the 52 U.S. hostages Carter will lose the Nov. 4 election.

For that reason, the Iranian mullahs intend to extract sweeping political concessions from the Carter administration by manipulating Carter in the final two weeks of the election campaign.

In recent days, Carter and Secretary of State Ed Muskie have declared that the United States is prepared to send weapons and spare parts to the aid of Khomeini's terrorist clique if the hostages are freed.

Spare parts not the issue

But the issue of trading hostages for arms is not the issue.

The real issue at stake in the current round of U.S.-Iran secret negotiations is that the ruling clergy of Iran is demanding that President Carter both formally legitimize the Khomeini regime and, at the same time, abandon the Arab countries of the Persian Gulf to the "export" of the Iranian revolution.

The controllers of Khomeini and the Muslim Brotherhood are a particular faction of the Anglo-American intelligence and financial establishment, who helped

bring Khomeini to power by toppling the shah. During 1978 and 1979, the Carter administration collaborated with these circles in supporting the revolution in Iran—and now the clergy in Iran is demanding that Carter go all the way and give the Muslim Brotherhood and its London backers full freedom of action in the Persian Gulf.

By institutionalizing the Khomeini regime, London intends to create a permanent base of operations for the Muslim Brotherhood in the region. Then, from Teheran, the British can destabilize the entire Gulf area, reduce the flow of oil, and jack up oil prices.

Carter grovels for mullahs

In a speech on Oct. 20, Carter said that if the hostages are released, then the United States would immediately free \$8 billion in frozen Iranian assets in U.S. banks and, he implied, clear the way for shipping at least \$550 million in arms and spare parts to Iran and its fanatical leaders.

Secretary of State Muskie, on the same day, sharpened U.S. criticism of Iraq and offered help to Iran. "The integrity of Iran is threatened by the Iraqi invasion. We are opposed to the dismemberment of Iran. We believe that the coherence and stability of Iran is in the interests of the stability of the region as a whole."

It was the first time that an American official called the war an "Iraqi invasion," and it reflected, according to diplomatic sources, the start of a much broader U.S.-Iran alliance.



An Iranian mullah in besieged Khorramshahr.

But whether or not the U.S. overtures to Iran will bear fruit is still unclear.

Less than 24 hours after the Carter and Muskie speeches, a leading Iranian official, Hassan Ayat of the ruling Islamic Republic Party, delivered a rebuke to Carter.

"Carter is trying to save his face with American voters—that's why he is making it look like there are secret negotiations with Iran." He then proceeded to lay down extremely tough conditions for releasing the 52 hostages, including a suggestion that Iran is seeking "to settle accounts with the pro-American regimes of the region."

Said Ayat, "This is the occasion to export the Islamic Revolution."

He then declared, "Washington will have to accept these conditions, or else we will put the hostages we consider spies on trial."

And Ayatollah Rafsanjani, the Iran parliament speaker, said bluntly that "If the United States accepts the conditions, there won't be any problems."

Preelection maneuvering

Both the Democrats and Republicans, as well as all factions of the Khomeini government, know the impact that Iran's release of the hostages might have on the outcome of the Nov. 4 elections.

Carter and his entourage are now edging closer to making the kind of concessions to Iran which, although they might in fact induce the Teheran regime to let the

hostages out, would lead to a strategic debacle for the United States in months to come.

By agreeing even to negotiate with Khomeini's terrorists, Carter is degrading the United States and causing serious doubt about U.S. policy for the region and internationally.

A counterstrategy?

The Republicans, including Reagan, are also aware of what Carter is trying to do on the eve of the election. In the first sign of a counterstrategy, Reagan yesterday blasted Carter for a "humiliation and a disgrace" to the country for having let the hostages languish for almost a year, and he declared that he has a "plan" to get them freed.

But Reagan did not state what many political insiders know to be the case: that Carter set up the taking of the U.S. hostages last fall deliberately and with malice aforethought, with the help of British and Israeli intelligence! Among other things, the Teheran crisis allowed Carter to steamroller Ted Kennedy in the Democratic primaries.

Because key elements in the Reagan camp, such as Henry Kissinger and David Rockefeller, were themselves directly involved in the conspiracy to seize the hostages, it is certain that Reagan will not raise the real issues of the Teheran crisis unless he breaks with the Kissinger-Rockefeller faction.

For their part, the Iranians believe that due to election pressures now they can win from Carter concessions which would otherwise be impossible. But many Iranians, such as President Abolhassan Bani-Sadr and others, are also afraid that if the hostages are not freed then Reagan—who is expected to be much less willing to tolerate the ayatollahs—will be elected. So they are arguing that the hostages ought to be freed in the time remaining before Nov. 4.

Warnings from Iraq

Iraq is issuing bitter warnings to the Carter administration not to make the mistake of siding with Iran's religious oligarchs. "The United States better remain neutral in the Gulf conflict," said Iraqi foreign minister Saadun Hammadi, "and refrain from supplying weapons and spare parts to Iran." Otherwise, he said, "Iraq will consider [it] to be a hostile party directly involved in the conflict."

But, despite the tough talk that continues to stream from Iran, there are contrary indications that much of the preliminary negotiations toward a U.S.-Iran deal have been completed. In Teheran, Prime Minister Mohammed Ali Rajai—having just returned from New York—said that he is certain Washington is prepared to meet the four conditions for returning the hostages that were set two months ago by Khomeini.

Japan stalls on aid for Mexico's industrialization

by Richard Katz

Japan's fear of disobeying Washington, and its own strong dose of "oil fever," once again snatched defeat from the jaws of victory in the matter of Japan-Mexico oil-for-technology cooperation.

At high-level talks in Tokyo Oct. 13 to 15, Japan's business and political leaders first turned aside Mexico's invitation to participate in Mexico's industrialization efforts, and then pressured Mexico to up its oil sales to Japan in any case. Japan ignored the reaffirmation by Jorge Díaz Serrano, director of the Mexican state oil firm Pemex, that Mexico's oil will go only to those countries which aid its development.

Seemingly, conditions in both countries were ripe for a successful meeting. With Japan's exports of consumer durables like cars being hit hard by rising protectionism, that country's businessmen are eager to sell capital goods and machinery overseas. Japan's need for oil, always of concern to its businessmen and officials, became even more acute with the loss, at least temporarily, of its supplier for 10 percent of its oil imports, Iraq (which has also been its largest customer for plant and equipment exports in 1979). Since Mexico has escalated its commitment for rapid industrialization, headlined by port, steel, and other development efforts, it required cooperation with countries such as Japan.

Despite these factors, the meetings ended with little to show for the efforts, except perhaps heightened irritation at Japan by the Mexicans. Only one cooperation agreement was reported signed, a relatively minor one for cooperation in fishing. Additionally, Premier Zenko Suzuki announced plans to create a new vehicle for promoting Japanese-Mexican joint investments in Mexico. The institution will be organized under the aegis of the Mexico City office of the Japan External Trade Organization (JETRO), and will include the government's Overseas Development Corporation and the two major business federations, the Chamber of Commerce and Industry (JCCI) and the more powerful elite Keidanren. Under other circumstances, this would be hailed as a major step forward. However, considering Japan's reaction to Mexico's joint investment proposals, it is difficult to see exactly what work the new body will have.

Díaz Serrano and Special Projects Coordinator Moctezuma Cid arrived in Tokyo hoping that the new Suzuki administration would be more responsive than that of Suzuki's predecessor, Masayoshi Ohira. Just prior to the meeting on Sept. 25, Mexico and Japan concluded the long-awaited \$370 million deal for capital goods and steel between Japan's Kobe Steel, Mexico's national development bank Nafinsa, and the state steel firm, Sidermex. Public figures ranging from Resources and Industrial Development Minister José Andrés De Oteyza to labor chieftan Fidel Velázquez hailed the project as exemplary of the kind of cooperation Mexico sought both with Japan and other advanced countries.

At the first round of the Tokyo talks, Díaz Serrano and Moctezuma Cid specified billions of dollars worth of projects. They included:

- a joint Mexico-Japan refinery and petrochemical complex in Japan, modeled on a similar Pemex arrangement with Spain. Presumably the products would supply not only Japan but also other countries in Asia;
- four major port projects on which \$1.4 billion will be spent during 1980-82. This includes dredging deeper ports at Las Truchas, to aid the Kobe steel project mentioned above, a new superport complex at Altamira for a new steel-centered project for which Japanese participation is also sought, further expansion at Salina Cruz, and an entirely new port at Laguna de Ostión, on which groundbreaking is expected in 1981;
- five other major projects in the agroindustry fields of cattle-raising and forestry;
- requests for Japanese investment in Mexican projects for secondary petrochemicals, capital goods, machinery and steel. Steel merits particular mention, since President López Portillo recently intervened in an internal dispute over the rate of steel development to mandate a higher rate of development, about \$2 billion in steel projects every year for the next ten years. Japan's technology is particularly sought in this area, based on the recommendation of De Oteyza after his April 1980 tour of Japan.

Japan's political and business leaders responded to these offers in a way the proudly nationalist Mexicans

could only regard as insulting. Japan's business spokesman, Mr. Shuo Izawa from the Long Term Credit Bank, patronizingly told the Mexicans that they "cannot expect to industrialize overnight," adding that they were "premature" to judge Japan's lack of cooperation "harshly," since serious talks had gone on for "only two years." He then told the high-level visitors that if Mexico wanted Japanese investments, it had to forego its strict "Mexicanization" law. This law, which prohibits foreigners from owning more than 49 percent of any production venture in Mexico, has almost constitutional status in the public mind. Other Japanese business leaders reportedly told the Mexicans to change their "overprotective" labor laws as well.

While turning aside development cooperation, Premier Suzuki and Trade and Industry Minister Rokusuke Tanaka nonetheless pressured Mexico to hike its oil shipments to Japan from the current 100,000 barrels per day to 300,000 barrels per day. Ironically, Mexico had raised the level to 100,000 bpd only a few days before the visit as a goodwill gesture, though not contractually required to do so until the end of this year. So strong was Japan's "oil fever" that Díaz Serrano was forced to declare false a press leak by Suzuki's office that indicated Díaz Serrano had pledged in private to raise oil sales to Japan once Mexico raised its overall production.

In fact, Díaz Serrano angrily summoned a press conference to declare: "Press reports indicated that, if Mexico increases its [oil] export level, it would increase its supply of crude to Japan. For now, and this is definite, Mexico has no plans to modify the structure of its oil production and export levels."

Japanese businessmen attributed the behavior by Suzuki and the business community to fear of offending Jimmy Carter. One Japanese banker told *EIR*: "Washington regards Mexico as being part of its circle. Japan cannot seek a great deal of Mexico's oil or aid its industrialization without first consulting with the United States."

The Carter administration has repeatedly made it clear to Japan that it will not tolerate their helping Mexico become, in Brzezinski's phrase, "a new Japan south of our border," i.e., an industrial powerhouse. The banker added: "Japan's ten-year perspective is to shift heavily from oil to nuclear and coal. But we must depend heavily on the U.S. for both. We cannot risk this by seeking too much Mexican oil against U.S. wishes." One observer noted that if current trends continue, Mexico will shortly be in a better position to offer nuclear cooperation with Japan than America.

Similar pressure before the late Premier Masayoshi Ohira's May 1979 visit led to a serious setback in Japan-Mexico relations, when Ohira fully adhered to Washington's dictates. This latest visit was seen as a test case as to whether the new Suzuki government would continue Ohira's posture, not only in regard to Mexico, but more

generally regarding Japan's subservience to Washington, even at the expense of Japan's own interests. Suzuki, who had been a behind-the-scenes fixer for Ohira before becoming premier, has proved to be, to the disappointment of at least some of Japan's businessmen, "the same as Ohira."

Nothing could contrast more with the upshot of the Japan-Mexico talks than the fruits of the Mexican delegation's later stop in South Korea. On almost every point at issue, the Korean government and business community responded favorably to Mexico's desire for industrial partnership. As a result, Díaz Serrano told the Koreans that Mexico would supply them with oil. Since all shipments for 1981 are already contracted for, the sales cannot begin until the first months of 1982. No figures have been released as yet.

Both Chang Cho Chung, president of the Korean Chamber of Commerce and Industry, and Sae Chong Song, president of the Samsung business group, one of Korea's largest, said that Korea desires a full industrial partnership with Mexico. "We are not interested simply in commodity trade," explained Chang, "we want to have big construction projects in Mexico, and to transfer industrial technology." Such plant and equipment export ventures, already plentiful in the Middle East, have been a major economic strategy for Korean development for some years now. Unlike the Japanese, Chang expressly said that Mexico's law limiting foreign investment shares to 49 percent presented no problem. In addition to the large projects, the Koreans also foresaw a significant trade potential in shipbuilding, textiles, and other areas.

Both of the businessmen also welcomed Díaz Serrano's proposal for a joint Korean-Mexican oil refinery and petrochemical complex in the Philippines, stipulating only that this should be done on a government-to-government basis—something the Mexicans also prefer.

In this context, the Mexicans agreed in principle to supply oil to Korea for exactly the same reason they did not agree to increase shipments to Japan: only those countries which cooperate with Mexico's economic development will share in its oil.

The fruitful discussions with Mexico are part of the economic diplomacy the new Korean government of Chun Doo Hwan is carrying out with Indonesia, Malaysia, Venezuela, and other non-Middle East oil producers. The new Korean premier, Nam Duck Woo, had been a major architect of the economic boom under Park Chung Hee in the 1960s and 1970s. He is expected to end the economic retrenchment enforced in Korea by the World Bank over the last two years. A major component of the economic revitalization campaign will be making Korea a major exporter of plant and equipment to developing countries, particularly those able to supply oil and other raw material to resourceless Korea. The successful Korea-Mexico negotiations are likely to be replicated by Korea elsewhere.

The PCM and a new '68 uprising

The government seems to have cooled out a threatened strike by a communist-led union.

Never before this year's anniversary had so many ultraleftist groupings gathered to commemorate the Oct. 2, 1968 violent confrontation between Mexican students and the army. This year, as in 1968, the leaders of the large demonstration—some of the press reported there were over 40,000 protesters—were the Mexican Communist Party (PCM); their university trade union front, the National University Workers Union (SUNTU); and various Trotskyist and Jesuit groupings, as well as assorted homosexual and lesbian activists.

Mexican authorities were not particularly alarmed by the demonstration itself, but a set of developments around it have provoked serious—if quiet—concern at the highest levels of Mexico's political establishment. The cause of consternation was the growing indications that the PCM and SUNTU hope to use existing student and labor problems to unleash a '68-style wave of destabilizations across the country—just as the fight for the presidential succession is heating up.

The immediate focus of their activity is a SUNTU call for a Nov. 1 nationwide strike of university workers and students, built around the following demands: 1) the right to set up a single, national union of university workers, empowered to negotiate a global national contract; and 2) the right to strike.

These two points are both issues

because, until now, the university sector has been a gray no-man's land in the labor legislation, and no one quite knew if they fell into the category of state workers who are constitutionally forbidden to strike and form national unions.

It took direct presidential intervention and the drafting of an addendum to the Federal Labor Law to come up with a compromise solution to the crisis: the new law grants university workers the right to unionize and strike, but only on a local university-by-university basis. A national trade union was expressly forbidden.

President López Portillo personally met with the SUNTU leaders to seal the accord. A high government official told *EIR* that López Portillo candidly informed the communist trade unionists that a major labor showdown at this stage of the game would fundamentally alter the presidential succession fight, and that the most reactionary, antilabor layers in Mexico would be the ones to benefit.

The president's arguments were apparently convincing. The SUNTU leaders emerged from the meeting and told the press that it was "premature" to call for a Nov. 1 strike. Although there is still a lot of pressure from the worker base for a strike, it does appear that a serious labor confrontation will now be avoided. If things are settled peacefully in the final analysis, it will be an important feather in the cap of

the labor minister, Pedro Ojeda Paullada, viewed by many as the leading candidate to succeed President López Portillo.

Just how much is at stake in the PCM question was indicated by a statement made by former President Luis Echeverría Oct. 1. In a conversation with journalists on the topic of the 1968 destabilization, Echeverría dropped the following political bombshell: "involved [in 1968] were contributions and concerns reaching from the Communist Party to help from Sears Roebuck, involvement of very revolutionary groups as well as that of the Jesuits."

The remark provoked a predictable freakout. One of the leading student organizers of the 1968 movement, Luis González de Alba, now a leader of the Homosexual Front for Revolutionary Action, confessed to the press that "Echeverría was right to state that we had in our movement Sears employees . . . as well as Jesuits and Communists," and that this "is the best proof of the popular character of the movement."

Sears Roebuck officials were hardly pleased either by the charges or the confession. In response to a question put to him by *EIR*, one company executive in Mexico stated: "That's the most ridiculous thing I have ever heard."

Readers of this column are aware that we have closely monitored the activities, past and present, of the Jesuits and other foreign forces who are attempting to destabilize the Mexican government. We would like to take this occasion to add that Mr. Echeverría's charges are consistent with documentation otherwise developed independently by this magazine.

Military expert cites war danger

Menachem Begin may order preemptive strikes—to prop up Israel's economy.

Is Israel's defense minister Menachem Begin contemplating a preemptive strike against Israel's eastern neighbors?

That question is not a speculative one in view of a remarkable article in the Oct. 17 *Jerusalem Post* that has received no notice in the U.S. newspapers of record.

On that date, the *Post's* military correspondent, Hirsh Goodman, in a piece entitled, "Dangerous Strategy," warned that "the thesis has been bruited about in the wake of the new Middle East realities created by the Iran-Iraq war that this may not be a bad time to settle scores with the Syrians and the Jordanians."

Goodman asserts that this "thesis" has been put forward in certain Israeli strategic circles for the following reason: "Jordan and Syria being involved, actively or passively, on both sides of the fence, in the Iraqi-Iranian conflict, they would be less ready to deal with Israel than in times of Arab unity."

According to Goodman, the most plausible reason given by these circles for a preemptive strike is that Israel's economy is collapsing. "Economically," Goodman cites these circles as affirming, "Israel will be unable to keep pace indefinitely with the huge arms purchases in the Arab world, without becoming totally enslaved to the U.S. and/or creating insoluble problems at home. . . ."

"Thus, it would be wise for Is-

rael now to launch a preemptive strike which would destroy as much as possible of the infrastructure building up in the main confrontation states and thus retard their war-making capability."

This would "give Israel a few years' reathing space" and would "also provide a hostility-free atmosphere" for the Israelis. Goodman does not ascribe what he calls "irresponsible sabre-rattling" to Defense Minister Begin personally. He does warn that this line of thinking can soon become "settled government policy . . . if it is repeated often enough."

In *EIR's* estimation, this line is being repeated frequently by one prominent Israeli grouping that has significant inputs into Begin's overall thinking. This is the so-called Tehiya (Hebrew for Renaissance) Party founded by the architect of Israel's nuclear-bomb capability, physicist Yuval Neeman.

To some, it may seem odd to lump Neeman and Begin together, given Tehiya's vocal opposition to the Egypt-Israel treaty ever since the Party's inception in 1979.

There is no difference, however, between both men's commitment to "eternal" Israel control over what they both call "Judea and Samaria." *EIR* has learned that Begin is sending two Israeli government representatives to a Nov. 1 dinner in New York sponsored by the newly formed Tehiya front group P.E.A.C.E., whose acronym

stands for "Preventing the Emergence of Another Arab Country in Eretz-Israel," and whose overt policy is for Israel to annex "Judea and Samaria."

Neeman's thinking on the situation facing Israel is evident from comments made to *Wall Street Journal* correspondent Jonathan Spivak, reported in Spivak's Oct. 22 feature entitled, "Israel's Triple-Digit Inflation Threatens to Upset Political and Social Stability, May Topple Begin."

In this piece, Spivak includes the following comments: "Inflation is beginning to threaten Israel's political and social stability. And defense specialists say it will soon weaken the nation's military capabilities at a time when the country's increasing diplomatic isolation leaves it more vulnerable to Arab force. 'There is a very good chance of the disappearance of Israel,' gloomily predicts Yuval Ne'eman, a military specialist and professor of physics at the University of Tel Aviv."

The significance of this juxtaposition is clear from Goodman's *Post* article. A key card in Neeman's hand is that his party effectively controls Israel's finance ministry. Minister Yigal Hurvitz is known to share the Tehiya Party's belief that the West Bank should be annexed and that Israel's population should be increasingly "fundamentalized" by undermining its "fixation" on material well-being.

Thanks to Hurvitz's policies, Israel's inflation rate is now approaching 150 percent—one of the highest in the world—and the very dynamic interplay that Goodman is warning about between economic collapse and expansionist warfare is coming to the fore.

International Intelligence

Carter purchasing base in Sri Lanka?

The story behind the sudden imposition of a state of emergency last week in the Indian Ocean nation of Sri Lanka may well be tied to U.S. military designs in this area, according to reliable sources in New Delhi. The U.S., unhappy with certain inadequacies in the Diego Garcia base facility, is extremely interested in another base, possibly at Trincomalee, where it already has fueling rights.

Former Sri Lankan prime minister Sirimavo Bandaranaike, a long-time leading figure in the non-aligned movement, has charged that the Carter administration is securing a naval base in exchange for bolstering the faded political image of President J. R. Jayawardene with economic aid.

Bandaranaike made this charge less than a week after the Jayawardene government ordered the declaration of a state of emergency, stripped the former prime minister of her civil rights and disenfranchised her in a desperate effort to silence opposition forces. The rounding up of Mrs. Bandaranaike's Freedom Party supporters, and the nature of the kangaroo court proceedings against her, reminded observers in New Delhi of similar developments 18 months ago in Pakistan when the late Z. A. Bhutto was eliminated.

Brazil tries to expel subversive priest

The president of Brazil has ordered the expulsion of an Italian priest who refused to say mass on Brazil's Independence Day on the grounds that the poor people of Brazil are "still dependent." His expulsion was the first in a crackdown on the foreign "Liberation Theology" priests who aim to replicate Khomeini's theological chaos in Brazil.

The government fears these priests will set off insurrections that will cause a

disaster, rather than alleviating the suffering of the poor they claim to lead.

As Father Vito Miracapillo was being taken to the airport on Oct. 17, however, a Supreme Court justice issued an injunction to block Miracapillo's deportation until further hearings.

The Theolib crowd is prepared to go berserk if the priest is "martyred" by being expelled. On the other hand, if the Supreme Court decides to overturn the president's order [something it has never done], they will read it as a sign that the government is impotent to stop their subversion.

Radicals move against moderate Arab axis

Damascus has become a center for numerous Arab communist and leftist parties to plot a takeover of the regime of Iraq's Saddam Hussein, according to *Le Monde* journalist Eric Rouleau. Along with the leftists, the extremist clandestine Muslim Brotherhood is involved, as well as the wing of Soviet intelligence associated with British triple agent Kim Philby.

Earlier this week, Ayatollah Mohammed Hakim, an Iraqi Shi'ite fanatic, appeared in Teheran to announce his bid to overthrow Hussein by waging an Islamic revolution in Iraq. Simultaneously, the head of the Iraqi communist party, Mohammed Aziz, visited Damascus to confer with Syrian president Assad. The Iraqi communist party was recently purged from Iraq for its insurrectionary activities, including aid to insurgent ethnic minorities like the Kurds. Earlier this month the Iraqi and Iranian communist party leaders met to condemn Saddam Hussein, after Iraq invaded Iran in a bid to overthrow the theocratic Khomeini regime.

Syria, a longstanding enemy of Iraq, has allied itself with both Libya and Iran to challenge the moderate Arab axis of Jordan, Saudi Arabia, and Iraq. The London *Daily Telegraph* reports that Syria has hatched a plot to send assassins

and saboteurs against Jordan and Iraq, using Iraqi exiles.

New India-Soviet energy package

India and the Soviet Union are working on a solid development package centered on the energy sector, according to informed sources in New Delhi. Since an acute energy crisis has hit India's development plan, experts here are drawing up a project list to be considered at the upcoming Indo-Soviet trade talks.

Indian planning minister N. E. Tiwari left for Moscow on Oct. 22. An expert team is working out details on various sectors of the economy. It is highly likely that the deal will be inked when Soviet president Brezhnev visits India in late November or December of this year.

New Polish crisis in the works

Lech Walesa, the Polish shipyard strike leader who now heads the independent trade union federation "Solidarity," has toured southern Poland to rally support for his organization. In the course of his trip, he dropped all pretense of being "not political," as he had always insisted. Walesa declared dramatically that he was "ready to accept any responsibilities" the Polish people would give him. Sources in France and West Germany believe that, although the dispatch of Warsaw Pact troops into Poland is a "last resort" for Moscow, such a decision could come soon after the Nov. 4 U.S. elections.

The London *Daily Telegraph*, often a platform for British-based circles who give orders to Polish dissidents, stated editorially Oct. 17 that Poland was safe from Soviet invasion until Nov. 4 because the Russians "do not want to give certain victory to Mr. Reagan." But the *Telegraph* projected that Poland would

slip "out of effective Communist control," suggesting that the U.S.S.R. would inevitably make its move.

While international attention was focused on Walesa working the crowds in Krakow, the new Polish regime was elaborating a program which, in the assessment of one source from a Soviet-allied country, would take Poland "away from socialism." The program of the Stanislaw Kania regime has not been revealed in its entirety, but its outlines emerged at the Oct. 4-6 meeting of the ruling party's Central Committee. Kania's report there bore the imprint of Politburo members Stefan Olszowski and Tadeusz Grabski, advocates of a consumer-tilted approach to running the Polish economy that would eventually undercut not only heavy industry but the overall power of the Polish economy and rebound against the consumer, too.

Greece blackmailed into rejoining NATO

The sudden Greek decision to rejoin NATO is "part three of the Turkish coup," said a Greek intelligence source this week. "Part one was the Turkish coup itself, which put into power the Turkish generals, who are doing everything they can to accommodate NATO in its drive to militarize the Middle East and the Mediterranean. Part two was the Persian Gulf crisis itself and the sudden increased likelihood of U.S. military action in the region. Part three is the Greek-NATO consolidation, which has suddenly catapulted the hard-line, pro-NATO military once again into a position of real power in the country."

A secret clause of the agreement to rejoin NATO is reportedly the activation of a 1966 British proposal for the establishment of a Mediterranean naval task force for coordinated NATO operations in the region.

Having pulled out of NATO's military branch in 1974 in protest of the alliance's role in the Cyprus crisis, the government of Greece had charted an increasingly independent course.

According to well-informed Greek sources, NATO commander Gen. Bernard Rogers, helped along by Chairman of the Joint Chiefs Gen. David Jones, U.S. ambassador to Athens McCloskey, and a host of other top NATO and U.S. officials, descended on Greece to blackmail Athens into submission. The main weapon used was the threat that the Persian Gulf crisis would erupt into a larger war, in which Greece would find itself defenseless in the face of the Soviet Union. Helping to put the screws on the Greek government were the top echelons of the Greek military.

French 'Boy Scout' announces candidacy

A French favorite of Zbigniew Brzezinski, Socialist Michel Rocard, has declared his candidacy for the April 1981 presidential elections. Perennial Socialist candidate François Mitterrand has not yet declared whether he will run.

From a Gaullist point of view, "all the forces, left and right, who want the disintegration of the French nation are behind Rocard," commented a well-informed source from French president Giscard's electoral team. The only way, the source added, that Rocard could win the elections would be if the international situation further deteriorated, combined with terrorist operations at home.

These sources are delighted that Rocard declared so early, because additional weeks of campaigning can only destroy what little credibility he has with the French population, they believe. "This French Jimmy Carter has the mentality of a Boy Scout—he wants to please everybody, his identity is as weak as that of an 18-year-old. He hates all forms of power, all forms of responsibility. He even hates his own potential power. He wants to organize debates on everything; if there occurred a situation where the use of atomic weapons had to be decided, he would take three months to organize a referendum."

Briefly

● **PHILIPPINES** defense minister Juan Ponce Enrile accused the U.S. government in a nationwide television interview in Manila on Oct. 10 of harboring terrorists responsible for recent indiscriminate bombings in Manila. Washington has thus far refused to extradite the suspects.

● **THE SANDINISTAS** may have joined Fidel Castro in endorsing Carter's reelection. The Oct. 23 *Wall Street Journal* denounced the administration for allowing Castro a free hand in the Caribbean, and charged editorially that the administration has suppressed information about Sandinista activity in Latin America because the \$75 million aid package granted to Nicaragua last week depended on certification by Carter that no such activity was occurring. The *Journal* also charges Carter with suppressing intelligence reports on Cuban maneuvers abroad.

● **MUAMMAR QADDAFI** this week called upon Muslim pilgrims making the annual pilgrimage to Mecca to rise up and overthrow the royal family of Saudi Arabia. Since the beginning of the Iran-Iraq war, Qaddafi has repeatedly waged a verbal assault on the Saudis because of their quiet support for Iraq. Libya has been a close ally of the Ayatollah Khomeini and has been supplying Iran with arms. Because of the threats to internal security, the Saudi regime has tried to cut short the pilgrimage this month.

● **ARGENTINE** industrial and agricultural organizations met Oct. 18 to issue a declaration that Friedmanite economic policies must be halted before their enterprises go under. Representatives of 376 groups demanded debt relief for stricken producers, reductions in tax pressure, cuts in non-productive government spending, restored trade protection for industry, and the upvaluation of the peso to its market value.

Henry Kissinger as a novelist

by Lyndon H. LaRouche, Jr., Contributing Editor

The White House Years
by Henry A. Kissinger.
Little, Brown, Boston, 1980.

Without doubt, the first volume of Henry A. Kissinger's *The White House Years* is the biggest piece of fiction (1,476 pages) since before the last World War—when *Anthony Adverse* titillated the prurient interest of bored housewives.

The story concerns the putative hero (Kissinger) who has been retained as something like assistant sales manager of something with an unsavory sort of likeness to a used-car lot (the White House). According to the pages of this particular *roman à clef*, the premises are owned by a bumbling, highly suggestible proprietor (Richard M. Nixon). After approximately 18 months, the assistant sales manager has reduced the sales manager (Secretary of State William Rogers) to a frustrated figurehead. From that time onward, the lowly assistant sales manager plays Svengali to Nixon's performance of Trilby. In the end, according to the story, the lowly assistant sales manager has taken over control of the world.

Apart from a distorted sort of shadowy reflection of the sequence of scenes performed by the Nixon administration, the only important fact surviving the steady accumulation of distortions and outright lies is conclusive evidence that Kissinger is among the more unwholesome political celebrities of the recent three decades. Kissinger follows intimately behind the notorious Roy Cohn.

Granted, this writer was not sufficiently privy to all of the matters alluded to in Kissinger's text. Nonetheless, this writer has been privy to some first-class thorough research on many of these matters, accomplished under the direction of Costas Kalimtgis. The conclusions reached were cross-checked independently with a number of leading figures of the Nixon administration, as well as with persons involved in sponsoring Kissinger's rise from postwar rank of Pfc. jeep driver with the Oberammergau team. Enough is known in these and other ways to report that Kissinger lies wildly on numerous of the most significant items featured in his account.

Instructive is the manner in which Kissinger skids over the circumstances of his expulsion from the circles of the Kennedy administration. Clearly, the book attests, vindictive Henry has not forgiven McGeorge Bundy for the latter's part in that affair. His "sibling rivalry" hatred against the William Rogers whom Nelson Rockefeller described publicly as "my lawyer" shows through in all the oedipal evil typical of Kissinger's "shopping" of friends and friends of friends in the course of his career.

The account of the pre-inauguration shaping of the new National Security Council team is bereft of the relevant facts of that process. His account of his role in Middle East policy is monstrously wanting in candor. According to best information from relevant sources, his account of Egypt's turn away from Moscow toward Washington is singularly lacking in reference to the crucial facts.

The kindest permissible euphemism for the text as a whole is that it is a delphic distortion clearly intended to



Photo: Philip Ulanowski/NSIPS

The memoirist, 'a five-and-dime Toynbee,' with William Buckley.

promote a myth.

It would be impossible to endure reading the text if one limited one's attention to the succession of lies and gross distortions listed page after page. Something can be gained even from such diarrhea of lies as that. As one might say of the babblings of a schizophrenic, it is possible to ignore the alleged facts, and to adduce patterns which may be useful clinical interest.

An abomination

Two paragraphs, on pages 40 and 41 of the text respectively, give insight into the Svengali-and-Trilby relationship Kissinger describes between himself and President Richard M. Nixon. "To be helpful to the President, the machinery for making decisions must therefore meet several criteria. It must be compatible with his personality and style. It must lead to action; desultory talk without *operational content* produces paralysis. Above all, it must be sensitive to the psychological relationship between the President and his close advisers: it must enable the President's associates to *strengthen his self-confidence* and yet *give him real choices*, to *supply perspective* and yet not turn every issue into a test of wills. It must give *scope for genuine presidential discretion* without promoting the megalomania that often develops in positions where one encounters few equals. At the same time, *if every single decision is funneled into the President's office, he will lose the benefit of technical competence and accumulated experience of the permanent officials. Permitting the President to make a real choice* seemed to me essential,

not only to establish genuine presidential authority but also to enhance his leadership by *giving him the self-assurance that comes from knowing that he had considered all the valid alternatives. Putting before the President the fullest range of choices and their likely consequences was indeed the main job of the National Security Adviser. . . .* [emphasis added].

In his own words, Kissinger's definition of his duties was to isolate the poor dupe Nixon as much as possible from direct contact with the real world, and to supply him instead an artificial selection of predetermined and predigested "choices." This gave the poor dupe in the Oval Office the illusion that he was acting in fact as President. That policy, implicit in the cited paragraphs, permeates the book as a whole.

The same evil subversion of constitutional government is more conspicuous in a President whose intellectual and moral qualities have been vastly inferior to those of Richard M. Nixon. The manipulation of choices, filtered through the controlled psychological environment managed by a none-too-mentally-stable Zbigniew Brzezinski, is the hallmark of the manner in which every policy decision of the Carter administration has been placed in the "image-conscious" mouth of the poor dupe Carter.

Stepping outside Kissinger's distorted text for a moment, let us consider the way in which Kissinger actually finally succeeded in placing the dagger between the shoulderblades of Secretary of State William Rogers: the Jordan "Black September" affair.

The real job was not done by Kissinger, but by the British Secret Intelligence Service's Arab Bureau. Kissinger's essential role in this was that of a stage figure, waving around telex transmissions from London. SIS did the work, launching an orchestrated bloodbath in the Middle East, chiefly for the purpose of destroying Rogers's influence and upgrading that of London's choice, Kissinger.

Kissinger, playing upon Nixon's "Soviet" profile, informed the poor dupe in the Oval Office that Moscow was about to create a falling-dominoes operation in the Middle East, capturing Middle East oil, and thus bringing Western Europe to Moscow's submission.

Rogers deprecated such a Moscow-directed operation, which was sound judgment on his part. However, Rogers overlooked the fact that it was British SIS's Arab Bureau which possessed the assets needed to create a situation closely resembling the scenario Kissinger had outlined. When British SIS not only orchestrated an actual provocation and counteraction in Jordan, and then caused a Syrian-sponsored Palestinian armored unit to deploy menacingly (without Syrian air cover!), Nixon bought the scam. Rogers was down and Kissinger was up.

The same general arrangements governed Kissinger's allegedly greatest feat—bringing Egypt from Moscow's into Washington's embrace. The insider's account is that British SIS used assets in the Kremlin to force through the Politburo a laundry list of humiliating "test" demands upon the Egyptian government—reportedly over the strongest objections of the Soviet Military Advisory Committee. The enraged and frightened Egyptians plunged into Washington's embrace.

The ruining of the presidency would not have been possible had Kissinger not succeeded, from the outset, in downgrading the Central Intelligence Agency, and bringing it increasingly under his control from the NSC. Neutralizing Rogers, cutting back on the Joint Chiefs of Staff's access to the President, and also boxing in the CIA, Henry accomplished an encirclement of the Oval Office which would be completed later, when Kissinger's last serious opposition, John Mitchell, was moved out of the Attorney General's office into the CREEP organization Kissinger had already set up for the "Watergate" drop.

Whatever the defects of Presidents and administrations prior to Ford's, the Kissinger operation at the NSC created an abomination which destroyed in practice the intent of the Constitution respecting the presidency, and which position Kissinger and others used to set up Nixon for "Watergate." The significance of "Watergate" is not merely the evil manipulation of Nixon by Kissinger et al. The significance is that, until we reverse this sabotage, the proper functioning of the presidency was neutralized, and the constituency organization system of ordering of major political parties has been made a shambles through operations deployed under the auspices of "Watergate."

Kissinger the historian

Kissinger, like any successful sort of crooked used-car salesman, is not a person of communicative insight into substance, but a peddler of empty, if suggestive, mere vulgar sentimentalities. Put more simply, Kissinger as an historian is a bag of unwholesome wind. In the main, that is the character of a scant two pages (pp. 54-55) devoted to "An Historian's Perspective." It is all, in the broader connotations of that term, huckster's pornography—like the professional pose of a fraud passing successfully as an "intellectual" at a liberal arts faculty cocktail party.

Underneath, Kissinger does have a certain sort of historical-philosophical outlook. His purported insights into Castlereagh, Canning, Metternich, and Bismarck have no particular merit as historiography, but they do reflect Kissinger's controlling masturbational self-image and world-outlook.

We point to selections from the final paragraph of the cited brief section of Chapter III.

"History knows no resting place and no plateaus. All societies of which history informs us went through periods of decline, most of them eventually collapsed. . . . The [statesman] . . . may know that history is the foe of permanence; but no leader is entitled to resignation. He owes it to his people to strive, to create, and to resist decay that besets all human institutions."

In the main, those sentences are like the rest of the same section: mere pseudo-intellectual fustian. They are the gobbledygook of a classroom fraud who is attempting to spew out sufficiently obfuscating, meaningless prose to suggest to the teacher that he might have glanced at the textbooks assigned.

Yet, between the cracks in that mass of isolated inflated, ignorant, sentimental phrase-mongering, a smell of the real Kissinger seeps out. It is a most unwholesome stench: Kissinger is, to the extent he is anything at all within, a Manichean, a five-and-dime Arnold Toynbee.

For a Kissinger, the United States has no purpose, except to continue existing at Kissinger's convenience, holding as much power as it can manage even while sliding toward doom.

Here we see reflected the essential reason why Kissinger's world-outlook is so consistently lacking in rudiments of morality. He views himself, like Metternich, as the chosen instrumentality of a culture in decay, and his role as that of forestalling as long as possible the doom intrinsic to a culture he views as one with neither future nor moral purpose.

Kissinger's reflected self-image is of a man who has lost conviction in his moral fitness to survive, but who is determined nonetheless to survive as long as possible—by whatever means. For him, truth *is* the enemy. Truth, he senses, is that which reveals his lack of self-perceived moral fitness to survive. To survive, he must defeat truth. He must cheat history, by any chicanery which serves that purpose at each "here" and "now" of his immoral existence.

For a Kissinger, the United States has no purpose, except to continue existing at Kissinger's convenience, holding as much power as it can manage even while sliding toward doom. The essential thing for him is not the survival of the United States, but the continued rear-guard hegemony of the crowd behind the scenes,

which created Henry Kissinger from a wretched and obscure Pfc. jeep driver back at the close of the last World War. He is merely a hired gun, whose loyalty to his master continues for just as long as his master is able to provide hired assassins and kindred types with wealth and prestige for services rendered.

Into fresh air

Contrary to Henry Kissinger, the United States is not objectively doomed to decay and expire. The purpose and direction which Benjamin Franklin and his co-sponsors embedded in the original federal Constitution and the design of Alexander Hamilton's American System is fully as viable, and more urgently needed in the world today, than nearly two hundred years ago.

The United States was created by an international conspiracy, one which linked the heirs of the English Commonwealth Party, of Jean-Baptiste Colbert, and of Gottfried Wilhelm Leibniz into a combined force committed to bringing about a new republic, dedicated to scientific and technological progress, and to the development and realization of the creative powers of the individual. The European supporters of this conspiracy made establishment of the United States a strategic possibility, but not as an act of charity toward the oppressed people of a British colony. They did so to create a republic whose example and development would foster the extension of the same ordering of nations into Europe, and into the world more generally.

This crisis-weary, hungry, frightened world today urgently needs the establishment of a new, gold-reserve-based world monetary order, to replace the shambles of the bankrupt Bretton Woods System. That new world monetary order must be premised on the principles of the American System, as those principles were articulated by the first George Washington administration.

It is our proper purpose, and self-interest, to rededicate ourselves to those principles of the American System, and not only to contribute to creating a world monetary order modeled on that American System, but to foster by that means the development of stable, durable sovereign national republics, enjoying scientific progress, technological progress, and the development of the individual, as our forefathers secured that heritage for their posterity—if the posterity did not waste it.

That is the historical purpose and hope for security of the United States, a purpose more viable today than ever before.

If we seem to be in a process of decay, especially since the time of Henry Kissinger first moved into the White House, this decadence, economic rot, and moral rot are not intrinsic to the American System. The rot is the consequence of submitting our national institutions to manipulation by such alien "Typhoid Marys" of immorality and decadence as Henry Kissinger.

Science & Technology

Teller, Bethe call for fusion hybrid

by Vin Berg

Dr. Edward Teller and Dr. Hans Bethe, two world-famous American physicists, now say that fusion-fission hybrid reactors can and should be developed by the United States within 10 years. The specialized system has long been under discussion among nuclear scientists, and it is now clear that the hybrid should be "elevated to the dignity of a project," according to Dr. Teller.

Speaking in separate interviews and speeches over the past two weeks, both men asserted that no significant technical obstacles exist to the hybrid system. Such a reactor would combine elements of existing nuclear technology with emerging fusion energy systems.

If accomplished, the hybrid would provide abundant fuel for existing nuclear reactors, and scientists will have gained engineering experience that could prove invaluable in the development of pure fusion systems during the decade of the 1990s.

Technical and political aspects

The two scientists called for the hybrid's development a few days after the enactment of Cong. Mike McCormack's Magnetic Fusion Energy Act of 1980, which commits the United States to develop a commercially viable pure fusion reactor by the year 2000. Fusion is the power source of the sun, in which the nuclei of atoms fuse under conditions of very high temperature and density, producing new elements and giving off enormous amounts of energy. In pure fusion systems now under development, the fuel would come from ordinary water and other common elements like lithium.

Although Teller and Bethe were extremely optimistic about the fusion-fission hybrid from a scientific and technical standpoint, Dr. Teller bluntly qualified his remarks from a political standpoint: if the Carter administration is returned to office this November, he stated, the hybrid will probably never be developed.

The urgent need for such a technology results from the limited magnitude of world uranium resources. Light water reactors of the type that make up the

nuclear power industry in the United States depend on a rare isotope of uranium, U-235, which could be exhausted by the turn of the century. In fact, such fuel supplies could run out even sooner, if nuclear power is applied at the rate energy needs require.

Scientists have long known of two solutions to the U-235 problem. One is the fast breeder reactor, a more advanced form of nuclear fission reactor, with the special advantage that it not only generates electricity like existing light water reactors, but would actually create or "breed" more new fissionable material than it burns up in the course of its operation. In this way, the breeder reactor "recycles" and extends the lifetime of uranium-based nuclear fuel.

Such breeder reactors are under intensive development in many nations, led by France and including the Soviet Union and Great Britain. But since April 1977, all development of the fast breeder in the United States has been halted by order of President Carter.

The hybrid

A second solution to the shortage of uranium is the fusion-fission hybrid system, of the sort Teller and Bethe have now called for. Such hybrid systems could produce electricity or serve simply as "fuel factories."

In the "fuel factory" concept, the fusion-fission hybrid would utilize fusion reactions between isotopes of hydrogen to generate nuclear fuel for fission reactors. Although hybrid reactors that would generate electricity are also on the drawing boards, Bethe and Teller argue that the surest near-term goal should be the development of a "fuel factory" hybrid.

"The fusion-fission hybrid has been discussed in the last couple of years with increasing frequency, but it has not yet been elevated to the dignity of a project," Dr. Teller told an interviewer from *Aviation Week* magazine, which published his remarks in its Oct. 13 edition. "It could be realized in 10 years in an economical fashion, using elements which are practically in hand today.

"The hybrid will not produce sizable amounts of electrical power," he continued, "but instead will produce fuel for certain types of nuclear reactors that in turn generate power."

Dr. Hans Bethe, speaking at a colloquium of scientists from Sandia National Laboratories in New Mexico, stated that the fusion-fission hybrid could provide enough new fuel for nuclear fission reactors to ensure energy for hundreds of years to come.

Developing a fusion-fission hybrid reactor to generate electricity directly could pose problems, Bethe indicated, but far fewer problems are present if the system is restricted to only one function, breeding fuel for fission reactors. "Any electricity generated by the hybrid itself

would be a secondary consideration."

The "fuel factory" he describes involves surrounding a fusion reactor with "blankets" of uranium-238 or thorium-232, both common isotopes, but useless as fuel. Their interaction with the high-energy neutrons generated by fusion reactions, however, would produce fissionable byproducts, either U-233, a uranium isotope that does not occur naturally, or plutonium-239, to fuel conventional reactors.

The engineering for such a hybrid would be "relatively simple," Bethe added. If it were coupled with the best in advanced reactor technology, like high temperature gas-cooled reactors or heavy water reactors like those now in use in Canada, electricity could be produced for as little as 2 cents per kilowatt-hour. Electricity produced from oil as fuel at present costs 6 cents per kilowatt-hour just for the fuel.

A step toward fusion

Dr. Teller reiterated his call for quick development of a fusion-fission hybrid in an interview last week with the Swedish magazine *Energi*, published by the FKU (the Association for Nuclear Energy and Development), a frequent collaborator with the U.S. Fusion Energy Foundation. He emphasized that such a project would not only mean a near-term solution to energy shortages, but significantly contribute to the realization of pure fusion power.

"Fusion energy is the most exciting possibility," he stated, "and \$20 billion for 20 years is approximately the amount that is needed to make it practical." The drafters of the McCormack fusion bill, signed into law Oct. 7, gave those figures as a reasonable estimate of the time and cost required.

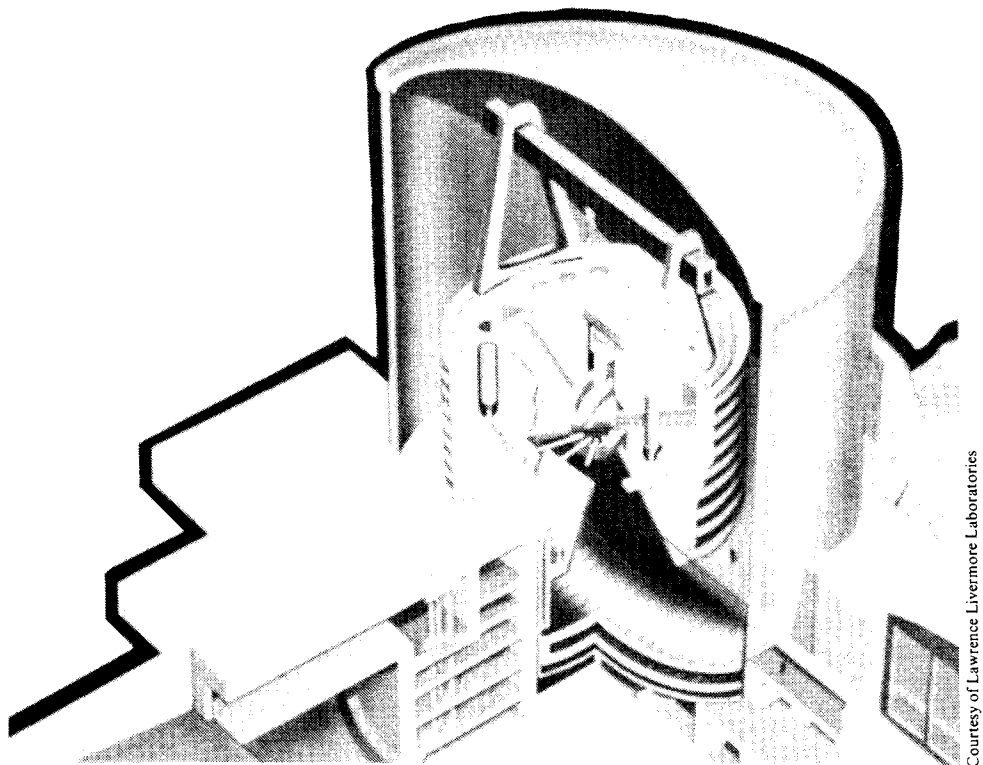
"I have said from 1950 onward," Teller continued, "that we can have fusion by the year 2000. And I still say that. The McCormack bill may make it possible; \$20 billion over 20 years is enough. . . ."

"But we already have a plan which I think we can complete in 10 years and which is much more certain of being accomplished, and that is the fusion-fission hybrid.

"You start inside a long pipe with fusion, surround it with uranium . . . you get more energy and more neutrons. Slow down the neutrons. Altogether you'll probably get no net energy, just enough to keep the machine running and very little extra. But you can make fuel for reactors, fission reactors, cheaply, and enough for the whole world for thousands of years."

That, he emphasized, is only one reason for developing the hybrid.

"At the same time, if we build these hybrids, we will run into some of the engineering problems for the pure fusion reactor, and we can learn whether and how we



Courtesy of Lawrence Livermore Laboratories

This fusion-fission hybrid reactor design incorporates the experimentally successful 'baseball' magnet.

can make cheap fusion reactors. So, the hybrid has a double purpose. It is a source of fuel for fission reactors, and it is practice, experience, for fusion reactors: practice in building economical reactors which does not need more government money to feed it."

The Carter problem

Teller, however, plainly feared that President Carter would treat such a project in the same way he has treated the fast breeder program, no matter what the scientific merits of the proposal. "There has been a lot of discussion," he stated, "but the nuclear engineer in the White House does not want to hear of anything in which the word 'fission' occurs. Perhaps in a few weeks, we can begin these plants, if we have a new President. Otherwise, I hope the Swedes, or the Japanese, or someone else will do it."

International cooperation

Teller's Swedish interviewer asked him about the feasibility of cooperation between the United States and the Soviet Union. "You know," he replied, "the fusion project, when it was first introduced, was secret. I argued and I fought for seven years to make it open. . . . Since that time, there has been worldwide cooperation on fusion, and the cooperation is honest.

"When the Soviets and we are working together on space," he continued, "I don't believe that the Soviets tell us everything they know. You find out whether they

tell you everything from internal consistency. In the fusion field, however, we have real cooperation, good cooperation. What the Soviets say is true. Much of what the Soviets say is also new. And there is cooperation with Germany. We are talking with the Japanese. Of course, we are talking with the British and the French. There is worldwide cooperation and that is as it should be."

The military question

In his earlier *Aviation Week* interview, Teller situated his call for development of fusion and a fusion-fission hybrid in the context of the decline in U.S. military capabilities. "People talk about an arms race, and I think that designation is mistaken," he said. "An arms race means that we try to build more and more of the same. The Soviet Union has won the arms race. They are ahead of us quantitatively. . . . The Soviet Union is probably ahead of us qualitatively as well as quantitatively. This is hard to believe because it is obviously not true in their civilian economy."

Teller described fusion research as the cutting edge of a program to reverse America's strategic inferiority. The United States, he said, needs "research and more research. The one thing which one cannot confidently describe is the detailed goals of that research. Even to find the right goals requires a lot of ingenuity."

One goal, he indicated, was clear and easy to specify: the fusion-fission hybrid "fuel factory."

National News

Washington Post launches Mineworkers frame-up

A front-page, five-part series in last week's *Washington Post* is paving the way for a planned Justice Department frame-up against the United Mineworkers Union (UMW) and its conservative political allies, focusing on the UMW-owned National Bank of Washington. For the last month rumors have circulated throughout Justice and investigative-reporter networks that the DOJ's "Project Leviticus" is preparing a mammoth assault against the UMW and the National Bank of Washington for supposedly dubious loans. "Project Leviticus" is identical in method and purpose to the ongoing assaults against the Teamsters.

The bank in question is the third largest bank in Washington, D.C. Its largest stockholder is the UMW. The *Post's* attack comes as the oil multinationals are attempting to wipe out the nation's independent coal operators and consolidate their control over U.S. energy supplies.

Trilateral director sees Carter-Soviet deal

George Franklin, executive director of the Trilateral Commission, told a reporter this week that he is "absolutely certain" that Leonid Brezhnev is working for the reelection of Jimmy Carter.

Franklin, himself a Carter supporter, said that his "circle of friends" has been talking about the Soviet desire to ensure Carter a victory. "It makes perfect sense to me. The Soviets are being smart. They know what they have in Carter; they know they can bargain with him." Franklin noted that in the current Persian Gulf crisis, the Soviets could topple Carter "any time they want" by "calling Carter's bluffs." Instead, the Soviets have been extremely cautious. "The word is that the U.S. has a wide berth to operate in, provided they don't go beyond

certain limits. It makes Carter look good."

Franklin said Carter will not attempt a major military intervention into the Middle East before the election, because of his campaign image as "a man of peace" and his desire to keep the Soviets "in the game." He says Trilateral Commission members are "pretty evenly divided" on the presidential race. "Some people feel Carter will do a better job, others feel George Bush would be a better President." Reminded that Bush is only the vice-presidential candidate, Franklin replied, "I know, that's the problem."

Message to Arrupe on antidrug effort

EIR Contributing Editor Lyndon LaRouche issued a statement Oct. 16 titled "The Cultural Basis For Drug Susceptibility": "Yesterday, I was pleasantly surprised to hear reports of statements on the growing drug problem by Father General of the Society of Jesus, Pedro Arrupe. Speaking at the Synod of Bishops in Rome on Oct. 15, Father General Arrupe echoed the warnings of the U.S. National Anti-Drug Coalition. He warned of the financial interests behind the growing international drug traffic, and of the need to attack the spread of drug culture, in calling for a Catholic organization to mobilize its forces against the evil of drugs. . . .

"I would prefer that Catholics continue to fight with the efforts of the Anti-Drug Coalitions in various countries, so that the efforts might be made ecumenical with respect to both religious and secular forces, and thus more effective. However, the creation of a distinct Catholic organization is useful, if it is created and developed in addition to participation in more ecumenical efforts. . . .

"There are two key points no anti-drug effort should omit. First, as the results of the Carter administration's softness on drugs has shown, the effort must be explicitly political, and must be targeted by name on the enemy forces of the drug lobbies as well as the politically

powerful financier interests which have continued to coordinate the international drug traffic since the British East India Company. Secondly, the effort must expose as variously incompetent or liars those who attempt to attribute the drug problem to the consequences of 'industrial society'. . . .

"Drug addiction is not a sociological phenomenon of 'industrial society.' Its potential was cultivated by powerful, influential agencies, and the problem was created as the international drug traffickers deployed networks of drug pushers at rock concerts and other locations to convert that potential into actual drug addiction.

"We are faced with four categorical tasks: 1) use of law enforcement and intelligence operations, with full support of courts and legislatures, to detect and destroy every arm of the international drug traffic, and to enforce the principle of law enforcement that the individual who uses drugs is spreading an epidemic against the essential fabric of society; 2) education to bring hatred against the evil of rock-pornography and related existentialist poisons as catalysts for spread of drug addiction; 3) medical therapy for the drug victim, but excluding the introduction of Tavistockian techniques in the misused name of 'therapy'; 4) re-establishment of true education in schools. . . ."

Attack against Abscam begins on East Coast

Michael Myers, expelled from Congress on Abscam charges, held a rebound electoral rally this week for Philadelphia Democratic committeemen and activists. Myers ripped the Justice Department's entrapment operations, stating: "I'm not running for reelection just to get back in Congress; if the FBI gets away with these frame-ups, no American citizen is safe. All constitutional rights are threatened. It is a travesty to see the FBI frame up innocent people while bank robbers, kidnapers, and dope pushers go free." The politically savvy audience cheered. Myers then repeated a standard call to

reelect the President, and everyone booted.

In South Carolina, where Cong. John Jenrette is under fire from Abscam, the local paper in his district carried full coverage of a press conference given by Committee Against Brilab and Abscam spokesman Richard Leebove. "Although the committee does not endorse candidates we find it crucial to provide voting citizens with the research we have done on the dangers facing the nation if the Justice Department tactics against such fine individuals as John Jenrette are allowed to prevail. . . . It was Jenrette's stated desire for economic development that caused the Justice Department to set the trap for him in the first place."

In New England, the prestigious Roman Catholic newspaper *The Pilot* carried an Oct. 22 editorial entitled "The Challenge of Corruption." The editorial stated: "The mere suggestion of corruption [these days] prompts investigation and charges. . . . There is no room, however, for entrapment or illegal devices for special defendants, while others go free. . . . It is not difficult to imagine what the Communist witchhunts of a past era would have achieved if the investigators had at hand the tools available today. . . . [Blemishes] on the body politic should be removed without killing the apparatus that makes us people of independence and integrity."

Carter draws support from Foggy Bottom veterans

Ex-State Department officials held a press conference Oct. 20 to announce the formation of a "Former Diplomats for Carter-Mondale Committee," two weeks before the presidential election. The group's statement, which defended President Carter's attacks on Ronald Reagan, was endorsed by, among others, Cyrus Vance and Hodding Carter III, who left the Carter administration last spring because they considered the abortive attempt to rescue the American hostages in Iran to be dangerous. Other members are Averell Harriman, Clark Clifford, Andrew Young, Paul Warnke,

Sargent Shriver, and Patsy Mink, former assistant secretary of state and now head of the liberal Americans for Democratic Action (ADA).

International Herald Tribune found guilty

A Paris court ruled Oct. 20 that the *International Herald Tribune* was guilty of libeling Lyndon H. LaRouche during his 1979-80 campaign seeking the Democratic presidential nomination in the United States. The *Tribune*, in October 1979, republished an article by Paul Montgomery and Howard Blum, published in the *New York Times* a few days earlier. The *Tribune* is jointly owned by the *New York Times* and *Washington Post*.

The article charged that Mr. LaRouche and his campaign organization were a violent, anti-Semitic cult. The French court, after a full evidentiary hearing, ruled that the *International Herald Tribune* had presented no proof whatsoever of the charges they had published. The court further judged that the *Tribune* had made no effort to substantiate the information provided by its sources. This reckless disregard for truth, the court found, was particularly prejudicial because it libeled Mr. LaRouche at a time when he was running for election to public office.

Although truth is a complete defense in a charge of libel under French criminal libel law, the *Tribune* presented no proof of any of its charges, complained that French law was too stringent, and threatened to move its publishing plant out of France if the court's decision was adverse.

The court ruled that the *Tribune* will have to place advertisements reprinting the court judgment in three national French daily newspapers as well as its own. It must also pay the legal costs for both sides and approximately \$1,000 in damages. Observers remarked that the judge's decision was very strong and the monetary damages extraordinarily high by French standards.

Briefly

● **THE MAJORITY** of families of the American hostages currently being held in Iran do not support President Carter's reelection, according to a poll conducted by the *New York Post* released Oct. 21. Of 31 of the 52 hostage families, only six still supported the President.

● **RONALD REAGAN**, in an interview with the West German daily *Die Welt*, commented that it would be very bad if some day China used against the U.S. the weapons the U.S. had sold it. He said he could understand why Schmidt and Giscard had met with Brezhnev this year, given Carter's uncertain policy, and called it a mistake for Carter to ban nuclear sales to Brazil.

● **PETER MEYERS**, chief counsel for the promarijuana NORML said in an interview Oct. 16: "Senator Javits is probably our number one supporter on Capitol Hill. He has been a consistent strong supporter of marijuana reform, particularly eliminating criminal penalties for minor marijuana offenses. Senator Javits has been great on marijuana. Elizabeth Holtzman [Democratic senatorial candidate for New York] has also been a consistent supporter of marijuana reform. Her positions have been excellent."

● **TEXAS HOUSE** Speaker Billy Clayton and Austin lawyer/lobbyists Don Ray and Buck Wood were acquitted Oct. 22 of all counts of racketeering. The defense established that under Texas law, a campaign contribution is not "accepted" unless it is either reported or spent; Clayton maintained that he accepted the contribution with an intent to return it, as he had many other improper contributions in the past. Pandemonium broke loose as the verdict was announced, and every juror shook Clayton's hand. The acquittal—the first in Brilab—may mark the end of federal stinger Joseph Hauser's career as a star witness.

GAO report blasts Carter

Let's get on with nuclear breeder development, a federal report proposes.

The General Accounting Office, research arm of our nation's legislative branch, has just released a sharp, new policy critique of the Carter administration's nuclear fast breeder policy. The report, bluntly titled, "U.S. Fast Breeder Reactor Program Needs Direction," has been read into the Congressional Record by Cong. Mike McCormack (D-Wash.). The study's conclusions are being largely ignored by the national media and the administration. I want to outline some major aspects of this remarkable situation, aspects that have profound consequences.

James Howard, one of the research coordinators of the Energy and Minerals Division of the GAO who prepared the study, is unusually outspoken for a government official. "It's ludicrous," Howard told me. "Our fast breeder program was the world's most expensive research project until 1977. Then everything went into an about-face." That was the year that newly inaugurated James Earl Carter, who had campaigned on his background as a former Navy nuclear engineer, astonished the world nuclear community by publicly endorsing the conclusions of a Ford Foundation/MITRE report, entitled "Nuclear Power: Issues and Choices." Since that time, the Carter administration has made extraordinary efforts to kill the U.S. fast breeder program, particularly the large test reactor

being built, the Clinch River Liquid Metal Fast Breeder Reactor—our most advanced effort at the time. The arguments used to justify this course were lifted from the pages of the Ford/MITRE study.

That report has been denounced by highly experienced nuclear experts, some of whom had even been involved in preparatory committee reports that led to the final report. One such authority, head of research for one of our largest nuclear vendors, charged that the final conclusions of the Ford study were a fraud, drafted by Aspen Institute strategist John Sawhill, and Harold Brown, then head of California Institute of Technology, presently our Defense Secretary. The final Sawhill report, which was given to the President, ignored expert industry input and fraudulently concluded that the breeder program should be delayed for at least the next three decades because it was not needed and would feed the danger of nuclear weapon proliferation by encouraging other nations to pursue so-called plutonium technologies that could lead to nuclear weapons development.

Howard pointed out that this Carter nonproliferation policy has been "the biggest bust ever." Three years later, the United States has ceased to be the world's major supplier of nuclear fuel and technology, creating international distrust over its unreliability. This has led

many countries to accelerate plans for developing indigenous full fuel-cycle nuclear reactor capability despite costs—precisely the result the Carter policy was ostensibly designed to prevent. Even the international study group formed several years ago at Carter's insistence to study its recommendations, the International Nuclear Fuel-Cycle Evaluation, pointed out the absurdity of Carter's policy.

In their February 1980 report the authors estimated that economical world uranium fuel reserves were sufficient only until 1997 under present slow-growth nuclear fuel requirements, or until 1992 with a more vigorous expansion of nuclear power.

The fast breeder and reprocessing of existing fuel are thus essential to ensure fuel beyond the turn of the century. The Ford report and Carter's people claimed just the opposite.

The GAO report points out that, despite Carter attempts, Congress has continued funding the Clinch River plant every year since 1977. They attack the administration's conclusions for being "based on uncertain data and not supported by the evidence." They point out that unanticipated events such as oil insecurity from the Persian Gulf "could increase the future demand for nuclear energy and the need for early commercialization of breeder reactors."

The point that remains to be addressed is that the United States has a vital stake in aggressively *promoting* nuclear proliferation abroad as well as at home—something like Eisenhower said very plainly during the "Atoms For Peace" offensive. Let's get off the defensive, for once.