National News

Mottl blasts high interest rates

Congressman Ronald Mottl (D-Ohio) attacked the high interest-rate policy of the Federal Reserve Board last week and introduced a House resolution demanding that the Fed "reverse its present policy" of aritficially high rates and instead "pursue a policy of stable interest rates at lower and affordable levels."

Introduced as "House Concurrent Resolution 44," Mottl, stating the crucial economic points, charged that the high interest rates have "not had the desired effect of lowering the rate of inflation, but have, in fact, increased the rate of inflation. Spending and investment by businesses and consumers," has been inhibited Mottl said, "to the detriment of long-term economic growth and increased productivity."

House Majority Leader Jim Wright (D-Tex.) followed this on "Face the Nation" Feb. 15 with a blast at the Federal Reserve Board for throwing last year's budget-balancing attempt out of kilter when it "arbitrarily and inexplicably raised interest rates. That added $13 billion in debt service to the budget."

Dorgan vows interest-rate fight

In a speech on the floor of the House of Representatives Feb. 19, Representative Dorgan (D-N.D.) attacked President Reagan's budget message for proposing a sorely inadequate remedy for inflation. He said that budget and tax cuts are only "chapter 1," and that Reagan omitted "chapters 2 and 3" that must deal with energy and monetary reform, without which Reagan's program won't work.

Dorgan is the sponsor of a bill to give Congress the power, by a 60 percent vote, to remove the chairman of the Federal Reserve. He strenuously opposes the high interest policies of the present Fed chairman, Paul A. Volcker.

In an exclusive interview with *EIR*, Dorgan revealed that he is presently circulating his bill to gather additional sponsors, and plans to actively seek support in the Congress for forcing a lowering of interest rates by the Fed.

In defending his view, he said that while he is not a "supply-sider," low interest rates is actually a supply side approach because it puts credit in the hands of people, especially small businessmen, who will use it to expand production. He said that pro-"supply side" defenders of high rates have failed to respond to this argument.

He also said that he has gotten letters "from all over the country" backing his campaign to retire Paul Volcker and lower interest rates.

Reuss tries to wreck U.S.-West German ties

Rep. Henry Reuss (D-Minn.), the outgoing House Banking Committee chairman, told the West German daily *Handelsblatt* today that "high interest rates in the United States are having catastrophic consequences on the international market and putting heavy pressure on our European partners." According to Reuss's aides, his staff will shortly issue a report making the same argument. The report will cite the results of monetary policy in four European countries, arguing *against* the monetarism Reuss personally has represented for the past decade. (Reuss has consistently argued for an ultra-Friedmanite approach to monetary policy, including a fixed annual ceiling on money supply growth.) What Reuss now is backing is a policy of "directed credit." By this, his aides said, he means a two-tier credit system that will drain credit from the "Chryslers" and pump credit to "sunrise industries"—the opposite of the two-tier credit system proposed by Lyndon LaRouche to foster economic growth.

Reuss is putting himself forward as the U.S. spokesman for West German concerns on the interest rate question in order to wreck the prospects for a Reagan-Schmidt agreement on lowering interest rates. The object of the new Reuss report, his staff said bluntly, is to enrage the administration and Republic Senate leadership in advance of Chancellor Helmut Schmidt's April trip to the United States by misrepresenting the ferment against Federal Reserve head Volcker as a Second International proposal on both sides of the Atlantic.

Democrats moving on economic growth issues

Congressman John Dingell (D-Mich.) is planning to hold hearings on the relationship between productivity, capital formation, and investment, and a reindustrialization policy. Through the Oversight subcommittee of the House Energy and Commerce Committee, which Dingell chairs, the hearings will explore the horrendous state of U.S. industry and expects to make recommendations on how to reverse the present slide of economic production.

According to Capitol Hill sources, many individuals close to Dingell want to make the fight for economic recovery, raising basic U.S. productivity rates, increasing the rate of investment and capital formation, as the "Democratic issues" for the next election. "Budget cutting won't solve" the economic crisis, one source said, "and we want to get the Democrats out front with serious proposals to cure our fundamental economic problems" like inflation, declining productivity, and lack of energy.

AFL-CIO executive board hits high interest rates

Meeting in Bal Harbor, Florida, the executive board of the AFL-CIO adopted a policy resolution Feb. 16 attacking the credit policies of the Federal Reserve. Building trades leaders in particular had been pressuring federation president

Lane Kirkland to take action to reverse the homebuilding and industrial downslide and acute unemployment.

The resolution, adopted unanimously by the 33-member board, states in part: "High interest rates are the result of the monetary policies of the Federal Reserve Board, which are counterproductive as weapons in the fight against inflation. They are inflicting both long- and short-term damage to the economy without reducing the inflationary force of energy, food, housing, and medical care. One of the leading sources of inflation is the high interest rates that add to the cost of everything, causing particular hardship to small business, homebuilders and consumers. . . . Interest rate payments on the federal debt contribute to the [budget] deficit and divert funds needed for other vital programs," the resolution continues.

The AFL-CIO proposes that credit be channeled into unspecified "high priority areas of the economy" and that credit be curtailed for "speculation." To accomplish this the federation proposes use of the Presidential powers authorized under the Credit Control Act of 1969. Finally, the AFL-CIO resolution calls for the channelling of union pension funds for home mortgage loans to help revive the housing industry.

Committee for the Free World branch formed

A founding meeting took place of the American branch of the "Committee for the Free World" on Feb. 10. Earlier that day, the committee's European branch also held its founding session in London.

Among the 400 members and attendees of the committee are British spook Robert Moss; British Islamicist Bernard Lewis of Princeton University; Anti-Defamation League social democrat Irwin Suall; AFL-CIO President Lane Kirkland; British Heritage Foundation controller Hugh Thomas; *New York Times* "planned shrinker" Roger Starr; and subhumanist Sidney Hook.

Also members are several appointees of the Reagan administration, including Jeane Kirkpatrick, U.S. ambassador to the United Nations; Michael Novak; Kirkpatrick assistant Michael Gershman, former head of the Social Democrats U.S.A.;
adviser Richard Pipes;
ment officer Elliot Abrams, formerly a staffer for New York Senator Daniel Moynihan.

Beyond the 1950s cold-war rhetoric among these social democrats, two important aspects of the group are its planned support for Alexander Haig and its explicit intent to promote the philosophy of Aristotle. Coverage is upcoming in *EIR*.

Vance sends Soviet leadership a message

Former Secretary of State Cyrus Vance sent a message to Moscow through indirect channels last week that they will find "no real friends in the Reagan administration" and that the anti-Soviet sabre-rattling by Alexander Haig "reflects President Reagan's thinking."

A source close to Vance revealed that the message was sent during a meeting in Vienna of the Palme Commission on International Disarmament, a Socialist International-linked body to which Vance belongs, along with Austrian Prime Minister Bruno Kreisky, former British Foreign Secretary David Owen, and German socialist leaders Willy Brandt and Egon Bahr. The message was communicated through Georgii Arbatov (head of the U.S.A.-Canada Institute within the IMEMO think tank in the Soviet Union) who is also a member of the commission.

Arbatov reportedly told his Socialist International colleagues that at the late February Soviet party congress, Brezhnev would "hold out the olive branch to Reagan" and make "a strong bid for the renewal of détente." Vance was reportedly trying to counter the Soviet view that Reagan could turn toward an even more pro-détente policy "than Nixon."

Briefly

● **WILLIAM PROXMIRE,** the ranking Democrat on the Senate Banking Committee, told a reporter recently that there was "no way to lower interest rates" and therefore "it makes no difference what European leaders may propose to the Reagan administration on bringing interest rates down." He also attacked the Western European nations for "predatory financing policies on their exports."

● **CAPITOL HILL** sources report that Western Republican members of Congress are telling President Reagan that they will not accept OMB Director David Stockman's proposed cuts in federally supported water projects.

● **GEORGE GILDER,** an economist who was called in by OMB Director David Stockman to help write President Reagan's budget program, told the *Washington Post* that he is a firm believer in ESP. "ESP is important to me," he said. "I learned that it absolutely exists . . . The trick is you have to have faith." Gilder is director of the International Center for Economic Policy Studies, founded by CIA Director William Casey in 1976.

● **THE NATIONAL** Anti-Drug Coalition held the second of six weekly Philadelphia town meetings on Feb. 16, drawing over 400 local citizens. Speakers included Marco Fanini of the Italian Anti-Drug Coalition, antidrug activists Edward Christian and Josephine Stannish of Philadelphia, city council members Anna Cibotti-Verna and James Tayoun, State Senator Francis Lynch, and Philadelphia Registrar of Wills Ron Donatucci.

● **MARYLAND** introduced a resolution to remove Paul Volcker as Fed chief into its state legislature on Feb. 19. This is the seventh state legislative action to halt Volcker's policies to come up for a vote.