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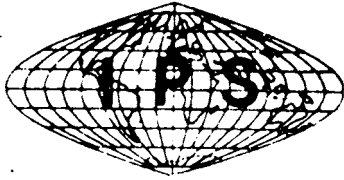
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INTERNATIONAL MARKET
NEWSLETTER

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EUROPEAN CURRENCY CRISIS SIGNALS INTERNATIONAL BREAK DOWN

NEW YORK, Jan. 25 (IPS) -- The Italian Lira crisis -- which began when Rockefeller banks and multinationals launched a wave of speculation against the Italian currency in an attempt to force formation of an austerity cabinet in Italy -- has, by the week's end, produced what is unquestionably an uncontrollable situation on the international financial markets. This situation now threatens to turn into a full-fledged chaotic breakdown of trade and finance.

At the present moment, billions of dollars have flown into New York from the weaker European sectors in the elusive search for quick profits. The Banque de France alone has reportedly lost \$1 billion in central bank reserves -- approximately one-sixth of its chiefly-borrowed foreign currency holdings -- over the past three days to support the French Franc. The Bank of Italy, meanwhile, has supported the Lira by more than the official \$560 million since Jan. 1. Italian foreign currency reserves have eroded from \$2 billion last July, to a point of virtual exhaustion at their current \$500 million level. The Lira depreciated by a full 12 per cent on the black market last week, at the same time that a full-fledged run on the French Franc and the British Pound also developed.

While the New York Federal Reserve Bank has momentarily calmed the stateside currency markets via unprecedentedly large and frequent interventions, panicky holders of European currencies have moved into such "profitable" short-term outlets as U.S. Treasury bills and stocks of debt-ridden, profitless corporations on the New York and Tokyo stock exchanges. The purchases of \$1.8 billion in short-term U.S. Treasury paper last week by the Fed for foreign accounts, although a reflection of the pullout of Arab funds from Europe, hardly reveals the real magnitude of funds flowing into New York.

In conception, this massive flow of funds was intended to provide much-needed liquidity for the New York banking establishment, while at the same time forcing a general wave of currency devaluations in the European sector. The devaluations were in turn to improve the profitability of the generally bankrupt multinational and Eurodollar sector. European workers were to pay for this additional profit margin to Rockefeller through bone-crunching austerity imposed by police state regimes -- most immediately in Italy.

Things have not gone according to plan. The operation, which provoked the shutdown of the Italian foreign exchange and stock markets earlier in the week, has thrown international trade financing into chaos, and created a new pool of speculative, profit-hungry

liquidity in New York (where, as is well known, there are no profitable investment outlets) which could flow almost anywhere in the globe at moment's notice -- triggering a new crisis outbreak. It is like a bomb about to explode.

For Italy itself, all foreign currency-dependent trade has become out of the question. So severe is the panic within the country, that all credit spigots have had to be turned off. No one can be sure of the future value of the Lira by the time these debts will come due.

There are also reports that multinational corporations are joining in the panicky flight of capital by delaying receipts on their accounts receivable from abroad and pre-payments on import orders already contracted out.

Chase Manhattan Triggered the Crisis

Both angry Italians and New York financiers made no secret of the fact that the crisis was deliberately provoked to force an austerity government in Italy and devaluation of the Lira.

Mused the Italy desk at Manufacturers Hanover Trust in New York: "Europe has too much trade. The Lira, the Franc are overvalued. Devaluations are good." The consensus among banking circles was: if these European countries are ever going to repay their debts then a military-political solution is the only one that will work. For that, what is needed is a devaluation of European currencies to discourage imports and strong governments of national unity to impose the austerity conditions necessary.

Gabriel Kerekis, a consultant to Salomon Bros. of New York and other New York investment banking houses and an old friend of David Rockefeller, supported a 15 to 20 per cent devaluation of European currencies, triage of European industry and trade, stepped-up conventional arms production, government works programs. "Let's face it, from our side, it will improve liquidity all around -- from your side, it will be very hard on some people," declared Kerekis.

The Italian daily, Il Globo, linked to the Cefis faction of the Christian Democrats, blasted the New York banks for provoking the speculative run on the Lira. This prompted a pro-forma "official" denial of Chase Manhattan's involvement in the affair by the chief of the bank's Italian subsidiary.

Further proof that the operation was run out of New York came when West Germany's Atlanticist Finance Minister Hans Apel, emerged from an emergency session of the West German cabinet and announced that "Italy can take care of itself by itself." In other words, there would be no repeat of West Germany's \$1.2 billion gold-colateral loan to Italy of last year.

By Jan. 21, however, the spillover effect on all European

countries, and primarily France which was supporting the Franc with hundreds of millions of dollars per day (France had already been forced to absorb \$1 billion during all of December), the panic movement of capital from Europe, and the impossibility of putting together a strong government in Italy, had completely changed the situation. There was panic on Wall Street and at IMF headquarters in Washington, D.C. While the U.S. press was coyly playing down the crisis as a purely "Italian phenomenon" which had effectively been contained (and besides, Italy had plenty of gold reserves), New York bankers were in constant communication with the IMF to find out whether that institution was considering emergency aid to Italy.

According to an IMF spokesman, never had so many calls been received from New York bankers before. The Fed in Washington and New York was referring callers to the State Department. The State Department, in turn, was directing all phone calls to the U.S. Treasury and vice-versa.

Said the market trading chief of a New York bank: "An Italian government cannot be formed quickly. We have to move quick. I have indications that Italy could declare a debt moratorium. If Italy does, then France and Britain will be next, followed by Latin America and Africa." A bank analyst at an international investment banking house conceded: "The thing is slipping out of our hands."

Rumors of an imminent devaluation of the French Franc were widespread despite assurances to the contrary by Finance Minister Fourcade. Market sources reported that such a devaluation would lead to chain-reaction devaluations of currencies of France's trading partners to protect their export-competitiveness. A stage of world-wide economic collapse where outlets for a "rate of return on investments" had dried out spelled wholesale movement out of paper holdings and into gold and other commodities.

The Crisis of Confidence

The phenomena which is now increasingly being described as a "crisis of confidence" in Europe's continued economic viability is the direct result of the Rockefeller-linked financiers' explicit policy of collecting debts at all cost. Since the 1973 oil hoax, the point at which this policy became operational, Western Europe and Japan have gutted their industry and trade, depleted their central bank reserves, and weakened their balance of payments and currencies in support of the Dollar debt empire.

For example, France's total foreign indebtedness is more than double its 45 billion French Francs in currency reserves and gold holdings valued at the official price of \$42 an ounce. Italy's foreign currency reserves now stand at \$500 million, hardly enough to support one month's worth of imports even at their current abysmal levels. Britain's bankrupt state hardly needs elaboration.

The insane attempt by the New York banks to provoke a controlled devaluation of the Italian currency could not possibly succeed under the circumstances.

As an Executive Director at the IMF outlined: a "strong Italian government that includes the PCI" and is able to restore confidence for the controlled devaluation of the Lira to take place cannot be put together for at least a few weeks. The Jan. 24 West German daily Frankfurter Allgemeine Zeitung debunks the possibility of formation of a government that can repay the debts of Italy.

The situation became immediately uncontrollable as open factionalization broke out in Italy on the issue of fascist austerity that the devaluation scenario entailed. The Italian Socialist Party (PSI) and the Cefis-faction within the Christian Democrats are opposing devaluation and austerity while FIAT head Agnelli and the agent leadership of the Italian Communists want it. The Christian Democratic Budget Minister, Sr. Andreotti, in a statement yesterday, made it plain that the Italian crisis must be solved in a fashion that takes into account both Italy's relations with the rest of Europe and improved relations with the socialist countries. He made specific mention of the fact that no solution is possible without dealing with the debt question.

Debt Moratoria -- the Only Way Out

The spectre of debt moratoria on dollar-denominated debts became even more real this week when the IMF Executive Board in meetings with a visiting delegation from the Bank of Italy in Washington, D.C., panicked at the unexpected turn of events and tried to regain control of the situation by agreeing to a debt rescheduling on all of Italy's short-term private and public debts -- \$3.4 billion -- without conditions. Said an IMF official: "You can't impose conditions on a loan to Italy at this moment with nobody to implement them." The IMF has given up on ever collecting Italy's debt.

It would be useless to speculate on how Britain, France, etc., not to mention the Third World countries, will react to this precedent-setting move on the part of the IMF and New York banks.

In one sense, the IMF and the New York banks have at least realized the utter non-implementability of their controlled-devaluation, massive import cutbacks, wage austerity, conventional armaments production scenario as outlined in the notorious Tindemans' Plan -- named after its author, the Belgian Prime Minister -- and have moved quickly to reschedule Italy's debts. More imbecilic, however, are those European press outlets, industrialists, and leaders in Europe who see in the plan an austerity approach to the problems now plaguing Western Europe. Industrialists, both in Italy and France, have deferred receipts on accounts receivable from abroad and have made advance payments for imports, thus causing further pressures on their own currencies. The solution is analogous to a man eating his own leg to reduce his calorific intake requirements.

Wage austerity and import cutbacks will only further destroy the productive base of advanced sector economy -- the only base that can provide a "rate of return" on investments. Thus, even from the standpoint of self-interest of advanced sector entrepreneurs, debt moratoria on dollar debt and a new institution to issue credit for triangular trade-based production are the only solution to this worst economic crisis since the Spanish bankruptcy of the Sixteenth century.

Currency devaluations, if implemented, will only lead to a geometrical increase in the \$23 billion trade deficit for non-U.S. OECD countries in 1976. The projected 15 billion French Franc deficit projected for 1976 -- the French Trade Ministry projections that triggered the run on the French Franc -- will only worsen if the Franc is devalued, leading to further devaluation and so on. That course is nothing short of suicidal.

European Recovery a Fraud

As the European currency crisis revealed, the widely touted "European recovery" is a complete fraud. What was being called recovery, was a support operation, based almost solely upon inflationary government and consumer credit expansion, aimed at propping up key sectors such as auto and housing, just enough to keep steel and other producer goods sectors from going down for the count.

Now as far as the eye can see across the European continent, this so-called recovery is in ruins. As a key indicator, the balance of payments picture -- which was said to improve in 1975 -- is now rapidly deteriorating. The market for European exports is collapsing after barely holding steady last year. Meanwhile the ruse of bloated "improved balance of payments" pictures -- a policy of severe import cuts -- now must be scrapped. Stocks of imports that had been used over the last year are depleted, and the import cuts can no longer be maintained -- even at reduced production schedules.

Similarly, firms that had reduced credit needs for 1975 due to severe production cutbacks are now looking to borrow again -- not to increase production but to pay off debt. It is now projected that they will put such a demand on the weak national sector banking systems that foreign capital will have to be raised, as was done in 1974. However, corporate profits are so poor for last year that most firms are given almost no chance of raising the much-needed capital abroad.

Barring the institution of debt moratoria against dollar-denominated corporate and national debt, Europe will fall into a cycle of import cuts, export wars, and the inevitable currency devaluation wars. This in turn will only force increased production cutbacks, deterioration of corporate profits, and recurring waves of corporate and bank liquidity crises.

Already this week, the Italian press warned that the "wine war" no underway between France and Italy was in imminent danger of becoming a full-scale all-front trade war.

BRD: Schwindelkonjunktur

This Schwindelkonjunktur (fraudulent upswing) phenomenon is most graphically related by West German (BRD) production figures.

Over the year, auto production was held to a 3 per cent positive growth rate through a huge expansion in consumer credit created by a 25 per cent Bundesbank ordered increase in the money supply. This produced a 30 per cent growth in domestic sales. Foreign sales, however, fell by 15 per cent, with a 22 per cent decline in U.S. sales. The machine tool sector experienced a similar phenomenon. In the first half of the year it experienced a 14 per cent positive growth in domestic orders -- thanks to government tax subsidies -- while foreign orders plummeted 25 per cent. Through such artificial manipulations, figures for overall machine tool production fell by only 8 per cent.

The demand effect of these two major sectors on the rest of the BRD economy is the only thing which prevented a full scale collapse. Still, figures for 1975 production reflected drops of 22 per cent in steel, 16 per cent in chemical, 15 per cent in textiles and clothing, 10 per cent in construction, and 9 per cent in total machinery.

As these figures were released, news broke that the production collapse is already translating into a building wave or corporate bankruptcies. Most corporations are already "broke but don't know it," as the widely read trade paper Handelsblatt bluntly stated Jan. 22. Along these lines, a DM 200 million bailout had to be extended this week by the regional creditbank to 450 small and medium firms, mainly in the machine tool sector, in the Stuttgart area. As is the case with such operations, nothing is really solved -- only postponed: the corporations merely consolidated debt, the total of which far exceeded the amount of the bailout.

French Payments Deterioration Subverts Franc

In France, where the same process of auto and public construction credit held up production, as exports fell drastically, the balance of payments situation broke decisively for the worse in December. "The government lost its gamble with import cuts," commented the Jan. 19 Le Monde in reporting a 289 million Franc trade deficit for the month. For France the worst is yet to come. The December deficit still left the country with a 6 billion Franc trade surplus for the year, due to an 8 per cent cut in imports.

Thus when Banque Parisbas on Jan. 20 predicted swing back to the 1974 pattern with a projected 12 to 15 billion Franc payments deficit for 1976, pressure on the Franc broke out into the open. "People don't realize how fast the Franc will fall. . . Everyone expects the Italian economy to weaken -- when they realize the extent of the French downturn then the Franc will fall faster than the Lira," noted a Director of Foreign Exchange at a major New York City brokerage house.

The pattern includes, the same source indicated, vast increases in the needs of French industry to borrow overseas under conditions where debt service to turnover ratios range from 10 to 25 per cent. The source projected a rise in 1976 Eurocurrency borrowing from 1975 levels of \$461 million back close to the 1974 level of \$3.3 billion. French government-guaranteed issues of French utilities bonds in New York alone have already reached \$200 million this year, compared with a total of \$310 million total U.S. bond issues for French industry in 1975.

As in West Germany, French auto sales rose 16 per cent and 24 per cent respectively in October and November -- all through consumer credit expansion. Meanwhile, industrial production fell 20 per cent in steel, 15 per cent in chemical, 25 per cent in machinery, and 20 per cent for oil importing and refining. The Jan. 23 Corriere della Sera, the Italian paper, as an omen of what is on the immediate horizon, reported that over the last six months of the year, French exports fell 25 per cent in metal manufacturing, 20 per cent in iron and steel production, 11 per cent in chemical, and 68 per cent in fertilizer production.

Italy, Japan Reflect Trend

Italy and Japan broadly reflect the same trends. The 1975 "miracle" turnaround in Italy's balance of trade -- a deficit of \$3.5 billion for 1975 as compared to a deficit of \$11 billion the year before -- was due primarily to a 10 per cent drop in imports coupled with a 15 per cent export upturn largely accounted through trade with the East Bloc. Overall industrial production fell 12 per cent under the import restrictions and the artificial maintenance of 12 per cent prime lending rates throughout the year. Corporate deficits rose to \$4.5 billion by year end, and industrial raw material stocks were totally depleted.

This week, as Italian industrial demand for import credits became intense, official projections of an increased balance of trade deficit in 1976 of from \$5 to \$6 billion helped fuel speculation against the Lira.

In Japan, the so-called recovery was maintained by replacing West Germany as the number one exporter of automobiles to the U.S., cashing in on the U.S. credit wave, while expanding domestic consumer credit for a 20 per cent increase in domestic auto sales. However, production of steel and other basic industries fell 10 to 15 per cent. The instability of the Japanese picture is shown by the fact that even though here trade deficit was reduced to \$2 billion, a third of what it was in 1974, this was accomplished through a 7 per cent drop in imports. Exports rose by only 0.5 per cent -- a post-war record for flatness. Exports to the U.S., Japan's major trading partner, fell a full 13 per cent. Forecasts for 1976 exports are for continued dullness.



DOMESTIC MARKETS

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THE NEXT RATCHET

NEW YORK, Jan. 25 (IPS) --Industrial production in the United States has now clearly entered the next phase of its ratchet collapse.

U.S. automakers, after examining shrinking sales figures and their own inventory pile up, announced plans to place 17,500 workers on "temporary" furlough during February. The auto industry, which had been trumpeted during recent weeks as the principal component of the "recovering" economy, now appears headed for an even more drastic shutdown of capacity by early spring.

Chrysler Corp, in particular, which has been tottering on the edge of bankruptcy for more than a year, has seen its inventories of unsold cars rising again to precarious levels, going from a 74 day stock in November to 91 days in December while statistics revealed that its share of the shrinking U.S. market declined drastically. The same inventory run up, created by increased production schedules over the last 2 months has also occurred among other automakers.

Production schedules for the entire first quarter are still based on the projection of producing 300,000 more autos than anticipated sales.

The Commerce Department's announcement this week that consumer durable goods sales -- of which autos are a significant component-- fell 5.1 per cent for the week, has prompted auto industry executives to reevaluate production schedules on a week-to-week basis -- a process last used during Fall-Winter 1974 which saw nearly half the industry shut down.

On Jan. 22, the Commerce Department reported that December figures for durable goods orders (orders for products such as machinery which are essential to industrial production) were down 0.5 per cent, continuing their four-month decline. If orders for transportation equipment, including autos, are excluded from these figures, orders for all other durable goods fell a whopping 4.4 per cent. The drop was so precipitous that Herman Liebling, the U.S. Treasury's top staff economist, would only comment that the numbers "don't seem to make any sense." -- especially in light of the government's insane talk of a strong recovery.

The weakness in auto and durable goods will soon trigger a ratchet shutdown among suppliers of those sectors- especially the steel industry. Total steel shipments for 1975 were under 80 million tons, compared to 109 million tons in 1974 and more than 30 per cent below the estimated capacity of 135 million tons. Production in the fourth quarter was only 20 million tons.

As a result, Armco and National, the U.S.'s fourth and fifth largest steel producers respectively reported this week that their fourth quarter earnings fell by over 50 per cent.

The only area for increased orders in recent weeks, according to industry purchasing agents, has been in sheet metal from the auto industry, which consumes 20 per cent of industry output. With the bottom having already fallen out of everything else, steel industry executives are privately mapping plans for new shutdowns.

Even assuming that auto orders were to hold up -- which no one assumes any more -- steel analysts had projected steel production for the first quarter of 1976 to be under 22 million tons. No one seems to have any idea what could reverse this situation and are reaching for some non-existent scheme. When asked where orders would come from to reverse this disastrous situation, one analyst replied, "Ford's energy program," referring to the recent Project Independence energy pyramid schemes put forward by Vice President Rockefeller and most recently proposed in the State of the Union message. He would not elaborate on how this would work or what would happen if Congress rejects the Rockefeller plan.

This collapse of basic U.S. industry is greatly exacerbated by the rapidly deteriorating international economic situation. The demand for commodities such as copper, iron, steel, etc. has collapsed over the last period and major U.S. producers are being caught in the squeeze. Kennecott Copper for example, reported that its fourth quarter earnings were down 56 per cent due to the collapse of the market price of copper.

Similarly, multinationals are now having the profit pictures for the European and Third World subsidiaries fall apart. Most won't be as lucky as near bankrupt Chrysler which forced the insolvent British government to bail it out under threat of closing up shop in Great Britain.

RETAIL SALES PLUMMET

On top of this, the Commerce Department this week also reported that retail sales fell for the first time in four weeks, destroying the fantasy of advocates of a so-called "consumer-led recovery." According to one Wall St. analyst, despite all the talk in the press of a strong Christmas season, retail stores are maintaining a bare-bones inventory position since they "lost their shirts" during the collapse last year and don't want to be caught in a similar position. The analyst discounted any reports on sales increases, saying that because of high fixed costs retail stores were pushing their merchandise out the door at the expense of their profit margins. Several major chains are reported to be near insolvency. Even a professional optimist like Assistant Commerce Secretary James Pate reluctantly admitted that consumer spending would not be able to provide an impetus to the much-publicized "recovery."

THE CREDIT COLLAPSE

The Federal Reserve Bank of New York reported Jan. 22 that Commercial and Industrial loans by the major New York banks dropped by \$300 million in the past week, bringing the three week decline to \$1.7 billion -- a rate unprecedented since the last Great Depression. The inability of the banks to make loans, and hence create

demand deposits, was reflected by a further drop of the basic money supply (M1) by \$1 billion this week bringing the total drop to some \$3 billion over the last two weeks.

James O'Leary, vice-chairman of the U.S. Trust Co., said that under these circumstances supplying reserves to the banking system by the Federal Reserve System was like "pushing on a string."

The apparent excess funds generated by the collapse of production has already driven down all short and long-term rates. Holdings of Treasury securities by New York banks fell more than \$750 million last week, as the spread between three month Treasury bill rates and the Federal fund rate narrowed to one basis point. (a basis point is 1/100 of a percentage point) Large Certificates of Deposits -- one of the principal sources for generating bank income-- fell over \$650 million during the week, \$2 billion over the last three weeks. This unprecedented drop is an indication that people are shying away from credit markets in search of more profitable speculative outlets.

Billions of dollars held by insurance companies, pension funds, and other financial institutions are now pouring into Wall Street -- a source of quick paper profits. The Dow Jones industrial average continued its dizzying climb this week, on record trading volume. The average has climbed over 100 points in January. Prophets of recovery pointing to this sheer speculative activity claim that "prosperity is around the corner." The fact that the stock market is booming only because the economy is falling to pieces is evidently something that most investors will fail to realize until after the bust -- which is in the offing sooner than most people dare imagine.

BACKGROUND TO THE COLLAPSE

The reasons for this renewed downturn are rooted in the so-called "upturn" of April-September, 1975, -- which represented no economic upturn at all.

The entire increase in production during this period was related to a slowdown in the rate of inventory accumulation as inventories were passed on from manufacturers to the wholesale to the retail level. This inventory "swing" represented 80 per cent of all domestic investment over the same period. Meanwhile, capital spending in constant dollar terms dropped ten per cent, and housing and construction were severely depressed. Thus, by fraudulently improving corporate liquidity the collapse in capital spending and actual disinvestment represented by plant closings, etc., gave a short-term boost to the economy.

Equally important, this "upturn" was accompanied by the actual collapse of working class income. To the extent there was any increase in consumer sales it was entirely related to workers dipping into their savings to the tune of \$30 billion. During these months personal disposable income actually dropped in constant dollar terms, a fact which can be most easily explained in terms of astonishing employment trends. From May to September 1975, the total workforce actually contracted by 3 million people, or 4 per cent. As a result, the entire increase in industrial production shown during that period must be accounted for by a record increase in productivity more

euphemistically known as speed-up.

To the extent that transfer payments such as unemployment compensation, and the 1975 tax cut financed a certain temporary expansion, the process merely generated greater government debt, requiring greater austerity measures to prop it up -- and so on in a downward spiral of collapse.

The collapse of capital spending and consumer income put a brake on this so-called upturn as early as September. At that point, retailers and wholesalers began to cut back orders from manufacturers, a trend which picked up in November when general orders dropped by 0.5 per cent and orders for durable goods dropped by 3.2 per cent. As a result, October and November industrial production growth rates plummeted by 50 per cent, hovering around zero.

November represented a key inflection point in the new downturn. Reflecting the previous drop in manufacturers orders shipments dropped by one per cent, the first such drop in five months. Business sales also dropped by almost one per cent. Meanwhile inventories at the manufacturing level increased, reflecting involuntary accumulation. This upturn foreshadowed the next ratchet in production collapse - now being felt.

The November downturn would have been more precipitous had it not been for the artificial inflation of the consumer durable sector. This sector -- and especially the highly touted auto industry was propped up by massive infusions of consumer credit while workers dipped further into savings for pre-Christmas buying.

Fourteen months of massive inventory liquidation, layoffs, and construction and capital spending cutbacks has wrung from the economy huge amounts of funds that have flowed into the coffers of the nation's financial intermediaries and institutional investors. With no outlet for productive investment these funds are starting to find their way back into the speculative dream maker -- the stock market.

Analysts already estimate that investments in corporate bonds will be only half what they were a year ago, and that those investments related to manufacturing production will plunge from \$11 billion to \$2 billion. Investment in tax-exempt securities is expected to drop 30 per cent.

The alternative investment is government securities, but the huge excess of funds is driving down interest rates here to the abysmal level of other investments.

Similar developments produced the 1929 market crash. But there are two major differences between now and 1929. First, the liquidity crisis is much worse: the ratio of the economy's debt to income is at least four times greater today than in 1929. Second, the present stock market splurge reflects much more a full-scale liquidity crisis centered in the banking system throughout the entire bankrupt dollar sector.

Since the ratio of debt to equity in the financial system represented by the relationship of huge bank loans to actual ownership instruments such as stocks, for example, is far worse than in 1929, the outcome of the present crisis will not simply be a stock market crash, but an immediate full scale collapse of the banking system as well.

WORKERS FACE EXHAUSTION OF BENEFITS

Approximately 65 weeks ago the biggest wave of layoffs hit

U.S. industry. By February and March those workers' unemployment benefits will run out. There is at present no legislation in place to extend those benefits. The absence of any economic recovery -- and the onslaught of a new downturn -- guarantees that those workers will not find new jobs. To survive, they will be forced onto the welfare rolls or forced to liquidate their savings or both.

At the end of December, thousands of workers -- (there are no statistics yet of how many) -- were informed that the "insured" unemployment rate in their states was too low for them to be eligible for the 26 weeks of federally-funded supplemental benefits.

Under federal law, eligibility for supplemental benefits is determined by the "official" rate of unemployment among workers covered by regular state unemployment programs. These notoriously manipulated figures are lower than the actual jobless rate among all workers. Workers in the District of Columbia and 20 states, primarily the relatively well-off energy and agricultural producing states -- no longer qualify, because the employment picture statewide is too good! As of Nov. 22, 1975 188,000 workers in those states were receiving supplemental benefits.

FORETASTE OF NELSON ROCKEFELLER'S NEW FEDERALISM

President Gerald Ford is getting strong backing from Vice President Nelson Rockefeller for one of the major policy proposals contained in the State of the Union address of Jan. 19 -- the need to take responsibility for the delivery of social services out of the hands of big government and returning it to the states. As anyone who reads the papers realizes, these states are either bankrupt or near bankruptcy themselves and are now bowing out of picking up the tab for such costs.

An examination of the problem of welfare payments reveals that the burden has already been shifted to the states and various municipal subdivisions.

A researcher at the New York State Department of Labor indicated today that during Jan.-Sept. '75, the number of New York State residents on aid to dependent children federally-reimbursed relief remained stable, while the general assistance roles -- those funded exclusively by states and cities -- increased dramatically. He said that at first this trend was puzzling, because one would expect unemployed workers with exhausted unemployment benefits to turn up on ADC relief. His explanation was that case workers were putting those workers, who were actually eligible for the federally-funded program, onto general relief because there was "so much red tape involved with getting them on the federal roles."

Much of the red tape is obviously designed to reduce the size of the federal welfare commitment. The new HEW secretary has made it one of his objectives to get the ineligible off the roles. Ford's proposal to tighten up federal control over "eligibility" is aimed at accelerating this process which will eventually leave hundreds of thousands of unemployed workers without any relief whatsoever.

According to this same researcher, more and more unemployed workers in New York State are turning up on welfare -- the state and locally funded program. A study he did following up what happened to the first group of workers who exhausted their 65 weeks of benefits last July showed this, and he had planned to update the

the study but too many people had been laid off from his staff to take on the project, he told IPS.

GOVERNORS TO GRID THEIR AUSTERITY PLANS

The National Governors Conference is reported to be gathering reports on the new state austerity budgets as they come out and will put together a comprehensive review by early next month.

A researcher for the governors' group said today that preliminary indications are that the northeastern and north central states will follow a near-identical austerity route, singling out welfare, education and health costs for the axe.

The New York State Budget released by Gov. Hugh Carey this week targets these outlays. The \$10.76 billion "no growth" budget calls for cutbacks of \$110 million in education, \$132 million in welfare and several tens of millions in health costs.

THE NEW YORK CRISIS ... AGAIN

As was predicted last week in this newsletter, New York city and state suddenly find themselves in the throes of a "new" fiscal crunch. The parameters of the crisis are the same as the last time around -- an inability to borrow additional capital and the inability to guarantee repayment of billions of existing debt.

At a meeting Jan. 23 of the city's banker-appointed government, the Emergency Financial Control Board (EFCB) New York Governor Hugh Carey told city officials that "new information" required that the city's current three year austerity plan be revised -- more severe cuts were necessary. While the newspapers cited figures showing that the city would lose \$200 million in expected revenue according to the new State and Federal budget and another \$89 million due to tax revenue shortfalls, the "information" that was prompting the Governor's action was being whispered in his ears by the New York banking community.

These bankers, both the big Rockefeller banks and the investment houses that have in the last week emerged as the Rockefeller's factional opponents, are extremely nervous about the more than \$20 billion in "soft" New York paper that they carry on their books as assets. Unless both the city and the state show an ever increasing commitment to repay this debt by administering new and severe budget cutbacks at all levels, these bankers reason, a time will come when all the patchwork schemes aimed at covering up the insolvency of these institutions and the worthlessness of their securities will cease to be functional. As most investors realize -- though refuse to say too loudly -- the billions in New York paper is already worthless. However, as long as the debt service payments are met, then no one will dare call the bluff. But if the time ever comes when the bluff is called, then the Rockefeller banks and the investment houses will go broke together -- hence their alliance on the New York question.

This week Carey finally concretized the "pain" that he called for in his State of the State message, submitting a zero growth

budget that slashed hundreds of millions from state education, welfare, and health payments.

Later in the week, New York's Mayor Abe Beame, who is also under pressure from the city's creditors to step up his austerity program, told the city council in his State of the City message that the outlook for the city's future was "bleak." We can no longer afford such luxuries as the City University, several municipal hospitals, thousands of city workers and services, the Mayor stated. These cuts will be "painful," Beame said, but there is no other way.

During the height of last summer's fiscal crisis, David Rockefeller had in a letter dictated to and released by one of his vice Presidents at Chase Manhattan warned that the city "might not survive" what it was going to be asked to do. Beame said this week, that the city "will survive" but "you won't be able to recognize it."

Over the last eight months the bankers have chopped up the city into little pieces, hocked its services to pay off their debt -- all in the name of "fiscal responsibility," when MAC couldn't do the job, they consolidated for a new onslaught under the EFCB. Now although they won't admit it publicly, the least hysterical of these bankers have come to understand that they have solved nothing. With the aid of the \$2.5 billion Federal loan, they have only postponed the collapse of their New York paper. Scream as they may for austerity, their day of reckoning is fast approaching.

At some point the city and state have to re-enter the now moribund bond market -- or default. A Standard and Poors official said this week that the city may be able to enter the bond market again -- "maybe twenty years from now." The state, he indicated was in better shape -- it could go back into the market maybe by April or May for "a couple of hundred million .. to test the water, its very 'iffy' you know."

But the state is slated to go into the market for a whopping \$4 billion starting April, "if it doesn't sell," one bond trader indicated, "then we will be in real trouble." The plans are to reduce the offering by slashing the state and city budget in progressive stages. But there is no way that the budget can be slashed enough to market only "a few hundred million."

And in the back of these bankers minds is the nagging thought that they might not even get that far. The level of austerity they are demanding is so incredible that some legislator or city official may get the idea to extend the moratorium enacted by the state on \$1.6 billion in city notes, rather than "play ball" with the austerity proposals. If such a proposal comes up during the current session of the legislature, it just might pass.

\$200 million in state agency notes come due Feb. 15 while \$2.5 billion in state notes are slated to be redeemed between April and June. Each of these become inflection points for debt moratorium "talk" and a possible bill.

While some hysterical Wall Street people scream "it can't happen here," a few realize that it already has, as a State Supreme Court declared last month, its all quite legal.



U.S. POLITICAL
NEWSLETTER

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CAPITALIST POLICY: THE FUNDAMENTAL FLAW

WASHINGTON, Jan. 25 (IPS) -- President Gerald Ford delivered a State of the Union message Jan. 19 whose fundamental economic policy-commitment is identical to that of the Rockefeller financier-interests whom he politically opposes. By acting to preserve a self-aggravating austerity economy such as the Rockefeller "invisible government" machinery is uniquely designed to govern, the President has undermined his own extensive political efforts of recent weeks to cool world "hot spots", harness CIA covert operations, and dismantle the Rockefeller "invisible government."

Ford pledged his administration to Schachtian austerity, energy boon-doggling and Schlesinger-size budgets for military production -- a program which will "Hooverize" the President in a matter of weeks, drastically exacerbating the economic crisis conditions for which it is purported to be a remedy. For that reason, the President and his backers must soon adopt Rockefeller political policies as well -- with or without Rockefeller.

Ford proposes massive cuts in federal spending on social services, a simultaneous real-dollar increase in military spending and adoption of Rockefeller's Energy Authority dedicated to underwriting investment in slave-labor fuel-extraction projects. While state and local officials across the country are slashing services to balance their own budgets, a theme pervading the Ford message was the need for states and localities to assume even greater responsibility for social services. In this point of program, Ford has removed the last shred of distinction between his and Ronald Reagan's presidential candidacies.

Senator Edmund Muskie (D-Maine), speaking for the "Democratic opposition," attacked Ford's speech pro forma, but had no fundamental quarrel with austerity. Reflecting the views of those New York investment interests associated with former New York State governor Averell Harriman and former Undersecretary of State George Ball, the Maine Senator had only slave-labor "public works" jobs to add to Ford's measures, and generally distinguished his position only by a preference for "New Deal" over conservative traditionalist rhetoric. The concurrence of the Harriman-Ball faction with fascist austerity policies is otherwise reflected in Representative Henry Reuss' "Financial Institutions and the Nation's Economy" (FINE) study, which recommends a fascist overhaul of the U.S. banking system to facilitate intense austerity -- their extrapolation of Franklin D. Roosevelt's 1933-36 "New Deal."

The Harriman-Ball group, to an even greater degree than the President, has acted to defuse the Mideast and other potential triggers of nuclear conflict, while maintaining the underlying political and economic instability on which such Rockefeller war-making threats

are based.

INDUSTRIALISTS FLINCH FROM DEBT MORATORIUM

Due to an ingrained fear of debt moratoria and the inevitable collapse of the U.S. dollar, production-oriented industrialist layers based in Chicago, who have repeatedly reported their preference for detente, production and East-West trade for development, have found themselves in the predicament of being confronted with austerity and military production policies unprepared to advance an alternative. Typified by Defense Secretary Donald Rumsfeld, the Chicago grouping's current position is that of being dragged unwillingly toward adoption of those very domestic and foreign policy positions which they only a few months ago were instrumental in banishing from the Executive branch of government in the "Halloween Massacre."

At this week's Nuclear Planning Group meeting of NATO officials in Hamburg, West Germany, the pro-detente Rumsfeld found himself tossing out the Schlesinger tactical nuclear warfare doctrine only to replace it with pledges of a massive conventional arms build-up based on military production policies -- the quickest way to a new Cold War and ultimately, the "hot" war demanded by Schlesinger and Rockefeller.

ROCKEFELLER LAUNCHES COUNTERMOVES

The openings presented by these weaknesses were seized upon immediately by the Rockefeller faction. On Jan. 21, fresh from the same Nuclear Planning Group meeting addressed by Rumsfeld, Belgian Prime Minister Leo Tindemans -- a member of David Rockefeller's Tri-lateral Commission -- renewed his push for ferocious austerity and European-wide arms industry integration for maximum conventional arms production.

Within 24 hours of President Ford's austerity commitment in the State of the Union message, a run on the Italian lira deliberately provoked by the Rockefellers' New York banks forced the shutdown of the Italian foreign exchange markets and sent European cabinets into emergency session to contemplate the implied outbreak of an international currency war. In IPS interviews, Chase Manhattan, First National City Bank, and Manufacturers Hanover executives identified the objective of their maneuver: European-wide currency devaluations favoring dollar-dominated debt and the formation of police-state governments throughout the capitalist sector, capable of exacting from remaining trade and production levels the means to pay debt.

The lira crisis pointedly underscored the fundamental convergence between Rockefeller and his Harriman-Ball-aligned opponents in the New York investment community: the Harriman-Ball faction fully supported the Italian operation, viewing it as a replay of the Marshall Plan in which Averell Harriman was personally involved under President Truman.

KISSINGER SABOTAGES SALT

It now seems certain that at least one Rockefeller operative will not survive to see the ultimate convergence of Harriman-Ball and Rockefeller policies. Secretary of State Henry Kissinger, now on his way home from Moscow without a SALT II strategic arms limitation agreement, has further undermined his standing with the President, the Congress, and the public, by repeatedly and against the President's wishes introducing the Angola issue into the talks, and by turning down a Soviet offer of the type he "couldn't refuse."

The ridicule heaped on Kissinger's wrecking efforts by Soviet leaders was reported avidly and in detail by the U.S. press, as the following exchange between the Secretary and Soviet Party leader Leonid Brezhnev and Foreign Minister Andrei Gromyko, reported in the Washington Post, illustrates:

Brezhnev: "I have no questions about Angola. Angola is not my country."

Kissinger: "It certainly will be discussed."

Gromyko: "The agenda is always adopted by mutual consent."

Kissinger: "Then I will discuss it."

Brezhnev: "You'll discuss it with Sonnenfeldt (a Senior State Department aide to Kissinger). That will insure complete agreement. I've never seen you have a disagreement with Sonnenfeldt."

With Kissinger delaying his return to the U.S. via a stopover in Madrid and still to give his side of the talks to Mr. Ford, the storm cloud over his SALT tactics is momentarily in abeyance. But it is noteworthy that Defense Secretary Rumsfeld assigned a senior Defense Department official to accompany Kissinger to Moscow and report back directly on his activities. A Kissinger aide quipped: "He's here to keep us honest."

Kissinger was sent to Moscow by Ford under orders to bring back a SALT agreement or at least substantial progress toward an accord. Several sources speculated that the Secretary of State was being set up for a swift exit if he returned without an agreement. Now that he has returned empty-handed, these sources have renewed their speculation. The word got back to Kissinger who on his flight out of Moscow was forced to term rumors that he was about to resign as exaggerated.

On his return, Kissinger faces Congressional scrutiny of his requests for Angola aid, a controversy over his role in wiretapping government officials under the Nixon Administration, which could result in a perjury indictment against him, and release by the House Select Committee on Intelligence of damaging information on his role in directing covert operations in such nations as Chile, Cyprus, and Angola. It remains to be seen if Ford and anti-Rockefeller forces will now finally allow the ax to fall on Henry's neck.

MIDWEST CRITICAL OF FORD ECONOMIC PROPOSALS

Prodded by the details of the Rockefeller banks' role in the Italian crisis--details made primarily available in the U.S. by this news service, pro-development corporate interests in the U.S. began to stir, responding critically to the industrial collapse implied in Mr. Ford's economic proposals. After an editorial endorsing the President's State of the Union message in its first edition Jan. 2], the Chicago Tribune printed strong denunciations of the Ford speech in news articles in later editions. Ford's policies, declared Tribune writers, are for "Alice in Wonderland, unreal, unlikely, and impossible to get through Congress."

The Chicago Sun-Times called the speech "woefully inadequate," and followed with a Jan. 22 editorial wondering aloud why Mr. Rumsfeld had replaced Mr. Schlesinger as Secretary of Defense, since the President's defense budget plans conform to Schlesinger's massive designs perfectly. A subsequent Sun-Times editorial assailed Ford for not taking steps to raise living standards.

An alarmed spokesman for a midwestern capital goods industry told IPS Jan. 2] that the U.S. Labor Party's International Development Bank, Emergency Employment Act and debt moratoria proposals were a topic of heated discussion among his colleagues following the State of the Union address. A spokesman for a leading Chicago bank also stated that these programs were "under consideration".

U.S. Labor Party Presidential candidate Lyndon LaRouche's in-depth programmatic discussions with a number of Congressional offices, particularly those with midwest constituencies, intersected spreading news of the European currency crisis to generate second thoughts in even the White House on the State of the Union message. Backed up by a Labor Party announcement of a full mobilization of working class forces to block austerity, LaRouche's impact on the Congressmen was typified by one legislator's statement: "You have more recognition around here than Sargent Shriver." All of LaRouche's consultations focused on the gross incompetence of austerity policies, and the need to block those policies by immediate movement around the Emergency Employment Act and International Development Bank (IDB) proposals.

Administration aides who were aware of these meetings and apprised of the New York bankers "military-political solution" for Europe encouraged IPS to brief all levels of government on these developments and to advance the U.S. Labor Party's solution. One aide indicated that the Administration might act if the Italian situation broke into the U.S. capitalist press. A counsel for an important economic policy-making agency reported that he is circulating the IDB pamphlet through all Administration policy-making circles.

But the pro-development Chicago group continues to be hamstrung by its fatal ineptitude in economics. One Chicago newspaper editor, discussing the new world currency crisis with an IPS specialist, said: "It's tough to find out what's going on. We don't have an overview. I agree austerity is ridiculous, but no one but you people has anything else to say." The same confusion was reflected differently by a board member of a major midwestern corporation, who emphasized to IPS his interest in creating productive jobs and real wealth on the basis of capital goods production -- but then labelled debt moratorium "a hand-out."

PLUGGING THE DIKES IN THE MIDDLE EAST

The fundamental instability of the Harriman-Ford pro-debt policy, and Chicago by inertia, was clearly discernable in this week's intensification of the Lebanese civil war under Kissinger's direction.

The Harriman-Ball forces in alliance with both French and Mideast political leaders have acknowledged the nuclear war threat in the Mideast and have taken steps to defuse the immediate threat. This week, the New York Times, along with the Chicago press, carried several frightened editorials on the Lebanese time-bomb early in the week, warning against any outside intervention into the crisis. An aide to Senator Ted Kennedy (D-Mass) who has publicly associated himself with Harriman, told a member of a Jewish ladies' organization that the Senator was "in agreement with the French position" on the Mideast -- a reference to Gaullist leader Michel Debre's call for an international peace-keeping effort -- and that Kennedy might make a public statement on Lebanon in the near future.

But their solution to the fighting -- a decision to thrust Syria's Assad dictatorship and the Palestine Liberation Army into the open role of policeman over the Palestine and Lebanese leftists with Israeli support -- in essence implies the same war policy as Kissinger's: all-out massacre of the Palestinians by Syrian and allied Arab agents, with the accompanying threat of Israeli intervention, provocative encroachments against Soviet strategic interests, and other destabilizing factors.

HARRIMAN-BALL MOVE TO WREST CONTROL OF CIA FROM ROCKEFELLER

Behind the current bi-partisan efforts under Averell Harriman's immediate direction to subordinate the CIA to the President and covert operations to Executive foreign policy determinations are moves by the Harriman faction to dump Rockefeller and take over control of his covert operations machine for themselves.

Following secret testimony by Harriman before the Senate Select Committee on Intelligence Jan. 19, Church appeared on Jan. 20 to propose that covert operations be subordinated to foreign policy and to announce that he will introduce legislation for a Senate oversight committee within ten days.

At the same time, the Rockefeller apparatus was being assailed by such titillating exposes as the report by former network newsman Sam Jaffe that major television newscasters, including CBS' Walter Cronkite and NBC's John Chancellor, work for the CIA.

But sources close to the government have warned that once the Harriman-Ball grouping has dismantled the Rockefellers' private intelligence machine and wrested power in the CIA from the iron-hat traditionalists, they may move to pass an American version of the British Official Secrets Act to "protect" a "reformed" CIA -- a move which would preserve the intelligence network for their own factional uses. Along these lines, Senator Church has also announced that he intends to sponsor legislation that would prohibit former

CIA and other ex-intelligence agents from publishing information gained during their intelligence employ. The Harriman-Ball forces are displaying an awareness -- despite the fact that it has often been used against them -- that they will need the bulk of the Rockefeller "invisible government" apparatus intact in order to enforce their own austerity policies.

Press Ties To Intelligence Agencies Exposed

Jan. 25 (IPS)—To the surprise of no one but the Rip Van Winkles of the journalistic profession, it was revealed in a draft report leaked to the press by the House Intelligence Committee this week that the international news establishment regularly serves as a cover for Central Intelligence Agency operations in the USA and abroad. Eleven unidentified correspondents were recorded as bona fide CIA employees and no less than 15 unnamed international news agencies were implicated as tools of U.S. intelligence agencies in the Pike Committee report.

By the time various "reporters"—including a self-confessed FBI stringer for CBS and ABC—had finished hurling charges and countercharges across the airwaves and in newsprint, the principal British wire service, Reuters, had been identified as a prime playground for the boys from Langley, Va., and such sacred cows of American journalism as CBS-TV anchorman Walter Cronkite and NBC-TV anchorman John Chancellor stood accused of "secret intelligence work" for the CIA.

For those individuals who cannot act on the reality of this world until it is officially acknowledged next to the underwear ads in the New York Times, or mouthed by an aspiring TV comedian on the 11 o'clock news, bourgeois press reportage of the Pike Committee revelations no doubt performs a useful service.

But as the major news agency responsible for breaking this story nationwide—New Solidarity first exposed CIA control of the press in January 1974 and has thoroughly documented large parts of the CIA press pipeline for the past two years—IPS now reports that present U.S. press coverage of the story is not only way overdue, but incompetent to the point that the coverage itself represents

a clear example of "managed news" delivered direct from the organs of the "invisible government."

What has been reported so far are various incidents described as "isolated cases" in which the intelligence agencies planted agents and, or stories in the press corps. Thus FBI stringer Sam Jaffe, former foreign correspondent, accuses Walter Cronkite and 239 other newsmen of working for the CIA. Cronkite denies the story; the Pike Committee staffers say Jaffe is not a "reliable witness." The reader is invited to speculate on Cronkite—does he or doesn't he?—with the implication that only if he turns up in an E. Howard Hunt red wig can one be sure.

Or alternatively, it is reported that immediately following the bloody 1973 coup in Chile engineered by Henry Kissinger, a CIA cover story released by the InterAmerican news agency was fed to 750 international press outlets. The implication is that this was a "dirty trick" played on the press.

What foolishness! The international press itself is a gigantic conspiracy—in which willful deceit is leavened only by stupidity and gutlessness—to perpetrate massive organized lying about the news.

The Labor Committees have described in detail how British Intelligence agent Richard Crossman, the man who boasted that the Allies were going to "out-Goebbels Goebbels," and other agents designed and staffed Anglo-American news agencies to carry out psychological warfare operations against their audience during World War II. Graduates of the Crossman school like Edward R. Murrow became idolized lions of the U.S. "free press" in the postwar period. The journalist who measures his output by such standards is incapable of reliable reportage.

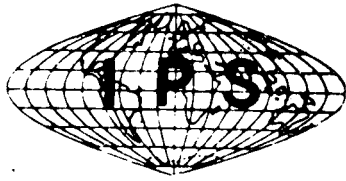
The New York Times, on yesterday's

op-ed page, features a column by one Michael Parenti portraying in detail how U.S. bourgeois newspapers have universally applied the journalistic standards of George Orwell's 1984 "newspeak" to the Portuguese Communist Party throughout 1975. The Times blithely continues to peddle the same lies about the PCP in the very issue in which they expose themselves.

Every newspaper in the U.S. is covering up the fundamental situation confronting the human race—the complete collapse of the world economy. The state of bourgeois news on the worst depression in 400 years is reflected by the Financial Editor of the Christian Science Monitor, who told IPS this week immediately after the plug was pulled on Italy's currency—"Oh, yes the lira—that's stronger than it was last year, isn't it."

To depend on the gentlemen of the bourgeois press for the news is a risk no sane individual can afford to take. Thanks to pressure from the IPS intelligence gathering and news machine, important stories will continue to appear in the press as they did this week—after they appear in New Solidarity. If you are not a regular reader of this newspaper, you do not know what is going on. That is the real story behind the Pike Committee report.

For every major story New Solidarity has broken over the past two years—including such stories like former agent Roy Frankhauser's court-documented revelations of National Security Council gun-running and drug-peddling operations in Reading, Pa.—there is a list in our offices of editors and others who conspired to black out the story. There is a similar, overlapping list of those who willfully printed easily identified "standard boilerplate" CIA slanders of the Labor Committees.



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SPECIAL REPORT

Jan. 23 — President Ford's State of the Union message to the U.S. Congress Jan. 19 comprises a level of incompetent bungling on the part of a U.S. chief executive far surpassing Herbert Hoover's pathetic record during the last depression. Since a similar kind of incompetence prevails in the ranks of the president's non-socialist critics, it is now the responsibility of the U.S. Labor Party and its presidential candidate to address the American people in order to give the American people an accurate account of the sheer magnitude of the national and international economic catastrophe now upon us and to inform them of the bold measures required to put the world back together again.

Collapse of Employment and Production

The world economy and that of the USA has already entered the breakdown phase of the depression crisis that began in August 1971. Before the end of the present quarter, the collapse of dollar-based financial institutions in the United States and other industrial countries will lead to the devastation of international trade and production on a scale not imagined in recent capitalist history. Any competent policy must proceed from this dire fact, as President Ford's decidedly does not; otherwise it will simply further the precipitous economic collapse — which Ford's policy does.

The general industrial decline in the United States, statistically obvious in January 1976, is occurring in the context of a new round of massive contraction of international trade, strangulation of West European and Japanese industrial production, collapse of world commodities markets, and generalized bankruptcy of raw materials producers and others in the developing sector of the world economy. So long as the continuance of such conditions in the world economic environment is tolerated, U.S. industrial production will continue to collapse until a generalized breakdown of all civilized life occurs sometime in 1976.

Since there are approximately at least 20 million Americans now unemployed, all capital formation activity has long ceased here. Reduced industrial production, disaccumulation of inventories, and disinvestment in plant and equipment have shown up in every sector of the economy. The capital goods and construction sectors of the U.S. economy, which never experienced a recovery, remain in a deepening depression, while the most recent figures — even those of the Administration — on capital spending and housing starts indicate a continued downturn. January reports on the automobile industry, the only sector during 1975 to block the collapse of industrial output, indicate that production collapse has commenced there as well. The country's most prestigious investment houses are operating on the projection for 1976 that the issuance of long-term corporate bonds will fall by half. The volume of securities issued relating to manufacturing production is expected to fall from \$11 to \$2 billion.

The International Setting

Confronting us as we enter 1976 is a landscape of inter-

national economic wasteland. Nations with which the United States formerly traded are now on the verge of economic extinction. The industrialized Western nations of the Organization of Economic Cooperation and Development (OECD) and the underdeveloped countries of the Third World are in the midst of terminal financial hemorrhage, shutting down economic activities and reducing imports to near zero levels. To put it in terms that the American farmer and industrialist can understand: the kind of world market that could support even the present pitiable levels of U.S. production no longer exists, and what is left of a world market is rapidly shrinking toward a vanishing point.

Western Europe and Japan, now in a situation best exemplified by Italy's closure of its foreign exchange and stock markets, are once again forced to cut imports and impose vicious austerity measures on their populations to remain solvent. Because of horrendous balance-of-payments problems that resulted from the consumer-led pseudo-recovery in the third quarter of 1975, these countries began cutting back imports of industrial raw materials starting in November and December. The result is that Western Europe's inventory of production materials is now lower with respect to capacity than at any time during the post-war period.

Virtually the entire European corporate sector, with a much worse debt-equity ratio than its American counterpart, is running at zero or less profitability. In Britain, bank liquidity experienced a sudden turn for the worse during the first week in January, forcing the release of special deposits held by the Bank of England at the point when British corporations began to demand credit to replenish their depleted stocks.

In turn, the imminent devaluation of European currencies with respect to the dollar, which will raise the cost of imported raw materials traded in dollars to the European economies, is bound to constitute the final death blow to European industry. Exemplary of what is occurring to the European economy even before this death blow is delivered is West Germany, the industrial heart of the Common Market. There foreign sales of heavy machinery fell by 25 per cent and foreign auto sales by 15 per cent. Overall, West Germany's steel output fell by 22 per cent, chemical by 16 per cent, machinery by 9 per cent, textiles by 15 per cent, and construction by 10 per cent. In every other West European country the picture is by far worse.

The Third World, which under appropriate circumstances could be turned into an insatiable market for industrial exports, is racing toward general bankruptcy around the end of the first quarter of 1976, forced by the renewed fall in international trade levels. The indebtedness of the Third World, moreover, functions as a trigger for \$800 billion of illiquid debt internationally which will be reduced to wallpaper in the upcoming round of crisis. The year 1975 afforded a mere glimpse of the consequences of devastation in the developing

countries. As the financial strains of the developing countries only began to emerge, imports fell by 8 per cent in real volume. Brazil itself, the model designed by U.S. experts for the developing sector, cut its imports by 30 per cent in dollar terms in the second half of 1975.

The Deadly World Debt Structures

At the root of President Ford's pathetic incompetence is his failure to understand how the deadly weight of the \$800 billion unpayable worldwide debt acts to destroy all meaningful economic activity. Ford's further inability — and that of his advisors — to understand that it is humanly impossible to avert the collapse of this debt structure within the first quarter of 1976 prompted him to announce measures that will speed the process toward that inevitable direction.

There is no question that the present elimination of profitable banking operations resulting from the renewed economic downturn will turn into a general banking crisis within weeks. The financial underpinnings of the large New York banks are so weakened by bad loans to speculative areas that a sharp decline in the banks' current earnings threatens to provoke insolvency in the largest U.S. financial institutions.

Every statistical bulletin released by the Federal Reserve during recent weeks invariably demonstrates that there is a continuous shrinkage of the banking system occurring in both the U.S. markets and the Eurodollar market. As a result of the collapse conditions prevailing in industry and commerce — a condition itself triggered by the overwhelming debt burden of these sectors — no loan demand exists for purposes that would make banking investments profitable. The present downward spiral of interest rates on all financial instruments mimics the precise events of 1929 and 1930, when available funds could not be invested in productive activity. In point of fact, this process of shrinkage in meaningful banking activities started last year before the tumble of interest rates, as the banking system's loans outstanding to business contracted by an unprecedented \$30 billion during the year.

The only loan demand now is for purposes that have absolutely no hope of repayment: loans to repay existing debt!

During 1975, the banking system prevented an explosion of illiquidity by increasing fourfold its rate of return on funds lent, with the assistance of the Federal Reserve System which reduced the cost of banks' resources much faster than the banks were compelled to reduce their lending rates. As a reverberation of the renewed industrial downturn, the general fall in interest rates has wiped out the banks' margin of profitability. It is doubly ironic that Federal Reserve Chairman Burns has protested to Congress over the issue of disclosure of bank losses at a moment when these losses can no longer be papered over.

Banking and Credit: A Cold Corpse

President Ford's incompetence on this matter, moreover, is illuminated when it is pointed out that the banking and credit structure which he is attempting to rescue is already a cold corpse. Contrary to published reports that the potential loan loss of the largest commercial banks are in the range of 98 per cent of capital, in the case of Chase Manhattan, and 114 per cent of capital, in the case of First National City Bank of New York, the New York financial community in general is now operating on the premise that 50 to 70 per cent of the loans made by large banks are questionable. This represents 1,000 per cent of capital. That is, if only one-tenth of the questionable loans of these institutions must be written off, they will be insolvent.

These banks have concentrated their assets principally in the following lending areas: \$14 billion in loans to Real Estate

Investment Trusts, \$12 billion in construction and development loans to developers, \$80 billion in private credits to the developing countries, \$35 billion in international loans to tanker operators, \$10 billion in loans for international commodity stockpiling and speculation, \$30 billion in short-term loans to Japan, \$14 billion in loans to Italy, \$13 billion in loans to Britain, and \$6 billion in loans to France and related sectors.

The large New York banks are not only most heavily immersed in the most illiquid sectors of international lending, but the proportion of their assets representing illiquid loans jumped exponentially during the past year. Net repayment of commercial and industrial loans of \$30 billion during 1975, of which \$11 billion is to banks in the New York Federal Reserve's district, corresponds to a similar amount of corporate financing on the long-term debt markets. The most creditworthy of the customers of the money-center banks refinanced their short-term debts, repaying the most reliable of the banks' earning assets and thereby raising the proportion of bad loans in the banks' portfolios.

But even the concern expressed by the office of the U.S. Comptroller of the Currency over these banks is fundamentally incompetent. New York banks' deposits at their foreign branches, overwhelmingly engaged in lending to the quadruplegics of the world economy, now total \$74 billion, compared to \$77 billion in total demand deposits.

This dramatic situation takes us directly to the issue that both President Ford and his athletic Secretary of the Treasury, William Simon hysterically fail to see: The fuse which is about to detonate the world financial structure at any moment — since the memorial services that were held at Kingston, Jamaica for the erstwhile International Monetary Fund — is the \$40 billion in very short debt of the developing countries. Of this, \$30 billion was extended over the 18 months between June 1974 and December 1975, mostly by U.S. banks and their Eurodollar subsidiaries.

Now President Ford and the banking system, whose bailiff is he is in danger of becoming, have taken every measure to ensure that this short fuse is going to burn out sometime between now and the early spring. The massive austerity assault against both consumers and industry that is embedded in the irrationality of the president's budget and his State of the Union message is ensuring the further collapse of industry which can no longer absorb Third World raw materials and commodities whose sale proceeds would have made repayment of such short-term debts possible. The cumulative impact of this, as well as numerous other converging detonation situations, is absolutely to guarantee that result which President Ford and his associates are determined to avoid: the total chaotic collapse of world credit structures and all production.

An Urgent Meaningful Agenda for Congress

Under the present extraordinary circumstances, no meaningful message on the State of the Union and State of the World can neglect to deal with the most awesome predicament of all, the profound intellectual bankruptcy and bungling incompetence now permeating all institutions professing authority to deal with this matter, starting with the White House itself. In point of fact, we have now reached the point where incompetence of economic management from President Ford, to the U.S. Treasury, to the Federal Reserve on down has become an inextricable feature of the process of world economic collapse.

Ford's proposal to treat this disease with the "common sense" of a \$70 billion cut in constant dollars from the federal budget must be viewed as a tasteless joke on the population

of the United States and the world population. We are faced with the breakdown of the entire complex of economic relations of the postwar period. It must now be taken for granted by both Congress and the U.S. population that what is urgently on the agenda is nothing less, absolutely nothing less, than the drastic, deliberate replacement and redefinition of world economic relations. It is now America's turn, and not merely a matter for the Third World, to urgently consider the building of a New World Economic Order.

Without appropriate countermeasures to the present breakdown, the breakdown crisis will unleash a holocaust in conditions of life throughout the world that will devastate the human race through famine and disease by the late 1970s. The sheer magnitude of this task now puts to severe test the intellectual stature of President Ford and his advisors.

The collateral danger is that the White House, sunk to this depth of incompetence, is in no position to govern the United States through a period of crisis. The President hinted at his inability to govern by including in his State of the Union and budget messages the notorious Energy Independence Authority proposal authored months ago by Vice President Nelson Rockefeller and by proposing an increase in military spending. President Ford must demonstrate that his fallback position from the present hopeless policy is not the corporatist policy of Nazi Germany and, more recently, Vice President Rockefeller.

Two important points must be emphasized both to the American people and to Congress with respect to what must be done in the present emergency. First, there is no time to lose in correcting Ford's deadly errors and putting into effect the required, competent alternative policy. Second, as present historical circumstances have determined, any possible extrication of the country from the looming economic

catastrophe will now necessarily be associated with the proposed policies and special insights of the U.S. Labor Party and its presidential candidate. In acknowledging this state of affairs, Congressmen, industrial leaders, specialists, and government officials who have been sufficiently acquainted with our policy recommendations as well as with our unique competence will be simply displaying, finally, that quality of forthrightness necessary if these layers are to be made capable of dealing with the present crisis.

Otherwise we are saying to the American people, particularly the working people, that they will be exercising wisdom if they take into account the malice that almost always accompanies incompetence. And to take this into account means that unless the working people of this country begin to move politically to enforce what reason and scientific competence dictate as the viable alternative policy, it will be they who will suffer the horrendous consequences. On the other hand, our own outlook is guided by a reliably founded conviction that humanity, whenever compelled by unavoidable necessity to make history-shaping choices, will make such choices on the basis of reason and progress.

Regarding the necessary urgent reestablishment of a New World Economic Order, the available alternative has already been put at the disposal of members of Congress and the Administration by the U.S. Labor Party in the form of the International Development Bank proposal and the Emergency Employment Act of 1975. Before the mass of illiquid debt strangles production and trade, we must impose moratoria on the debt of developing countries, municipalities, agriculture, and key industries. There is no way to salvage the mess of the U.S. banking system without permitting the bankruptcy of the New York and related institutions to take its natural course and replacing them with new institutions to finance production and trade.



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GRID OF RESPONSES TO PRESIDENT FORD'S STATE OF THE UNION AND BUDGET MESSAGES

Jan. 24 (IPS) -- Following is a grid of press response to President Ford's State of the Union and budget messages prepared by IPS.

The grid is divided into two sections, United States press, and international press. The United States section comprises Midwestern, Eastern, and West Coast press, and the international press section contains the comments of Eastern and Western European press sources.

I. UNITED STATES

MIDWEST

St. Louis Post-Dispatch, Jan. 20 -- Editorial attacks Ford for not emphasizing industrial production in his state of the union message, and for relying on budgetary gimmicks for his economic program.

Detroit News, Jan. 21 -- Front page news story strongly backs the President's call for an increase in military outlays. The conservative News also backs Ford's call for cutbacks in the role of big governmental institutions.

Chicago Sun-Times, Jan. 21 -- Editorial, "Ford Defense Budget Unwise," attacks President Ford for saying that the SALT talks may end without any agreement, and for expanding the defense sector instead of social programs. It terms the Ford proposals "woefully inadequate." In a back page news article, the Sun-Times reports that the additional defense outlays were actually proposed by former Defense Secretary James Schlesinger.

Chicago Tribune, Jan. 21 -- Editorial praises President Ford's budget message. But two prominent news reports from Tribune correspondents in later editions term the budget "unreal" and "Alice in Wonderland."

Chicago Sun-Times, Jan. 23 -- Editorial on the President's budget proposals hits Ford's "twisted priorities." The editorial states that the nation needs improvement of living standards, even if economic scarcity indicates otherwise, and chastizes Ford for failing to heed earlier Sun-Times editorials calling for raising living standards. It concludes with a call to Congress to set the Ford priorities straight.

EAST COAST

Boston Globe, Jan. 20 -- Editorial statement criticizes the President for not dealing with the major concerns of the country, but does not specify what those concerns may be.

New York Times, Jan. 20 -- Editorial entitled "A New Realism" terms President Ford's State of the Union message "standard and pedestrian." "Despite the Bicentennial trimmings," the Times states, "the President's doctrine of 'the less government, the better,' speaks a theme more familiar to his party's faithful than it is challenging to his nation's future."

Baltimore Sun, Jan. 20 -- Editorial terms State of the Union message President Ford's "campaign kickoff." It predicts that the Democrats will attack the President's proposals for hindering economic recovery, but states that if Ford can give a modest upbeat to the economic picture, his opponents should not underestimate him. News analysis in the same issue says that the speech was designed to withstand criticism from the Right and had something in it for everyone except Ronald Reagan.

Wall Street Journal, Jan. 21 -- Editorial says that "President Ford's State of the Union address was excellent in terms of rhetoric. In terms of substance, it was correct in thrust but marred by congenital gimmickry." The Journal especially praises the President's call for increased defense spending, and recommends a "stronger rhetorical stance" against the "Soviet buildup" to force the program through Congress. Ford's problem, the Journal concludes, is the Congress' tendency toward lack of restraint on spending, and his own need to resort to "political sugar-coating to disguise the (pro-big business) economic intent" of his program.

Boston Herald-American, Jan. 21 -- Editorial says that Ford's message is what "Middle America" wants to hear, and that is all to the good.

New York Times, Jan. 21 -- Lead editorial lambasts the President's speech as a "fantasy." The President's proposed budget ceiling of \$394 billion is unrealistic, even if no social programs are added, the Times says, claiming that the budget will grow by \$20 billion even if no social programs are added. The Times also blasts Ford on military spending, and attacks his statements on foreign policy as "superficial at best and misleading at worst."

Washington Post, Jan. 21 -- Editorial said that the President's State of the Union message was addressed to the voter who is fed up with Washington and does not believe it can do much to improve his life, who has lost faith with the quality of federal economic policy, and who is just as worried about inflation, as opposed to unemployment, as President Ford apparently is. The Post says that public reaction will begin to be seen in the spring, and that there may not be enough time for the country to recompose itself in the way Ford would want.

Baltimore Sun, Jan. 22 -- Editorial indicates low-key disapproval of the Ford budget proposals, stating that "legislative Democrats worry, with good reason, that hard-pressed state governments will use federal block grants to solve their own budgetary problems,

Baltimore Sun, Jan. 22 (continued)

cutting the social services that government as a whole provides to needy citizens." The Sun concludes that "it will be up to Democratic lawmakers to make the case for beneficent uses of the federal government in the interests of citizens wherever they live."

New York Times, Jan. 22 -- In a reversal of a long-standing pro-zero growth policy, the lead editorial attacks the Ford budget for promoting "a far lower rate of capital formation than the nation needs in order to provide it with the plant and equipment, energy, public utilities and other capital goods to furnish the greater productivity required to raise living standards." The President's budget, the Times explains, "will force the nation to continue to suffer from high unemployment ... unless Congress intervenes," and "will mean a lost output of real goods and services amounting to more than \$150 billion a year."

WEST COAST

Seattle Times, Jan. 21 -- Editorial in the Boeing-linked paper backs President Ford's call for a reduction in the role of big government institutions. Prominent news reports give favorable coverage to presidential proposals for austerity, increased defense expenditures, and President Ford himself.

San Francisco Examiner, Jan. 21 -- News story on the President's program ran a page one with the kicker: "The Poor Get Poorer."

San Francisco Chronicle, Jan. 21 -- Editorial backed President Ford for basing his philosophical message on reality, while noting that the concrete programs were hardly new.

Los Angeles Times, Jan. 21 -- Editorial is "disappointed" in the President's budget, but says it is a good political statement. The Times calls for the federal government to take over welfare and other federal programs. On the other hand, the Times approves Ford's tax breaks for corporations which, it thinks, will aid ailing California companies.

Seattle Post-Intelligencer, Jan. 22 -- While this Hearst paper had no comment of its own on the President's proposals, it ran three New York Times analysis pinning Ford's speech.

INTERNATIONAL

German Democratic Republic, Stimme der DDR Radio, Jan. 20 -- Commentary stated that the President's State of the Union message presented "no program no concrete steps to solve the crisis." It said that President Ford "wanted to please everybody ... particularly inside his own Republican Party," and not to "lock himself into a fixed position."

Soviet Union, Radio Moscow, Jan. 2- -- A Radio Moscow broadcast emphasized the contradictions in President Ford's State of the Union speech. On the one hand, the commentary said, the President supported the conclusion of a Strategic Arms Limitation agreement, while on the other he refused to consider any reduction of the military budget.

W. Germany, Sueddeutsche Zeitung, Jan. 21 -- Editorial entitled "Ford and the Spirit of '76" states that the President's "faith in his own message does not appear to be very strong." The U.S. State Department-linked daily writes that "his New Realism, about which a lot has been made, is nothing more than the insight that even in this country of formerly unlimited possibilities, not every reform is achievable, and, that decisiveness even in the public budget is a virtue."

W. Germany, Frankfurter Rundschau, Jan. 21 -- Washington correspondent Monica Metzger dwells heavily on the contradictions in President Ford's State of the Union proposals, such as that between Ford's statements on the Third World and the proposed cuts in development aid.

W. Germany, Die Welt, Jan. 21 -- Die Welt states that the United States is down, and hoping that its problems will finally stop. It says that the majority of Congress is opposed to the Ford proposals.

W. Germany, Frankfurter Allgemeine Zeitung, Jan. 21 -- Editorial terms the President's economic program a "backslide into Death Valley days." An article in the economics section says that the program contains nothing new and has no chance of being passed.

Great Britain, London Times, Jan. 21 -- Editorial says that the President "has concentrated so much attention on warding off this threat from his right that he has failed to make full use of his chief asset -- the presidency itself. Too many of his actions seem to have been inspired by political impulse, too few to bear the stamp of a Head of State." A news article in the issue warns: "President Ford presented the outline of an austere and conservative budget ... (he said) it was not possible for the government to introduce public works programs to reduce the (unemployment) figure." In other words -- no stimulation which might benefit Europe."

Great Britain, Financial Times, Jan. 21 -- Editorial says that the President's speech will be a disappointment to "those who are relying on U.S. demand to solve their own problems, as we to some extent are; but the laying of so sound a base promises a more reliable if less dramatic performance in the long haul, and that is what matters."

Sweden, Dagens Nyheter, Jan. 22 -- Washington correspondent Hans Svensson writes dispatch on the President's program titled: "Growth in the U.S.A. Is Braked Again."

France -- The French press was preoccupied with the crisis of the lira and the franc, and generally ignored President Ford's speech and program.



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The 1976 New Year Storms in Europe

A Brief to the Senate Foreign Relations Committee, Subcommittee on Oceans and the Environment, Jan., 1976 Hearings on Weather Modification.

Introduction

The events surrounding the storms that hit the European continent around New Year, 1976 make possible the establishment of a prima facie case that the storms themselves resulted from NATO-coordinated weather modification aimed at Europe. This weather modification operation had the deliberate intention of bringing into play civil defense and military personnel who, in the wake of the emergency, would regiment and demoralize the areas' working class population.

The following brief will outline the history of weather modification; NATO-U.S. operational capabilities in weather modification; the unusual weather histories of the storms, including information on deliberate sabotage of European storm warning systems before they hit, and the military apparatus that was poised to carry out civil defense functions in the wake of storm destruction. As will be clearly shown in the brief, the actions of civil defense personnel during and after the storms parallel military operations necessary to establish and maintain national military governments capable of enforcing the austerity programs which currently stand as adopted government policy in the U.S., Canada and Western Europe.

On Dec. 30, at noon Greenwich Mean Time, a U.S. weather satellite observed a low pressure weather system east of Richmond, Virginia, and south of Newfoundland. By the time this system died, it had become the worst storm to hit Europe in 29 years. Striking the Northern Irish coast on Jan. 2, intensifying drastically over Scotland, sweeping destruction over the North Sea and Northern Europe with 100 mph winds and severe flooding, this was followed after one day by yet another storm, nearly as severe as the first.

The events in the scenario of the 1976 New Year storms indicate that much more was involved than meteorological phenomena and subsequent recovery.

The storm wave took place in the context of an on-going economic and political drive by the Rockefeller allied international financial faction to preserve the dollar-denominated debt structure against escalating pressures of depression collapse. Related to this political framework is the fact of on-going research into and implementation of geophysical warfare techniques. At the 39th session of the General Assembly, the Soviet Union, recognizing a significant weather warfare potential already developed by NATO forces, entered a call to eliminate the danger of the modification of the environment and climate for military and other purposes, since these would be incompatible with ensuring international security, human welfare and health.

The events involving mobilization of the affected populations, the incidents involving agencies concerned with various aspects of the storm, and the suspicious nature of the storm tracks, indicate that a chaos and confusion operation to be directed at the European working class was in place, ready to be triggered under the right conditions. Winter storms exist in plenty. To trigger a weather warfare operation it would be necessary only to wait for a storm suitable for modification, particularly one over mountainous Scotland, and then begin the operation.

The Scenario

The satellite information giving the location of the storm was supplied by the National Weather Satellite Service, and all times are Greenwich Mean Time (Central European Time is one hour later.)

The early motion of the storm was typical for winter storms in the Atlantic, moving generally northeast (see the accompanying map). As the center approached Great Britain, it began to accelerate and intensify. The storm then slowed, only to intensify very suddenly as it passed over Scotland, dropping from 984 millibars to 975 millibars in only six hours. (Millibars refer to air pressure: a pressure of 1000 millibars is about normal; 970 millibars is very low, although a hurricane, which is a much smaller storm than a full-scale winter storm, has pressures of 940 millibars. The figures given refer to the pressure at the center of the storm.)

Storm winds gusted to 100 mph in England on Friday, Jan. 2, knocking out power stations there, and began to push water in the North Sea into the coast of Germany and Denmark. Although the British Meteorological Services published a bulletin on Friday, announcing this as a wind of Force 9 (indicating winds of over hurricane strength), the warning did not appear in the British press. The French daily *Le Monde* was the one paper on the continent, to pick up the warning, which was then published as a regular weather report. Simultaneously workers at the National Meteorological Bureau in France went out on strike. The Parisian daily *Le Figaro* published on Jan. 2 a notice reading, "a partial strike at the National Meteorological Bureau does not allow us to produce a weather map today." Since this strike assumes unusual significance for the fate of the continent during the storms, it must be thoroughly investigated to determine the possibility of its instigation by provocateurs or other means of manipulation. Although the ocean weather bureau in Hamburg, West Germany knew of the impending storm as early as the morning of Jan. 2, the German daily *Die Welt* received an official weather report from the bureau predicting warm and mild weather. The Hamburg bureau sent no storm warning until 1:45 pm, on Jan. 2, when storms for southern Germany were reported on evening TV.

By midnight, Jan. 3 storm center pressure had dropped to 972 millibars, and the center had moved to the southwest

coast of Norway. With the strongest winds 200 miles from the center, water in the North Sea began to pile up along all the coasts bordering the storm. The Meteorology Office in England began to put out notices of flood tide warnings which undoubtedly sounded very strange to the population. The office gave warnings for "areas 12, 13, and 14" etc. but no one was told where these areas were until later, when the BBC intervened to explain the mysterious warnings. Weather reports in the European-wide press were fairly innocuous up until virtually the moment the storm hit.

In Denmark, where 20,000 people were evacuated once the storm hit, the computerized advance flood warning system failed to work, according to a report in the London Times. Furthermore, an alert put out by the parallel manually operated flood tide warning system was buried by the head of the system, Dr. Christensen. If there is an investigation of this failure, it is being blacked out by the press.

Near the mouth of the Elbe, the water level on Jan. 3 was 14 feet above normal at the harbor in Hamburg, threatening to block the cooling water supply of a nearby nuclear power station. Immediate fears arose that without adequate cooling water, the station's reactor's core would melt, producing a steam explosion, rupturing the station and releasing nuclear contaminants into the seashore.

Second Storm

Before the first storm was over, the same region was struck by another storm which produced winds from the same direction, adding to the damage, and piling up water at the European end of the North Sea. The effects of the storms were by no means limited to the coastal countries. According to a London Times report, Czechoslovakia had 72 hours of continuous and severe storm weather. Other East bloc countries reported heavy flooding, together with massive disruption of communication, transportation, and electrical grids. The Magdeburg area of the German Democratic Republic, which produces much of the coal for the country, was severely affected.

In the immediate wake of the storm disruptions, Werner Maihofer, the West German Interior Minister and the only West German cabinet member not on vacation at the time, formed an emergency crisis government. This was in response not only to the storms, but to renewed terrorist threats against West German airports. As with the case of the strike at the French Meteorological Bureau, so-called terrorist threats of this nature have been repeatedly exposed to be manipulated from the highest levels of the CIA and associated agencies. A sense of the effects of the storm on the population can be seen from reports directly to IPS from Europe. During the blizzards that were produced in Scandinavia, for example, people were seen to be wandering in a daze at railroad stations.

Three seemingly coincidental occurrences around the storms must be noted by any intelligent observer of international politics. The Swedish newspaper, Aftonbladet, controlled by Swedish Social Democratic Premier and long-time NATO agent Olof Palme, printed a study, Dec. 30, by the Stockholm International Institute for Peace Research, itself a long-time NATO-connected source, which in effect predicted in detail the weather attack that occurred later in the week. Author of the study, "Prospects for the Future," Frank Barnaby noted that, since a nuclear strike would probably entail a full retaliatory response, a "future war" in Western Europe could be fought by directing storms, cyclones and typhoons against the enemy, by redirecting rivers to provoke floods, by poisoning rivers and water supplies and by manipulating rainfall to provoke economic consequences like famine.

Three weeks previous, Danish, Swedish and West German Civil Defense and Civil Preparedness officials met jointly in Copenhagen immediately after the Swedish and Danish armed forces had participated in a joint maneuver around a population evacuation scenario involving the explosion of a nuclear fission plant.

During the storm itself, the city of Bonn, West Germany, experienced a power failure that was, as of current reports, in no way related to the storm.

Feasibility of Weather Modification

Although no hard proof can be presented at this time, that the two storms in question were subject to weather modification, there is strong indication that this is the case even if the civilian and military mobilization are not taken into account. Two aspects of the storms: 1) The severe intensification of the first storm over Scotland, and 2) The southeast track of both storms during their periods of intensification, provide the indication.

Weather systems involve a complicated relationship between micro- and macro-processes. Micro processes include the changes in phase between vapor, liquid, and solid, and the heat transferred when water passes from one phase to another. About 540 calories of heat are released for every gram of water vapor that condenses into water drops, and 80 calories are released when a gram of water freezes. This small amount of heat becomes enormously significant when large amounts of water are involved. Changes in phase are induced by change in temperature and pressure of the air.

Macro-processes involve interaction between large air masses with different internal characteristics and involve the interaction of these masses with the earth's gravitational field and its spin. The amount of energy involved in changing the macro-processes is very large — typical systems involve energy transfers equivalent to thousands of nuclear blasts the size of the Hiroshima bomb. Weather modification programs concentrate on affecting the micro-process in order to affect the macro-process.

The concept underlying weather modification is to trigger the inherent instability in these weather systems. Most of the publicly known processes involve forms of cloud seeding, which forces an increase in the rate of condensation of water into ice. In the cloud seeding process, water droplets in clouds are forced to freeze by providing crystals that resemble the structure of ice, such as silver iodide. Once freezing has begun, more water is then able to freeze using the growing crystals as templates. Depending on the physical conditions of the system, the heat released by this process can cause updrafts bringing in more air which then release its heat as its water content freezes, continuing the process. When the crystals become large enough, they fall as snow, changing to rain if the temperature of the lower air is sufficiently warm.

Most known experiments to date involved relatively small systems. Clouds have been seeded to produce more rain than would have fallen (usually only 10 per cent of the water content of a cloud is precipitated naturally), or hail storms have been prevented by stimulating its precipitation prematurely from the systems. Hurricane modification was begun as a classified program in 1947. Under the program called, "Stormfury," the U.S. Navy seeded hurricanes at first in the wall clouds of the eye; seeding was then moved outward from the center. Since the eye of a hurricane is a region of very strong updraft, it was thought that the updraft region could be expanded, thereby expanding the whole storm. The circulation pattern, and therefore the winds, would decrease in the same way that a skater's spin slows down when his arms are extended outward. In one experiment, wind speeds were

reduced by 10 to 20 per cent on three different occasions with the same hurricane, with the effects lasting up to 18 hours each time. Stormfury attracted much attention when charges were made against the program that several hurricanes were diverted into the coast, into Atlanta, Georgia, and into Cuba and Honduras, for example.

According to Pierre St. Amand, who is head of the Earth and Planetary Sciences Division of the Naval Weapons Center at China Lake, California, the experiments in cloud seeding that took place before 1957 were conducted under difficult handicap. According to St. Amand, the experimenters were not seeding the clouds with silver iodide as thought. The generators designed to yield silver iodide were actually producing complex mixtures including silver, potassium and sodium. Given the success of subsequent cloud seeding experiments and programs after this flaw was corrected in 1957, it is likely that many of the attempts that were judged "not statistically significant" should have been repeated for significance. It seems that many were not, at least not publicly.

This short history implies that the possibility of successfully seeding Atlantic winter storms is far from ruled out. Dr. St. Amand, has successfully seeded winter storms on the Pacific coast using both airplanes and a seeding generator located on a mountain top over 3400 feet above sea level. He has also achieved success in storm track diversion, although there has been no public comment on results with storms of the size of those in question here.

Nevertheless, the fact that the first storm increased in intensity over Scotland, with its well-placed mountains, and the fact that the storm soon after changed its track in an extremely unlikely direction, all contribute to a prima facie case for weather modification.

Using data from winter 1971-1972 storm modification experiments carried out off the coast of California and scaling up the operation used at that time, we can see that the ability to minimally modify a storm such as the first to hit Europe this year is well within existing capability. It would take about 16 gallons total of a 10 per cent solution of silver iodide mixed in acetone and ammonium iodide, burned at the rate of about 10 quarts per hour, in 12 airplanes for about a half hour. (If mountain top generators were used, the figures would have to be changed somewhat.) Even if these figures need to be increased by as much as a factor of ten, it would still be possible, merely by using 160 gallons with faster airplanes and increasing the burning rate. (The California experiment used 110 mile per hour airplanes.)

The fact that the latter path of the second storm took the same direction as that of the first is equally questionable. However, an assessment of the possibility of weather modification of the second storm is difficult at this time due to a limited general scientific understanding of the overall behavior of the atmosphere in circumstances such as those caused by the first storm.

Call for Investigation

Members of Europe's leading anti-Rockefeller industrialist factions have already taken the question of weather modification of these devastating storms into serious consideration. Gerhard Stoltenberg, the Christian Democratic Union (CDU) Prime Minister of the West German state of Schleswig-Holstein, a leader of this faction in West Germany, stated at a Jan. 6 press conference that the possibility of the use of deliberate "meteorological warfare" methods such as cloud seeding during the two storms cannot be excluded, and demanded an immediate, thorough investigation of the matter.

As Stoltenberg recognized there is no question that the storms, from both the scientific and the political standpoints, were unusual. It is well known that the U.S. and NATO military forces are currently working to achieve an operational capability for startling weather modification maneuvers. The Soviets have repeatedly warned of such capabilities, and as recently as June of 1975, the East German military journal *Armeerundschau* noted that NATO's continuing research in "geophysical war" technologies, and documented NATO weather modification techniques for creating tornadoes, earthquakes, hurricanes and "windows" in the earth's ozone layer which would allow highly destructive cosmic radiation to hit the earth's surface.

In January and March 1974, the Senate Committee on Foreign Relations held hearings on weather modification before the Subcommittee on Oceans and International Environment; Senator Pell, subcommittee chairman, raised questions which resulted in both an environmentalist frenzy over the capability of weather modification, even in the primitive form carried out in Viet Nam, and a subsequent coverup of much of the ongoing U.S.-NATO research into weather modification.

In these hearings, the subcommittee heard testimony from Dr. St. Amand on the possibility of modifying winter storms, which has not been publicized. The subcommittee asked for clarification of the participation by the Central Intelligence Agency, the National Security Council, and the office of international Security Affairs in the Defense Department. In particular, a report with "Secret" classification of an Inter-agency panel of the National Security Council, the Pollack Committee, was requested, but the report was not supplied, and is still classified. The State Department was involved acting as mediator for the weather modification research and deployment on the field.

The direction in which this initial investigation must be taken, should be made clear in light of the new hearings convening before the same committee on Jan. 21, 1976.

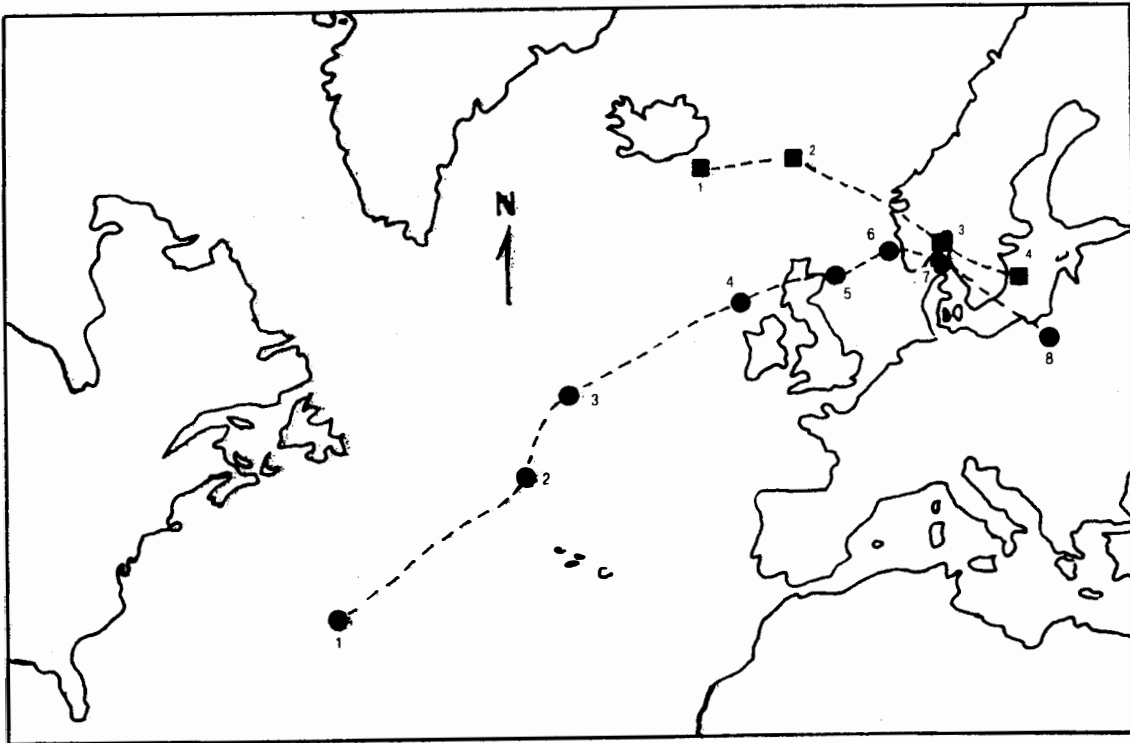
To reach a competent assessment of the operational and immediate future capabilities of weather modification, we must have the following questions answered:

- * What covert research not previously revealed by the Pell subcommittee investigations has been conducted? What are the realized and potential capabilities?
- * What operational capabilities, based on such research, have been set up by U.S. or NATO forces?
- * What is the role of the CIA, the NSC, and DOD and adjunct agencies and think tanks in planning and deploying research and operations?

If these questions are left again unanswered by the 1976 hearings, the already substantial possibility for wide-scale destruction of crops, cities and populations through misuse of weather modification technologies will be significantly increased.

Weather modification has important and valuable potential use, as does any applied science, and the avenues for productive research are clear. Critical research areas are the relationship between the ionosphere and weather systems in the atmosphere, and particularly how the ionosphere is related to solar magnetic phenomena and the solar wind.

Whether weather modification technologies are applied to scientific development of the worldwide productive forces, or wielded as new weapons of destruction by the political forces in whose hands they now lie, will be determined in great part by the investigations of the committee.



● FIRST STORM

1.	30 Dec	initial sighting
2.	noon 1 Jan	994 mb
3.	midnite 2 Jan	990 mb
4.	noon 2 Jan	984 mb
5.*	6 pm 2 Jan	975 mb
6.	midnite 3 Jan	972 mb
7.	noon 3 Jan	974 mb
8.	midnite 4 Jan	983 mb

■ SECOND STORM

1.	1 pm 3 Jan	981 mb
2.	1 am 4 Jan	978 mb
3.	1 pm 4 Jan	990 mb
4.	1 am 5 Jan	1000 mb

*Note the intensification between noon and 6 pm on 2 Jan, as it passed over Scotland.

mb stands for millibars



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ICLC Strategic Studies

Critical Weaknesses in Soviet Policy Outlook

by Lyndon H. LaRouche, Jr.

USLP Presidential Candidate

On the basis of the leading Comecon sector publications and some correlated facts, it must be judged that the Oblomovist tendencies within the Communist Party of the Soviet Union (CPSU) appear to have increased their influence again, and now exert virtual preponderant control over Comecon and Warsaw Pact institutions' policy-making. This involves a two-level problem. On the first level, immediate policy, the proposed shift in CPSU policy must be denounced as incompetent, even implicitly suicidal. On the second, deeper level, a mere return to the political tendencies dominant in the pre-November 1975 period would improve the situation significantly, but would not solve the problem of providing the USSR and Comecon with the kinds of policies urgently wanted for this period. This situation demands very clear characterizations, such that we can not indulge in a polite manner of argument which would have the effect of circumlocution.

It is now almost possible, if not certain, that negotiations between the Soviet leadership and the White House may succeed in preventing a RAND Corporation-designed Middle East scenario from leading into a general thermonuclear confrontation. That assumed in such terms, the danger of general thermonuclear war within the next 12 to 18 months will persist, becoming increasingly acute **as long as the debt-overhang of the capitalist sector is not eliminated by general debt moratoria**, especially emphasizing developing-sector indebtedness. The attempt to avoid debt moratoria by the capitalist sector will produce a combination of hyper-inflation and super-austerity, in forms which require police-state rule and rapidly emerging fascist forms throughout the capitalist sector and developing sector. Once such police-state and fascist rule is established — as must rapidly occur under austerity measures — the threat of general thermonuclear warfare rapidly converges upon certainty.

In contrast, on the condition that the developing sector debt — or at least a key portion of it — is suspended, the approximately \$800 billions of international monetary structures are threatened with a direct chain-reaction collapse from this triggering, such that the capitalist sector has no alternative but to go through "bankruptcy reorganization" toward the sort of alternatives identified by our "International Development Bank" arrangement. Under such circumstances — establishment of the IDB — the danger of general thermonuclear war ceases to persist.

It should be emphasized, however, that the repudiation of debt payments by key developing sector nations would not be the cause of the monetary collapse. The monetary collapse is inevitable in any case; the only practical question is whether

the collapse occurs before police states are established to preserve the debt or after the establishment of such police states. In the former case, the triggering of chain-reaction collapse forces "bankruptcy" proceedings along IDB lines; in the latter variant, not provoking the debt collapse causes the kind of political reaction leading directly toward general thermonuclear war.

It is clear that this distinction is not understood by a preponderance of political forces in the CPSU leadership. If such ignorance within the CPSU leadership can not be corrected, then general thermonuclear war is virtually inevitable — that war will be the "non-voluntarist" elaboration of "objective laws" so much admired by the Oblomovist-centrist currents within the CPSU leading strata. Nor should we be astonished to discover that the CPSU leadership includes persons of such monstrous ignorance concerning the capitalist sector. It is not irrelevant to such Oblomovism in the CPSU leading strata that there does not presently exist an actually Communist party of "official Communist" designation in any key nation of the industrialized capitalist sector. In other words, **CPSU policy concerning the fostering of "official Communist" parties in the capitalist sector is a matter of manifest bankruptcy!** It should not be astonishing that the CPSU has much to learn on this from the principal viable organized socialist cadre-formation within the industrialized capitalist sector, the Labor Committees.

It is irrelevant, in this present connection, to list the significant competences and accomplishments of the Comecon sectors and its leadership strata either generally or in respect to those currents we rightly recognize as most advanced on important issues. For present purposes, the achievements and competences are to be taken for granted; it is the critical weaknesses which should receive the full focus of our attention here. It is sufficient to emphasize that the achievements of the CPSU and other Comecon leaderships pertain most emphatically to the socialist sector. Outside that sector, the CPSU's manifest political competence rapidly attenuates toward incompetence in the following order: the developing sector, Western Europe, Japan, the USA and Canada. In respect to the USA, the CPSU's understanding continues to be essentially negative in quality; it would be much better if they assumed that they understood nothing, since what they profess to understand is generally not only mistaken but often dangerously wrong.

The Arismendi Case

For the moment, we refer to the very worst aspects of current Comecon sector policy statements and practices. This does not signify that we overlook other tendencies, etc., but that those other tendencies can not be fruitful unless the identified, worst element is first extirpated. We identify that worst tendency by reference to the Rodney Arismendi lead item in the current (January, 1976) issue of **Problems of Peace and Socialism**, an item in which Arismendi, not in-

significantly, repudiates his earlier published views.

The kernel of dangerous error in Arismendi's argument is that he justifies a resumption of the blunders of the Allende period — this time on a global scale.

What happened in Chile during the period preceeding the right-wing coup? Through a "non-provocative" policy externally imposed upon the leadership of the Chile CP, the government of Allende was encouraged to follow policies which estranged the political potential of the Chilean peasantry and working class and aggravated the financial predicament under conditions of imperialist economic warfare against the government. Through this policy, the internal correlation of political forces in Chile was shifted in a way favorable to the coupist forces.

From a purely national standpoint — which is to say an impotent, wrongheaded standpoint — what should have been done was to pursue a ruthless land reform policy around programs of industrial-technology-oriented agricultural development. This would have consolidated the peasant base in support of the government and leading parties, and should have been accompanied by an arming of the pro-government forces as an organized national militia (not "irregular" guerrillista forces). In respect to the economic warfare directed against Chile by the imperialist (i.e., Rockefeller-linked) forces, the Allende government should have followed a class policy, openly stated, of imposing austerity penalties upon the bourgeois layers specifically in efforts to ameliorate the impact of such economic warfare against Chile, thus setting the marginal bourgeois and petit-bourgeois forces into opposition to the actions of the imperialists. Etc., etc.

The wrongheadedness of such a criticism advanced only by itself is demonstrated by the obvious fact that the Chilean situation existed within an international strategic context. The key strategic fact of the post-1967 period was that the capitalist world as a whole was already descending into the present breakdown crisis, a condition signalled by the rapid, chain-reaction succession of the November 1967 sterling devaluation and the February-March 1968 dollar crisis. This crisis caused a shift in the international monetary and trade situation, in which the rate of development generally was slowed and credit-restrictions tightened, with the most aggravated consequences immediately for the developing sector. Hence, it would have been politically impotent to deal with national-sector situations merely one at a time during that period; it was essential to have a global development policy openly articulated as an alternative to the effects of spiraling depression in process.

The problem was that under the Oblomovist interpretation of detente fostered through the mediation of the Botteghe Oscure and Atlanticist social-democratic mediators, the Comecon itself lacked a global strategic policy appropriate to the situation, and therefore the Comecon could not have offered the kind of global development policy which would have neutralized the isolation of Chile's Allende government in Latin America.

Nonetheless, the policy followed in the Allende case was brutally stupid insofar as it represented the Allende government as some sort of "new model" for peaceful socialist transformation over the long pull under circumstances of detente. If it is necessary to take a tactically conservative posture in a certain national situation, one must describe such a policy honestly. Representing a policy leading to inevitable bloody defeat as somehow a "new model" for tactical successes is a wretched bit of political insanity under all circumstances.

The resurrection of such "non-provocative" tactical postures in this present period would be absolutely fatal. "Non-provocative" means explicitly a Comecon policy of avoiding

implication in a developing-sector demand for debt moratoria. This fatal error did not begin with Dec. 1, 1975. It was already being made in September 1975, as at the United Nations Special Session, where Soviet representatives sat quietly with folded arms while Kissinger's hooligans attempted to terrorize developing sector forces into submission. It was this Soviet posture which indirectly caused a massive setback to the revolutionary process in Portugal, and which resulted in a major setback to the developing-sector situation between the high point of mid-October and early December. If the debt structures are confronted with the reality of the monetary situation, the rational capitalist forces of the industrialized sector are forced to consider the IDB — which, in fact, is **their only rational alternative for the current economic situation in any case!** If this necessity does not confront them, they will vacillate on the issue between themselves and the Rockefeller-led factions, in which case they will attempt to sustain the debt-structures by measures of combined paper-issuance and super-intensive Schachtian austerity measures.

Thus, a non-provocative policy on the debt issue leads inevitably into the establishment of reactionary police states allied with Rockefeller interests throughout both the industrialized capitalist sector and the developing sector. In such a development, as indicated, the political character of the capitalist sector ensures inevitable, unpreventable general thermonuclear war within 12 to 18 months. Police states becoming fascist regimes, confronted with super-austerity and hyper-inflationary crises, will absolutely launch general thermonuclear war at the earliest opportunity. That inevitability of war would be the consequence of continuing Arismendi's proposed policies through even the first two quarters of 1976.

The "White Communism" Angle

It is clear that the Oblomovist currents within the Comecon parties have no perception of the proposed alternative. They do not understand that a Comecon enunciation of a positive commitment to an IDB alternative will force the rational capitalist forces to the fore within the industrialized capitalist sector generally — even though the critical political developments of March through November 1975 leave no margin to doubt that this would be the case.

Such an ignorant blunder within the CPSU leadership is not accidental. The success of the CIA's "White Communism" operation is proof of this fact. It is clear that the criteria used by the Soviet and other key Comecon press for judging the quality of Communist parties' leaderships and policies are absolutely incompetent — and characterized by exactly the same points of hereditary incompetence otherwise exhibited in the Arismendi article of January 1976

For example, the case of the CPUSA. Since the middle of the 1960s, the CPUSA has been under top-down control by National Security Council agencies (e.g., CIA, FBI). This takeover has never been secret. Since that period, the CPUSA's domestic policies have been consistently subordinated to the policies of the RAND Corporation and conjoined with the "stability operations" of domestic counterinsurgency agencies, such as the Department of Health, Education, and Welfare, Ford Foundation and so forth, as well as linked to the most nakedly Alinskyite factions of the top trade-union bureaucracy. Consider, then, the effect of this upon the Soviet diplomatic service representative or Soviet press agency personnel proceeding under the policy "Gus Hall (General Secretary of the CPUSA) is a personal friend of Comrade Brezhnev."

Since the Daily World has more or less consistently represented counterinsurgency projects as its heralded subjects of support, any individual Soviet diplomat or reporter who

honestly reported on counterinsurgency activities in the USA would have been thereby exposing the Daily World as a police organ! Not exposing the Daily World and CPUSA as de facto police agencies has in this way prevented responsible Soviet representatives in the USA from returning any competent report on the internal U.S. political situation to Moscow — lest he be thereby guilty of bucking the official line, that “Hall is a personal friend of comrade Brezhnev.” For this and related reasons, Soviet appropriation of the principal relevant features of the internal U.S. political situation has been absolutely incompetent, as shown by the Soviet and other Comecon sector press and by correlated activities from the same sources. Considering the importance of the USA, this is no small error, nor of secondary importance respecting Soviet policy as a whole.

The PCI situation is a somewhat different case, but has ultimately the same broad relevance. Both Giorgio Amendola and Enrico Berlinguer are second-generation British intelligence agents more recently transferred to U.S.-dominated control. Amendola’s role as a CIA agent has even been of the most naked sort. Not only has Amendola (Like Sergio Segré) been associated with a famous CIA-linked Rome think-tank, the International Affairs Institute, but PCI policies conducted through Amendola, et al. have originated through such locations as the Rockefeller brothers’ estate at Bellagio and through such emissaries as Zbigniew Brzezinski! It was the PCI, through such German agents as Leo Bauer and Egon Bahr, which headed off an independent legalized KPD with the formation of the legalized DKP of West Germany behind the backs of the German Communists! The detente package was negotiated in part through these same atlanticist agent channels, while the CIA-linked agents in the PCI leadership systematically gutted the PCI’s worker-cadre formations, as well as, more recently, playing a key part in assisting the CIA’s “White Communist” coup d’etat in the PCF bureaucracy.

In this and similar ways — including the Craxi-Carrillo Italian Communist Party-Spanish Communist Party link-up — the CPSU leadership has watched the Comecon sector be deprived of co-thinker organizations throughout the industrialized capitalist sector, all the while apparently impotent to influence developments in a more favorable direction.

It is not merely a matter of the CPSU press patiently puffing CIA-controlled antics in Communist party leaderships of the capitalist sector instead of denouncing such monstrous behavior. It is not a matter of Soviet direct intervention in such parties. The problem has been chiefly that the Comecon parties’ publications have catered to the impotent sort of “objectivist” politics which make Communist parties a fertile ground for operations by CIA and related agencies’ operatives. Until some recent Leninist polemics and theoretical works — of the genre now implicitly repudiated by Arismendi — there was nothing of current production issuing from the Comecon parties which would have been useful to inspire the development of qualified cadres. Insofar as the overall balance of Comecon sector publications are concerned, the net result is that the Comecon sector parties have failed to manifest understanding of the ABCs of building and leading Marxist cadre-formations within the capitalist sector.

This problem can be remedied. The Labor Committees, forced to develop from scratch by virtue of the lack of viability of organized socialist formations, have developed a proven model of effective socialist cadre-formation within less than a decade. Thus emulation of that experience, connected to the mass-based formations of genuine Communist cadres and left-wing social-democratic strata, provides the essential building basis for rapidly developing effective,

mass-based political workers’ organizations throughout the capitalist sector. However, for the immediate moment, the U.S. Labor Party is the principal viable, mass-based political workers’ organization within the industrialized capitalist sector, to the effect that what the Labor Committees and their mass-based allies in that sector can not presently undertake to accomplish is temporarily beyond the possibility of any combination of socialist forces in that sector. This simple reality the Oblomovs of the CPSU presently decline to face. If they did, their perception of the necessary policy would follow readily.

The specific features of this judgement on the CPSU leadership are our own. However, in broader terms, leading forces of the developing sector hold parallel or related views concerning the incompetence of apparent Soviet perception of the global political situation. If the debt is not suspended, then developing-sector nation’s efforts to meet debt requirements will force them into genocidal (e.g., Brazilian) forms of austerity, leading inevitably to a homogeneous nightmare of police state to fascist regimes allied to imperialism throughout the capitalist sector, and the rapid collapse or crushing of socialist and pro-socialist regimes throughout the developing sector. Yet, faced with such inevitable consequences of a continued Oblomovist “non-provocative” policy on the debt question, the CPSU to this point clings to a policy which means only the rapid total isolation of the Comecon sector and a strategic correlation of global political forces extremely favorable to imperialist ventures into general thermonuclear war.

Instead of learning the obvious lessons from the experience of “White Communism,” the CPSU leadership has apparently retreated into Oblomovist isolation, behind an hysterical reaction-formation policy of “somehow, we in the bloc must hold together and depend upon our own internal abilities to resist imperialist threats.” It is apparent that they have for the moment ignored the reality that governs the special conjunctural desperation of imperialist forces and the circumstance of global hegemony over austerity-directed regimes in the industrial capitalist and developing sectors. The imperialists (e.g., Rockefeller, et al.) are given the optimum variant for undertaking a mobilization for general thermonuclear confrontation with the Warsaw Pact under the circumstances in which the imperialist forces would have the advantage of threatening to win an actual thermonuclear war.

Admittedly, such a war would not be to the advantage of anyone. If any CPSU leader depends upon an appeal to rationality in this connection, his own Oblomovism has reached the point of outright insanity. To the extent that the capitalist sector is committed to the principle of maintaining the integrity of debt-ridden monetary structures, imperialism persists as a raging beast determined to either conquer the world or destroy it — for that beast, considerations of rational alternatives do not exist. Only to the extent that the debt structure collapses or is wilfully collapsed, thus ending the imperialist political structures, does there exist a form of capitalism which is responsive to the kinds of self-interest on which the CPSU leadership presumes to base negotiations of peaceful coexistence.

The Alternative

The only rational Soviet policy is to support a Third World debt moratorium on the condition that the capitalist sector is simultaneously offered the rational alternative of the IDB. Any other policy is stupid and insane. It may be that some CPSU officials are irritated at being given policy directives from the small “upstart” Labor Committees. They will have to decide which they prefer to defend: their exaggerated self-estimations or the continuation of civilized humanity.

Jan. 18, 1976



NEW SOLIDARITY International Press Service

SPECIAL REPORT

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Super-Capitalists Fall Out

The following article was written for, but did not appear in, the regular Lombard Column of the London Financial Times, Jan. 16.

BY C. GORDON TETHER

What lay behind the decision of the Washington Post to publish what the U.S. Comptroller of the Currency, Mr. Smith, described as a "sensational and out of context" article on the solvency of the First National City Bank and the Chase Manhattan when — assuming Mr. Smith's own assessment is to be believed — they continue to rank among "the securest banking institutions in the world?"

The question is obviously interesting in itself. But it becomes very much more so when account is taken of one other highly relevant fact. This is that, if the assessments of the international newsletter writers are anywhere near being on target, there are quite a number of other major New York banks that have been caused a good deal more embarrassment than these two by the deterioration in "classified assets" positions.

In the absence of another satisfactory explanation, it is pretty certain that the singling out of these two "Rockefeller-related" institutions for unfavorable mention is going to fan a suspicion that close watchers of the underlying politico-financial scene in the U.S. have been talking about for some time past. This is that a major power-struggle is developing between American super-capitalist groupings, the outcome of which — bearing in mind the importance of the "behind the scenes" part the U.S. banking system is often alleged to play in shaping Washington's internal behavior — could have great international significance.

What with the recent torrent of revelations about the undercover activities of the CIA and the political maneuverings in and around the White House, the U.S. has become a particularly happy hunting ground for "conspiratologists" in recent months. It is, therefore, more necessary than ever to avoid falling into the trap they so often do — adding two and two together and making, not just five, but eight or even ten.

However, the evidence that something in the nature of a major schism is developing between the heavyweight financial interests usually known as the Eastern banking establishment (and which includes the Rockefellers) and those based further west is not unimpressive.

Whether and, if so, how far the rift arises from what may be called, for want of a better term, personality clashes, it is impossible to say. It does seem clear, however, that there is a major difference of opinion between the two groups as to which scenario the U.S. can most appropriately adopt in its approach to the big world issues of the moment.

Thus the Eastern banking establishment, which hitherto has been most assured of getting Washington's ear, appears to be calling for the continuance, in greater or less degree, of existing U.S. policies. By contrast, the rival faction is in favor of a more outward-looking approach altogether. This would feature the promotion of world development and greatly expanded East-West trade. And it would, among other things, require the U.S. to stand ready to go to such lengths as spearheading moratoria arrangements for Third World countries with serious debt problems if it is to help create the necessary improved international financial environment.

Their theme — so far as can be gathered from recent public statements by some of the group's more articulate apostles — is that such a reorientation provides the only hope of disposing of the "Big Power" tensions now jeopardizing world peace and, at the same time, containing the threat to the international financial system implicit in the drift towards bankruptcy in so many developing countries.

As Mr. Solzhenitsyn, the Russian author, pointed out in a speech he made last year in the U.S., the rivalries of American super-capitalists are apt to be a matter of great significance for the rest of the world. This is not only because of the impact they have on the formulation of American policies; it is also because, the international ramifications of these empires being so extensive, such hostilities tend to produce reverberations of great potential consequence in many other countries.

If, therefore, the U.S. super-capitalists are becoming involved in another bout of internecine warfare, the rest of the world would be well-advised to start taking an interest in it. For coming at a time when the global structure is in such a vulnerable position in the military, political, economic and financial senses, all other countries have a great deal at stake.

It is also to be hoped that such a development will produce some long-needed deep thinking — in the U.S. as well as in the world outside — about the morality of a state of affairs that allegedly permits a small number of people to exercise, with little regard for democracy, immense power over their fellow human beings.

Half a century ago, President Wilson wrote: "Some of the biggest men in the U.S. in the fields of commerce and manufacturing know that there is a power so organized, so subtle, so complete, so pervasive that they had better not speak above their breath when they speak in condemnation of it." If, as is sometimes alleged, the situation has not materially changed since then, it is time that something was done about it.



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JANUARY 17, 1976 EARLY EVENING REPORT 1330 EST

I. WESTERN EUROPE

GAULLISTS SPLIT OVER NEW FRENCH CABINET

PARIS, JAN. 17 (IPS) — A SPLIT HAS OPENED IN FRANCE'S GAULLIST UDR PARTY OVER PRO-ROCKEFELLER ATLANTICIST PRESIDENT GISCARD D'ESTAING'S CABINET RE-SHUFFLE JAN. 12. GISCARD PROMOTED TWO LEADING ATLANTICISTS, RAYMOND BARRE, (A FORMER VICE-PRESIDENT OF THE COMMON MARKET) AND JEAN-FRANCOIS PONCET TO THE POSTS OF FOREIGN TRADE MINISTER AND STATE SECRETARY OF FOREIGN AFFAIRS RESPECTIVELY.

THE EXECUTIVE COMMITTEE OF THE UDR VOWED THE PARTY'S STRONG SUPPORT FOR PRIME MINISTER JACQUES CIRAC AND THE NEW CABINET. IT BRUSHED ASIDE RUMORS THAT BARRE AND PONCET WOULD PUSH FOR EUROPEAN INTEGRATION AS "EXAGGERATED," DESPITE THE ANNOUNCEMENT BY STATE MINISTER JEAN LECANUET THAT BOTH NOMINATIONS CORRESPOND TO "HAVING THE EUROPEAN UNION PROGRESS."

IN EXPLICIT OPPOSITION OF THE UDR LEADERSHIP'S POSITION, THE UDR LOT-ET-GARONNE FEDERATION HAS STRONGLY PROTESTED PONCET'S APPOINTMENT ON THE GROUNDS THAT HE IS A STAUNCH PROPONENT OF AN ATLANTICIST EUROPE.

ATLANTICISTS TOPPLE SPD STATE GOVERNMENT IN WEST GERMANY

JAN. 17, (IPS) — THE RULING WEST GERMAN SOCIAL DEMOCRATIC PARTY (SPD) LOST ITS CONTROL OF THE STATE GOVERNMENT OF LOWER SAXONY JAN. 15 WHEN ONE SPD STATE PARLIAMENTARIAN VOTED AGAINST HIS OWN PARTY, AND THREE OTHER SPD PARLIAMENTARIANS ABSTAINED FROM VOTING DURING BALLOTING FOR A NEW LOWER SAXONY MINISTER-PRESIDENT. AS A RESULT OF THESE DEFECTIONS IN THE SPD RANKS, AN OPPOSITION CHRISTIAN DEMOCRATIC UNION (CDU) PARLIAMENTARIAN, ALBRECHT, WAS ELECTED MINISTER-PRESIDENT OVER THE SPD CANDIDATE KASIMIER. THIS IS THE FIRST TIME IN THE 30-YEAR HISTORY OF LOWER SAXONY THAT IT HAS NOT HAD AN SPD GOVERNMENT.

THE VOTE WAS PROMPTED BY THE EXPECTED RETIREMENT OF FORMER SPD MINISTER-PRESIDENT KUBEL.

THE IMMEDIATE RESULT OF THIS CHANGE IS THAT THE SPD WILL

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LOSE A SEAT ON THE FEDERAL INTERPARLIAMENTARY MEDIATION COMMITTEE TO THE CDU, GIVING THE CDU A ONE-VOTE MAJORITY ON THAT BODY. SINCE THE FEDERAL PARLIAMENT COMMITTEE VOTES ON ALL LEGISLATION IN THE FEDERAL PARLIAMENT, A CDU GOVERNMENT IN LOWER SAXONY CAN PARALYZE THE FEDERAL SPD-FREE DEMOCRAT (FDP) COALITION FROM PASSING ANY LEGISLATION.

YESTERDAY'S FRANKFURTER RUNDSCHAU QUOTED AN SPD'ER WHO FLATLY CHARGED THAT ATLANTICIST SPD AGENT PETER VON OERTZEN, LOWER SAXONY EDUCATION MINISTER, IS RESPONSIBLE FOR THE TOPPLING OF THE SPD GOVERNMENT, BECAUSE HE REFUSED TO ENCOURAGE KUBEL TO STAY ON AT LEAST UNTIL ELECTIONS, WHICH WOULD HAVE AVOIDED THE JAN. 15 PARLIAMENTARY VOTE. ANOTHER ATLANTICIST AGENT, FRANZ JOSEF STRAUSS, HAS ALREADY CALLED FOR A CDU-FDP COALITION GOVERNMENT IN LOWER SAXONY, BUT HIS CALL WAS ABSOLUTELY REJECTED BY THE CDU LOWER SAXONY PARLIAMENTARY PRESIDENT, HERMANN MUELLER, WHO WAS RECENTLY A VICTIM OF A TERRORIST ASSASSINATION ATTEMPT.

THE NEW CDU MINISTER-PRESIDENT IN LOWER SAXONY NOW HAS 30 DAYS IN WHICH TO FORM A CABINET THAT CAN WIN A PARLIAMENTARY MAJORITY.

ASSASSINATION ATTEMPT ON BRITISH INTELLIGENCE OFFICIALS

JAN. 17 (IPS) -- UNSUCCESSFUL ATTEMPTS HAVE BEEN MADE TO ASSASSINATE BRITISH INTELLIGENCE PERSONNEL OPERATING UNDERCOVER AS "CIVIL SERVANTS" IN NORTHERN IRELAND. ACCORDING TO A FRONT PAGE ARTICLE IN THE JAN. 15 LONDON TIMES, A TWELVE-POUND BOMB WAS PLANTED ON THE DOORSTEP OF WILLIAM COLFER, A SENIOR CIVIL SERVANT, SAID TO BE A SECURITY ADVISOR TO NORTHERN IRELAND SECRETARY MERLYN REES. COLFER'S NAME DOES NOT APPEAR ON ANY CIVIL SERVICE LIST CONSULTED BY THE LONDON TIMES.

THE BOMB WAS TIMED TO GO OFF DURING A HIGH-LEVEL MEETING OF GOVERNMENT AND MILITARY PERSONNEL BEING HELD IN COLFER'S HOME JAN. 5. IT WAS DEFUSED BY ARMY EXPERTS, BUT REPORTS IN THE JAN. 14 EDITION OF THE DUBLIN-BASED IRISH INDEPENDENT, INDICATE THAT THE ATTACK, BLAMED ON THE IRA, HAD COVE WITHIN INCHES OF WIPING OUT WHAT WAS DESCRIBED AS A "WAR CABINET."

REPORTS OF THE ATTEMPTED ATTACKS ON CIVILIAN SECURITY ADVISORS WERE SUPPRESSED BY THE BRITISH GOVERNMENT FOR TEN DAYS, DURING WHICH TIME THE COVERT SPECIAL AIR SERVICES WERE DEPLOYED TO NORTHERN IRELAND.

INTERVIEWS REVEAL STRONG DEBT MORATORIUM SENTIMENT IN ITALY

ROME, JAN. 17 (IPS) -- IPS INTERVIEWS WITH LEADING ITALIAN FINANCIAL FIGURES THIS WEEK REVEALED THAT THERE IS SIGNIFICANT SUPPORT FOR PROPOSALS FOR INTERNATIONAL DEBT MORATORIA AND FORMATION OF AN INTERNATIONAL DEVELOPMENT BANK IN ITALY.

A SPOKESMAN FOR ENI, THE GIANT STATE-OWNED PETROCHEMICAL CORPORATION STATED: "MORATORIUM IS A LAWFUL SOLUTION, AND IT WOULD BE ACTUALLY NECESSARY TO REPLACE THE DOLLAR FINANCIAL SYSTEM WITH A

(MORE)

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SYSTEM BASED ON TRADE AND DEVELOPMENT."

A REPRESENTATIVE OF THE BANCA NAZIONALE DEL LAVORO COMMENTED ON THE DEBT MORATORIUM/INTERNATIONAL DEVELOPMENT BANK PROPOSAL WHICH IS BEING PUSHED BY THE INTERNATIONAL CAUCUS OF LABOR COMMITTEES BY SAYING: "SURE, IN THIS SENSE IT (A MORATORIUM) IS FULLY POSSIBLE. A MORATORIUM DEPENDS ON HOW IT IS DONE."

CALLS TO A NUMBER OF SMALL LOCAL BANKS IN ROME ALSO REVEALED WIDESPREAD DISCUSSION OF DEBT MORATORIUM PROPOSALS.

II. ANGOLA

SOUTH AFRICANS ANNOUNCE ANTI-COMMUNIST BLOC IN AFRICA

JAN. 17 (IPS) — THE OFFICIAL NEWSPAPER OF SOUTH AFRICAN PRIME MINISTER VORSTER'S NATIONALIST PARTY, AND THE STATE-OWNED RADIO IN SOUTH AFRICA HAVE SAID THAT SOUTH AFRICA'S POLICY OF DETENTE WITH ANTI-COMMUNIST BLACK AFRICAN NATIONS HAS BEEN STRENGTHENED BY THE RESULTS OF THE RECENT MEETING ON ANGOLA OF THE ORGANIZATION OF AFRICAN UNITY (OAU). THE OAU MEETING NARROWLY FAILED TO RECOGNIZE THE MPLA GOVERNMENT IN ANGOLA, WITH THE 46 NATION ORGANIZATION SPLIT EVENLY BETWEEN SUPPORTERS OF THE MPLA, AND SUPPORTERS OF A COMPROMISE "COALITION" PROPOSAL BACKED BY U.S. SECRETARY OF STATE HENRY KISSINGER.

ACCORDING TO YESTERDAY'S WASHINGTON POST, THE TRANSVAALER, THE NEWSPAPER OF THE RULING PARTY SAYS THERE IS AN IMPLICIT ALLIANCE BETWEEN SOUTH AFRICA AND THE ANTI-MPLA COUNTRIES "IN AN ANTI-COMMUNIST BLOC IN AFRICA."

ACCORDING TO THE POST, INFORMED SOUTH AFRICAN SOURCES BELIEVE THEIR TROOPS FIGHTING IN ANGOLA ARE AN IMPORTANT BARGAINING CHIP IN KISSINGER'S NEW EFFORT TO FORCE A SOVIET/CUBAN WITHDRAWAL FROM ANGOLA.

ETHIOPIA 23RD AFRICAN COUNTRY TO RECOGNIZE PRA

JAN. 17 (IPS) — ETHIOPIA BECAME THE 23RD AFRICAN COUNTRY TO RECOGNIZE THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF ANGOLA, BRINGING THE TOTAL NUMBER OF GOVERNMENTS WHICH HAVE RECOGNIZED THE LUANDA-BASED GOVERNMENT TO 44, WORLD-WIDE.

III. UNITED STATES

STEVENSON BACKING SHRIVER CAMPAIGN

CHICAGO, JAN. 17 (IPS) — INFORMED SOURCES HAVE REVEALED THAT SEN. ADLAI STEVENSON III (D.-ILL.) IS NOW SUPPORTING THE PRESIDENTIAL CAMPAIGN OF SARGENT SHRIVER, AND INDICATED THAT A MAJOR COMMITMENT

(MORE)

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HAS BEEN MADE BY THE TRADITIONAL STEVENSON WING OF THE DEMOCRATIC PARTY TO THE SHRIVER CANDIDACY. THE SOURCES CITED A MAJOR GEARING UP OF THE SHRIVER ILLINOIS CAMPAIGN APPARATUS WHICH HAS BROUGHT IN LIZ FORAN, THE DAUGHTER OF A FORMER U.S. ATTORNEY AND PROMINENT ILLINOIS DEMOCRAT, AS CAMPAIGN MANAGER, ALONG WITH MAJOR PUBLIC RELATIONS FIRMS THAT HAVE HISTORICALLY HANDLED THE STEVENSON FAMILY CAMPAIGNS.

IN AN INTERVIEW WITH IPS, MS. FORAN STATED THAT MR. SHRIVER IS "CONCERNED" THAT THE MIDDLE EAST "COULD BLOW UP ANY DAY" INTO A U.S.-SOVIET CONFRONTATION.

LOS ANGELES TIMES BLASTS FRIEDMAN ROLE IN CHILE

JAN. 17 (IPS) — THE LOS ANGELES TIMES DENOUNCED THE HARDLINE ECONOMIC POLICY WHICH ECONOMIST MILTON FRIEDMAN MAPPED OUT FOR IMPLEMENTATION IN CHILE IN AN EDITORIAL THIS WEEK.

THE EDITORIAL, ENTITLED "OVER THE BRINK," STRONGLY CRITICIZED THE "TEXTBOOK COLD TURKEY" AUSTERITY POLICY NOW IN FORCE UNDER THE CHILEAN GOVERNMENT OF GENERAL AUGUSTO PINOCHET. NOTING THAT THE ENTIRE PLAN WAS DRAWN UP BY FRIEDMAN AND HIS TOP AIDE ARNOLD HARBURGER, THE EDITORIAL STATES: "THE DRACONIAN MEASURES...TO COMBAT INFLATION HAVE ENACTED A DREADFUL TOLL IN HUMAN MISERY—AND PERHAPS SOWN THE SEEDS OF A MARXIST COMEBACK."

THE EDITORIAL ALSO WARNS OF INDUSTRIALISTS' FEARS OF BANKRUPTCIES DUE TO THE MASSIVE LAYOFFS, PRODUCTION CUTBACKS, AND RELATED AUSTERITY MOVES IN CHILE.

END OF EARLY IPS FOR JAN. 17, 1976.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
LATE EVENING NEWS
SATURDAY, JANUARY 17, 1976 2200 HOURS EST

I. PRIORITIES.

FIGHTING ESCALATES IN LEBANON.

JAN. 17 (IPS)—FIGHTING CONTINUED TO ESCALATE IN LEBANON YESTERDAY. THE MAJOR PALESTINIAN CAMPS OF BOURJ EL BARAJNEH AND TAL EL ZAATAR NEAR BEIRUT HAVE BEEN ATTACKED BY JETS OF THE LEBANESE AIR FORCE, AND THE PALESTINIAN SABRA CAMP STRONGHOLD ALONG WITH THE MUSLIM POCKET OF THE QARANTINA SHANTYTOWN NEAR THE PORT OF BEIRUT, WERE ALSO THE SCENE OF HEAVY FIGHTING, ACCORDING TO REPORTS IN THE U.S. PRESS AND THE WEST GERMAN NEWSPAPER SUEDE-DEUTSCHE ZEITUNG.

THE LEBANESE ARMY IS CONTINUING TO INTERVENE OPENLY ON THE SIDE OF THE RIGHT-WING MILITIAS OF THE FASCIST FALANGE AND INTERIOR MINISTER CAMILLE CHAMOUN.

THE LEBANESE AIRFORCE RAIDS — MADE IN DEFIANCE OF ORDERS FROM PRIME MINISTER KARAMI, WHO IS ALSO DEFENSE MINISTER — WERE LAUNCHED SOON AFTER THE ARRIVAL OF SYRIAN CHIEF OF STAFF HIKMAT CHEHABI TO THE LEBANESE CAPITAL, AND IMMEDIATELY BEFORE A VISIT THAT LEBANON'S PRESIDENT FRANGIEH IS SCHEDULED TO MAKE TO SYRIAN PRESIDENT HAFEZ ASSAD IN DAMASCUS.

THE MASSIVE INTERVENTION OF THE ARMY IS AIMED AT PROVOKING THE INVOLVEMENT OF THE LARGE PALESTINE LIBERATION ORGANIZATION FORCES IN THE BATTLES, SETTING THE PRE-CONDITIONS FOR A MASSACRE OF THE LEFTIST ELEMENTS INSIDE THE PALESTINIAN RESISTANCE AND THE REVIEW OF THE PRIVILEGES ACCORDED BY THE LEBANESE GOVERNMENT TO THE PLO.

HUSSEIN TO RECONVENE PARLIAMENT IN TEST OF STRENGTH WITH PLO.

JAN. 17 (IPS)—KING HUSSEIN OF JORDAN IS EXPECTED TO RECONVENE THE JORDANIAN PARLIAMENT IN THE NEAR FUTURE, A MOVE THAT WILL PROVIDE A TEST OF STRENGTH BETWEEN HUSSEIN AND THE PALESTINIAN LIBERATION ORGANIZATION, WHOSE STRONGHOLD IS THE ISRAELI-OCCUPIED WEST BANK OF THE JORDAN RIVER.

THE PARLIAMENT WAS DISSOLVED BY HUSSEIN IN NOV. 1974 FOLLOWING THE RABAT CONFERENCE AT WHICH THE PLO WAS ENDORSED AS THE LEGITIMATE REPRESENTATIVE OF THE PALESTINIANS. THE RABAT DECISION DIRECTLY THREATENED HUSSEIN'S HOLD ON JORDAN, WHOSE PALESTINIAN POPULATION IS KNOWN FOR ITS HOSTILITY TO HUSSEIN.

(MORE)

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THE REPORTS OF THE RECONVENING OF THE PARLIAMENT, PRINTED IN TODAY'S WASHINGTON POST, FOLLOW RUMORS THAT ISRAELI PRIME MINISTER YITZHAK RABIN HAS BEEN MEETING SECRETLY WITH HUSSEIN OVER THE PAST FEW MONTHS. THE MEETINGS WERE AIMED AT LAYING THE GROUNDWORK FOR A JORDAN/ISRAEL WEST BANK DEAL THAT WILL ELIMINATE THE PLO AS A STRONG POLITICAL FORCE.

WESTERN PRESS TRUMPET "ACCELERATING CUBAN INVOLVEMENT" IN ANGOLA.

JAN. 17 (IPS)—TWO CUBAN TROOPSHIPS CARRYING 1,000 SOLDIERS ARE EN-ROUTE TO ANGOLA, ACCORDING TO A WIDELY PUBLISHED ASSOCIATED PRESS DISPATCH TODAY, AND THEIR ARRIVAL WILL PURPORTEDLY BRING CUBAN STRENGTH IN ANGOLA TO 10,500 MEN.

THE DISPATCH, BY REPORTER GEORGE GEDDA, ALSO CHARGES THAT "VIRTUALLY ALL THE FIGHTING" IN NORTHERN ANGOLA IS BEING DONE BY THE CUBAN TROOPS, AND ADDS THAT THE CUBANS ARE NOW BEING SHIFTED TO THE SOUTHERN FRONT FOR AN OFFENSIVE AGAINST THE NATIONAL UNION, WHICH IS "NOT CAPABLE OF OFFERING SIGNIFICANT RESISTANCE..." THE PRESENCE OF 5,000 SOUTH AFRICAN TROOPS ON THE SOUTHERN FRONT IS NOT MENTIONED IN THE DISPATCH.

GEDDA'S ARTICLE, DRAWING EXCLUSIVELY ON "U.S. INTELLIGENCE SOURCES", ALSO CLAIMS THAT CUBAN PREMIER FIDEL CASTRO MAY BE FACING "...THE MOST SIGNIFICANT CHALLENGE TO CASTRO'S LEADERSHIP SINCE 1970, WHEN CUBA FELL SHORT OF A 10-MILLION-TON SUGAR CROP," ALTHOUGH ADMITTING THAT THIS ASSESSMENT IS "ONLY SPECULATIVE."

CIRCULATION OF THE AP WIRE REPORT HAS BEEN ACCOMPANIED BY INTIMATIONS FROM OTHER WESTERN PRESS SOURCES THAT THE CUBAN INVOLVEMENT IN SUPPORT OF THE LUANDA-BASED POPULAR MOVEMENT (MPLA) ANGOLAN GOVERNMENT IS THREATENING THE NATIONAL SUBSTANCE OF ZAIRE, WHICH BORDERS ANGOLA AND HAS SUPPORTED THE FORCES OF THE CIA-BACKED NATIONAL FRONT (FNLA) IN ANGOLA. THE NEW YORK TIMES REPORTED TODAY THAT "IF THE SOVIET-SUPPORTED FORCES REACH THE ANGOLA/ZAIRE BORDER ALONG THE CONGO RIVER, THEY WOULD BE IN A POSITION TO CUT ZAIRE'S ACCESS TO THE ONLY RIVER ROUTE LINKING THIS ALMOST LAND-LOCKED COUNTRY TO THE SEA. THE POPULAR FRONT (SIC) HAS ALREADY SEVERED ZAIRE'S PRINCIPAL RAIL LINK WITH THE SEA BY CUTTING THE ANGOLAN RAILROAD THAT CONNECTS ZIARE WITH THE ATLANTIC PORTS OF BENGUELA AND LOBITO."

NEW YORK TIMES HITS TERRORISM ROLE OF "POLICE SPIES".

JAN. 17 (IPS)—COMMENTING ON THE SENTENCING OF CONVICTED WOULD-BE PRESIDENTIAL ASSASSIN SARA JANE MOORE, TODAY'S NEW YORK TIMES DECLARES IN AN EDITORIAL THAT A "PERTINENT LESSON FROM MISS MOORE'S DESPICABLE ACT CAN BE DRAWN FROM THE FACT THAT A PERSON OF HER INSTABILITY COULD HAVE BEEN EMPLOYED BY OFFICERS OF THE LAW. MISS MOORE HAD A LONG RECORD AS INFORMER FOR THE FEDERAL BUREAU OF INVESTIGATION AND OTHER AGENCIES," THE EDITORIAL CHARGES. "THE VERY DAY BEFORE SHE FIRED A SHOT AT THE PRESIDENT, SHE HAD TRIED TO IN-

(MORE)

TRODUCE A TREASURY AGENT TO THE GUN DEALER FROM WHOM SHE HAD BOUGHT THE WEAPON USED IN THE ASSASSINATION ATTEMPT."

THE EDITORIAL CONTINUES: "EXPERIENCE SHOWS THAT POLICE SPIES ARE FREQUENTLY INVOLVED IN EXTREME CRIMES AGAINST SOCIETY. RECENT EXAMPLES, IN ADDITION TO MISS MOORE, INCLUDE LEE HARVEY OSWALD, WHO WAS CHARGED WITH THE ASSASSINATION OF PRESIDENT KENNEDY; JACK RUBY, WHO MURDERED OSWALD; AND DONALD DEFREEZE, WHO MASTER-MINDED THE LETHAL FORAYS OF THE SO-CALLED SYMBIONESE LIBERATION ARMY."

THE EDITORIAL CONCLUDES WITH A CALL FOR A "LAW-ENFORCEMENT APPARATUS THAT UNDERSTANDS THE DANGER OF INFLAMING THE SICK FANTASIES OF IDEOLOGICAL DRIFTERS BY ENCOURAGING THEM TO BECOME DOUBLE-AGENTS FOR AND AGAINST THE LAW."

NEW YORK TIMES EDITORIAL BOARD MEMBER SAYS EDITORIAL BLASTING POLICE SPY TERRORISM IS ADVICE TO PRESIDENT.

NEW YORK, JAN. 17 (IPS)—A MEMBER OF THE EDITORIAL BOARD OF THE NEW YORK TIMES, COMMENTING ON TODAY'S TIMES EDITORIAL BLASTING THE ROLE OF POLICE AGENTS IN ASSASSINATIONS AND OTHER MAJOR CRIMES, TOLD IPS THIS AFTERNOON THAT, "I HOPE IT HAS SOME EFFECT ON THE PEOPLE AROUND THE PRESIDENT, URGING HIM TO HAVE STRONGER OVERSIGHT OF THE INTELLIGENCE AGENCIES." HE DENIED THAT THE EDITORIAL WHICH NAMED LEE HARVEY OSWALD, THE ACCUSED ASSASSIN OF PRESIDENT KENNEDY, AND OTHERS AS BEING "POLICE SPIES," WAS ANYTHING OUT OF THE ORDINARY. "IT HAS BEEN REVEALED THAT HE WAS AN AGENT BEFORE," THE EDITOR DECLARED, AND "IT IS CONSISTENT WITH WHAT WE HAVE SAID BEFORE."

WASHINGTON POST BARES CIA PROPAGANDA EFFORT TO SPLIT SOVIET UNION AND CHINA IN EXPOSE OF CIA PRESS PIPELINE.

JAN. 17 (IPS)—FORMER TOP CIA OFFICIALS SAY THE AGENCY'S COVERT PROPAGANDA NETWORK USED ITS RESOURCES IN THE FAR EAST TO "CREATE IRRITATIONS" BETWEEN THE GOVERNMENTS OF THE SOVIET UNION AND CHINA IN THE EARLY 1960'S, ACCORDING TO WALTER PINCUS IN TODAY'S WASHINGTON POST. AT THAT TIME, PINCUS REPORTS, THE TWO POWERS WERE "FAR FROM THE OPEN BREAK THAT SUBSEQUENTLY TOOK PLACE." ONE EXAMPLE CITED IN THE POST REPORT WAS THE USE OF CIA-SPONSORED RADIO STATIONS ON TAIWAN AND ELSEWHERE IN ASIA, TO SIMULATE BROADCASTS FROM CHINA ATTACKING SOVIET LEADERS.

THE FRONT-PAGE ARTICLE DEALS AT LENGTH WITH THE CIA'S MAINTENANCE OF A "TOP SECRET COORDINATING COMMITTEE WITH THE STATE DEPARTMENT AND THE UNITED STATES INFORMATION AGENCY" TO MAKE SURE THAT "CERTAIN KEY POLICYMAKERS ARE NOT TAKEN IN BY EXAGGERATED OR FALSE NEWS STORIES PLANTED BY THE CIA," SUCH AS THE FAKED CHINESE BROADCASTS. BUT THE AMERICAN PUBLIC, NOT SIMILARLY PROTECTED FROM WHAT THE CIA CALLS "CONTAMINATION," IS BARRAGED WITH WHATEVER PROPAGANDA THE AGENCY PUTS OUT, PINCUS REPORTS, A SITUATION WHICH

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IS BEING STUDIED BY THE HOUSE AND SENATE INTELLIGENCE COMMITTEES IN THEIR ONGOING INVESTIGATIONS OF THE CIA'S "COVERT MEDIA PROJECTS."

THE ARTICLE REPORTS THAT A 1973 REGULATION WHICH BARRED COVERT PROPAGANDA OPERATIONS IF THEY RISKED "INFLUENCING AMERICAN PUBLIC OPINION," HAS LOOPHOLES WHICH HAVE PERMITTED CIA-GENERATED ARTICLES TO CONTINUE TO FLOW INTO THE U.S. MEDIA. PINCUS CITES AS AN EXAMPLE THE NOW DEFUNCT LONDON BASED FORUM WORLD FEATURES WHICH CONDUITED CIA PROPAGANDA INTO THE WASHINGTON POST AND OTHER U.S. PAPERS UNTIL APRIL OF 1975, WHEN ITS CIA CONNECTIONS WERE EXPOSED BY A BRITISH NEWS WEEKLY.

PINCUS REVEALS THAT "THE CONGRESSIONAL COMMITTEES ARE ALSO CONCERNED ABOUT THE CONTINUED EMPLOYMENT OF AMERICAN JOURNALISTS BY THE CIA AND THE POSSIBILITY THAT THEY MAY BE USED TO INFLUENCE PUBLIC OPINION IN THIS COUNTRY."

WHILE THE CIA HAS BEEN FORCED TO GREATLY REDUCE ITS EMPLOYMENT OF FULL-TIME CORRESPONDENTS, IT IS RELUCTANT TO DISCONTINUE ITS CONNECTIONS WITH HUNDREDS OF PART-TIME "STRINGERS" SCATTERED AROUND THE WORLD, PINCUS WRITES. HE QUOTES ONE FORMER CIA OFFICIAL WHO SCOFFED AT THE NOTION THAT THE CIA'S EMPLOYMENT OF NEWSMEN IS DISTRESSING TO THE MAJOR WIRE SERVICES, PAPERS, AND NETWORKS INVOLVED: "DON'T TELL ME ABOUT THE GLORY AND PURITY OF THE PRESS. I'M NOT IMPRESSED."

LATIN NEWS AGENCIES CONTROLLED BY CIA, SAYS WASHINGTON POST.

JAN. 17 (IPS)—THE SPANISH NEWS AGENCY EFE AND THE INTER-AMERICAN NEWS AGENCY LATIN, MANAGED BY REUTERS OF LONDON, RECEIVED A SUBSIDY FROM THE CENTRAL INTELLIGENCE AGENCY (CIA) TO PRINT AND CIRCULATE CIA BLACK PROPAGANDA, WALTER PINCUS REVEALED IN A WASHINGTON POST ARTICLE YESTERDAY.

DETAILS ON THE CIA ROLE IN EFE AND LATIN EMERGED DURING SENATE HEARINGS LAST YEAR IN WHICH CIA COVERT OPERATIONS AGAINST THE ALLENDE REGIME IN CHILE WERE REVEALED. IN SEPTEMBER OF 1970, THE "40 COMMITTEE" OF THE NATIONAL SECURITY COUNCIL, HEADED BY HENRY KISSINGER, AUTHORIZED A "COVERT PROPAGANDA BLITZ" AGAINST THEN-PRESIDENTIAL CANDIDATE ALLENDE. IN ADDITION TO ITS EFE AND LATIN CONNECTIONS, THE CIA MOBILIZED RADIO AND PRESS CONDUITS IN SANTIAGO, AND A SCORE OF FOREIGN JOURNALISTS EITHER DIRECTLY PAID BY THE CIA OR DISPATCHED TO CHILE BY "HIGH-LEVEL (CIA) AGENTS... IN MANAGERIAL CAPACITIES IN THE MEDIA FIELD." ACCORDING TO THE CIA'S OWN COUNT, THE "BLITZ" LOGGED "726 ARTICLES, BROADCASTS, EDITORIALS AND SIMILAR ITEMS" IN LATIN AMERICAN AND EUROPEAN OUTLETS IN SIX WEEKS.

THE SENATE REPORT STATES THAT "PROPAGANDA AND MANIPULATION OF THE PRESS" WAS THE FIRST COVERT PROGRAM LAUNCHED BY THE AGENCY AFTER ITS FOUNDING IN 1947, AND THAT BY 1953 THE CIA HAD DEVELOPED A BLACK PROPAGANDA CAPABILITY IN 50 COUNTRIES.

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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
COMBINED NEWS ROUND-UP
SUNDAY, JANUARY 18, 1976 2130 HOURS EST

I. MIDDLE EAST

PRIME MINISTER KARAMI RESIGNS, GOVERNMENT IN LEBANON COLLAPSES

NEW YORK JAN. 18 (IPS)--LEBANESE PRIME MINISTER KARAMI ANNOUNCED HIS RESIGNATION TODAY, OFFICIALLY DISSOLVING THE GOVERNMENT ACCORDING TO WINS RADIO HERE.

KARAMI MADE THE DECISION TO RESIGN AFTER RIGHT-WING FALANGISTS LAUNCHED A FEROCIOUS ATTACK WHICH SACKED AND BURNED THE MOSLEM DISTRICT OF KARANTINA NORTH OF BEIRUT ONLY HOURS AFTER THE PRIME MINISTER CONCLUDED A TENTATIVE CEASE-FIRE BETWEEN THE LEFTIST-PALESTINIAN FORCES AND THE FASCIST FALANGE. KARAMI NOTED THAT THE FIGHTING ESCALATED JUST WHEN A SOLUTION WAS NEAR, AS HAS HAPPENED BEFORE.

KARAMI ALSO CITED ATTACKS BY THE LEBANESE AIR FORCE ON PALESTINIAN CAMPS AND FORCES, SAYING THAT SINCE ALL DOORS TO PEACE ARE NOW CLOSED THE ONLY THING HE COULD DO WAS RESIGN. THE AIR FORCE ATTACKS WERE CARRIED OUT ON ORDERS OF A SUBORDINATE OF KARAMI, WHO HAD EXPLICITLY DENIED PERMISSION FOR SUCH ATTACKS.

KARAMI WHO HAD CONSISTENTLY OPPOSED INTERVENTION OF THE CHRISTIAN LED ARMY AS WELL AS RAND COOPERATION PLANS FOR PARTITION OF THE COUNTRY INTO SEPARATE CHRISTIAN AND MOSLEM STATES. HIS EXIT IS EXPECTED TO LEAD TO AN ARMY INTERVENTION AND A NEW ESCALATION IN THE FIGHTING.

WINS COMMENTATORS SPECULATED THAT WHAT REMAINS OF THE GOVERNMENT WILL NOW BE COMPLETELY IN THE HANDS OF PRESIDENT SULEIMAN FRANJIEH WHO IS UNDER PRESSURE TO COMMIT THE ARMY TO JOIN FORCES WITH THE FALANGE FROM RIGHT-WING INTERIOR MINISTER CAMILLE CHAMOUN.

CBS REPORTS BEIRUT FEARFUL OF "IMPENDING INTERNATIONAL EXPLOSION"

JAN. 18 (IPS)--A CBS REPORTER IN BEIRUT TODAY SAID THAT THE ESCALATION OF FIGHTING IN LEBANON IS "RAISING FEARS OF AN INTERNATIONAL EXPLOSION."

UNITED NATIONS SECRETARY GENERAL KUGLER-HARDHEIM HAS WARNED THE LEADERS OF ALL SIDES IN THE LEBANESE FIGHTING THAT A CONTINUATION OF HOSTILITIES WOULD "LEAD TO A WAR BETWEEN SYRIA AND ISRAEL".

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IN WHAT DIPLOMATIC SOURCES CITED BY CBS TERMED "A WARNING TO SYRIA NOT TO INTERVENE," ISRAEL HAS STARTED TO INCREASE ITS FORCES AT THE NORTHERN LEBANESE BORDER.

"IT IS AN UNSTABLE, UNPREDICTABLE AND DANGEROUS STATE OF AFFAIRS," THE CBS COMMENTATOR CONCLUDES.

WASH. POST SAYS PALESTINIAN UNITS NOW FIGHTING IN LEBANON

JAN. 18 (IPS)—WASHINGTON POST CORRESPONDENT JONATHON RANDAL REPORTS TODAY FROM BEIRUT THAT SYRIAN-BASED COMMANDO UNITS OF THE PALESTINE LIBERATION ORGANIZATION (PLO) ARE NOW ENGAGED IN HEAVY FIGHTING NEAR THE EASTERN LEBANESE TOWN OF ZAHLE.

"IN THE PAST THE PALESTINIANS HAVE CONTENTED THEMSELVES WITH CRUCIAL, BUT OUTWARDLY DISCREET, ROLE OF ORGANIZING AND ARMING THEIR LEFTIST LEBANESE ALLIES," RANDAL WRITES. HE INDICATES THAT THE PLO INVOLVEMENT IN THE FIGHTING IS THE RESULT OF PROVOCATIONS AND POOR HANDLING OF THE SITUATION AND IS NOT SIMPLY THE FAULT OF PLO LEADERS FOR THE INTERVENTION AS THE RIGHT WING HAS CHARGED.

RANDAL PORTRAYS PLO LEADER YASSER ARAFAT AS SEEKING TO CONTROL PALESTINIAN INTERVENTION BUT INDICATES THAT THE SITUATION IS SO UNSTABLE THAT HE IS HAVING GREAT DIFFICULTY IN COORDINATING PALESTINIAN RESPONSE TO PROVOCATIONS.

PALESTINIAN FORCES CROSS INTO LEBANON FROM SYRIA

NEW YORK, JAN. 18 (IPS)—SOURCES IN TEL AVIV ARE REPORTING THAT REINFORCEMENTS FOR THE PALESTINE LIBERATION ARMY, THE FIGHTING FORCE OF THE PALESTINE LIBERATION ORGANIZATION, ARE ENTERING LEBANON FROM SYRIA, ACCORDING TO WINS RADIO HERE.

ALTHOUGH THE NUMBER OF REINFORCEMENTS WAS REPORTED TO BE SMALL, THIS COMES AMID RECENT WARNINGS FROM ISRAEL THAT ISRAELI FORCES WOULD GO TO WAR IF SYRIA INTERVENED INTO THE LEBANESE CRISIS.

LEBANESE CRISIS PROCEEDING ACCORDING TO PLAN, BALT. SUN CHARGES

JAN. 18 (IPS)—BALTIMORE SUN CORRESPONDENT MICHAEL PARKS CHARGES THAT THE CURRENT FIGHTING IN LEBANON IS PROCEEDING ACCORDING TO A SECRET PLAN WORKED OUT BY PRESIDENT SULEIMAN FRANJIEH AND INTERIOR MINISTER CAMILLE CHAMOUN AND OTHER RIGHT-WING CHRISTIAN LEADERS.

THESE LEADERS REPORTEDLY REJECTED PROPOSALS FOR A POLITICAL SOLUTION WITH A LOOSE MOSLEM-LEFT-PALESTINIAN ALLIANCE AND INSTEAD DECIDED TO GO ON AN OFFENSIVE. THE OFFENSIVE, PARKS RE-

(MORE)

PORTS, IS PROCEEDING ACCORDING TO THE FOLLOWING SCENARIO: PROVOKE LARGE NUMBERS OF PALESTINIANS TO JOIN THE FIGHTING SETTING UP A SITUATION WHICH WOULD PROMPT A LEBANESE ARMY INTERVENTION ON THE SIDE OF THE CHRISTIANS; SIMULTANEOUSLY, THE RIGHT-WING CHRISTIANS WOULD STEP UP THEIR DRIVE TO DE FACTO PARTITION LEBANON INTO MOSLEM AND CHRISTIAN CANTONS SCATTERED THROUGHOUT THE COUNTRY.

THE RECENT PROVOCATIVE LEBANESE AIR FORCE ATTACKS ON MOSLEM FORCES HAVE BROUGHT THE COUNTRY CLOSER THAN EVER BEFORE TO CIVIL WAR, PARKS REPORTS. IT IS NOW INCREASINGLY LIKELY THAT THE NEXT PHASE OF THE PLAN WILL BE CARRIED OUT, THAT THE ARMY WILL SOON BE FIGHTING AGAINST PALESTINIAN COMMANDO UNITS.

TRADITIONAL LEADERS ARE INCREASINGLY LOSING THEIR INFLUENCE, OBSERVES PARKS. HE CONCLUDES THAT WHETHER LEBANON CAN CONTINUE TO EXIST AS A COUNTRY CAN ONLY NOW BE ANSWERED BY THE SYRIANS AND ISRAELIS.

JEWISH LEADER SCOPES POLITICS OF THE WORLD JEWISH COMMUNITY

JAN. 18 (IPS)—NAHUM GOLDMAN, FORMER HEAD OF THE WORLD ZIONIST ORGANIZATION, HAS CHARGED THAT "PRESENT POLITICAL POLICIES" OF THE WORLD JEWISH COMMUNITY IMPERILED ITS SURVIVAL BY THEIR FAILURE TO COPE WITH THE "NEW POLITICAL REALITIES" EMERGING IN THE WORLD.

IN A SPEECH TO THE WORLD JEWISH CONGRESS, REPORTED IN TODAY'S NEW YORK TIMES, GOLDMAN CRITICIZED THE JEWISH COMMUNITY'S POLITICAL METHODS AS LACKING "LONG-RANGE INITIATIVES IN DEALING WITH THE DEVELOPING THREATS OF THE THIRD WORLD AND COMMUNIST BLOCS." HE URGED THE ESTABLISHMENT OF JEWISH CONTACT WITH THIRD WORLD NATIONS. HE ALSO ASSERTED THAT PROBLEMS WITH THE SOVIETS OVER EMIGRATION SHOULD NOT BE ALLOWED TO HAMPER RELATIONS WITH THE SOVIETS, CALLING FOR THE JEWISH LEADERSHIP TO REASSESS ITS POLITICAL APPROACHES. YOU CAN HAVE DIALOGUE WHILE MAINTAINING "A STRONG POSTURE OF PROTEST," MAINTAINED GOLDMAN.

II. FACTIONAL MOVES

WASHINGTON POST ATTACKS BURNS FOR REBUFFING CONGRESS ON ARAB DEPOSITS DISCLOSURES

WASHINGTON, JAN. 18 (IPS)—IN YET ANOTHER FRONT-PAGE ARTICLE ON THE INCOMPETENCE OF THE FEDERAL REGULATORY AGENCIES RESPONSIBLE FOR OVERSEEING THE NATION'S DANGEROUSLY ILLIQUID BANKING SYSTEM, THE WASHINGTON POST TODAY ATTACKS FEDERAL RESERVE CHAIRMAN ARTHUR BURNS FOR REFUSING TO DISCLOSE DATA ON FOREIGNERS' DEPOSITS WITH SPECIFIC U.S. BANKS. BURNS HAD BEEN REQUESTED TO DO SO LAST FALL BY SEN. FRANK CHURCH'S (D-IDA.) SENATE FOREIGN RELATIONS SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS. EARLIER IN THE WEEK THE POST REVEALED THAT KUWAIT WAS THE LARGEST SINGLE

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DEPOSITOR IN THE ROCKEFELLER-CONTROLLED CHASE MANHATTAN BANK.

ACCORDING TO THE WASHINGTON POST, BURNS EXPLAINED HIS ACTION BY SAYING HE HAD "INDICATIONS" THERE WOULD BE LARGE WITHDRAWALS IF THE INFORMATION WAS DISCLOSED. THE FEDERAL RESERVE IS REPORTED ONLY TO BE READY TO DISCLOSE DEPOSITS DATA BY GROUPS OF SIX OR MORE BANKS FOR TWO GROUPS OF OIL-PRODUCING NATIONS—ARAB AND NON-ARAB.

AS WAS THE CASE WITH THE OTHER POST REVELATIONS WHICH WERE AIMED AT KNOCKING OUT THE ROCKEFELLER-CONTROLLED CHASE MANHATTAN AND CITIBANK, THE LATEST ARTICLE IS BASED ON OLD NEWS—I.E., SOMETHING THAT HAPPENED LAST FALL THAT IS BEING DRAGOED UP NOW FOR FACTIONAL REASONS. THE ARTICLE IS PART OF A COORDINATED CAMPAIGN LAUNCHED THIS WEEK BY EASTERN PATRICIAN BANKING LAYERS LINKED TO THE LEFT AND CENTER OF THE DEMOCRATIC PARTY TO ELIMINATE ROCKEFELLER CONTROL OF THE BANKING SYSTEM AND DISSOLVE THE THREE REGULATORY AGENCIES PRESENTLY RESPONSIBLE FOR THE NATION'S BANKING SYSTEM AND REPLACE THEM WITH A SUPER-AGENCY THAT WILL MILITARIZE ALL CREDIT ALLOCATIONS FOR NEW DEAL-TYPE AUSTERITY PROGRAMS.

THE WASHINGTON POST ALONG WITH OTHER PATRICIAN-LINKED MEDIA OUTLETS HAS WAGED AN UNINTERRUPTED CAMPAIGN OVER THE LAST WEEK TO DENOUNCE AND DISCREDIT THE FEDERAL BANK EXAMINER'S OFFICE, THE COMPTROLLER OF THE CURRENCY'S OFFICE AND THE FEDERAL RESERVE SYSTEM FOR ITS MISMANAGEMENT OF BANKING ACTIVITIES.

TIMES URGES BANKS TO FULLY DISCLOSE THEIR ACTIVITIES

JAN. 18 (IPS)—THE NEW YORK TIMES URGED IN AN EDITORIAL TODAY THAT BANKS FULLY DISCLOSE THEIR ACTIVITIES IN ORDER TO PROTECT INVESTORS IN BANK SECURITIES. DENYING THAT THERE WAS ANY POSSIBILITY OF A RUN ON THE BANKS DUE TO THESE DISCLOSURES, THE TIMES POINTS OUT BY IMPLICATION THAT SUCH DISCLOSURES ARE THE ONLY WAY THE BANKS CAN CLEAR UP THE CLIMATE AND RAISE EQUITY CAPITAL THEY DESPERATELY NEED.

END OF IPS COMBINED NEWS
FOR SUNDAY, JANUARY 18, 1976



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
EARLY NEWS ROUND-UP
MONDAY, JANUARY 19, 1976

I. PRIORITY ITEMS

SOUTH AFRICA READY FOR MASSIVE INTERVENTION INTO ANGOLA?

JAN. 19 (IPS)—SOUTH AFRICA IS READY FOR A MASSIVE INTERVENTION INTO ANGOLA IF ASKED BY FNLA/UNITA, ACCORDING TO "WELL-INFORMED SOURCES" CITED BY THE WEST GERMAN DAILY DIE WELT TODAY. ACCORDING TO EAST GERMAN RADIO LAST NIGHT, THE SOUTH AFRICAN'S ANGOLAN INTERVENTION IS ALREADY INCREASING, AND THE SOUTH AFRICAN AIR FORCE HAS BEEN "PUT INTO OPERATION" IN A SOUTHERN ANGOLAN CITY.

A STATE DEPARTMENT SPOKESMAN CONTACTED TODAY SAID, "I HAVE SEEN THE MORNING TRAFFIC, AND THESE REPORTS ARE NOT IN IT."

THE SOUTH AFRICAN CABINET MET THIS MORNING TO CONSIDER ITS ANGOLAN POLICY, ACCORDING TO SOUTH AFRICAN RADIO MONITORED BY THE WASHINGTON OFFICE ON AFRICA.

ZAIRE CARRYING OUT AIR RAIDS AGAINST ANGOLA

JAN. 19 (IPS)—ZAIRE CARRIED OUT AIR ATTACKS AGAINST ANGOLAN TERRITORY OVER THE WEEKEND, ACCORDING TO THE WEST GERMAN FRANKFURTER RUNDSCHAU AND WEST GERMAN RADIO REPORTS TODAY. THE REPORTS CITED THE SOVIET NEWS AGENCY TASS AND CUBA'S PRENSA LATINA. TEIXEIRA DE SOUSA, A TOWN ON THE EASTERN END OF THE BENGUELA RAILROAD, HELD BY THE MPLA, HAS BEEN ATTACKED AT LEAST ONCE BY AIR RAIDS FROM ZAIRE, ACCORDING TO THE INTERNATIONAL HERALD TRIBUNE TODAY.

WHILE THESE REPORTS ARE NOT CARRIED BY THE DOMESTIC U.S. PRESS TODAY, ZAIRE'S CHARGE THAT THE MPLA CONDUCTED A "BOMBING ATTACK"—PREVIOUSLY DESCRIBED AS A "ROCKET ATTACK"—AGAINST THE ZAIREAN TOWN OF DILOLO, JUST OVER THE BORDER FROM TEIXEIRA DE SOUSA, IS GIVEN FRONT PAGE COVERAGE BY THE WASHINGTON POST TODAY. A STATE DEPARTMENT SPOKESMAN CONTACTED TODAY DENIED ANY KNOWLEDGE OF THE REPORTS OF ZAIREAN AIR RAIDS AGAINST ANGOLA.

II. SPECIAL REPORT

LIBERALS REPUDIATE TRUDEAU AUSTERITY PROGRAM; CANADIAN LEADER MAY BACK DOWN

TORONTO, JAN. 19 (IPS)—WITH LOUD AND ANGRY OPPOSITION MOUNTING ACROSS CANADA IN REACTION TO PRIME MINISTER TRUDEAU'S YEAR-

(MORE)

END MESSAGE CALLING FOR CORPORATIST REORGANIZATION OF CANADIAN SOCIETY AND TOP-DOWN AUSTERITY. LEADERS OF HIS LIBERAL PARTY HAVE ORDERED A LARGE-SCALE RETREAT FROM ANY SUCH PROGRAM.

LATE LAST WEEK THE RESEARCH STAFF OF THE NATIONAL LIBERAL PARTY ISSUED A MEMO TO ALL MEMBERS OF THE LIBERAL CAUCUS ACCUSING THE MEDIA COVERAGE OF TRUDEAU'S PLAN OF "WATERGATING AT EVERY CORNER" AND STATING THAT TRUDEAU IS NOT THE "NOUVEAU COMMIE OF THE WESTERN WORLD." THE MEMO DENIED THAT TRUDEAU ENTERTAINS PLANS FOR "FASCIST-STATE INTERVENTION" INTO THE ECONOMY.

OVER THE PAST TWO WEEKS, TOP CABINET MINISTERS OTTO LANG, HEAD OF THE WHEAT BOARD AND JUSTICE MINISTER, ENERGY MINISTER ALISTAIR GILLESPIE, AND WARREN ALLMAND, SOLICITOR GENERAL HAVE HELD MEETINGS WITH FARMERS, BUSINESSMEN AND OTHERS TO "REASSURE" THEM THAT "TRUDEAU DIDN'T SAY ANYTHING NEW." TRUDEAU HIMSELF IS DUE TO "EXPLAIN" HIS YEAR-END REMARKS BEFORE THE CANADIAN CLUB IN OTTAWA NEXT MONDAY.

THESE RETREATS FROM THE CLEAR CALL ISSUED BY TRUDEAU FOR SETTING UP THE KIND OF CORPORATE STATE CAPABLE OF ENFORCING MASSIVE AUSTERITY, ARE THE RESULT OF EXTRAORDINARY PRESSURES FROM TRADE UNIONS, BUSINESS ORGANIZATIONS AND OPPOSITION POLITICIANS. IPS CORRESPONDENTS IN THE MAJOR POPULATION CENTERS OF MONTREAL, TORONTO AND VANCOUVER, HAVE FOUND NEARLY UNIVERSAL OUTRAGE AT THE TRUDEAU PROGRAM. THEY HAVE ALSO FOUND THAT TRUDEAU'S PROPOSALS HAVE CAUSED MANY WORKERS AND BUSINESS LEADERS ALIKE TO VIEW WITH INCREASING INTEREST AND SERIOUSNESS THE ECONOMIC PROGRAM OF THE NORTH AMERICAN LABOR PARTY--THE CANADIAN AFFILIATE OF THE U.S. LABOR PARTY--BASED ON THE INTERNATIONAL DEVELOPMENT BANK AND THE EMERGENCY EMPLOYMENT ACT PROPOSALS.

SO FAR THE ONLY GROUP TO ENDORSE TRUDEAU'S PLAN HAS BEEN THE FANATICALLY PRO-ZERO-GROWTH ECOLOGY SOCIETY OF CANADA. THE SOCIETY ISSUED A STATEMENT CONGRATULATING TRUDEAU FOR "HAVING THE COURAGE TO BE THE FIRST LEADER OF A WESTERN NATION TO PUBLICLY ENDORSE REDUCED CONSUMPTION."

III. OTHER NEWS

MP SEEKS ASSURANCES ON CIA ACTIVITY IN BRITAIN

JAN. 19 (IPS)--FOLLOWING REPORTS IN THE LONDON COUNTERCULTURAL MAGAZINE TIME OUT THAT THE CIA STAFF IN LONDON HAD RECENTLY BEEN INCREASED TO 70, PRIME MINISTER HAROLD WILSON WAS QUIZZED IN PARLIAMENT ON THE EXTENT OF CIA ACTIVITIES IN BRITAIN.

LEFTWING LABOUR PARTY TRIBUNE MEMBER NORMAN ATKINSON, EXPRESSING SHOCK THAT WILSON HAD NOT PRESSED OUTGOING U.S. AMBASSADOR ELIOT RICHARDSON ON THE MATTER, DEMANDED ASSURANCE THAT THE CIA WAS NOT INVOLVED IN BRITISH POLITICS, BUT ONLY IN "NORMAL CIA MATTERS." "FOR THE FIRST TIME IN THE KNOWLEDGE OF MANY OF MANY OF US," SAID ATKINSON, "THE AMERICANS HAVE AGREED THAT THERE IS A CONSIDERABLE FORCE OF CIA EMPLOYEES AT WORK IN THIS COUNTRY AND INDEED THEY ARE APPARENTLY ENGAGED IN OVERT POLITICAL AC-

TIVITY."

ATKINSON'S CHARGES WERE REPORTED IN THE JAN. 16 FINANCIAL TIMES.

SCIENTIST WARNS FUSION EFFORT IS TOO "NARROW"

JAN. 19 (IPS)—NOTED SWEDISH PHYSICIST BO LEHNERT HAS WARNED THAT "THE PRESENT CONCENTRATION OF THE MAIN ACTIVITIES AND RESOURCES OF FUSION RESEARCH TO RATHER NARROW LINES AND TO A FEW LARGE PROJECTS AT THE EXPENSE OF BASIC INVESTIGATIONS IS NOT RECONCILABLE WITH A CORRESPONDING NECESSARY KNOWLEDGE IN FUSION PHYSICS AND TECHNOLOGY." LEHNERT'S WARNING WAS CONTAINED IN A LETTER PUBLISHED IN THE JANUARY, 1976 ISSUE OF PHYSICS TODAY, THE NEWS JOURNAL OF THE AMERICAN PHYSICAL SOCIETY.

LEHNERT CONTINUED THAT, "THE SITUATION IS PARTLY A RESULT OF ATTEMPTS TO ACCELERATE THIS RESEARCH TOWARDS ITS FINAL GOAL UNDER CONTEMPORARY CONSTRAINTS OF LIMITED RESOURCES. NEEDLESS TO SAY, A SUBSTANTIAL INCREASE IN AVAILABLE FUNDS IS STRONGLY NEEDED FOR THE FUSION REACTOR TO COME IN DUE TIME."

LEHNERT IS A PAST COLLABORATOR OF THE FUSION ENERGY FOUNDATION AND DIRECTOR OF THE FUSION PROGRAM AT THE ROYAL INSTITUTE OF TECHNOLOGY IN STOCKHOLM.

USLP'ER BIDS FOR PRESIDENCY OF MILWAUKEE UNION

MILWAUKEE, JAN. 19 (IPS)—U.S. LABOR PARTY MEMBER THEO FORD BEGAN HIS CAMPAIGN THIS WEEK FOR PRESIDENT OF THE UNION REPRESENTING WORKERS AT THE 3,000-MAN A.O. SMITH PLANT. THE UNION IS DIRECTLY AFFILIATED WITH THE NATIONAL AFL-CIO. IN TANDEM WITH THE MILWAUKEE MAYORAL CAMPAIGN OF USLP MEMBER TEANA WRIGHT AND THE ALDERMANIC CANDIDACY OF TERRY JONES, FORD'S CAMPAIGN WILL BE PART OF A DRIVE TO FORCE THE LABOR PARTY'S JAW RESOLUTION THROUGH THE MILWAUKEE COUNTY LABOR COUNCIL AND SECURE ENDORSEMENT OF THE USLP'S CITY-WIDE TICKET AT THE COUNCIL'S UP-COMING JANUARY 26 CANDIDATE ENDORSEMENT MEETING.

FORD'S IN-PLANT FOLLOWING AND CITY-WIDE INFLUENCE IS ALREADY SIGNIFICANT, FOLLOWING A SIX-MONTH SERIES OF USLP COUNTERPUNCH OPERATIONS AT THE PLANT, WHICH IS NOTORIOUS FOR ITS MAOIST, DRUG-INFESTED "ANIMAL CREWS." THE LABOR PARTY'S IN-PLANT BRIEFING NETWORK OF A HALF-DOZEN WORKERS AROUND FORD RADIATES THROUGHOUT THE NORTH SIDE OF MILWAUKEE WHERE MUCH OF THE PLANT'S WORKFORCE LIVES. THE A.O. SMITH COMPANY ITSELF, WHICH MAKES AUTO AND TRUCK FRAMES, IS ONE OF THE LARGEST INDUSTRIAL EMPLOYERS IN MILWAUKEE.

TO BUILD HIS CAMPAIGN, FORD IS PLANNING, AMONG OTHER TACTICS, TO HOLD WEEKLY CLASSES AT THE UNION HALL.

END OF EARLY IPS FOR MONDAY, JANUARY 19, 1976.



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MONDAY, JANUARY 19, 1976 2200 HOURS EST
LATE EVENING NEWS

I. PRIORITIES

MOSLEMS CALL FOR HOLY WAR IN LEBANON FOLLOWING KARAMI'S RESIGNATION

JAN. 19 (IPS)—LEBANESE MOSLEMS HAVE ISSUED CALLS FOR ALL-OUT HOLY WAR AGAINST THE CHRISTIANS FOLLOWING THE RESIGNATION OF PRIME MINISTER RASHID KARAMI, REPORTS AN AP RELEASE IN TODAY'S NEW YORK POST.

FIGHTING IN LEBANON CONTINUED UNABATED DURING THE NIGHT, WITH POLICE REPORTING AN ADDITIONAL 102 PERSONS KILLED IN BEIRUT AND ITS SUBURBS.

ACCORDING TO A REUTERS REPORT TODAY, PRESIDENT FRANJIEH MAY REJECT KARAMI'S RESIGNATION. CITING "RELIABLE POLITICAL SOURCES," REUTERS REPORTS THAT KARAMI IS CONSULTING WITH LEBANON'S MOSLEM COMMUNITY AS TO WHETHER HE SHOULD RECONSIDER HIS RESIGNATION AND INSTEAD NEGOTIATE WITH FRANJIEH ON THE TERMS UNDER WHICH HE WOULD REMAIN IN OFFICE, THUS PERMITTING A REORGANIZATION OF THE GOVERNMENT.

LAROCHE TO ANSWER FORD, DEMS ON STATE OF UNION IN WASHINGTON PRESS CONFERENCE TOMORROW

JAN. 19 (IPS)—U.S. LABOR PARTY PRESIDENTIAL CANDIDATE LYNDON H. LAROCHE WILL TRAVEL TO WASHINGTON, D.C. TO HOLD A PRESS CONFERENCE TOMORROW, AND WILL STAY FOR A SERIES OF CAMPAIGN ACTIVITIES AND MEETINGS WITH SEVEN U.S. CONGRESSMEN. LAROCHE HAS RECENTLY RETURNED FROM A SIX WEEK TRIP TO EUROPE WHERE HE MET WITH KEY POLITICAL FIGURES TO DISCUSS A WORLD PROGRAM FOR ECONOMIC RECOVERY.

THE LAROCHE PRESS CONFERENCE AND VISIT WILL FOCUS ON THE WAYS AND MEANS OF IMMEDIATE IMPLEMENTATION OF THE USLP'S EMERGENCY EMPLOYMENT ACT OF 1975 AND THE LAROCHE-AUTHORED INTERNATIONAL DEVELOPMENT BANK PROPOSAL. LAROCHE WILL BLAST THE AUSTERITY MEASURES CHAMPIONED BY BOTH PRESIDENT FORD AND HIS DEMOCRATIC OPPONENTS, AND WILL STRESS THAT THESE PROPOSALS REPRESENT THE ONLY COMPETENT POLICY SOLUTIONS TO THE PRESENT INTERNATIONAL CAPITALIST COLLAPSE.

(MORE)

THE WASHINGTON WORK MEETINGS WITH CONGRESSMEN, THE CANDIDATE HAS STATED, SHOULD PROVIDE OPPORTUNITY FOR NUTS AND BOLTS DISCUSSION OF CONGRESSIONAL IMPLEMENTATION OF THE EEA AND THE U.S. ROLE IN THE ESTABLISHMENT OF THE IOB.

THE LAROCHE PRESS CONFERENCE WILL BE HELD AT U.S. LABOR PARTY WASHINGTON HEADQUARTERS, 167 K STREET NW, JAN. 20 AT 10 AM.

EVANS AND NOVAK ATTACK U.S. MIDEAST POLICY;
WARN OF SOVIET INFLUENCE

JAN. 19 (IPS)--COLUMNISTS EVANS AND NOVAK STRONGLY ATTACKED U.S. SUPPORT FOR ISRAEL'S REFUSAL TO RECOGNIZE THE PALESTINE LIBERATION ORGANIZATION AS LEADING DIRECTLY TOWARD THE EMERGENCE OF MOSCOW AS THE MOST POWERFUL POLITICAL FORCE IN THE MIDDLE EAST. IN AN ARTICLE ENTITLED "MOSCOW AND LEBANON" IN TODAY'S NEW YORK POST, EVANS AND NOVAK STATED THAT THE CONTINUING CIVIL WAR IN LEBANON, WHICH HAS RESULTED IN A "RADICALIZED LEBANON," THREATENS TO "TURN THE CLOCK BACK ON THE NIXON-FORD ADMINISTRATIONS' SUCCESSES OVER SEVEN YEARS IN LIMITING AND REPLACING SOVIET INFLUENCE IN THE MIDDLE EAST." UNLESS THE PLO IS RECOGNIZED, AND UNLESS U.S. PRESIDENT FORD ABANDONS HIS UNWILLINGNESS TO BREAK WITH ISRAEL BECAUSE OF THE EXPECTED WRATH OF THE AMERICAN JEWISH LOBBY, THE SOVIET UNION WILL "LEAPFROG ...OVER THE U.S. AS CHAMPION OF THE ARABS."

DIRECTLY ATTACKING U.S. MABASSADOR TO THE UNITED NATIONS DANIEL MOYNIHAN FOR HIS ROLE IN THE PLO DEADLOCK, EVANS AND NOVAK WARN THAT SHOULD THE DEADLOCK CONTINUE, SOVIET INFLUENCE WILL ONLY CONTINUE TO EXPAND, LEADING TO A "U.S.-SOVIET SHOWDOWN" WHICH CONTAINS THE "SEED OF WORLD WAR III."

IPS ANALYSIS: COMPETITIVE CURRENCY DEVALUATIONS PREDICTED
AS INTERNATIONAL TRADE COLLAPSES

JAN. 19 (IPS)--THE ACCELERATING COLLAPSE OF INTERNATIONAL TRADE, THE MAIN OPERATING INCOME GENERATING BASE OF ROCKEFELLER'S BANKRUPT DOLLAR-BASED EMPIRE, IS EXPECTED TO SOON TRIGGER A SERIES OF COMPETITIVE CURRENCY DEVALUATIONS, FINANCIAL SOURCES TOLD IPS TODAY. SUCH DEVALUATION WOULD IN TURN PRODUCE AN ACCELERATED TRADE COLLAPSE BY DISCOURAGING IMPORTS.

OFFICIAL TRADE STATISTICS FOR FOURTH QUARTER 1975 SHOW A SHARP SWING TOWARDS DEFICITS IN THE BALANCE OF PAYMENTS SITUATION OF THE WORLD'S MAJOR TRADING COUNTRIES. THIS SECOND ROUND OF TRADE COLLAPSE, DETERMINED BY THE ACCELERATED FINANCIAL DETERIORATION OF THE ECONOMIES OF FRANCE, BRITAIN, WEST GERMANY AND ITALY, FOLLOWS THE COLLAPSE OF CONSUMER CREDIT STRUCTURES IN WESTERN EUROPE, JAPAN AND THE U.S. THE ARTIFICIAL INJECTION OF CONSUMER CREDIT, PRIMARILY IN THE U.S., WAS RESPONSIBLE FOR FALSE STABILIZATION OF THE TRADE COLLAPSE IN THE LAST HALF OF 1975.

(MORE)

IMMEDIATELY THREATENED ARE A COLLAPSE OF THE FRENCH FRANC AND THE ITALIAN LIRA. FRENCH FOREIGN TRADE MINISTER RAYMOND BARRE IS OPENLY MOOTING THE POSSIBILITY OF A DEVALUATION OF THE FRENCH FRANC AS GOVERNMENT PROJECTIONS INDICATE A NEAR TRIPLING OF THE BALANCE OF TRADE DEFICIT NEXT YEAR. FRANCE MUST ACCELERATE THE PRINTING PROCESS TO KEEP ITS INTERNAL CREDIT STRUCTURE AFLOAT.

ACCORDING TO EUROPEAN FOREIGN EXCHANGE TRADERS, THERE IS A FLIGHT OF \$30 MILLION FROM ITALY EVERY DAY AS INVESTORS PANIC IN EXPECTATION OF THE COLLAPSE OF THE LIRA. ITALY HAS TO RELY SOLELY ON INTERNAL MONETARY EXPANSION SINCE ALL ITS FOREIGN CREDIT IS SHUT OFF.

SIMILAR POLICIES HAVE TO BE PURSUED IN BOTH WEST GERMANY AND JAPAN MERELY TO POSTPONE CHAIN-REACTION BANKRUPTCIES IN THOSE COUNTRIES.

COLUMNIST RETAILS SOVIET WAR-SCARE THREAT IN MIDDLE EAST

JAN. 19 (IPS)—THE MAJOR THREAT IN LEBANON IS THAT AFTER SYRIA AND ISRAEL INTERVENE IN THE CHAOTIC CIVIL WAR, "THE RUSSIANS WILL BE TEMPTED TO INTERVENE DIRECTLY TO SAVE THE SYRIANS FROM A CRUSHING DEFEAT," STATE DEPARTMENT-CIA CONDUIT WILLIAM BEECHER WRITES IN TODAY'S BOSTON GLOBE. "SENIOR OFFICIALS," BEECHER NOTES, "SAY THEY WOULD DISMISS THIS OUT OF HAND WERE IT NOT FOR SIGNS THAT MOSCOW LATELY HAS BEEN FOLLOWING A MORE TRUCULENT FOREIGN POLICY," AS IN ANGOLA.

RETAILING BLACK PROPAGANDA EMANATING FROM THE U.S. STATE DEPARTMENT, BEECHER "PREDICTS" CONDITIONS UNDER WHICH SOVIET FLEETS WOULD ENTER THE MEDITERRANEAN "MENACINGLY CLOSE TO SYRIA AND ISRAEL" AND YET MORE ADVANCED CONDITIONS UNDER WHICH "THEY COULD FLY A TOKEN FORCE TO DAMASCUS AND WARN THE ISRAELIS THAT ANY ADVANCE INTO THE CITY WOULD RISK A MAJOR CONFRONTATION WITH THE SOVIETS." UNDER SUCH CONDITIONS, BEECHER CONTINUES, THE SOVIETS "COULD URGE THE OIL-PRODUCING NATIONS TO CALL ANOTHER EMBARGO."

BEECHER THEN OFFERS SPECULATIVE DETAIL ABOUT THE TECHNICAL DIFFICULTIES OF SOVIET INTERVENTION TO PROVE THAT SUCH AN INTERVENTION IS INDEED SOVIET POLICY CONSIDERATION: THE SOVIETS "WOULD HAVE TO WEIGH WHETHER THE ISRAELIS WOULD SHOOT DOWN THEIR LUMBERING TROOP TRANSPORTS OR BOMB SYRIAN RUNWAYS SO THAT LANDINGS WOULD BE HAZARDOUS."

AS AN AFTERTHOUGHT, THE STATE DEPARTMENT CONDUIT ADDS THAT, OF COURSE, THE SOVIETS WOULD ALSO HAVE TO WORRY ABOUT "THE AMERICAN REACTION."

NYT LEAKS SYRIA-JORDAN JOINT MANEUVERS
AGAINST SIMULATED ISRAELI INVASION

JAN. 19 (IPS)—THE ARMIES OF SYRIA AND JORDAN CONDUCTED A JOINT

(MORE)

MANEUVER DURING THE LAST WEEK OF DECEMBER TO TEST THEIR DEFENSES AGAINST A SIMULATED ISRAELI OFFENSIVE ON DAMASCUS, ACCORDING TO FLORA LEWIS IN TODAY'S NEW YORK TIMES, IN AN ARTICLE DATED LONDON. THIS REPRESENTS A SHIFT IN DEPLOYMENT FOR LEWIS, WHO USUALLY WRITES ON NATO CONNECTED DEVELOPMENTS FROM PARIS.

LEWIS, NOTING THAT THE EXERCISE WAS THE FIRST MAJOR OPERATION OF THE JOINT MILITARY COMMAND THAT THE TWO COUNTRIES ESTABLISHED A YEAR AGO, ALSO REPORTED THAT THE POLICE FORCES OF THE TWO COUNTRIES HAVE BEGUN TO IMPLEMENT COORDINATION OF INTERNAL SECURITY MEASURES. SHE SAID THAT A GROUP OF SYRIAN POLICE OFFICERS WENT TO JORDAN DEC. 27 TO EXCHANGE INFORMATION AND EXPERIENCES.

LEWIS STATED THAT THE CIVIL WAR IN LEBANON HAS ADDED TO THE DANGER OF WAR IN THE MIDEAST, AND THAT THE JOINT COMMAND WOULD COMMIT JORDAN TO JOIN ANY WAR BETWEEN ISRAEL AND SYRIA.

BOSTON SUNDAY GLOBE PLACES ANGOLA QUESTION
IN THE CONTEXT OF THIRD WORLD DEVELOPMENT

JAN. 19 (IPS)—THE THIRD WORLD'S REAL NEED IS FOR ECONOMIC AND TECHNICAL ASSISTANCE THAT CAN MAKE IT COMPETITIVE IN THE TWENTIETH CENTURY, YESTERDAY'S BOSTON GLOBE STATED IN A LEAD EDITORIAL ON ANGOLA. LONG TERM ECONOMIC AND TECHNICAL AID WILL NOT NECESSARILY BUY LOYALTY, THE GLOBE CONTINUED, BUT, COMBINED WITH POLITICAL SENSITIVITY, OFFERS THE U.S. A FAR BETTER CHANCE OF PRESERVING A MEASURE OF INFLUENCE IN AFRICA THAN INTERVENING IN ANGOLA AS PART OF A BROADER CONTEST WITH THE SOVIET UNION.

IN A DIRECT HIT AT SECRETARY OF STATE HENRY KISSINGER ON THE EVE OF HIS NEGOTIATIONS IN MOSCOW, THE GLOBE ALSO SAID THAT THE FAILURE OF THE ORGANIZATION OF AFRICAN UNITY LAST WEEK TO VOTE CONCLUSIVELY AGAINST FOREIGN INTERVENTION IN ANGOLA DENIES WORLD DIPLOMATS ON ALL SIDES OF THE ISSUE A STRONG RATIONALE FOR NEGOTIATING THE WITHDRAWAL OF FOREIGN TROOPS AND WEAPONS FROM ANGOLA.

SOVIETS WILL ACCEPT A COALITION GOVERNMENT IN ANGOLA,
WEST GERMAN PRESS PREDICTS

JAN. 19 (IPS)—THE SOVIET UNION AND KISSINGER WILL AGREE ON A COALITION GOVERNMENT FOR ANGOLA NOW THAT THE SOVIETS HAVE ACHIEVED THEIR OBJECTIVE OF MAKING THE POPULAR MOVEMENT THE STRONGEST ANGOLAN FORCE, ACCORDING TO THE SUDDEUTSCHE ZEITUNG AND FRANKFURTER ALLGEMEINE ZEITUNG TODAY. IN THE PROJECTED COALITION, THE POPULAR MOVEMENT WOULD BE DOMINANT, UNITA WOULD HAVE A SEMI-INDEPENDENT SOUTHERN BUFFER STATE, AND THE NATIONAL FRONT WOULD HAVE ONLY FORMAL REPRESENTATION, THESE DAILIES SAY.

THE SUDDEUTSCHE ZEITUNG GENERALLY REFLECTS DOMINANT VIEWS IN THE U.S. STATE DEPARTMENT.

(MORE)

NATIONAL SECURITY COUNCIL REBUFFED ON STATE OF THE UNION ADDRESS

JAN. 19 (IPS)—POLICY INPUT INTO PRESIDENT FORD'S STATE OF THE UNION ADDRESS BY THE NATIONAL SECURITY COUNCIL WAS "SOUNDLY REBUFFED" ACCORDING TO TODAY'S CHICAGO TRIBUNE.

WHITE HOUSE ADVISORS WILLIAM SFRIDMAN, ALAN GREENSPAN, OFFICE OF MANAGEMENT AND BUDGET DIRECTOR JAMES LYNN, AND OTHER FORD ADVISORS REPORTEDLY DID THE BULK OF THE FORMULATION OF THE STATE OF THE UNION ADDRESS.

REACHED FOR COMMENT TODAY ON THE NSC PROPOSALS THAT WERE REJECTED BY THE FORD STAFF, WHITE HOUSE OFFICIALS DESCRIBED THEM AS BEING "WHAT YOU WOULD EXPECT FROM T H O S E PEOPLE."



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (N.S.I.P.S.)
TUESDAY, JANUARY 20, 1976 2045 HOURS EST
LATE EVENING NEWS

I. PRIORITIES

SPECIAL REPORT:

ROCKEFELLER PULLS TRIGGER ON MIDEAST WAR BUT MISFIRES

JAN. 20 (IPS)—INTELLIGENCE GATHERED OVER THE LAST TWENTY-FOUR HOURS INDICATES THAT ROCKEFELLER-LINKED FORCES ATTEMPTED TO TRIGGER A MAJOR WAR IN THE MIDEAST LAST NIGHT BY MANUFACTURING A "SYRIAN INVASION" OF LEBANON, BUT THAT THE PLAN MISFIRED.

LAST EVENING, SEVERAL WIRE SERVICES PICKED UP A STATEMENT MADE BY LEBANESE INTERIOR MINISTER CAMILLE CHAMOUN, AN AVOWED ALLY OF THE FASCIST FALANGE FORCES, CHARGING THAT "THOUSANDS OF HEAVILY ARMED TROOPS OF THE SYRIAN ARMY" HAD INVADED NORTHERN LEBANON TO SUPPORT UNITS OF THE PALESTINE LIBERATION ARMY (PLA), THE ORGANIZED FIGHTING ARM OF THE PALESTINE LIBERATION ORGANIZATION. SINCE IT IS WIDELY KNOWN THAT ISRAEL HAD STATED THAT IT WOULD INVADE LEBANON IF SYRIA INTERVENED IN THE CIVIL WAR THERE, THE ONLY INTENDED EFFECT OF SUCH A STATEMENT COULD BE TO TRIGGER THAT INTERVENTION.

HOWEVER, WITHIN HOURS AFTER CHAMOUN'S STATEMENT, ISRAEL ISSUED A "MILD RESPONSE" TO THE PROVOCATION THROUGH THE NEW YORK TIMES AND OTHER WESTERN PRESS SOURCES. THE ISRAELIS INDICATED THAT THEY REGARDED THE REPORT OF SYRIAN INVASION "EXAGGERATED." CITING "ISRAELI MILITARY INTELLIGENCE EVALUATIONS," THE TIMES ESTIMATED THAT "THERE IS NO NEED FOR (SYRIAN PRESIDENT HAFEZ ASSAD) TO GO IN WITH HIS OWN FORCES." THE TIMES ALSO QUOTED "WESTERN AND ARAB INFORMANTS" AS SAYING THAT ASSAD STILL HOPES THAT THE CRISIS (IN LEBANON) COULD BE RESOLVED WITHOUT THE INVOLVEMENT OF THE SYRIAN ARMY.

OTHER PRESS SOURCES CARRIED REPORTS FROM AN "ISRAELI MILITARY SPOKESMAN" SPECIFICALLY SAYING THAT THE PLA MOVEMENT IN LEBANON, WHICH HAD BEEN GOING ON FOR MORE THAN A WEEK, WAS NOT VIEWED BY THE ISRAELIS AS "SYRIAN INVOLVEMENT" AND HENCE REQUIRED NO ISRAELI COUNTERACTION.

IPS HAS ESTABLISHED THAT CONTRARY TO CHAMOUN'S WILD RANTINGS, ASSAD ORDERED TWO BRIGADES OF PALESTINE LIBERATION ARMY FORCES INTO LEBANON, PLACED ITS OWN FORCES ON THE LEBANESE BORDER ON ALERT, AND NOTIFIED ARAB CAPITALS OF THE ACTION. THE SIGN OF

(MORE)

HESITATION ON THE PART OF SYRIA ALLOWED ISRAEL TO SHRUG OFF ANY IMMEDIATE WAR DANGER.

CHAMOUN IS WELL SUITED FOR HIS ROLE AS "WAR PROVOCATEUR." HE IS A LONG-TIME NATO OPERATIVE, THE MAN RESPONSIBLE FOR HAVING CALLED IN U.S. MARINE FORCES INTO LEBANON IN 1958 AND THE MAIN CONTROLLER OF THE LEBANESE CHRISTIAN RIGHT WING. JUST PRIOR TO HIS PROVOCATIVE STATEMENT, THE BELLWEATHER RIGHT-WING LONDON DAILY TELEGRAPH YESTERDAY REFERRED TO CHAMOUN AS THE MOST "IMPLACABLE" OF THE LEADING LEBANESE CHRISTIAN POLITICIANS.

RESPONSE TO THE STATE OF THE UNION MESSAGE

WASHINGTON, D.C., JAN. 20 (IPS)—U.S. LABOR PARTY PRESIDENTIAL CANDIDATE LYNDON H. LAROUCHE, JR. CHARGED TODAY THAT "PRESIDENT FORD'S STATE OF THE UNION MESSAGE TO CONGRESS COMPRISES A LEVEL OF INCOMPETENT BUNGLING ON THE PART OF A U.S. CHIEF EXECUTIVE THAT WOULD HAVE MADE HERBERT HOOVER BLUSH."

IN A REPLY TO THE STATE OF THE UNION MESSAGE RELEASED TODAY, LAROUCHE WARNED, "THE WORLD ECONOMY HAS ALREADY ENTERED THE BREAKDOWN PHASE OF THE DEPRESSION CRISIS THAT BEGAN IN AUGUST 1971. BEFORE THE END OF THE PRESENT QUARTER, THE COLLAPSE OF DOLLAR-BASED FINANCIAL INSTITUTIONS IN THE UNITED STATES AND OTHER INDUSTRIAL COUNTRIES WILL LEAD TO THE DEVASTATION OF INTERNATIONAL TRADE AND PRODUCTION ON A SCALE NOT IMAGINED IN RECENT CAPITALIST HISTORY."

"SINCE THE BEGINNING OF 1976," LAROUCHE CONTINUED, "THE U.S. BANKING SYSTEM EXPERIENCED A SUDDEN COLLAPSE OF COMMERCIAL AND INDUSTRIAL LENDING, WHICH REFLECTS THE SPUTTERING OUT OF THE SHORT-LIVED 'RECOVERY' IN CONSUMER GOODS THAT CAPITALIST ECONOMISTS HAVE STUPIDLY HAILED AS AN ECONOMIC RECOVERY. ON THE CONTRARY, THE PRESENT DOWNWARD SPIRAL OF INTEREST RATES ON ALL FINANCIAL INSTRUMENTS MIMICS THE PRECISE EVENTS OF 1929 AND 1930, WHEN AVAILABLE FUNDS COULD NOT BE INVESTED IN PRODUCTIVE ACTIVITY."

"THE PRESENT ELIMINATION OF PROFITABLE BANKING OPERATIONS DUE TO A RENEWED ECONOMIC DOWNTURN WILL TURN INTO A GENERAL BANKING CRISIS WITHIN WEEKS," LAROUCHE WARNED. "THE FINANCIAL UNDERPINNINGS OF THE LARGE NEW YORK BANKS ARE SO WEAKENED BY BAD LOANS TO SPECULATIVE AREAS THAT A SHARP DECLINE IN THE BANKS' CURRENT EARNINGS THREATENS TO PROVOKE INSOLVENCY IN THE LARGEST U.S. FINANCIAL CONCENTRATIONS."

"ON THE WORLD ECONOMIC SCENE, A NEW DOWNTURN IN INTERNATIONAL TRADE BEGAN DURING THE LAST QUARTER OF 1975, WHICH WILL AGGRAVATE THE DEPRESSION IN THE UNITED STATES AND WREAK HAVOC ON THE EUROPEAN AND JAPANESE ECONOMIES," THE CANDIDATE SAID. "EVERY SLAPDASH GIMMICK PROPOSED BY THE INTERNATIONAL MONETARY FUND AND ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT TO STABILIZE THE ABYSMAL INTERNATIONAL TRADE LEVELS OF MID-1975 HAS RUN ITS COURSE. THE EUROPEANS AND JAPANESE ARE ONCE AGAIN FORCED TO IMPOSE VICIOUS AUSTERITY MEASURES ON THEIR POPULATIONS AND CUT IMPORTS TO REMAIN SOLVENT. IT IS QUESTIONABLE," LAROUCHE ADDED,

(MORE)

"WHETHER WORST-OFF CASES SUCH AS ITALY CAN AVOID IMPOSING DEBT MORATORIA IN THE IMMEDIATE FEW WEEKS AHEAD."

"A RENEWED FALL IN INTERNATIONAL TRADE LEVELS WILL FORCE THE GENERAL BANKRUPTCY OF THE DEVELOPING COUNTRIES NOT LATER THAN THE END OF THE FIRST QUARTER OF THIS YEAR," LAROCHE SAID. "THE INDEBTEDNESS OF THE THIRD WORLD FUNCTIONS AS A TRIGGER FOR \$800 BILLION OF ILLIQUID DEBT INTERNATIONALLY, WHICH WILL BE REDUCED TO WALLPAPER IN THE UPCOMING ROUND OF THE CRISIS."

"MR. FORD'S PROPOSAL TO TREAT THIS DISEASE THROUGH A \$70 BILLION CUT, IN CONSTANT DOLLARS, FROM THE FEDERAL BUDGET, MUST BE VIEWED AS A TASTELESS JOKE ON THE POPULATION OF THE UNITED STATES AND THE WORLD POPULATION GENERALLY. WE ARE FACED WITH THE BREAKDOWN OF THE ENTIRE COMPLEX OF ECONOMIC RELATIONS OF THE POST-WAR PERIOD," LAROCHE SAID. "WITHOUT APPROPRIATE COUNTERMEASURES, THERE WILL ENSUE FROM THIS BREAKDOWN CRISIS A HOLOCAUST IN CONDITIONS OF LIFE THROUGHOUT THE WORLD WHICH WILL DEVASTATE THE HUMAN RACE THROUGH FAMINE AND DISEASE BY THE LATE 1970'S."

"A COLLATERAL DANGER IS THAT THE WHITE HOUSE, SUNK TO THIS DEPTH OF INCOMPETENCE, IS IN NO POSITION TO GOVERN THE UNITED STATES THROUGH A PERIOD OF CRISIS," LAROCHE DECLARED. "THE PRESIDENT HINTED AT HIS INABILITY TO GOVERN BY INCLUDING IN HIS STATE OF THE UNION AND BUDGET MESSAGES THE NOTORIOUS ENERGY INDEPENDENCE AUTHORITY PROPOSAL AUTHORED MONTHS AGO BY NELSON ROCKEFELLER AND PROPOSING AN INCREASE IN MILITARY SPENDING. MR. FORD MUST DEMONSTRATE THAT HIS FALLBACK POSITION FROM HIS PRESENT HOPELESS POLICY IS NOT THE CORPORATIVIST POLICY OF NAZI GERMANY AND, MORE RECENTLY, VICE PRESIDENT ROCKEFELLER."

"THERE IS NO TIME TO LOSE IN CORRECTING MR. FORD'S DEADLY ERRORS AND PUTTING INTO EFFECT A COMPETENT ALTERNATIVE POLICY," LAROCHE CONCLUDED. "THE AVAILABLE ALTERNATIVE HAS ALREADY BEEN PUT AT THE DISPOSAL OF MEMBERS OF CONGRESS AND THE ADMINISTRATION BY MY PARTY, IN THE FORM OF THE INTERNATIONAL DEVELOPMENT BANK AND EMERGENCY EMPLOYMENT ACT STATEMENTS OF THE U.S. LABOR PARTY. BEFORE THE MASS OF ILLIQUID DEBT STRANGLES PRODUCTION AND TRADE, WE MUST IMPOSE MORATORIA ON THE DEBT OF DEVELOPING COUNTRIES, MUNICIPALITIES, AGRICULTURE, AND KEY INDUSTRIES. THERE IS NO WAY TO SALVAGE THE MESS OF THE U.S. BANKING SYSTEM WITHOUT PERMITTING THE BANKRUPTCY OF THE NEW YORK AND RELATED INSTITUTIONS TO TAKE ITS NATURAL COURSE, AND REPLACING THEM WITH NEW INSTITUTIONS TO FINANCE PRODUCTION AND TRADE."

IPS EXCLUSIVE:

WASHINGTON POST EXPOSE PART OF U.S. CAPITALIST FACTION
FIGHT: TETHER

JAN. 20 (IPS)—IN A "LOMBARD COLUMN" WRITTEN FOR THE JAN. 16 LONDON FINANCIAL TIMES, BUT NOT PRINTED, NOTED FINANCIAL COLUMNIST C. GORDON TETHER STATES THAT THE EXPOSURE OF ROCKEFELLER BANKS' INSOLVENCY BY THE WASHINGTON POST LAST WEEK SIGNALS AN ERUPTION OF FACTIONAL WARFARE BETWEEN "AMERICAN SUPER-CAPITALIST GROUPINGS."

(MORE)

THE UNPUBLISHED COLUMN, TO HAVE BEEN HEADLINED "SUPER-CAPITALISTS FALL OUT," IDENTIFIES THE TWO RELEVANT FACTIONAL GROUPINGS AS "THE EASTERN BANKING ESTABLISHMENT (WHICH INCLUDES THE ROCKEFELLERS), AND THOSE BASED FURTHER WEST."

"THE EASTERN BANKING ESTABLISHMENT WHICH HITHERTO HAS BEEN MOST ASSURED OF GETTING WASHINGTON'S EAR," WRITES TETHER, "APPEARS TO BE CALLING FOR THE CONTINUANCE IN GREATER OR LESSER DEGREE OF EXISTING U.S. POLICIES. BY CONTRAST," HE CONTINUES, "THE RIVAL FACTION IS IN FAVOR OF...THE PROMOTION OF WORLD DEVELOPMENT AND GREATLY EXPANDED EAST-WEST TRADE. AND IT WOULD, AMONG OTHER THINGS, REQUIRE THE U.S. TO STAND READY TO GO TO SUCH LENGTHS AS SPEAR-HEADING MORATORIA ARRANGEMENTS FOR THIRD WORLD COUNTRIES WITH SERIOUS DEBT PROBLEMS—THIS TO CREATE THE NECESSARY, IMPROVED INTERNATIONAL FINANCIAL ENVIRONMENT."

"THEIR THEME," TETHER ADDS, "IS THAT SUCH A REORIENTATION PROVIDES THE ONLY HOPE OF DISPOSING OF THE 'BIG POWER' TENSIONS NOW JEOPARDIZING WORLD PEACE AND...CONTAINING THE THREAT TO THE INTERNATIONAL MONETARY SYSTEM IMPLICIT IN THE DRIFT TOWARD BANKRUPTCY IN SO MANY DEVELOPING COUNTRIES."

TETHER ADVISES ENGLISH AND EUROPEAN FORCES TO "TAKE AN INTEREST" IN THE CAPITALIST FACTIONAL WARFARE WHICH HAS ERUPTED IN THE U.S. BECAUSE "ALL OTHER COUNTRIES HAVE A GREAT DEAL AT STAKE." THE UNPRINTED ARTICLE CLOSES WITH A QUOTE FROM FORMER PRESIDENT WOODROW WILSON: "SOME OF THE BIGGEST MEN IN THE U.S. IN THE FIELDS OF COMMERCE AND MANUFACTURING KNOW THAT THERE IS A POWER SO ORGANIZED, SO SUBTLE, SO COMPLETE, SO PERVASIVE THAT THEY HAD BETTER NOT SPEAK ABOVE THEIR BREATH WHEN THEY SPEAK IN CONDEMNATION OF IT." TETHER QUICKLY ADDS: "IF...THE SITUATION HAS NOT MATERIALLY CHANGED SINCE THEN, IT IS TIME THAT SOMETHING WAS DONE ABOUT IT."

IPS WILL PUBLISH, WITH FULL PERMISSION OF THE AUTHOR, THE FULL TEXT OF THE COLUMN IN THE JAN. 25 EDITION OF IPS WEEKLY.

PIKE COMMITTEE REPORT HITS KISSINGER ON ANGOLA, CYPRUS, ITALY

JAN. 20 (IPS)—THE YET-TO-BE-RELEASED FINAL REPORT OF THE HOUSE SELECT COMMITTEE ON INTELLIGENCE SCORES SECRETARY OF STATE HENRY KISSINGER FOR HIS ORCHESTRATION OF COVERT OPERATIONS IN ANGOLA, ITALY AND IRAQ AND STRONGLY IMPLIES THAT KISSINGER MAY HAVE "PERMITTED" THE 1974 CYPRUS COUP WHICH OVERTHREW ARCHBISHOP MAKARIOS.

THE REPORT, ADVANCED COPIES OF WHICH WERE RECEIVED AND REPORTED ON IN THE NEW YORK TIMES AND THE WASHINGTON POST TODAY, NOTES THAT THE U.S. STATE DEPARTMENT WAS APPARENTLY AWARE OF THE 1974 CYPRUS COUP PREPARATIONS AND DID NOTHING TO STOP IT. THE POST, IN PARTICULAR, POINTS OUT THAT EVEN THE IDENTITIES OF THE MURDERERS OF U.S. CYPRUS AMBASSADOR RODGER DAVIES WERE KNOWN TO THE UNITED STATES, BUT NOTHING WAS DONE ABOUT THEM. THEY ARE STILL HOLDING POSITIONS IN CYPRUS, THE REPORT INDICATES. THE POST CONTRASTS THIS TO THE OUTCRY FROM THE ADMINISTRATION AROUND THE RECENT MURDER OF RICHARD WELSH, A U.S. EMBASSY OFFICIAL REPORTED TO BE THE CIA MIDDLE EAST STATION CHIEF.

(MORE)

THE "LEAK" REPORTED IN THE TIMES INDICATES THAT THE CIA DELIBERATELY DISTORTED THE AMOUNT OF ITS AID ALLOCATIONS TO THE NATIONAL UNION (UNITA) AND NATIONAL FRONT (FNLA) MERCENARY ARMIES IN ANGOLA. THIS WAS ACCOMPLISHED THROUGH GROSS UNDERSTATEMENT OF THE ACTUAL COST OF SUPPLIES DELIVERED. PREVIOUS LEAKS FROM THE PIKE COMMITTEE HAVE STATED THAT HENRY KISSINGER IS DIRECTLY RESPONSIBLE FOR THE CIA INVOLVEMENT IN ANGOLA.

DEBT MORATORIUM BILL FILED IN MASSACHUSETTS STATE LEGISLATURE

BOSTON, JAN. 20 (IPS)—MASSACHUSETTS STATE REPRESENTATIVE RAYMOND FLYNN (D-BSN) YESTERDAY FILED A BILL IN THE MASSACHUSETTS STATE LEGISLATURE FOR A STATEWIDE DEBT MORATORIUM.

REACHED FOR COMMENT YESTERDAY, REP. FLYNN DESCRIBED HIS BILL AS "SUSPENDING PAYMENTS TO THE BANKS." THE BILL, WHICH WAS PRINTED JAN. 16, COMES BEFORE THE LEGISLATURE JAN. 26, WHEN IT REOPENS ITS 1976 SESSION AFTER A TWO-WEEK RECESS. IT IS EXPECTED THAT THE BILL WILL BE SUPPORTED IN THE LEGISLATURE BY A CAUCUS GROUPED AROUND REP. PETER MCCARTHY (D-PEABODY), WHO HAVE BEEN DISCUSSING THE DEBT MORATORIUM FOR MONTHS.

REP. FLYNN SUBMITTED THE BILL FOLLOWING A STRING OF INCOMPETENT PROPOSALS BY GOV. MICHAEL DUKAKIS TO FINANCE HUNDREDS OF MILLIONS OF DOLLARS IN STATE DEBT SERVICE THROUGH CUTBACKS IN SOCIAL SERVICES.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)

WEDNESDAY, 21 JANUARY 1976
COMBINED ISSUE

I. PRIORITIES

SPECIAL REPORT: EUROPEAN MONEY CRISIS USED TO PUSH AUSTERITY

BANKERS INSIST AUSTERITY GOVERNMENT CAN CONTROL ITALY'S CURRENCY CRISIS

NEW YORK, JAN. 21 (IPS)—LEADING INTERNATIONAL SOURCES EXPRESSED CONFIDENCE TODAY THAT THE RECENT MASSIVE SELLING OF THE ITALIAN LIRA AND THE FLIGHT OF "SCARED" MONEY FROM ITALY COULD BE BROUGHT UNDER CONTROL IF A STRONG, PRO-AUSTERITY GOVERNMENT STEPS IN QUICKLY TO TAKE CHARGE OF ITALY'S TANGLED POLITICAL AND MONETARY AFFAIRS.

THE ITALIAN PAPER REPUBBLICA, OWNED BY ROCKEFELLER-AGENT GIANNI AGNELLI, CLAIMED THAT THE LIRA DUMPING WAS INITIATED BY THE UNITED STATES "AS AN ADVICE TO ITALIAN POLITICS AGAINST A POWER SHIFT IN THE ANTICIPATED ELECTIONS OR NEW 'UNPLEASANT MAJORITIES' IN THE GOVERNMENT."

IN THE U.S., NEW YORK FOREIGN EXCHANGE TRADERS WHO WERE CAUGHT BY SURPRISE BY THE SUDDEN CLOSING OF THE MARKETS WERE TOLD BY THE FEDERAL RESERVE THAT THERE WAS NOTHING TO WORRY ABOUT, AND NUMEROUS HIGH BANKING SOURCES TOLD IPS THAT THE CRISIS WAS NOT A FINANCIAL BUT A POLITICAL ONE. "ONLY A POLITICAL-MILITARY SOLUTION CAN WORK" COMMENTED ONE CHIEF BANK ECONOMIST, WHILE THE CHIEF OF INTERNATIONAL OPERATIONS OF A TOP NEW YORK BANK EXPRESSED THE HOPE THAT THE RECENT EVENTS WOULD LEAD TO THE "FORMATION OF A STRONG GOVERNMENT IN ITALY, STRONG ENOUGH TO IMPOSE THE NECESSARY AUSTERITY."

NO FOREIGN FUNDS AVAILABLE TO AID ITALY IN FISCAL CRISIS

WIESBADEN, W. GERMANY, JAN. 21 (IPS)—WEST GERMAN FINANCE MINISTER AND ROCKEFELLER-AGENT HANS APEL ANNOUNCED TODAY THAT WEST GERMANY HAD DECIDED AGAINST ANY ATTEMPT TO BAIL OUT ITALY, WHICH HAS NEARLY EXHAUSTED ITS FOREIGN RESERVES IN AN ATTEMPT TO SUPPORT THE LIRA AGAINST MASSIVE SELLING. APEL MADE THE ANNOUNCEMENT FOLLOWING AN EMERGENCY WEST GERMAN CABINET MEETING ON THE ITALIAN SITUATION.

(MORE)

IN SUPPORT OF APEL'S DECISION, SEVERAL WEST GERMAN BANKERS NOTED THAT ITALY STILL HAS NOT FULLY REPAID ITS \$1.9 BILLION 1974 LOAN FROM WEST GERMANY.

APEL'S ANNOUNCEMENT LEFT ITALY LITTLE RECOURSE EXCEPT MASSIVE DOMESTIC AUSTERITY TO MEET ITS FOREIGN PAYMENTS IMBALANCE. WEST GERMANY IS THE ONLY COMMON MARKET COUNTRY WITH A BALANCE OF PAYMENTS SURPLUS, AND HER REFUSAL TO AID ITALY MAKES AN EMERGENCY COMMON MARKET LOAN IMPROBABLE. AT THE SAME TIME, ITALY HAS DRAWN THE LAST \$250 MILLION OF ITS "SWAP" ARRANGEMENT WITH THE U.S. FEDERAL RESERVE, AND IS THE ONLY COUNTRY IN THE WORLD TO HAVE BORROWED OVER 200 PER CENT OF ITS QUOTA FROM THE IMF. UNDER THESE CIRCUMSTANCES, THE IMF WHOSE EXECUTIVE BOARD MET TO CONSIDER THE SITUATION THIS AFTERNOON, NORMALLY SETS STIFF AUSTERITY CONDITIONS AS A PRE-REQUISITE FOR ANY FURTHER LOANS.

EDDE FINGERS KISSINGER AS INSTIGATOR OF LEBANON PARTITION SCHEME

JAN. 21 (IPS)—RAYMOND EDDE, HEAD OF THE NATIONAL LEBANESE BLOC PARTY AND THE MAJOR OPPONENT OF U.S. SECRETARY OF STATE KISSINGER'S CONFRONTATION POLICIES IN THE MIDDLE EAST, ATTRIBUTED THE SCHEME FOR THE PARTITIONING OF LEBANON DIRECTLY TO KISSINGER IN AN INTERVIEW WITH AGENCE FRANCE PRESS TODAY. EDDE CHARGED THAT KISSINGER INTENDS TO GIVE THE BEKAA VALLEY, THE AKKAR REGION AND TRIPOLI BACK TO SYRIA, WHILE THE ISRAELIS WILL GET THEIR SHARE OF SOUTHERN LEBANON. EDDE FURTHER INSISTED THAT THE "DESTRUCTION AND THE DEVASTATION (IN LEBANON) COULD NOT BE EXPLAINED FROM THE INSIDE OF THE LEBANESE CONFLICT." THIS IS THE FIRST TIME THAT ANY MAJOR POLITICAL FIGURE APART FROM THE INTERNATIONAL CAUCUS OF THE LABOR COMMITTEES AND THE U.S. LABOR PARTY HAS PUBLICLY EXPOSED THE LEBANESE CIVIL WAR AS BEING PART OF KISSINGER'S OWN SCHEMES FOR THE MIDDLE EAST.

DEBRE CALLS FOR U.N. MEETING ON LEBANON

JAN. 12 (IPS)—FRENCH GAULLIST LEADER AND FORMER PRIME MINISTER MICHEL DEBRE HAS CALLED ON FRANCE TO DEMAND A U.N. SECURITY COUNCIL MEETING ON THE LEBANESE SITUATION OR MOVE IN THE DIRECTION OF A MEETING OF THE INTERESTED BIG SUPER POWERS, ACCORDING TO YESTERDAY'S LE MONDE. DEBRE FURTHER BLASTED "INDIFFERENTISM" TO THE CRISIS.

SIMULTANEOUS WITH THE DEBRE STATEMENT, SYRIAN PRESIDENT HAFEZ ASSAD HAS ANNOUNCED A TRIP TO PARIS NEXT MONTH, AN UNPRECEDENTED MOVE.

KISSINGER, BREZHNEV CLASH PUBLICLY ON ANGOLA

JAN. 21 (IPS)—SOVIET PARTY LEADER LEONID BREZHNEV TODAY REFUSED TO DISCUSS THE ANGOLA ISSUE AT A PRESS CONFERENCE IN MOSCOW TODAY, WHERE HE APPEARED WITH U.S. SECRETARY OF STATE HENRY KISSINGER AFTER THE FIRST ROUND OF THEIR BILATERAL TALKS.

(MORE)

"I AM NOT AN ANGOLAN," SAID BREZHNEV ACCORDING TO RADIO REPORTS IN THE U.S. AND EUROPE. KISSINGER TOLD THE PRESS THAT HE HAD DISCUSSED ANGOLA WITH THE SOVIET LEADERS DURING THE FIRST ROUND OF TALKS THIS MORNING.

A RADIO MOSCOW BROADCAST BEAMED TO EUROPE THIS EVENING SAID THAT SOVIET FOREIGN MINISTER ANDREI GROMYKO TOLD THE PRESS THAT THE SOVIET UNION HAS STRICTLY ADHERED TO PREVIOUSLY SIGNED AGREEMENTS BETWEEN THE SOVIET UNION AND THE UNITED STATES.

REPORTS OF THE STRATEGIC ARMS LIMITATION ASPECTS OF THE MOSCOW TALKS ARE NOT YET AVAILABLE.

FORMER SECRETARY OF AIR FORCE SAYS:
SALT "100 TIMES MORE IMPORTANT" THAN ANGOLA

JAN. 21 (IPS)—COMMENTING ON U.S. SECRETARY OF STATE HENRY KISSINGER'S EFFORTS TO INTRODUCE THE ANGOLA ISSUE INTO ARMS LIMITATION NEGOTIATIONS IN MOSCOW, FORMER AIR FORCE SECRETARY TOWNSEND HOOPES SAID TODAY THAT "A SALT AGREEMENT IS 100 TIMES MORE IMPORTANT TO THE PRESIDENT THAN ANGOLA IS NOW." HOOPES, ALSO INDICATED THAT KISSINGER WOULD BE ACTING AGAINST THE PRESIDENT'S WISHES IN PUSHING THE ANGOLA ISSUE IN MOSCOW.

HOOPES ALSO STATED THAT IT WOULD "NOT BE UNREASONABLE, ALTHOUGH IT WOULD BE UNLIKELY" THAT KISSINGER WOULD BE ASKED TO RESIGN IF HE RETURNED FROM MOSCOW WITHOUT A SALT AGREEMENT.

U.S. ADMINISTRATION PUNTS ON EUROPEAN CURRENCY CRISIS

JAN. 21 (IPS)—THROUGHOUT THE EXECUTIVE BRANCH OF THE U.S. GOVERNMENT TODAY, THE REACTION TO THE CLOSING OF THE ITALIAN FOREIGN CURRENCY EXCHANGE AND THE COLLAPSE OF THE LIRA WAS ONE OF GENERAL IGNORANCE OR INCOMPETENCE.

+A SPOKESMAN FOR THE FEDERAL RESERVE INSISTED THE ITALIAN CRISIS WAS LOCALIZED AND SAID THAT THE STATE DEPARTMENT WAS HANDLING THE PROBLEM.

+A SPOKESMAN FOR THE STATE DEPARTMENT REFUSED TO COMMENT ON THE CRISIS, BUT TOLD IPS "IF YOU REPORT THAT A STATE DEPARTMENT SPOKESMAN SAID NO COMMENT, I'LL FRY YOU." ANOTHER STATE DEPARTMENT OFFICIAL, UPON BEING TOLD THAT THE FEDERAL RESERVE HAD DIRECTED CALLERS TO STATE, SAID, "CALL THE TREASURY."

+WITHIN THE TREASURY DEPARTMENT, UNDERSECRETARY FOR MONETARY AFFAIRS EDWARD YEO, WHEN ASKED ABOUT U.S. REACTION TO THE ITALIAN CRISIS SAID, THROUGH A SPOKESMAN, "NO COMMENT."

+A SPOKESMAN FOR THE COUNCIL ON ECONOMIC ADVISORS INSISTED THAT THE CRISIS WAS NOT SERIOUS AND THAT "RECOVERY WAS UNDERWAY" IN EUROPE AND THE U.S.

(MORE)

IPS COMBINED 01.21/PAGE 4

A SOURCE CLOSE TO THE WHITE HOUSE REACTED WITH SERIOUS DISMAY TO THE ITALIAN DEVELOPMENTS AND SAID, "THAT MEANS WE CAN'T GO AROUND STICKING OUR FINGERS IN THE DIKE, WE NEED A WHOLE NEW STRUCTURE."



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)

NEWS BULLETIN NO. 10

WORLD FINANCE FACES PANIC

WASHINGTON, D.C., JAN. 21 (IPS)—YESTERDAY'S SHUTDOWN OF THE ITALIAN FOREIGN EXCHANGE MARKETS THREATENS TO PROVOKE A GENERAL PANIC AND COLLAPSE OF WORLD FINANCIAL STRUCTURES WITHIN THE NEXT SEVERAL DAYS, THE U.S. LABOR PARTY WARNED TODAY.

A CONJUNCTURE OF DEVELOPMENTS IN THE WEAK POINTS OF THE DOLLAR'S FINANCIAL STRUCTURE COULD FORCE AN INTERNATIONAL BANKING CRISIS WITHIN DAYS:

* DESPITE INTERVENTION TOTALLING ALMOST \$1.5 BILLION DURING THE PAST TEN WEEKS, THE ITALIAN MONETARY AUTHORITIES ABANDONED EFFORTS TO PROTECT THE COLLAPSING ITALIAN LIRA YESTERDAY, SHUTTING DOWN FOREIGN EXCHANGE MARKETS. THE BANK OF ITALY IS CONSIDERING A FREEZE ON ITALY'S \$14 BILLION EXTERNAL DEBT.

* A CRISIS HAS SIMULTANEOUSLY BUILT UP IN FINANCING OF TANKERS, COMMODITY STOCKPILES, AND RELATED SECTORS OF INTERNATIONAL TRADE, SPARKED BY THE BANKRUPTCY OF THE COLOCOTRONIS SHIPPING INTEREST, WITH \$1 BILLION IN SHORT-TERM DEBT ALONE. \$40 BILLION OF SHORT-TERM INTERNATIONAL DEBT, PRINCIPALLY TO THE NEW YORK BANKS AND THEIR EURODOLLAR SUBSIDIARIES, HANGS ON THESE SECTORS. WITH THE FALL OF INTERNATIONALLY-TRADED METALS' PRICES BELOW THE COST OF PRODUCTION LAST WEEK, BOTH THE DEBT OF THIRD WORLD PRODUCER COUNTRIES AND CREDITS EXTENDED FOR SPECULATIVE STOCKPILING ARE IN IMMEDIATE JEOPARDY.

* A SECOND-WAVE DOWNTURN OF INTERNATIONAL TRADE IS ALREADY IN FULL SWING, AS THE WEAKER INDUSTRIAL COUNTRIES, WITH A PROJECTED COLLECTIVE BALANCE OF PAYMENTS DEFICIT OF \$16 BILLION FOR 1976, ARE COMPELLED TO MASSIVELY REDUCE IMPORTS FOR LACK OF FINANCING. THE NEW DOWNWARD RATCHET IN TRADE HAS EXACERBATED THE CRISES IN SHIPPING, COMMODITIES, AND, IN PARTICULAR, THE DEBT OF THIRD WORLD COUNTRIES.

* THE CONTINUOUS MASSIVE EFFORT TO REFINANCE THE DEBT OF THE THIRD WORLD, OF WHICH \$72 BILLION IS PAYABLE DURING 1976 BY BANK ESTIMATES, WILL BECOME IMPOSSIBLE WITHIN WEEKS UNDER CURRENT CIRCUMSTANCES. OF THIS DEBT, AT LEAST \$20 BILLION REPRESENTS DEFAULTED PAYMENTS ON PAST OBLIGATIONS NOW BEING ROLLED OVER CONTINUOUSLY ON THE SHORT-TERM SIDE OF THE INTERNATIONAL MARKETS.

* GOVERNMENTS IN EUROPE AND THE U.S. ADMINISTRATION ALIKE HAVE REACTED WITH PANIC AND CONFUSION TO THE ITALIAN DEVELOPMENTS.
(MORE)

FOLLOWING AN EMERGENCY GERMAN CABINET MEETING THIS AFTERNOON, GERMAN FINANCE MINISTER HANS APEL ANNOUNCED THAT GERMANY COULD PROVIDE NO FINANCIAL ASSISTANCE TO THE BELEAGUERED BANK OF ITALY. ACCORDING TO TOP GOVERNMENT OFFICIALS AND INTERNATIONAL BANKERS, THE ITALIAN BREAK TOOK THE WORLD COMMUNITY BY SURPRISE, DESPITE REPEATED WARNINGS FROM THE U.S. LABOR PARTY ON THE IMPENDING CRISIS.

THE COMBINED WEIGHT OF THESE DEVELOPMENTS COULD COLLAPSE THE LEADING U.S. FINANCIAL INSTITUTIONS, WHICH ARE ALREADY SADDLED WITH A MASSIVE BURDEN OF BAD ASSETS. WHILE CENTRALIZED ALLOCATION OF EXISTING CREDIT FACILITIES COULD HYPOTHETICALLY PUSH THE CRISIS BACK FOR SEVERAL WEEKS, THE LABOR PARTY WARNED, EVERY INDICATION IS THAT THE BANKING COMMUNITY AND CENTRAL BANKS HAVE NO CONTROL OVER THE PRESENT SITUATION.

U.S. LABOR PARTY PRESIDENTIAL CANDIDATE LYNDON H. LAROUCHE, JR., NOW IN WASHINGTON FOR MEETINGS WITH MEMBERS OF CONGRESS, REITERATED TODAY HIS REPEATED OFFER TO ASSIST THE RELEVANT AUTHORITIES IN PREVENTING AN ECONOMIC CATASTROPHE. AS THE AUTHOR OF THE INTERNATIONAL DEVELOPMENT BANK PROPOSAL, LAROUCHE HAS OFFERED TO CHAIR INTERNATIONAL MEETINGS BETWEEN REPRESENTATIVES OF THE UNITED STATES, WESTERN EUROPE, JAPAN, THE THIRD WORLD, AND THE SOCIALIST COUNTRIES TO NEGOTIATE THE ESTABLISHMENT OF NEW FINANCIAL INSTITUTIONS FOR TRADE AND DEVELOPMENT.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
JANUARY 22, 1976 1520 HOURS EST
EARLY EVENING EDITION

I. AUSTERITY

CAREY GETS OUT HIS HATCHET

NEW YORK, JAN. 22 (IPS) -- BOASTING THAT HE WAS THE FIRST GOVERNOR TO REDUCE SPENDING BELOW THE PREVIOUS YEARS' LEVELS SINCE HERBERT LEHMAN IN 1941, NEW YORK GOVERNOR HUGH CAREY, ON JAN. 20, PROPOSED A \$10.76 BILLION "NO GROWTH" BUDGET FOR THE STATE OF NEW YORK. TAKING INFLATION INTO ACCOUNT, CAREY IS CALLING FOR A \$594 MILLION REDUCTION IN EXPENDITURES ON BASIC SERVICES BELOW THE 1975-76 BUDGET.

ACCORDING TO THE NEW YORK POST, CAREY ASKED FOR A \$110 MILLION SLASH IN STATE AID TO LOCAL SCHOOL DISTRICTS AND A \$132 MILLION SLASH IN LOCAL WELFARE ASSISTANCE, PRIMARILY IN MEDICAID PAYMENTS -- DEMONSTRATING THE SAME PERVERSE SENSE OF PRIORITIES EXPRESSED IN OTHER STATE OF THE STATE MESSAGES AND PRESIDENT FORD'S STATE OF THE UNION MESSAGE THIS WEEK.

CAREY ALSO UNEXPECTEDLY CALLED FOR A \$100 MILLION CUT IN STATE AID TO NEW YORK CITY. ACCORDING TO CAREY: "WE CAN'T EXEMPT NEW YORK CITY FROM THE REST OF THE STATE." THE EMERGENCY FINANCIAL CONTROL BOARD WILL HAVE TO REVISE UPWARDS ITS PLANS TO CUT THE CITY BUDGET BY \$200 MILLION BEFORE JUNE AND ANOTHER \$265 MILLION NEXT YEAR TO ACCOMMODATE THE LOSS OF THE \$100 MILLION IN STATE AID IF THE STATE BUDGET IS APPROVED.

THIS NEWS COMES ON TOP OF THE RELEASE OF THE HOSPITAL CORPORATION'S "ECONOMY" PLAN, AFTER MONTHS OF PRESSURE FROM THE EFCB, WHICH INVOLVES THE SHUTTING DOWN OF 4 OUT OF 15 ACUTE-CARE HOSPITALS AND FIRING BETWEEN 4,000 AND 8,000 OUT OF A STAFF OF 40,000. HOWEVER, EVEN THIS STRINGENT PLAN ASSUMES A LEVEL OF INCOME FROM FEDERAL AND STATE MEDICAID ASSISTANCE WHICH WILL PROBABLY NOT SURVIVE CUT-BACKS.

II. MIDDLE EAST

INTERNATIONAL PRESS IDENTIFIES SYRIA AS PROVOKING LEBANESE ESCALATION

JAN. 22 (IPS) -- IN MAJOR EDITORIALS YESTERDAY, BOTH THE WASHINGTON POST AND THE FRENCH NEWSPAPER LE FIGARO IDENTIFIED SYRIA AS THE MAJOR INSTIGATOR OF THE RECENT VOLATILE FLAREUP IN THE LEBANESE CIVIL WAR. IN AN EDITORIAL ENTITLED, "DE FACTO PARTITION," LE FIGARO REPORTED: "DAMASCUS WISHES TO PUT THE PALESTINIANS WHO ARE NOT DOCILE ENOUGH (FOR SYRIA) BACK UNDER ITS CONTROL, AND THEREFORE FAVORS THIS

1.22 EARLY IPS/2

FRATRICIDAL STRUGGLE."

THE WASHINGTON POST PINPOINTED SYRIA'S AMBITIONS TO ANEX LEBANON INTO "SOUTHERN SYRIA." THE POST CONTINUED: "THE DANGER IN LEBANON, HOWEVER, IS THAT ITS WAR WILL SPREAD. SYRIA, AGAINST THE BETTER JUDGMENT OF MORE THOUGHTFUL SYRIANS, MAY ENTER LEBANON IN THE NAME OF 'PROTECTING' THE MOSLEMS....".

RABIN FORCED TO LIFT BAN ON LEAKS

JAN. 22 (IPS) -- ISRAELI PRIME MINISTER YITZHAK RABIN AND JUSTICE MINISTER HAIM ZADOK ANNOUNCED JAN. 20 THAT THEY WERE "TEMPORARILY DROPPING" A PROPOSAL TO BROADEN CENSORSHIP IN ISRAEL, ACCORDING TO YESTERDAY'S NEW YORK TIMES. LE MONDE REVEALED THAT THE CENSORSHIP PROPOSAL -- APPROVED BY THE CABINET LAST SUNDAY -- AROUSED SUCH OUTRAGE IN THE RANKS OF THE ISRAELI PRESS AND FOREIGN PRESS REPRESENTATIVES IN ISRAEL, THAT RABIN WAS FORCED TO LIFT THE MEASURES.

RABIN'S CENSORSHIP PROPOSAL WAS DESIGNED TO STOP LEAKS TO NEWSPAPERS CONCERNING "SENSITIVE" INFORMATION ON ISRAEL'S DIPLOMATIC AND INTERNAL RELATIONS.

III. OTHER NEWS

CONGRESS BLOCKS KISSINGER'S ATTEMPT TO SLIP TEN MILLION IN AID TO ZAIRE

JAN. 22 (IPS) -- HOUSE AND SENATE SUBCOMMITTEES ON FOREIGN OPERATIONS HAVE BLOCKED AN ATTEMPT BY SECRETARY OF STATE HENRY KISSINGER TO SNEAK THROUGH A \$10 MILLION CONGRESSIONAL APPROPRIATION FOR AID TO ZAIRE, DESPITE CONGRESSIONAL OBJECTIONS. "THE CONGRESSIONAL LEADERS ARE CONCERNED THAT THE AID WOULD ALLOW ZAIRE TO RELEASE COMPARABLE AMOUNT OF FUNDS TO ITS ALLIES FIGHTING IN THE ANGOLAN CIVIL WAR. THE CIA HAS BEEN FUNNELING COVERT MILITARY AID AND CASH THROUGH ZAIRE TO THE TWO WESTERN-SUPPORTED ANGOLAN LIBERATION GROUPS FIGHTING AGAINST THE GROUP SUPPORTED BY THE SOVIET UNION," THE NEW YORK TIMES REPORTED YESTERDAY.

SENATOR DANIEL INOUE (D-HAWAII), CHAIRMAN OF THE SENATE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS, AND REPRESENTATIVE OTTO PASSMAN (D-LA.) CHAIRMAN OF THE SAME COMMITTEE IN THE HOUSE OF REPRESENTATIVES, REFUSED TO ALLOW BOTH THIS CURRENT AID ATTEMPT TO GO THROUGH AND KISSINGER'S ATTEMPT LATE LAST FALL TO FUNNEL \$22.7 MILLION IN AID TO ZAIRE.

PCF DEBATES PORNOGRAPHY

JAN. 22 (IPS) -- ACCORDING TO RECENT REPORTS FROM FRENCH COMMUNIST PARTY (PCF) REGIONAL FEDERATION PREPARATORY MEETINGS FOR THE NATIONAL PARTY CONGRESS IN FEBRUARY, SERIOUS AND DETERMINED DEBATE IS NOW RAGING OVER THE PARTY'S "PRUDISH" POSTURE IN A DRAFT RESOLUTION CONDEMNING PORNOGRAPHY AS "IMMORAL", AS OUTLINED BY PCF GENERAL SECRETARY GEORGES MARCHAIS LAST WEEK. DURING THE MOSELLE FEDERATION MEETING, THE RESOLUTION WAS ATTACKED FOR "CONDEMNING HOMOSEXUALS AND THOSE WHO MASTURBATE," ACCORDING TO THE JAN. 20 LE MONDE. THE MOSELLE FEDERATION THEN VOTED TO AMEND THE RESOLUTION TO STATE THAT PORNOGRAPHY IS NOT IMMORAL. IN ANOTHER FEDERATION, "WORKERIST" ELEMENTS

(MORE)

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SUCCESSFULLY MAINTAINED THE RESOLUTION, LE MONDE REPORTED.

THIS GUTTER-DIALOGUE DISGUISED AS POLITICAL DEBATE HAS BEEN USED BY "WHITE COMMUNIST" AGENTS IN THE PCF TO DEMORALIZE ITS MEMBERS AND TO CREATE THE POLITICAL PRECONDITIONS FOR A "MORE OPEN AND DIVERSIFIED COMMUNISM", IN THE WORDS OF ANOTHER RESOLUTION PASSED BY THE MOSELLE FEDERATION, THE BASIS FOR A MERGER WITH FRENCH SOCIALIST AGENT, FRANCOIS MITTERRAND.

SOARES RECEIVES PRESS GRILLING ON FIRST LEG OF U.S. TOUR

NEW HAVEN, JAN. 22 (IPS) — CIA AGENT AND PORTUGUESE SOCIALIST PARTY LEADER MARIO SOARES, BEGAN A TOUR OF THE UNITED STATES WITH A JAN. 20 PRESS CONFERENCE AT YALE UNIVERSITY WHICH BROUGHT HIM A TASTE OF THE WELCOME HE WILL RECEIVE. SOARES FELL TO PIECES UNDER QUESTIONING ON HIS CIA COLLABORATION AND CRIMINAL EFFORTS TO DESTROY THE PORTUGUESE REVOLUTION, AND FINALLY BROUGHT THE CONFERENCE TO A CLOSE, SHOUTING: "YOU CONFUSE A PRESS CONFERENCE WITH A TRIAL. IS THIS A TRIAL?"

SOARES WILL GO ON TO VISIT THE PORTUGUESE COMMUNITIES OF BOSTON, HARTFORD, AND NEWARK THIS WEEK WITH A STOP-OVER IN WASHINGTON, D.C. FOR CLOSED-DOOR SESSIONS WITH SECRETARY OF STATE HENRY KISSINGER.

AT THE DEC. 20 PRESS CONFERENCE, SOARES WAS ASKED WHY HE ATTACKED THE PORTUGUESE COMMUNIST PARTY BUT NOT THE ITALIAN COMMUNIST PARTY (PCI). HE ANSWERED: "PERHAPS IT IS BECAUSE BERLINGUER (PCI LEADER - ED.) ALSO GETS CIA MONEY." INSTEAD OF LAUGHS, HE WAS MET WITH A DEADLY SILENCE FROM JOURNALISTS IN THE ROOM.

END OF EARLY IPS, 1/22/76.



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LATE EVENING NEWS
THURSDAY, JANUARY 22, 1976 2000 HOURS EST

II. PRIORITIES.

DEBT RESCHEDULING FOR ITALY: HISTORICAL COMPROMISE GOVERNMENT MOODED

WASHINGTON, D.C., JAN. 22 (IPS)—THE EXECUTIVE BOARD OF THE INTERNATIONAL MONETARY FUND, IN MEETINGS WITH A DELEGATION FROM THE BANK OF ITALY IN WASHINGTON, D.C. TODAY, DISCUSSED THE RESCHEDULING OF ITALY'S SHORT-TERM DEBTS, BOTH PRIVATE AND IMF-RELATED, ACCORDING TO AN OFFICIAL SPOKESMAN FOR THE IMF'S EXECUTIVE BOARD.

ACCORDING TO THE SOURCE, UNDER THE CIRCUMSTANCES THERE WAS NO OTHER ARRANGEMENT POSSIBLE EXCEPT A DEBT RESCHEDULING, ESPECIALLY SINCE IT WILL BE IMPOSSIBLE TO SET UP A NEW GOVERNMENT IN ITALY FOR AT LEAST A MONTH OR SO. ASKED AS TO WHAT FORM THE NEW GOVERNMENT WOULD TAKE, THE SOURCE REPLIED THAT IT WOULD HAVE TO BE A "HISTORICAL COMPROMISE"-TYPE COALITION GOVERNMENT OF THE CHRISTIAN DEMOCRATS AND THE AGENT-LED ITALIAN COMMUNISTS. AT PRESENT THERE IS A CAPETAKER GOVERNMENT IN ITALY RUNNING THAT COUNTRY'S DAY-TO-DAY AFFAIRS.

SEATTLE BOILERMAKERS PUSH STATE LEGISLATURE ON EEA

SEATTLE, JAN. 22 (IPS)—IN AN OPEN LETTER TO THE WASHINGTON STATE LEGISLATURE, GLEN W. LEES AND LARRY MEYERS, CHAIRMAN AND SECRETARY OF THE LEGISLATIVE EDUCATION ACTION PROGRAM OF BOILERMAKERS LOCAL 104, URGED THE STATE LEGISLATORS TO MEMORIALIZE THE U.S. CONGRESS TO PASS A "WORKABLE EMERGENCY EMPLOYMENT ACT" AND SINGLED OUT THE U.S. LABOR PARTY'S EMERGENCY EMPLOYMENT ACT (EEA) FOR SPECIAL CONSIDERATION BY THE LEGISLATURE.

ATTACKING THE FORD ADMINISTRATION'S PROGRAM OF AUSTERITY, THE LETTER DEMANDS THAT THE LEGISLATORS SHOW "STRONG LEADERSHIP" AND PASS LEGISLATION FOR PRODUCTIVE JOBS "THAT WILL RETURN THIS COUNTRY TO A SOUND ECONOMIC BASIS." THE LEGISLATURE IS CURRENTLY IN AN EMERGENCY SESSION TRYING TO DECIDE BETWEEN MASSIVE TAX INCREASES OR STATEWIDE EDUCATION CUTS.

THE CALL BY THE BOILERMAKERS IS ISSUED IN CONJUNCTION WITH A STATEWIDE USLP DRIVE ON THE WASHINGTON LEGISLATURE TO PASS THE MEMORIALIZATION OF THE USLP'S EEA DURING THE PRESENT SPECIAL SESSION. ON TUESDAY, STATE LEGISLATOR JAMES GALLAGHER (D-TA-

(MORE)

COMA) FORMALLY FILED THE MEMORIALIZATION BILL INTO THE LEGISLATURE, AND IT IS SLATED TO BE ASSIGNED TO COMMITTEE BY THE END OF THE WEEK. MEYERS HAS JOINED USLP ORGANIZERS AND LEADING TACOMA DEMOCRATS IN OLYMPIA, THE STATE'S CAPITAL, IN FIGHTING FOR ENDORSEMENT OF THE BILL.

CITING THE 115,000 UNEMPLOYED WORKERS IN WASHINGTON AND THE MASSIVE \$110,000 INDEBTEDNESS OF THE STATE UNEMPLOYMENT FUND, LEES' AND MEYERS' LETTER FURTHER DENOUNCES THE CURTAILMENT OF PUBLIC SERVICES, THE FINANCIAL COLLAPSE OF EDUCATION AND THE STATE'S SPIRALLING UNEMPLOYMENT. DISTRIBUTION OF THE CALL AND A SPECIAL LOBBYING EFFORT BY THE BOILERMAKERS WILL BEGIN TOMORROW IN OLYMPIA.

RIGHT-WING ATTACK AGAINST THE USLP PLANNED IN READING

PHILADELPHIA, JAN. 22 (IPS)—RELIABLE SOURCES HAVE INFORMED MEMBERS OF THE READING LABOR PARTY THAT A JOINT ATTACK BY MEMBERS OF THE MINUTEMEN AND KNIGHTS OF THE KU KLUX KLAN ON USLP ORGANIZERS IS BEING PLANNED FOR THIS FRIDAY, JAN. 23, EITHER AT THE PARRISH STEEL PLANT OR AT A LOCAL SHOPPING CENTER WHICH THE LABOR PARTY REGULARLY DEPLOYS TO. MEMBERS OF THESE ORGANIZATIONS HAVE ORDERS TO CARRY OUT THE ATTACK USING GUNS OR OTHER WEAPONS, THE SOURCE SAID.

THE SOURCE INDICATED THAT THE ATTACK IS BEING PROVOKED BY LOCAL FBI AGENT DAVID ALLEN REILLY, WHO HAS ESTABLISHED BLACK-MAIL CONTROL OVER LOCAL KNIGHTS OF THE KKK LEADER ROGER MELLINGER BY THREATENING TO EXPOSE ILLEGAL ARMS CACHES. ANOTHER PROBABLE SOURCE OF THE RIGHT-WING ANTI-LABOR PARTY PROVOCATIONS IS A RECENT SERIES OF MEETINGS BETWEEN MELLINGER AND MEMBERS OF THE INTERESTED MEMBER CAUCUS OF THE FBI-RUN REVOLUTIONARY UNION.

THE THREAT OF THIS ATTACK IMMEDIATELY FOLLOWS THE CIRCULATION OF A USLP LEAFLET TARGETING THE KKK-MINUTEMEN-INTERESTED MEMBER CAUCUS TERROR NETWORK CONTROLLING WORKERS IN AREA PLANTS. WHEN THE U.S. LABOR PARTY EXPOSED THE MASSIVE GUN RUNNING AND DRUG RUNNING OPERATIONS IN READING LAST JUNE AND JULY, IT WAS CONCLUSIVELY DEMONSTRATED THAT FEDERAL AGENCIES INCLUDING THE FBI AND THE ALCOHOL, TOBACCO AND FIREARMS BUREAU WERE INVOLVED IN THESE OPERATIONS. THESE AGENCIES CONTROL OVER THE RU AND RIGHT-WING ORGANIZATIONS WAS ALSO FULLY DOCUMENTED. ANY ATTACK AGAINST THE USLP WILL TAKE PLACE WITH THE COMPLICITY OF THESE AGENCIES.

MIDEAST SHOULD BE TESTING AREA FOR DETENTE, SAYS GEORGE BALL

JAN. 22 (IPS)—"IF THE SOVIETS AGREED TO JOIN WITH US IN A SERIOUS EFFORT TO ESTABLISH AN ENDURING PEACE IN THE MIDEAST," WRITES FINANCIER GEORGE BALL IN THE FEBRUARY ISSUE OF ATLANTIC MONTHLY MAGAZINE, "IT WOULD MEAN THAT DETENTE EXTENDED BEYOND THE MERE IMPROVEMENT IN SOVIET MANNERS AND THE DEVELOPMENT OF EAST-WEST TRADE AND OTHER STRICTLY BILATERAL PROBLEMS."

A STAUNCH OPPONENT OF THE KISSINGER STEP-BY-STEP PHASED ESCALATION STRATEGY IN THE MIDEAST, BALL STATES THAT IF HIS IDEA WERE IMPLEMENTED, "THE COLD WAR COULD RECEDE INTO THE MISTS OF HISTORY. IT MAY BE TOO MUCH TO EXPECT, BUT THE EXPERIMENT IS WORTH TRYING."

OTHERWISE, BALL CONCLUDES, "WE SHALL, SOONER OR LATER, FACE AN EXPLOSION FAR MORE COSTLY AND DANGEROUS THAN ANY PREVIOUS ARAB-ISRAEL CONFLICT." THE LATTER WARNING COHERES WITH THE ANTI-KISSINGER FACTION'S RECOGNITION THAT THE KISSINGER MIDEAST NUCLEAR WAR THREAT MUST BE POSTPONED, THOUGH NOT DISCARDED AS AN EVENTUAL OPTION OF FOREIGN POLICY AGAINST THE SOVIETS IN COMING MONTHS.

WARSAW PACT SPOKESMEN WARN OF MIDEAST WAR THREAT

JAN. 22 (IPS)—SPOKESMEN FROM THE WARSAW PACT COUNTRIES HAVE ISSUED SHARP WARNINGS OF THE DANGER OF WORLD WAR DURING THE PAST FEW DAYS. THE GERMAN DEMOCRATIC REPUBLIC'S (DDR) AMBASSADOR TO THE UNITED NATIONS, PETER FLORIN, IN A SPEECH YESTERDAY EMPHASIZED THE MIDEAST FLASHPOINT: "WE REJECT THE EFFORTS OF A CERTAIN POWER TO PROVOKE A WORLD WAR THROUGH THE MIDEAST CONFLICT AND WARM ITS HANDS AT A DISTANT FIRE," HE SAID. FLORIN URGED THAT STATES WHICH SUPPORT ISRAEL "SHOULD REVIEW THEIR CONDUCT, SO THAT A REALISTIC EVALUATION OF THE SITUATION CAN BE REACHED IN TEL AVIV ALSO."

DDR DEFENSE MINISTER HEINZ HOFFMAN YESTERDAY ADDRESSED A SYMPOSIUM OF WARSAW PACT GENERALS IN BERLIN. "THE IMPERIALIST CLASS ENEMY HAS NOT RENOUNCED HIS AGGRESSIVE GOALS RESPECTING THE SOCIALIST COMMUNITY OF STATES," HE SAID. "IT HAS REPEATEDLY PROVOKED POLITICAL TENSIONS AND LED THE WORLD TO THE VERGE OF A NEW WORLD WAR...ABRUPT CHANGES IN WORLD POLITICAL EVENTS CANNOT BE EXCLUDED."

THE STATEMENTS WERE REPORTED IN THE PAPER NEUES DEUTSCHLAND.

WEST GERMAN DEFENSE MINISTRY ISSUES ATTACK ON DETENTE

JAN. 22 (IPS)—THE MAJOR THEME OF A "WHITE BOOK" RECENTLY RELEASED BY THE WEST GERMAN DEFENSE MINISTRY IS THAT "NATO IS BEING LULLED INTO A SENSE OF FALSE SECURITY BY DETENTE," ACCORDING TO A SUMMARY IN YESTERDAY'S LONDON FINANCIAL TIMES. THE MINISTRY IS HEADED BY ATLANTICIST GEORG LEBER, A SOCIAL DEMOCRAT. THE FINANCIAL TIMES REPORTS THAT ONE QUARTER OF THE REPORT IS DEVOTED TO "THE REALMS OF IDEOLOGY, FOREIGN POLICY AND ECONOMIC INTERDEPENDENCE OF NATIONS."

THE WARSAW PACT MILITARY ALLIANCE STRATEGY IS DESCRIBED BY THE REPORT AS "OFFENSIVE PRINCIPLE, MAJOR AGGRESSION, SURPRISE ATTACK, SUBVERSIVE ACTION," WHICH, IT ALLEGES, IS TO BE WIELDED BY THE PACT'S VASTLY SUPERIOR LAND FORCES. COMPLEMENTING THE RECENTLY-ISSUED TINDEMAN'S PROPOSAL FOR EXPANDED CONVENTIONAL ARMS PRODUCTION, THE REPORT STATES THAT "THE (WESTERN) EUROPEAN ALLIES CANNOT EXPECT THE U.S. TO COMPENSATE FOR INADEQUATE

EUROPEAN CONVENTIONAL CONTRIBUTIONS BY SETTING THE NUCLEAR THRESHHOLD AT TOO LOW A LEVEL AND THUS INCURRING AN UNACCEPTABLE NUCLEAR RISK FOR ITSELF."

RADIO PRAGUE TODAY ATTACKED THE WHITE BOOK AND SIMULTANEOUSLY PRAISED SOCIAL DEMOCRATIC CHANCELLOR HELMUT SCHMIDT FOR HIS EFFORTS TO REALIZE THE 1975 HELSINKI ACCORDS ON EUROPEAN COOPERATION AND SECURITY, AS A SIGN OF ENCOURAGEMENT TO PRO-DE-TENTE GROUPINGS WITHIN THE SOCIAL DEMOCRATIC PARTY.

BURNS SAYS BANK EXAMINERS REPORTS ON CHASE AND FIRST NATIONAL CITY CAN CAUSE PANIC

NEW YORK, JAN. 22 (IPS)—FEDERAL RESERVE BOARD CHAIRMAN ARTHUR BURNS YESTERDAY TOLD CONGRESS NOT TO PURSUE ITS INQUIRY INTO THE FINANCIAL STATE OF THE DE FACTO BANKRUPT CHASE MANHATTAN AND FIRST NATIONAL CITY BANKS. BURNS, TESTIFYING BEFORE THE HOUSE BANKING COMMITTEE, ARGUED THAT CONGRESS SHOULD CEASE ITS ATTEMPTS TO OBTAIN FEDERAL BANK EXAMINERS' REPORTS ON THE TWO BANKS BECAUSE THE REPORTS ARE PREPARED FOR A "LIMITED AUDIENCE" AND WOULD TRIGGER PANIC IF THEY BECAME PUBLIC.

ON TUESDAY A SUBCOMMITTEE OF THE HOUSE GOVERNMENT OPERATIONS COMMITTEE VOTED TO RECOMMEND THAT CONGRESS SUBPEONA THE REPORTS. IT IS KNOWN THAT THE REPORTS, WHICH WERE THE BASIS FOR WIDELY CIRCULATED NEWS STORIES IN THE WASHINGTON POST LAST WEEK, ACTUALLY UNDERESTIMATE THE PRECARIOUS SITUATION OF THE TWO ROCKEFELLER BANKS.

PCI CALM IN ITALIAN CRISIS

ROME, JAN. 22 (IPS)—THE ITALIAN COMMUNIST PARTY (PCI) REACTED CALMLY OVER THE LAST TWO DAYS TO THE NEWS OF THE COLLAPSE OF THE LIRA AND SUBSEQUENT CLOSING OF THE ITALIAN STOCK EXCHANGE AND FOREX MARKET.

UNITA, THE PCI'S NEWSPAPER, HAS LIMITED ITSELF TO PRINTING FIGURES ABOUT THE NATIONAL DEFICIT AND TO CALL THROUGH THE PARTY ECONOMIC EXPERT LUCIANO BARCA FOR "THE SEVERE SELECTION OF THE USE OF MONEY" IN THE CONTEXT OF AN EMERGENCY ECONOMIC PROGRAM.

IN AN INTERVIEW WITH IPS YESTERDAY A SPOKESMAN FOR THE ITALIAN BANCA COMMERCIALE HERE INDICATED THE REASON FOR THE PCI'S LOW-KEY REACTION: "IN ANY CASE, ENRICO BERLINGUER (PCI GENERAL SECRETARY) IS A...STOCK HOLDER."

III. MIDEAST

SYRIAN-PLA-LEBANESE JOINT MILITARY COMMAND FORMED

JAN. 22 (IPS)—A CEASEFIRE IN LEBANON HAS BEEN AGREED UPON BETWEEN LEBANESE PRO-FALANGE PRESIDENT FRANJIEH AND SYRIAN FOREIGN



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NEWS BULLETIN NO. 11

ROCKEFELLER BANKS PRE-EMPT WORLD CURRENCY COLLAPSE

JAN. 22 (IPS) -- A RUN ON THE ITALIAN LIRA PROVOKED INENTIONALLY BY THE NEW YORK BANKS AND THEIR EUROPEAN COLLABORATORS THREATENS TO TRIGGER A WORLD FINANCIAL CRISIS WITHIN THE THE NEXT FEW DAYS, THE U.S. LABOR PARTY CHARGED TODAY. THE OUTBREAK OF A CURRENCY WAR, DESIGNED TO FORCE THE FORMATION OF AN AUSTERITY GOVERNMENT IN ITALY AND OTHER EUROPEAN COUNTRIES, WAS IDENTIFIED YESTERDAY AS THE INTENTIONAL MANEUVER OF CHASE MANHATTAN, FIRST NATIONAL CITY BANK, MANUFACTURERS HANOVER TRUST, AND CHASE MANHATTAN DIRECTOR GIOVANNI AGNELLI, PRESIDENT OF THE FIAT CORPORATION.

LEADING NEW YORK BANKERS HAVE IDENTIFIED THE PURPOSE OF THE MANEUVER AS A MEANS OF FORCING A MASSIVE DEVALUATION OF THE ITALIAN AND OTHER EUROPEAN CURRENCIES, AND IMPOSING A "STRONG GOVERNMENT" ON ITALY, FRANCE, AND OTHER WEAKER EUROPEAN ECONOMIC SECOTRS. ALREADY, THE RUN ON THE LIRA HAS GENERATED EXTREME PRESSURE ON THE FRENCH FRANC, FORCING MASSIVE INTERVENTION AGAINST THE DOLLAR BY EUROPEAN CENTRAL BANKS, WHOSE RESOURCES ARE LIMITED. ITALIAN FOREIGN EXCHANGE RESERVES HAVE BEEN REDUCED TO LESS THAN \$600 MILLION, DOWN FROM \$2 BILLION TEN WEEKS AGO, LEAVING ITALY WITH NO MEANS TO SERVICE ITS \$14 BILLION EXTERNAL DEBT.

"WE'LL DEVALUE THE LIRA BY 15 TO 20 PERCENT, THEN THE FRENCH FRANC, AND PRODUCTION WILL BE CUT BACK, SOME OF THE WEAK BUSINESSES WILL GO UNDER. PUT PEOPLE TO WORK -- ANY KIND OF WORK. LET'S FACE IT, THIS WILL IMPROVE LIQUIDITY ALL AROUND," A LEADING INTERNATIONAL BANKER SAID.

"THERE IS NO MORE FINANCIAL SOLUTION, ONLY A MILITARY-POLITICAL SOLUTION FOR ITALY," SAID A SENIOR OFFICER OF MANUFACTURERS' HANOVER.

"THE CRISIS DEMONSTRATES THE NEED FOR A STRONG 'GOVERNMENT OF NATIONAL UNITY' IN ITALY," ACCORDING TO A SENIOR OFFICER OF MANUFACTURERS HANOVER.

THE ITALIAN NEWSPAPER REPUBBLICA, OWNED BY GIOVANNI AGNELLI, REPORTED YESTERDAY AFTER THE ITALIAN FOREIGN EXCHANGE MARKET SHUT DOWN UNDER GOVERNMENT DECREE THAT "AMERICAN ADVICE" WAS RESPONSIBLE FOR THE RUN ON THE LIRA.

AT MOST, DAVID ROCKEFELLER AND HIS ASSOCIATES HAVE PROMPTED A CRISIS THAT WOULD HAVE BROKEN WITHIN THE NEXT SEVERAL WEEKS, AND ATTEMPTED TO USE IT FOR POLITICAL PURPOSES. ITALY, BRITAIN, AND FRANCE, UNDERWENT A SHARP REVERSAL IN THEIR TRADE BALANCES DURING THE FOURTH QUARTER OF 1975; THEY HAVE BEEN COMPELLED TO CUT BACK IMPORTS OF INDUSTRIAL RAW MATERIALS TO THE POINT OF ENDANGERING CUPRENT INDUSTRIAL PRODUCTION; THEIR COMBINED EXTERNAL INDEBTEDNESS IS CLOSE TO \$35 BILLION.



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LATE EVENING REPORT
JAN. 22, 1976
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I. SPECIAL BULLETIN ON AUSTERITY

FORD BUDGET MEANS CONTINUED UNEMPLOYMENT, NO GOVERNMENT RELIEF FOR WORKERS

WASHINGTON, D.C. JAN. 22 (IPS) — PRESIDENT FORD'S BUDGET MESSAGE FOR FISCAL 1977 CONFIRMED THAT THE PRESENT ADMINISTRATION HAS NOW COMPLETELY ABANDONED EVEN THE TOKEN COMMITMENT OF PREVIOUS ADMINISTRATIONS TO FEDERALLY FUNDED SOCIAL PROGRAMS. THE ZERO-GROWTH BUDGET PROPOSED BY THE PRESIDENT ALLOTS A BIGGER SHARE OF THE SHRINKING BUDGET PIE (WHEN INFLATION IS TAKEN INTO ACCOUNT) TO DEFENSE AND ENERGY PROGRAMS.

IF IMPLEMENTED, THE BUDGET WILL CUT DEEPLY INTO WORKING CLASS STANDARDS OF LIVING, WHICH ACCORDING TO IPS LABOR INTELLIGENCE CALCULATIONS, HAS ALREADY BEEN REDUCED BY A FULL 49 PERCENT SINCE AUG. 15, 1971 (SEE THE FORTHCOMING ISSUE OF THE IPS WEEKLY AND NEW SOLIDARITY FOR A FULL REPORT). PRESIDENT FORD PROPOSED A "CONSOLIDATION" OF SOCIAL PROGRAMS, WHICH, ACCORDING TO POLITICIANS AND OFFICIALS CITED BY THE NEW YORK TIMES, WILL RESULT IN GREATLY REDUCED PER CAPITA FEDERAL EXPENDITURE ON HEALTH, EDUCATION, AND OTHER SOCIAL SERVICES. FIFTY-NINE PROGRAMS, MANY SET UP AS PART OF PRESIDENT JOHNSON'S "GREAT SOCIETY" PUSH, WILL BE CONSOLIDATED INTO FOUR BLOCK GRANTS TO THE STATES TOTALLING \$18.2 BILLION; THE AREAS ARE HEALTH, EDUCATION, SOCIAL SERVICES, AND CHILD NUTRITION. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE OFFICIALS SAY THAT THE \$10 BILLION THAT WOULD BE TURNED OVER TO THE STATES FOR HEALTH IS ABOUT \$600 MILLION LESS THAN IS CURRENTLY BEING SPENT ON PUBLIC HEALTH PROGRAMS.

IN WELFARE, THE PRESIDENT IS CALLING FOR STRICTER FEDERAL GOVERNMENT SUPERVISION—STANDARDIZATION OF ELIGIBILITY AND PURGES OF "INELIGIBLES" FROM THE WELFARE ROLLS. FORD ALSO PROPOSED TO PUT A CEILING ON THE AMOUNT MEDICARE PATIENTS (THE ELDERLY AND THE DISABLED) HAVE TO PAY TO HOSPITALS AND DOCTORS FOR CARE DURING "CATASTROPHIC ILLNESS." THE BURDEN OF FINANCING THIS WILL BE PUT ON THE REST OF THE PROGRAM'S BENEFICIARIES, WHO WILL HAVE TO PAY HIGHER INSURANCE FEES AND TAKE ON MORE OF THE COSTS NOW PAID BY MEDICARE. DOCTORS' FEES PAID BY MEDICAID WILL BE LIMITED TO

(MORE).

INCREASES OF 4 PERCENT ANNUALLY—WHICH WILL NOT STOP DOCTORS FROM SENDING HIGHER BILLS TO PATIENTS. THE ADMINISTRATION ADMITS THESE CHANGES WILL PREVENT THE FEDERAL MEDICARE BILL FROM RISING AS FAST AS THE COST OF MEDICAL CARE.

THE IMPLICATIONS OF THESE CHARGES ARE CLEAR. APPROXIMATELY 65 WEEKS AGO THE BIGGEST WAVE OF LAYOFFS HIT U.S. INDUSTRY. IN FEBRUARY AND MARCH THOSE WORKERS' UNEMPLOYMENT COMPENSATION WILL RUN OUT. THE ABSENCE OF ANY ECONOMIC RECOVERY MEANS THOSE WORKERS WILL NOT FIND NEW JOBS. AT THE SAME TIME, GOVERNMENTS AT ALL LEVELS ARE ALREADY TIGHTENING UP ON WELFARE, SO IT IS QUESTIONABLE WHETHER WORKERS WHO HAVE RUN OUT OF UNEMPLOYMENT BENEFITS WILL EVEN BE ABLE TO GET ON WELFARE. PERHAPS THEY WILL BE ADMITTED AND OTHER "CHRONIC" CASES THROWN OFF THE ROLLS.

IN THE LONG RUN—WHEN THE NEXT FISCAL YEAR ROLLS AROUND—WORKERS WITH DWINDLING INCOMES AND SAVINGS WHO FIND THEMSELVES MORE AND MORE DEPENDENT ON PUBLIC HEALTH CARE AND OTHER SOCIAL SERVICES WILL FIND THAT THOSE PROGRAMS HAVE BEEN CONSOLIDATED OUT OF EXISTENCE.

AUTO LAYOFFS SCHEDULED

JAN. 22 (IPS) — CHRYSLER CORP. AND THE FORD MOTOR CO. HAVE JUST ANNOUNCED PLANS TO TEMPORARILY LAY OFF 8,800 WORKERS NEXT MONTH, WITH 1200 CHRYSLER WORKERS SCHEDULED TO PERMANENTLY LOSE THEIR JOBS IN MARCH, ACCORDING TO TODAY'S WALL STREET JOURNAL. THESE LAYOFFS, COMING ON TOP OF PREVIOUSLY ANNOUNCED PLANS BY AMERICAN MOTORS CORP. TO SHUT DOWN PRODUCTION AT TWO PLANTS, MAKE A MOCKERY OF GOVERNMENT CLAIMS THAT AN ECONOMIC RECOVERY IS UNDERWAY. THE COMMERCE DEPARTMENT HAS BEEN CLAIMING THAT INCREASING AUTO PRODUCTION WILL ACT TO SPUR INCREASED PRODUCTION IN OTHER INDUSTRIAL SECTORS.

AUTO SALES, WHICH HAVE BEEN TEMPORARILY PROPPED UP BY ALL TYPES OF CREDIT GIMMICKRY, ARE NOW GOING SOFT AS WORKERS FEEL THEIR REAL INCOMES DROP UNDER THE IMPACT OF AUSTERITY AND INFLATION. THE DROP IN AUTO SALES HAS LED TO A HUGE PILE-UP IN INVENTORY OF SEVERAL LINES OF AUTOS, ESPECIALLY SMALL CARS.

ALL INDICATIONS ARE THAT THESE LAYOFFS WILL BE FOLLOWED BY OTHERS. AS AUTO COMPANY OFFICIALS SAY THEY ARE NOW EVALUATING THEIR PRODUCTION PLANS ON A WEEK-TO-WEEK BASIS. JUST SEVERAL WEEKS AGO, FORD HAD ANNOUNCED THAT IT DID NOT EXPECT ANY LAYOFFS THIS YEAR. PLANTS AFFECTED BY THE LAYOFFS INCLUDE CHRYSLER'S JEFFERSON AND LYNCH ROAD PLANTS IN DETROIT, CHRYSLER PLANTS IN WARREN, MICHIGAN AND BELVEDERE, ILLINOIS, FORD'S METUCHEN, N.J. PLANT, AND AMERICAN MOTORS' KINOSHA AND MILWAUKEE, WISCONSIN PLANTS.

NEW YORK BANKS CONTINUE INDUSTRIAL BRIAGE

NEW YORK, JAN. 22 (IPS) -- THE WEEKLY BANKING STATISTICS RELEASED THIS AFTERNOON BY THE NEW YORK FEDERAL RESERVE BANK INDICATE THAT THE TEN LARGEST NEW YORK BANKS ARE CONTINUING THEIR POLICY OF

(MORE)

IPS LATE 01.22 P.3

TERMINATING CREDIT FOR U.S. INDUSTRIAL PRODUCTION, AS COMMERCIAL AND INDUSTRIAL (C AND I) LOANS BY THE BANKS DROPPED ANOTHER \$300 MILLION THIS WEEK. IN THE LAST THREE WEEKS THESE LOANS HAVE DROPPED AN INCREDIBLE \$1.7 BILLION.

WITH THE COLLAPSE OF C AND I LOANS, THE BANKING SYSTEM IS UNABLE TO FIND ANY OUTLET FOR SAFE, INCOME-PRODUCING INVESTMENTS. EVEN HOLDING OF U.S. TREASURY SECURITIES, WHICH PREVIOUSLY HAVE BEEN A GUARANTEED SOURCE OF SPECULATIVE PROFIT FOR THE BANKS, DROPPED \$750 MILLION DUE TO THE COLLAPSE OF SHORT-TERM INTEREST RATES, THE FED REPORTS. MOST OMINOUS, LARGE CERTIFICATES OF DEPOSITS OF \$100,000 OR MORE, WHICH ARE A MAJOR SOURCE OF BANK FUNDS, HAVE DECLINED \$650 MILLION IN THE LAST WEEK, AND OVER \$2 BILLION IN THE LAST THREE WEEKS. THIS REFLECTS A COMPLETE LACK OF CONFIDENCE IN THE STABILITY OF THE NEW YORK BANKS BY LARGE DEPOSITORS WORRIED ABOUT THE WELL-PUBLICIZED BAD LOANS ON THE BANKS' BOOKS.

WITHOUT SWIFT PASSAGE OF DEBT MORATORIUM AND INTERNATIONAL DEVELOPMENT BANK-TYPE PROPOSALS, THESE TRENDS WILL CONTINUE TO WORSEN.

END SECTION I, SPECIAL AUSTERITY BULLETIN.



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NEWS BULLETIN NO. 12

LABOR PARTY PREPARES TO EXPOSE FLINT DRUG- AND GUN-RUNNING NETWORK; PROMINENT LAWYER HARASSED

FLINT, MICH., JAN. 22 (IPS)—ON THE EVE OF THE LABOR PARTY'S EXPOSURE OF FLINT, MICH. AS A MAJOR NEXUS OF FBI-DIRECTED DRUG- AND GUN-RUNNING OPERATIONS, PROMINENT LAWYER MAX DEAN HAS RECEIVED INTENSE HARASSMENT FROM THAT VERY NETWORK. DEAN IS A MEMBER OF THE LABOR ORGANIZERS DEFENSE FUNDS ADVISORY BOARD AND IS PRESENTLY FILING SUIT ON BEHALF OF THE USLP AGAINST THE CONTINUATION OF ILLEGAL HARASSMENT ACTIVITIES BEING CARRIED OUT BY THE SPECIAL OPERATIONS BUREAU OF THE FLINT POLICE DEPARTMENT UNDER THE DIRECTION OF THE FBI.

THE LABOR PARTY HAD RECEIVED INFORMATION YESTERDAY THAT EXPOSED THE INNER WORKING OF FLINT'S "INVISIBLE GOVERNMENT," DOCUMENTING SPECIAL OPERATIONS BUREAU (SOB), U.S. TREASURY DEPARTMENT BUREAU OF ALCOHOL, TOBACCO AND FIREARMS (ATF) AND FBI INVOLVEMENT IN AREA GUN- AND DRUG-RUNNING OPERATIONS. THE LABOR PARTY INTENDS TO EXPOSE THIS INFORMATION AS PART OF ITS ONGOING CAMPAIGN TO IDENTIFY AND DISMANTLE THE U.S. JUSTICE DEPARTMENT'S TERROR APPARATUS. LABOR PARTY SPOKESMEN WERE SLATED TO TESTIFY ON THE FLINT OPERATION AT TODAY'S DETROIT CITY COUNCIL HEARINGS ON THE ILLEGAL ACTIVITIES OF THAT CITY'S LEAA-CONTROLLED RED SQUAD.

THE SOB

THE SOB IS RUN OUT OF THE HEAVILY FUNDED FLINT PROSECUTOR LEONARD'S OFFICE, WHICH ALSO OVERSEES THE ACTIVITIES OF THE LEAA-ORGANIZED CRIME TASK FORCE, AND THE FBI, ATF AND THE MICHIGAN STATE POLICE. IT IS RESPONSIBLE FOR "INVESTIGATING" CASES INVOLVING ORGANIZED CRIME, DRUG-RUNNING, GUN-RUNNING, PROSTITUTION--AND THE LABOR PARTY. ONE PARTICULAR DETECTIVE IS ASSIGNED TO ALL CASES INVOLVING THE LABOR PARTY AND ACTS AS THE DIRECT LIASON TO THE FBI.

THE SOB, AS MENTIONED ABOVE, HAS A NETWORK OF HUNDREDS OF "VOLUNTARY" INFORMERS WHO OPERATE WITHIN AUTO PLANTS AND COMMUNITIES. THE SOB FUNNELS DRUGS AND GUNS INTO THIS SAME NETWORK WHICH IS CONNECTED TO THE NEARBY MICHIGAN HEADQUARTERS FOR THE KKK.

THE SOB HAS STONEWALLED ON INVESTIGATING OVER 30 INCIDENTS

OF ATTACKS ON LABOR PARTY MEMBERS. AT LEAST TWO OF THESE ATTACKS WERE MADE BY TWO IDENTIFIED SOB OPERATIVES, LENNY BROWN AND WILLIAM BROWNING. BROWN HAD LAST YEAR ATTEMPTED TO INFILTRATE THE LABOR PARTY. BROWNING PHYSICALLY ATTACKED A LABOR PARTY MEMBER RECENTLY.

IN A RELATED DEVELOPMENT THE U.S. LABOR PARTY LEARNED TODAY THAT THE FBI-CONTROLLED MINUTEMEN AND THE KNIGHTS OF THE KU KLUX KLAN ARE PLANNING AN ARMED ATTACK ON LABOR PARTY MEMBERS IN THE READING, PA. AREA FOR SOMETIME ON FRIDAY, JA. 23.

ACCORDING TO ONE RELIABLE SOURCE, THAT ATTACK IS BEING PROVOKED BY LOCAL FBI AGENT DAVID ALLEN REILLY AND IS TO INVOLVE GUNS AND OTHER WEAPONS. THE SOURCE INDICATED THAT IT WAS TO BE CARRIED OUT AT ONE OF TWO ROUTINE LABOR PARTY DISTRIBUTION SITES —A LOCAL SHOPPING CENTER OR THE PARRISH STEEL PLANT.

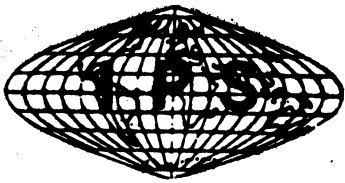
LAST YEAR, THE LABOR PARTY HAD EXPOSED MASSIVE FBI-CONTROLLED GUN- AND DRUG-RUNNING OPERATIONS BEING RUN OUT OF READING. THE OPERATION, WHICH CONDUITED WEAPONS, DRUGS AND EXPLOSIVES TO VARIOUS FBI TERRORIST OPERATIONS, INVOLVED THE MAOIST REVOLUTIONARY UNION AND THE KKK, AND IS COORDINATED BY AGENTS OF THE FBI AND THE TREASURY DEPARTMENT'S BUREAU OF ALCOHOL, TOBACCO AND FIREARMS.

AS IN THE FLINT CASE, THIS NEW FBI ESCALATION COMES AS THE USLP HAS BROADENED ITS EXPOSURE OF THE FBI OPERATIONS THROUGH THE RELEASE OF A NEW LEAFLET ON ITS READING NEXUS.

LEGAL COUNTERPUNCH OFFENSIVE

HAVING ALREADY FILED A SUIT AGAINST SOB AGENT BROWNING, THE USLP WILL SHORTLY FORMULATE A BROADER ACTION AGAINST THE SOB, BASED ON THE PATTERN OF ONGOING DISRUPTIVE ACTIVITIES OF BROWN AND BROWNING. SINCE THERE IS A DIRECT OPERATING RELATIONSHIP BETWEEN THE SOB AND THE STATE POLICE, THE PARTY WILL ALSO UTILIZE THE RECENT MICHIGAN STATE COURT RULING WHICH AUTHORIZED A 60-DAY PERIOD WHEREBY SELECTIVE PETITIONERS WILL BE ABLE TO GAIN ACCESS TO THEIR FILES. FINALLY, THE CONNECTIONS BETWEEN THE FBI, SOB AND STATE POLICE ARE A BASIS BY WHICH THE LABOR PARTY WILL MOVE TO GAIN THE RIGHT OF DISCLOSURE OF THOSE AGENCIES IN ITS CURRENT SUIT AGAINST THE FBI IN DETROIT.

END OF NEW BULLETIN NO. 12



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JANUARY 23, 1976 1330 HOURS EST
EARLY EVENING EDITION

I. PRIORITIES

ADMINISTRATION STIRS ON ITALIAN FINANCIAL CRISIS

WASHINGTON, D.C. JAN. 23 (IPS)—POCKETS OF THE FORD ADMINISTRATION YESTERDAY BEGAN TO REFLECT INCREASED AWARENESS OF THE GRAVITY OF THE FINANCIAL CRISIS PRICIPITATED BY THE COLLAPSE OF THE ITALIAN LIRA AND CLOSING OF THE ITALIAN FOREIGN CURRENCY EXCHANGE.

A SPOKESMAN FOR THE WHITE HOUSE TOLD IPS THAT THE PRESIDENT "WAS AWARE OF THE CRITICAL NATURE OF THE SITUATION." ONE WHITE HOUSE AIDE ASKED FOR INFORMATION ON HOW THE U.S. PRESS HAVE HANDLED THE AUSTERITY ISSUE.

AN ADVISOR TO THE BOARD OF THE U.S. FEDERAL RESERVE AGREED THAT DEBT MOROTORIA WERE UNDER CONSIDERATION AS "A SOLUTION OF THE LAST RESORT" AND EXPRESSED HIS PERSONAL OPPOSITION TO THE AUSTERITY POLICY OF THE N.Y. BANKS.

A SPOKESMAN FOR THE STATE DEPARTMENT, WHEN INFORMED THAT OTHER BRANCHES OF THE FEDERAL GOVERNMENT THINK THAT STATE IS DEFINING U.S. POLICY FOR THE CRISIS, SAID "THAT'S FLATTERING," BUT DISAGREED ON THE SERIOUSNESS OF THE SITUATION. ANOTHER STATE DEPARTMENT SOURCE, HOWEVER, AGREED THAT AUSTERITY "WOULD WRECK THE FINANCIAL BASE."

NEW YORK TIMES REVERSES POLICY OF ZERO GROWTH -- ATTACKS AUSTERITY CALLS FOR RISE IN LIVING STANDARDS

JAN. 23 (IPS)—IN A REVERSAL OF LONGSTANDING PRO-ZERO GROWTH POLICY, THE LEAD EDITORIAL IN YESTERDAY'S NEW YORK TIMES ATTACKS BUDGET FOR PROMOTING "A FAR LOWER RATE OF CAPITAL FORMATION THAN THE NATION NEEDS IN ORDER TO PROVIDE IT WITH THE PLANT AND EQUIPMENT, ENERGY PUBLIC UTILITIES AND OTHER CAPITAL GOODS TO FURNISH THE GREATER PRODUCTIVITY REQUIRED TO RAISE LIVING STANDARDS." FORD'S BUDGET CONTINUED THE TIMES, "WILL FORCE THE NATION TO CONTINUE TO SUFFER FROM HIGH UNEMPLOYMENT...UNLESS CONGRESS INTERVENES," AND "WILL MEAN A LOST OUTPUT OF REAL GOODS AND SERVICES AMOUNTING TO MORE THAN \$150 BILLION A YEAR." THE TIMES ALSO DEMANDED A "METICULOUS SCREENING" BY CONGRESS OF FORD'S INFLATED DEFENSE BUDGET."

CHICAGO TRIBUNE WITHDRAWS SUPPORT FOR FORD BUDGET

JAN. 23 (IPS)—THE CHICAGO TRIBUNE, A CONSERVATIVE PRESS SPOKESMAN FOR CHICAGO BUSINESS AND INDUSTRIAL LAYERS, HAS REVERSED ITS JAN 21 EDITORIAL STATEMENT AND STATE OF THE UNION PROPOSALS ARTICLE IN YESTERDAY'S TRIBUNE READ "FORD'S BUDGET AUSTERE," WHILE ANOTHER DESCRIBED THE BUDGET AS "UNREAL," "UNLIKELY," "ALICE IN WONDERLAND," AND "IMPOSSIBLE TO GET THROUGH CONGRESS."

SWEDISH PRESS REVEALS PALME IN SECRET BILDERBERGER GROUP

JAN. 23 (IPS)—GT, A LEADING LIBERAL PAPER IN GOTHENBURG, SWEDEN HAS REVEALED THAT SWEDISH LEFT SOCIAL DEMOCRATIC PRIME MINISTER OLOF PALME IS A MEMBER OF THE TOP-SECRET BILDERBERGER GROUP. OTHER BILDERBERGERS IDENTIFIED BY GT INCLUDED WEST GERMAN NEO-NAZI FRANZ-JOSEF STRAUSS, DAVID ROCKEFELLER, FIAT HEAD GIOVANNI AGNELLI, U.S. SECRETARY OF STATE HENRY KISSINGER, WEST GERMAN SOCIAL DEMOCRATIC PARTY LEADER WILLY BRANDT, AND OTHER TOP POLITICAL, FINANCIAL AND MILITARY LEADERS.

THE EXPOSE, TITLED "HOW CIA ORGANIZED EUROPE AGAINST MOSCOW" WITH THE SUBTITLED, "BILDERBERG--DISCUSSION CLUB OR 'WORLD GOVERNMENT'?" WHERE ONE OF THE MEMBERS IS OLOF PALME," REVEALS INVISIBLE GOVERNMENT TIES LINKING THE GROUP WITH THE EUROPEAN SECOND INTERNATIONAL NETWORK OF FOUNDATIONS.

GT TERMS THE SECOND INTERNATIONAL PARTICIPATION THESE NETWORKS "ONE OF THE CORNERSTONES IN THIS PARTLY-CIA FINANCED WORK." THIS BILDERBERG GROUP, GT, SAYS, IS A "WORLD GOVERNMENT — A SHADOW CABINET GOVERNING ALL NATIONAL GOVERNMENTS IN THE WEST."

THE GOTHENBURG PAPER GT HAS DIRECT TIES TO THE INFLUENTIAL VOLVO CORPORATION, AND ITS EXPOSE MAY WELL SIGNAL AN OPEN FACTIONAL ATTACK ON THE PRO-ROCKEFELLER GOVERNMENT OF BILDERBERGER PALME. THE GT EXPOSE IS THE FIRST PUBLISHED REPORT ABOUT PALME'S INVOLVEMENT IN THE TOP POLICY-MAKING CIRCLES OF INTERNATIONAL FINANCE, AND THE REVELATIONS WILL BE VERY DAMAGING TO PALME'S CAREFULLY CULTIVATED INTERNATIONAL IMAGE AS A LEFTIST NEUTRAL "PROGRESSIVE."



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LATE NEWS ROUND-UP
JAN. 23, 1976 2100 HRS.

I. PRIORITIES

SPECULATORS DUMPING LIRA, FRANC, AND POUND

JAN. 23 (IPS)—THE ROCKEFELLER-PROVOKED ITALIAN LIRA CRISIS - WHICH HAS RESULTED IN THE SHUTDOWN OF THE ITALIAN FOREIGN EXCHANGE AND STOCK MARKETS- HAS PROVOKED A FULL-FLEDGED RUN ON THE FRENCH FRANC AND THE BRITISH POUND. ALL THREE COUNTRIES REGISTERED SHARPLY DETERIORATING TRADE DEFICITS IN THE LAST QUARTER OF 1975, AND EXPECT THEIR PAYMENTS BALANCE SITUATIONS TO WORSEN IN THE IMMEDIATE FUTURE.

BOTH THE BANK OF ENGLAND AND THE BANQUE DE FRANCE HAVE BEEN SUPPORTING THEIR CURRENCIES WITH HUNDREDS OF MILLIONS OF DOLLAR SALES FROM THEIR CENTRAL BANK RESERVES. THE BANQUE DE FRANCE, ACCORDING TO WEST GERMAN FOREIGN EXCHANGE TRADERS, ALONE HAS SOLD 1 BILLION DOLLARS, OR ONE SIXTH OF ITS TOTAL FOREIGN EXCHANGE RESERVES, OVER THE LAST THREE DAYS. IN ADDITION, THE NEW YORK FEDERAL RESERVE BANK HAS BEEN CALMING THE STATESIDE MARKETS DOWN WITH MASSIVE INTERVENTIONS ON THE BEHALF OF EUROPEAN CURRENCIES TO KEEP THE SITUATION FROM EXPLODING INTO A GENERALIZED PANIC.

INTERVIEWS WITH WALL STREET BANKERS AND THE INTERNATIONAL MONETARY FUND INDICATE THAT THE SITUATION IS UNCONTROLLABLE AND COULD LEAD TO A COLLAPSE OF ALL EUROPEAN CURRENCIES IN THE IMMEDIATE PERIOD AHEAD. RUMOURS OF A DEVALUATION OF THE FRENCH FRANC ARE WIDESPREAD, AND THERE HAS BEEN A MAJOR FLIGHT OF CAPITAL FROM THE COUNTRY IN ANTICIPATION OF DEVALUATION. MARKET SOURCES REPORT THAT SUCH A DEVALUATION, INTENDED TO IMPOSE VICIOUS AUSTERITY ON THE WORKING CLASS, WOULD FORCE WEST GERMANY AND JAPAN TO DEVALUE THEIR CURRENCIES AS WELL, IN ORDER TO MAINTAIN THEIR EXPORT COMPETITIVENESS.

KISSINGER SABOTAGES SALT PACT

JAN. 23 (IPS)—SECRETARY OF STATE HENRY KISSINGER LEFT MOSCOW YESTERDAY WITHOUT AN AGREEMENT ON THE STRATEGIC ARMS LIMITATION PACT. WHILE UNNAMED STATE DEPARTMENT OFFICIALS INSISTED THAT IT WOULD BE "AN UNFAIR INFERENCE TO SAY THAT THE TALKS HAD FAILED OR DEAD-LOCKED," HELMUT SONNENFELT, A STATE DEPARTMENT SPOKESMAN SAID THAT "THERE ARE MORE FUNDAMENTAL ISSUES TO BE RESOLVED." WHILE TODAY'S BALTIMORE SUN RAN A STORY HEADLINED "KISSINGER FAILS TO GET SALT PACT," NUMEROUS PRESS HAVE GIVEN COVERAGE TO A CLAIM BY KISSINGER THAT HE

(MORE)

NEVER REALLY WENT TO MOSCOW TO SECURE AN AGREEMENT, BUT ONLY TO PRODUCE "MOTION" IN THE SALT TALKS. THE ONLY CONCRETE AGREEMENT REPORTED TO HAVE ARISEN OUT OF KISSINGER'S TRIP IS A U.S./SOVIET AGREEMENT ON THE DEFINITION OF "LIGHT" AND "HEAVY" MISSILES.

PSI-DC GOVERNMENT IN THE OFFING IN ITALY?

JAN. 23 (IPS)—FORMATION OF A COALITION GOVERNMENT IN ITALY BETWEEN THE CHRISTIAN DEMOCRACY (DC) AND THE SOCIALIST PARTY (PSI) APPEARS TO BE IN THE WORKS TODAY IN THE WAKE OF A MASSIVE OUTFLOW OF ITALIAN CENTRAL BANK RESERVES TO PROP UP THE LIRA WHICH REACHED ITS CLIMAX EARLIER THIS WEEK.

REPORTS OF A POSSIBLE DC-PSI GOVERNMENT CAME FOLLOWING INTENSE PRESSURE ON THE PSI — WHICH PRECIPITATED THE GOVERNMENT CRISIS BY WITHDRAWING ITS SUPPORT FROM PREMIER ALDO MORO OVER THE ISSUE OF AUSTERITY — TO COMPROMISE ON THE AUSTERITY ISSUE. ACCORDING TO LA STAMPA, COMMUNIST PARTY (PCI) GENERAL SECRETARY ENRICO BERLINGUER ADVISED HIS PSI COUNTERPART FRANCESCO DE MARTINO, ACCORDING TO TODAY'S LA STAMPA, THAT IF ONE PROVOKES A CRISIS, THERE CAN BE ONLY TWO ALTERNATIVES: EITHER FORCE EARLY ELECTIONS OR ENTER THE GOVERNMENT. SINCE BOTH THE PSI AND THE PCI ARE OPPOSED TO EARLY ELECTIONS, BERLINGUER REPORTEDLY SAID, THEN THE PSI HAD NO CHOICE BUT TO JOIN THE CABINET.

OTHER SPECULATION TODAY CENTERED ON THE POSSIBLE ROLE OF THE AGENT-LED PCI, ITALY'S SECOND LARGEST PARTY, IN A COALITION GOVERNMENT. A HIGHLY - PLACED IMF SOURCE INDICATED YESTERDAY THAT A "HISTORICAL COMPROMISE" GOVERNMENT WITH THE PCI AND THE DC MIGHT PROVIDE THE BETTER SOLUTION TO THE GOVERNMENT CRISIS. BUT OTHER OBSERVERS NOTE THAT THE PCI, WHICH HAS COVERTLY SUPPORTED THE AUSTERITY POLICIES OF THE PRO-ROCKEFELLER FACTION IN THE DC, MAY FIND IT MORE ADVANTAGEOUS TO CONTINUE AS A SILENT PARTNER IN IMPOSING AUSTERITY ON ITALY.

ATTACK ON LIRA 'MAY HAVE BEEN PROVOKED': LONDON TIMES

JAN. 23 (IPS)—"SUGGESTIONS HAVE BEEN MADE" THAT THE SPECULATION AGAINST THE ITALIAN LIRA WAS "PROVOKED AS A MEANS OF PREVENTING THE FORMATION OF A GOVERNMENT JUDGED TOO FAR TO THE LEFT," ACCORDING TO THE LONDON TIMES OF JAN. 22.

"WHATEVER THE TRUTH OF SUCH ASSERTIONS, THE SERIOUSNESS OF THE POLITICAL CRISIS IS NOW ACCENTUATED AS WELL AS THE NEED TO GIVE THE COUNTRY A GOVERNMENT OF SOME KIND IN THE SHORTEST POSSIBLE TIME," TIMES CORRESPONDENT PETER NICHOLS ADDS.



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NEW SOLIDARITY INTERNATIONAL PRESS SERVICE (IPS)
AUSTERITY BULLETIN NO. 2
JANUARY 23, 1976

AUTO LAYOFFS CONTINUE

JAN. 23 (IPS)—ACCORDING TO TODAY'S WALL STREET JOURNAL, GENERAL MOTORS CORP. WILL TEMPORARILY LAY OFF 7,500 WORKERS AT ITS LORDS-TOWN, OHIO AND SOUTH GATE, CALIFORNIA PLANTS DURING FEBRUARY. YESTERDAY WHEN IT WAS REPORTED THAT CHRYSLER, FORD AND AMERICAN MOTORS WILL BE LAYING OFF 10,000 WORKERS DURING FEBRUARY, AUTO INDUSTRY ANALYSTS TOLD IPS THAT THERE WOULD BE NO LAYOFFS AT GM IN THE IMMEDIATE FUTURE.

ECONOMIC INDICATORS SHOW THAT ADDITIONAL AUTO LAYOFFS ARE INEVITABLE.

YESTERDAY THE COMMERCE DEPARTMENT'S WEEKLY FIGURES ON RETAIL SALES SHOWED THAT SALES OF DURABLE GOODS WERE DOWN 5.1 PER CENT. A COMMERCE DEPARTMENT SPOKESMAN SAID TODAY THAT THIS SALES DROP COULD PROBABLY BE ATTRIBUTED TO A SLACKENING OF AUTO SALES.

INDUSTRY SOURCES TOLD IPS TODAY THAT CHRYSLER CORP. IN PARTICULAR IS BEGINNING TO RUN UP DANGEROUSLY HIGH INVENTORY LEVELS. INVENTORIES OF CHRYSLER CARS ROSE FROM A 74 DAY SUPPLY IN NOV. TO 94 DAYS IN DEC, AND A 65 DAY STOCK IS CONSIDERED TO BE SUFFICIENT.

THE WORKING DOWN OF EXCESSIVE INVENTORIES WAS THE IMMEDIATE CAUSE OF THE FIRST COLLAPSE OF AUTO PRODUCTION IN THE FALL OF 1974. CURRENT AUTO INDUSTRY PRODUCTION SCHEDULES ARE BASED ON PLANS TO PRODUCE 300,000 MORE AUTOS THAN ANTICIPATED SALES IN THE FIRST QUARTER IN ORDER TO BUILD UP INVENTORIES FOR A SPRING AND SUMMER SALE WAVE! SUCH PRODUCTION LEVELS, GIVEN THE ACTUAL SALES SITUATION, WILL HAVE TO BE REDUCED DRASTICALLY IN THE FUTURE.

DURABLE GOODS ORDERS AND RETAIL SALES DECLINE

NEW YORK, JAN. 23 (IPS)—THE COMMERCE DEPARTMENT REPORTED YESTERDAY THAT TWO KEY ECONOMIC INDICATORS, DURABLE GOODS ORDERS AND RETAIL SALES, DECLINED DURING THE MOST RECENT PERIOD, CONFIRMING THAT THE SO-CALLED RECOVERY IS NON-EXISTENT.

ORDERS FOR DURABLE GOODS, WHICH INCLUDE KEY COMPONENTS OF THE ECONOMY LIKE MACHINERY, FELL 0.5 PER CENT IN DEC. EXCLUDING ORDERS FOR TRANSPORTATION EQUIPMENT, WHICH INCLUDES AUTOS, ORDERS FOR THE REST OF THE DURABLE GOODS SECTOR DROPPED 4.4 PER CENT. AS INDICATED BY THE RECENT ANNOUNCEMENT OF

17,500 AUTO LAYOFFS, THIS SECTOR IS NOW COLLAPSING.

HERBERT LIEBLING, CHIEF ECONOMIST FOR THE U.S. TREASURY DEPARTMENT AND A PROPHET OF RECOVERY, WAS QUOTED IN TODAY'S WALL STREET JOURNAL AS SAYING THAT THE NUMBERS "DON'T SEEM TO MAKE MUCH SENSE."

RETAIL SALES ALSO DECLINED, DROPPING TO 1.8 PER CENT DURING THE PAST WEEK. A RETAIL ANALYST IN NEW YORK TOLD IPS TODAY THAT DESPITE TALK OF STRONG RETAIL SALES DURING THE CHRISTMAS SEASON, RETAIL STORES ARE MAINTAINING A BARE-BONES INVENTORY POSITION. THE ANALYST EXPLAINED THAT RETAILERS "LOST THEIR SHIRTS" FINANCING THEIR INVENTORIES DURING LAST YEAR'S PHASE OF THE COLLAPSE.

FORD TO IMPLEMENT '77 BUDGET IN '76

JAN. 23 (IPS)—THE WHITE HOUSE ANNOUNCED TODAY THAT PRESIDENT FORD HAS SENT TO CONGRESS PROPOSALS FOR 16 NEW BUDGET REVISIONS (CUTBACKS IN THE EXISTING BUDGET). IN ACTUAL DOLLAR AMOUNTS, THE REQUESTED CUTBACKS WOULD TOTAL \$92.4 MILLION, AND THE DEFERRALS TOTAL \$3.2 MILLION. MOST OF THE CUTS, IF APPROVED BY CONGRESS, NOTED BY OBSERVERS TO BE UNLIKELY, WILL COME FROM DEPARTMENT OF HEALTH, EDUCATION AND WELFARE FUNDS AND ALLOCATIONS TO THE DEPARTMENT OF AGRICULTURE. CAPITOL HILL SOURCES REMARKED THAT FORD IS TRYING TO IMPLEMENT 1977 AUSTERITY PROPOSALS IN THE CURRENT BUDGET.

THOUSANDS THROWN OFF UNEMPLOYMENT ROLLS IN STATISTICAL RUSE

JAN. 23 (IPS)—THOUSANDS OF WORKERS LAID OFF SEVERAL MONTHS AGO ARE BEING THROWN OFF THE UNEMPLOYMENT ROLLS AS PART OF A STATISTICAL FORMULA IN THE FEDERAL FUNDING OF UNEMPLOYMENT PROGRAMS.

AS OF NOV. 22, 1975, MORE THAN 188,000 WORKERS IN 20 STATES AND THE DISTRICT OF COLUMBIA WERE RECEIVING AN ADDITIONAL 26 WEEKS OF SUPPLEMENTAL BENEFITS UNDER A FEDERAL LAW ENACTED IN 1974. UNDER THE AVAILABILITY FORMULA IN THAT LAW, THE DISBURSEMENT OF THESE SUPPLEMENTAL FUNDS IS DETERMINED BY THE RATE OF UNEMPLOYMENT IN A GIVEN STATE. NOW, THESE STATES THROUGH THE FRAUDULENT MANIPULATION OF UNEMPLOYMENT STATISTICS ARE SHOWING LOWER UNEMPLOYMENT RATES AND THE FUNDING IS BEING CUT BACK.

FEDERAL OFFICIALS HAVE THUS FAR REFUSED TO REVEAL EXACTLY HOW MANY WORKERS WILL BE AFFECTED BY THIS SWINDLE.

FORETASTE OF NELSON ROCKEFELLER'S NEW FEDERALISM

JAN. 23 (IPS)—PRESIDENT GERALD FORD IS GETTING STRONG BACKING FROM VICE PRESIDENT NELSON ROCKEFELLER FOR ONE OF THE MAJOR POLICY PROPOSALS CONTAINED IN THE STATE OF THE UNION ADDRESS OF JAN. 19—THE NEED TO TAKE RESPONSIBILITY FOR THE DELIVERY OF SOCIAL SERVICES OUT OF THE HANDS OF BIG GOVERNMENT AND RETURNING IT TO

(MORE)

THE STATES. AS ANYONE WHO READS THE PAPERS REALIZES, THESE STATES ARE EITHER BANKRUPT OR NEAR BANKRUPTCY THEMSELVES AND ARE NOW BOWING OUT OF PICKING UP THE TAB FOR SUCH COSTS.

AN EXAMINATION OF THE PROBLEM OF WELFARE PAYMENTS REVEALS THAT THE BURDEN HAS ALREADY BEEN SHIFTED TO THE STATES AND VARIOUS MUNICIPAL SUBDIVISIONS.

A RESEARCHER AT THE NEW YORK STATE DEPARTMENT OF LABOR INDICATED TODAY THAT DURING JAN.-SEPT. '75, THE NUMBER OF NEW YORK STATE RESIDENTS ON AID TO DEPENDENT CHILDREN FEDERALLY-REIMBURSED RELIEF REMAINED STABLE, WHILE THE GENERAL ASSISTANCE ROLES--THOSE FUNDED EXCLUSIVELY BY STATES AND CITIES--INCREASED DRAMATICALLY. HE SAID THAT AT FIRST THIS TREND WAS PUZZLING, BECAUSE ONE WOULD EXPECT UNEMPLOYED WORKERS WITH EXHAUSTED UNEMPLOYMENT BENEFITS TO TURN UP ON ADC RELIEF. HIS EXPLANATION WAS THAT CASE WORKERS WERE PUTTING THESE WORKERS, WHO WERE ACTUALLY ELIGIBLE FOR THE FEDERALLY-FUNDED PROGRAM, ONTO GENERAL RELIEF BECAUSE THERE WAS "SO MUCH RED TAPE INVOLVED WITH GETTING THEM ON THE FEDERAL ROLES."

MUCH OF THE RED TAPE IS OBVIOUSLY DESIGNED TO REDUCE THE SIZE OF THE FEDERAL WELFARE COMMITMENT. THE NEW HEW SECRETARY HAS MADE IT ONE OF HIS OBJECTIVES TO GET THE INELIGIBLES OFF THE ROLES. FORD'S PROPOSAL TO TIGHTEN UP FEDERAL CONTROL OVER "ELIGIBILITY" IS AIMED AT ACCELERATING THIS PROCESS WHICH WILL EVENTUALLY LEAVE HUNDREDS OF THOUSANDS OF UNEMPLOYED WORKERS WITHOUT ANY RELIEF WHATSOEVER.

ACCORDING TO THIS SAME RESEARCHER, MORE AND MORE UNEMPLOYED WORKERS IN NEW YORK STATE ARE TURNING UP ON WELFARE--THE STATE AND LOCALLY FUNDED PROGRAM. A STUDY HE DID FOLLOWING UP WHAT HAPPENED TO THE FIRST GROUP OF WORKERS WHO EXHAUSTED THEIR 65 WEEKS OF BENEFITS LAST JULY SHOWED THIS, AND HE HAD PLANNED TO UPDATE THE STUDY BUT TOO MANY PEOPLE HAD BEEN LAID OFF FROM HIS STAFF TO TAKE ON THE PROJECT, HE TOLD IPS.

GOVERNORS TO GRID THEIR AUSTERITY PLANS

JAN. 23 (IPS)--THE NATIONAL GOVERNORS CONFERENCE IS REPORTED TO BE GATHERING REPORTS ON THE NEW STATE AUSTERITY BUDGETS AS THEY COME OUT AND WILL PUT TOGETHER A COMPREHENSIVE REVIEW BY EARLY NEXT MONTH.

A RESEARCHER FOR THE GOVERNORS' GROUP SAID TODAY THAT PRELIMINARY INDICATIONS ARE THAT THE NORTHEASTERN AND NORTH CENTRAL STATES WILL FOLLOW A NEAR-IDENTICAL AUSTERITY ROUTE, SINGLING OUT WELFARE, EDUCATION AND HEALTH COSTS FOR THE AXE.

THE NEW YORK STATE BUDGET RELEASED BY GOV. HUGH CAREY THIS WEEK TARGETS THESE OUTLAYS. THE \$10.76 BILLION "NO GROWTH" BUDGET CALLS FOR CUTBACKS OF \$110 MILLION IN EDUCATION, \$132 MILLION IN WELFARE AND SEVERAL TENS OF MILLIONS IN HEALTH COSTS.

(MORE)

ITALIAN ECONOMY GRINDS TO A HALT FOLLOWING MARKET SHUTDOWN

NEW YORK, JAN. 23 (IPS)--REPORTS RECEIVED FROM EUROPE EARLIER TODAY INDICATE THAT ALL MAJOR ECONOMIC ACTIVITY IN ITALY HAS COME TO A VIRTUAL STANDSTILL FOLLOWING A NEW YORK BANKERS-INSPIRED DECISION BY THE POLITICAL LEADERSHIP OF THAT COUNTRY TO SHUT DOWN THE FOREIGN EXCHANGE AND STOCK MARKETS. ITALIAN FOREIGN TRADE HAS COME TO A HALT BECAUSE IT IS IMPOSSIBLE FOR IMPORTERS TO BUY FOREIGN CURRENCIES IN EXCHANGE FOR THE ITALIAN LIRA. IN ADDITION, INTERNAL ITALIAN CREDIT SPIGOTS HAVE BEEN TURNED OFF DUE TO THE UNCERTAINTY SURROUNDING THE LIRA'S FUTURE EXCHANGE VALUE VIS-A-VIS FOREIGN CURRENCIES.

PRESS OUTLETS IN THE COUNTRY CONTROLLED BY THE ANTI-ROCKEFELLER CEFIS-MANCINI FACTIONS OF THE CHRISTIAN DEMOCRATIC PARTY ARE BLAMING ROCKEFELLER-CONTROLLED NEW YORK BANKS AND THE U.S. COMPTROLLER OF THE CURRENCY FOR PROVOKING THE CRISIS BY LEAKING REPORTS ABOUT ITALY'S UNCREDITWORTHINESS AND BY SPECULATING AGAINST ITS CURRENCY.

SOURCES AT THE INTERNATIONAL MONETARY FUND IN WASHINGTON, D.C., WHERE A DELEGATION FROM THE BANK OF ITALY IS PRESENTLY DISCUSSING A SOLUTION TO THE CRISIS, HAVE REPORTED THAT A POSSIBLE DEBT RESCHEDULING OF ITALY'S SHORT-TERM DEBTS, BOTH PRIVATE BANK AND IMF-RELATED, IS BEING MOOTED.

END OF AUSTERITY BULLETIN FOR JAN. 23, 1976
