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TABLE OF CONTENTS

INTERNATIONAL

- 1 French Intervention Prepares U.S.-Soviet Show-down In Africa
- 3 — Anti-Mobutu Insurgency in Africa
- 4 OECD Against Carter Energy Plan
- 5 — BRD For Reworking Of Non-Proliferation Treaty
- 6 — European Press Rejects Carter's Plan

NATIONAL

- 1 Carter Energy Program To Save N.Y. Banks
- 2 — Burns Demands IMF Dictatorship
- 4 — Excerpts From Carter's Energy Plan
- 5 Legislative Battle Against Carter Energy Plan
- 9 Opposition To Carter Voting Bill

ECONOMICS

- 1 Foreign Exchange
- 2 Banking
- 3 Business Outlook
- 4 Corporate Affairs
- 4 Special Report — GAO On N.Y.C.
- 6 Special Report — Probe Of New York Banks

ENERGY

- 1 The State Of World Oil Supplies
- 6 OPEC Develops Nuclear Power

SCIENCE AND TECHNOLOGY

- 1 The End Of Quarkery
- 8 Scientists For 'Apollo' Fusion Program
- 9 Pravda On Fast Breeder Reactors

SOVIET SECTOR

- 1 Moscow Won't 'Play Ball' With Brzezinski
- 2 Czechs Endorse New Swedish CP

MILITARY STRATEGY

- 1 Soviets '20 Years Ahead Of U.S.'
- 4 Carter Seeks Control Of Military Intelligence

COUNTERINTELLIGENCE

- 1 NSC Terror Wave Hits
- 3 CPUSA, FBI Espionage Network Exposed

EUROPE

- 1 France
- 2 Italy
- 3 West Germany
- 3 Special Report — Nazi Networks In Greece

MIDDLE EAST

- 1 Warhawk Peres Consolidates Victory
- 2 How Rabin Was Dumped
- 6 Tunisia Report

ASIA

- 1 Japan, USSR Fishing Talks Proceed

LATIN AMERICA

- 1 Mexico
- 2 Venezuela

LAW

- 1 New South's 'New Southern Justice'

PRESS

- 1 Phoenix Probe Publishers Paid Off

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EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief
Nancy Spannaus

Managing Editors
Linda Frommer
Don Baier

Production Editor
Deborah Asch

U.S.A.—Konstantin George • **Economics**—David Goldman • **Energy**—William Engdahl
Science&Technology—Morris Levitt • **Soviet Sector**—Rachel Berthoff • **Military Strategy**—Paul Goldstein
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IN THIS WEEK'S ISSUE —

The confessions of **Arthur Burns**... the U.S. Federal Reserve chief telegraphed in a speech last week that the major purpose of the Carter Administration's "**energy conservation**" package... was to **rescue** the "especially **vulnerable**" **dollar monetary system** from collapse. Lengthy excerpts from Burns' speech are reprinted in the **National Report**... and a full rundown on the massive industrial, labor and congressional **opposition** the plan is already meeting in the USA.

* * *

The **OECD countries**... and most of the civilized world... **voted down** the Carter **plutonium ban** at last week's international energy conference in Iran. See **International Report** for the details. Plus excerpts from the **European press commentary** on U.S. energy policy... and the text of a new **statement by the West German government**... indicating coordinated action under the **Non-Proliferation Treaty** is underway to stop nuclear sabotage.

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Moscow won't play ball with **Zbigniew Brzezinski**... and told the Carter Administration last week to **stop pretending** the USSR had not completely rejected the provocative Vance-Brzezinski **SALT** proposals to halt Soviet technological development. For excerpts from **Pravda** and other Soviet sources... and continued "hang tough" statements by Carter officials, see **Soviet Sector**.

The Carter team needs a crisis. A **new Vietnam** in Africa? That's what's being manufactured in **Zaire**... with the help of French President **Giscard d'Estaing**. This week's **International Report** carries Giscard's statement on French military intervention... **sharp replies** from **Angola** and the **Soviets**... the who and why of the **insurgency** against Zaire's **Mobutu**... and the **Trilateral Commission's** scenario for escalation to a thermonuclear **showdown** between the USA and USSR.

* * *

An Israeli **preemptive strike** in Lebanon? **Moshe Dayan's** hawks are in control in Tel Aviv... threatening to detonate a fifth Arab-Israeli war. Our **Middle East** report has the news... and an **exclusive background feature** on the men now running Israel, and how they masterminded the **watergate coup** against Prime Minister **Rabin**.

* * *

West German Attorney General **assassinated**... Italian Socialist leader **poisoned**... the biggest wave of international **terror** since the **Kennedy era** is shaping up. It's programmed to go **nuclear** this spring... with "old Kennedy hands" at the control levers... see **Counterintelligence**.

* * *

The CIA's "**oil shortage**" report is a **hoax**... and our **Energy** report documents it. An exclusive worldwide country-by-country **run-down on oil reserves and prospects**... showing 2 trillion barrels of oil waiting to be consumed. Plus a report on why and how the oil producing countries are committed to developing **nuclear power**.

INTER-NATIONAL
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SOVIET SECTOR
MILITARY STRATEGY
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PRESS

In our weekly **Economics** report... **European currency bloc** shaping against the dollar... Europe **rejects** the Carter-Burns **IMF** bailout plan... why Carter scrapped the **tax rebate** and why it won't save the U.S. economy... plans for **anti-trust warfare** against U.S. corporations... a new onslaught against **New York City**... and **legislative testimony** documenting how the **New York banks** precipitated the city's financial crisis.

* * *

The perils of empiricist science... this week's **Science and Technology** section explores the physicists' pursuit of the **quark**... shows why they're chasing a **mirage**. Plus the text of a letter to Carter by top nuclear scientists calling for an "**Apollo-style**" program for **fusion** development... and a report from **Pravda** on the stepped-up **Soviet breeder** reactor program.

* * *

One of the USA's top military intelligence analysts says the **Soviets** are **20 years ahead of the U.S.** in vital areas of defense technology... See **Military Strategy** for excerpts from **Major General Keegan's** analysis... and a report on **Trilateral Commission** efforts to **replace** America's competent **military professionals** with Rand Corp. war-gaming quacks.

* * *

Giscard's Zaire operation has laid a giant **trap for the Gaullists**... are they walking into it? The **Andreotti government** in Italy continues maneuvers for **t-ruble trade** financing from the CMEA countries... **MBFR peace and development initiative** on tap in West Germany... see **Europe**. Plus a special report on the **fascist networks** Rockefeller is using to destabilize **Greece**.

Japanese industrialists have forced Prime Minister **Fukuda off course** from his plan for a **China-Japan axis** against the Soviet Union. That's the secret behind the resumption of Soviet Japanese fishing talks... See **Asia**.

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Progressive forces in Mexico are mounting a public fight against the **IMF** and Carter Administration plans to **grab Mexican oil**. U.S. Senator **Javits** and a **State Department** team are in the country to crush them... A similar battle is shaping up in Venezuela... see **Latin America**.

* * *

A **Nixon-era "dirty tricks" team** is still operating in North Carolina... under the protection of the same "**New South**" networks which launched the career of **Jimmy Carter**. Their assignment... a pilot project to destroy the **electoral process**... see **Law**.

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This month's **Wisconsin mayoral election** was the testing ground for new methods of **vote fraud** to be legalized under the Carter Administration's **universal registration** bill. Our **National Report** has the story... together with a report on the state of national opposition to the Carter package.

* * *

The **Institute for Policy Studies** is reportedly making direct payments to media outlets running its "**Phoenix Probe**" smear job on Sen. Barry Goldwater and the Teamsters union. See **Press** for further background on the **IPS** pedigrees of the would-be watergaters.

French Intervention On Behalf Of Carter Prepares U.S.-Soviet Showdown In Africa

President Valery Giscard d'Estaing's April 10 announcement of French military support for the rapidly crumbling regime of Zairean President Mobutu is an act on behalf of the Trilateral Commission — one which could place Africa in the center of a U.S.-Soviet thermonuclear showdown. The announcement has prompted a storm of protest in France and around the world, and this outrage is expected to grow as it becomes clear that Giscard's aim is to recreate for the U.S. the NATO-African coalition that unsuccessfully sought to crush the Angolan revolution during 1975.

The military buildup in Zaire was revealed by Giscard when he announced his unilateral decision to order a French military airlift to carry Moroccan troops and supplies to Zaire, ostensibly to put down a rebellion in Zaire's copper-rich southern province of Shaba. French planes are also bringing in trucks and artillery, while French and Belgian officers are trying to put some backbone into the collapsed Zaire army by bringing in mercenaries to provide the necessary secondary leadership to handle the more sophisticated heavy weapons. There is also a contingent of about 50 French pilots with a squadron of Mirage jets, operating from the Kolwezi airport, who are flying bombing missions against the insurgents, as well as across the border into Zambia.

There are now over 100 French military men in Zaire, according to Agence France Presse, and it is being reported that the French-led Moroccan troops are reconnoitering and deploying for battle around the southern Zaire town of Kowlezi, preparing to move

forward on the offensive in about a week. The Zaire government has already barred all foreign correspondents from the southern Zaire regions as this offensive is prepared. The French action caps a month-long Atlanticist press campaign to bill the Shaba rebellion as an incident of Soviet and Cuban intervention.

The immediate target of the French intervention — which bears an eerie resemblance to the beginning of the war in Vietnam — is the socialist government of Angola which won its independence after a long and bitter fight against U.S. and French forces and their allies in Zaire and South Africa. The current military preparations strongly suggest to a plan to drive the insurgents into Angola and then attack Angola itself, making the situation a point of Western confrontation with the Soviet Union.

The Angolan Politburo has recognized this potential and issued a statement April 12 through Politburo Secretary Lucio Lara: "The concentration of imperialists in Zaire is aimed at preparing an aggression against Angola and at preventing the development of the struggle for liberation in southern Africa.

The U.S.'s top ally in the area, South Africa, is giving flanking support to the Zaire-based drive on Angola. Three villages in southern Angola were the scene of fighting between government troops and rebels associated with the UNITA countergang, which is known to have South African links, according to the Washington Star April 13. The fighting is reported along the border with Namibia, which is under South African military occupation.

Declarations of Angolan involvement in Zaire "are psychological preparations for the realization of a military action with the aim of destroying the Angolan revolution and installing in the Popular Republic of Angola a neocolonial regime" — *Angolan Foreign Affairs Minister Almeida to the French Government April 12.*

Africa Divided

The French intervention has immediate implications for the stability of the rest of Africa. Africa has begun to polarize between "conservative" and "radical" states — a process that, unless halted, will irrevocably split the continent and aid the Carter regime in forcing Western Europe to back the Zairean adventures of Giscard and Moroccan King Hassan II. Limited support for the French role has already been expressed by Tunisia, Senegal, Liberia, Ivory Coast, Gabon, and Kenya. Some of these nations have reportedly granted overflight and landing rights to French aircraft ferrying men and war material to Zaire.

Right-wing Arab and African leaders, and certain states duped into cooperating with the Carter-NATO forces, have pledged their active support for fomenting a crisis in Zaire, despite Angolan protests to the

Organization of African Unity (OAU). Besides Morocco, which has committed troops to Zaire, both Egypt and Sudan are reportedly considering military assistance. President Numeiry of Sudan, whose foreign minister spent last week closeted with Carter aides in Washington, warned that "any danger to which Zaire is subjected will have direct effect on Sudan, its security, and its national unity." The Egyptian press quickly picked up the refrain, with the daily Al Akhbar commenting that "everything which threatens Sudan threatens Egypt also."

Concurrent with Numeiry's statement (which was very similar to anti-communist ranting from Egypt's President Anwar Sadat during his visit to Washington two weeks ago), Ethiopian radio reported April 12 that aggressors armed by Sudan and supported by Sudanese artillery have invaded Ethiopia. Ethiopian President Mengistu responded with a call for a national mobilization to counter "an aggression supported by foreign forces." Thus the crisis in Zaire, and the diplomatic pressure and blackmail aimed at weak African leaders, have already spread the danger of a regional explosion into the Horn of Africa, comprising Sudan, Ethiopia, Somalia, and Kenya.

On April 13, Mirage jets from Zaire bombed villages in neighboring Zambia, triggering an official protest by the Zambian government to Zaire, and threatening an extension of the danger of fratricidal wars throughout Africa.

The bellwether state of Nigeria, which is so far officially uncommitted, will probably swing the balance. Should the Nigerians act quickly to denounce the French intervention as a U.S. plot to destroy Africa's potential to lead the fight for the new world economic order, then the entire OAU will most likely follow suit, as it did during the Angola war in 1975-76. But so far the Nigerians have only hedged; in fact, last month they helped set up Angola by agreeing to a request from Carter to "mediate" between Zaire and Angola — a hoax that only served to give credibility to NATO charges that Angola and its Cuban allies are behind the Zaire "invasion."

However, Nigerian External Affairs Minister Col. Joseph Garba indicated a possible alignment with Angola when he met with the German Democratic Republic's Vice President Horst Sindermann, on April 14. Garba reaffirmed after his meeting that Nigeria valued socialist solidarity highly, and practiced this principle especially with African liberation movements.

France vs. The EEC

The critical danger of the French adventure in Zaire is Giscard's preposterous claim that he is acting not only France alone, but "in defense of the West." In a television speech April 12, Giscard boasted that the French-Moroccan action was "a signal of security and a signal of solidarity to Europe's friends in Africa." Under tremendous pressure from the French left and other European countries, Giscard defensively claimed that he had "informed in advance" France's Common Market partners — but did not dare to claim European support the action. This controversy has been further fueled by revelations that the airlift had been planned in advance,

Former Green Beret Organizing U.S. Mercenary Operation

New Solidarity International Press Service has learned that Robin Moore, the author of *The Green Berets*, and himself a former Green Beret in the U.S. Special Forces, is now in New York for a meeting of the leaders of the U.S. mercenary networks to recruit for large-scale interventions into Africa. Moore, who has a long history in military intelligence and is now a colonel in the Rhodesian armed forces, reportedly told a confidante that Africa "is going to blow up." Col. Moore and his fellow conspirators were involved in recruiting mercenary forces for the war in Angola, for which several American and British prisoners were later executed by the Angolan government.

with "dry runs" and other preparations being made two weeks before the decision was announced — suggesting that the move was unilateral on the part of Giscard. The EEC foreign ministers are scheduled to meet on April 18 to discuss, among other matters, the crisis in Africa.

A statement from the Soviet news agency TASS made the EEC's choice extremely clear: either condemn the French-sponsored effort to ram Carter's foreign policy down the collective throat of Europe, or face the prospect of a U.S.-Soviet confrontation. The conflict in Zaire is "strictly internal," said TASS, denying U.S. charges of Soviet backing to the Zairean insurgents. "The leading circles of the Soviet Union deem it inadmissible for any external force to interfere in the internal struggle of Zaire."

The crucial European country in this regard, West Germany initially stalled on the question. The foreign ministry issued a carefully worded statement, saying: "We were informed and we fully understand the reasons for the intervention of the French. We will follow the developments in Africa very carefully." However, in what could be an important harbinger of future West German policy, that government sent a planeload of medical supplies to the Zaire government on April 14, an act important for its symbolic value.

TASS: Foreign Intervention In Zaire 'Inadmissible'

The following official statement by the Soviet news agency TASS was printed in all the Soviet dailies April 13:

For the last several weeks in Zaire, as is known, disturbances have been occurring: in the southern region of the country (the former province of Katanga) actions being against the authority of the central government. It

seemed that the situation was perfectly clear — that this was a purely internal conflict which should not concern anybody at all outside the country.

However right away hunters appeared, ready to interfere in these events. These hunters also exist in the West, in the Middle East, and the Far East. Several western countries, and also China, began shipping arms and military equipment to the central government of Zaire in no time flat. Morocco sent a contingent of its troops to Zaire. The racist regime of South Africa is also beginning to interfere in the events of this country. Recruitment of mercenaries to be sent to Zaire is going on in several western countries.

As is evident at first glance from these facts, various hands are now outstretched to Zaire, but all of them are motivated by one desire — to tie up the people of Zaire with their own affairs. These are the hands of those who would like to create a new international problem, to create yet another hotspot of dangerous tension in the world. Some people are obviously impatient to warm their hands at a fire, onto which they themselves are tossing the flammable material.

In an attempt to cover up their interference in the internal affairs of Zaire, the imperialist forces and their henchmen, for a start, put into circulation the mendacious story that there has been an invasion of Zaire by Angolan troops and Cuban soldiers. This lie did not last long. Today nobody even tries to deny that there is not a single Angolan, nor Cuban, among the rebels in the south of Zaire. And nevertheless the slanderous campaign continues, trying to cast a shadow over Angola, Cuba, and also the Soviet Union, which supposedly is behind the events in Zaire.

This is an old, worn-out device, like when the thief, to detract suspicion from himself, cries louder than everybody else: "Catch the thief!" However in politics this device does not promise success to those who resort to it. The people of Africa know how to differentiate genuine friends from foes especially from their enemies.

The Soviet Union decisively rejects as absurd any falsifications about its participation in the events in Zaire. Leadership circles of the Soviet Union at the same time consider inadmissible the interference of any

foreign forces in the internal struggle in Zaire. Each people itself — and only itself — can resolve its internal affairs. And let nobody nourish illusions that the people can be deprived of their inalienable right.

Giscard Claims French Intervention Was Made On Behalf Of Europe

The following are excerpts of French President Giscard's April 12 speech.

We wanted to give two signals... First, a signal of security. I do not want the African states, friends of France, when they are within their rights and their security is threatened, to feel abandoned. They will not be abandoned. As for the signal of solidarity, it is the fact of showing the tight solidarity which exists between Europe and Africa. Europe cannot be disinterested from what is happening on the African continent... And we wanted on this occasion to give a signal of solidarity between Europe and Africa.

First, a very important point: this is not an insurrection... These are elements which came from the outside and penetrated Zaireian territory... Infiltration took place in the south of the country, from a neighboring territory (i.e., Angola — NSIPS)... What is certain, according to observers on the spot, is that the elements which infiltrated Zaire were elements recently trained. They were not the gendarmes from Katanga coming back to their country after twelve years with their old weapons....

France has acted for its own account. And very often, in our national political debates, there is an (expressed) desire for France to have an independent policy. Here is one... I consider that the fact that the African problem was stressed in its importance by France in the name of Europe, and not by France outside of Europe, is in itself a sign of an independent and responsible policy.

The Anti-Mobutu Insurgency In Zaire

The revolt initiated in southern Zaire by the Congo National Liberation Front (FNLC) has spread rapidly to other areas of the country, leading to an accelerating collapse of Mobutu's one-man patrimonial system. The open acceptance of the insurgents by the population, and the spread of the anti-Mobutu revolt to other areas of the country have discredited initial attempts to portray the revolt as a mercenary-led secessionary movement that wanted to separate Shaba from the rest of Zaire.

The FNLC has gained control of one-third of Shaba province without doing any fighting. The rebels have been welcomed by the population, and entire units of the Zaire army have defected to their ranks. Mobutu did

attempt to send reinforcements to Shaba by train, but when it arrived half of the reinforcements had disappeared. Frantically shuffling his staff, Mobutu has removed Col. Eluki Monga Aundu from command in Shaba following the collapse of the Zaire army there, replacing him with Gen. Singa Boyenge. In addition, Mobutu has replaced his chief of staff Gen. Bumba with Major General Babia Zongbi.

While the FNLC has set up an administrative structure in Shaba, leading Mobutu to charge that they were bribing the population with food and clothing, leaflets calling for Mobutu's overthrow also began appearing in the capital, Kinshasa, and the region of Bas Zaire, 1,000 miles from Shaba.

What is the FNLC?

Zaire and the western press have attempted to give credence to allegations of an invasion of Shaba province by charging that it was being carried out by "Katangan gendarmes." The Katangan gendarmes were the military force of Katanga (later changed to Shaba) leader Moise Tshombe, who allied with European circles in the early 1960s for a federated Congo (name later changed to Zaire) in an attempt to prevent a Wall Street takeover of the Congo under the guise of the intervention of a U.N. peacekeeping force.

The Wall Street effort to "reshape the structure of power," as George Ball put it, in the Belgian Congo was successful. Following the defeat of the Tshombe forces, the integration of the Katanga gendarmes into the Congo Army was negotiated under OAU auspices. However they were not trusted by Mobutu, and they were kept in two camps, and many of them were executed.

Beginning in 1967 people from the former Katanga region, as well as many people being repressed in other

regions of Zaire for political reasons, set up escape networks to get to the various countries surrounding Zaire. Many went to Angola, then a Portuguese colony, where they were kept in camps by the Portuguese. Over the years they were joined by family members and others escaping from all regions of Zaire. During the early periods of their stay in Angola, some of the exiles joined with the Portuguese in fighting a Wall Street-backed tribal countergang, the predecessor to the infamous FNLA of Mobutu's brother-in-law, Holden Roberto, then being deployed into Angola from Zaire. The intention of these Zaire exiles has always been to return to Zaire.

People from these exile communities in Angola are now being described as mercenaries who fought for Tshombe. On June 19, 1968 they founded the FNLC in exile, which is committed to fighting regionalism and tribalism, as well as overthrowing the regime of Mobutu. During the civil war in Angola, the exile Zaireans supported the MPLA, which became the government.

OECD 'War Machine' Builds Against Carter Energy Plan

Cabinet-level officials in Tokyo have given the Carter Administration a ten-day deadline to change the terms of negotiations with Japan for enriched uranium supplies and end the current deadlock in the talks, or face a possible break in negotiations. This announcement, which was reported by the Cuban press service Prensa Latina, comes in the wake of a recently concluded international conference on the problems of nuclear energy transfers held in Persepolis, Iran, which witnessed nearly global opposition to the Carter energy program. In the words of the French daily *Le Figaro*, the Persepolis conference "was transformed into a veritable war machine against the new policies of President Carter."

The conference, attended by 500 delegates from throughout the advanced and developing sectors, emerged as the unified expression of world refusal to accept the Carter proposals for continued embargo of export equipment or technology that would permit uranium enrichment or reprocessing outside the United States. The absolute ban on technological development which Carter thereby intends to impose on Europe and the Least Developed Countries (LDCs) has forced these countries to a point of final break with the current U.S. Administration.

Western Europe is now engaged in a process of developing a strategic realignment of its overall foreign policy as a result, according to press sources and political spokesmen. West Germany and Britain are taking the lead in these deliberations. This past week, representatives of both countries issued statements calling for an international dialogue to re-evaluate the Nuclear Non-Proliferation Treaty which Carter has raised as his

banner in his fight against nuclear technology advances, and if necessary, to completely rewrite a new treaty.

On April 7, Armin Gruenewald, press secretary for West German Chancellor Schmidt, stated at a press conference, "numerous countries have made comprehensive technical, economic and financial expenditures for the use of nuclear energy in accordance with Article IV of the Non-Proliferation Treaty...Any national program for peaceful use of nuclear energy must be based on the specific circumstances of the country involved...This government accordingly favors that as many countries as possible...be included within the framework of international consultation in order to examine thoroughly aspects of an effective non-proliferation policy, in conjunction with peaceful use of nuclear energy...."

Then, on April 12, London's *Financial Times* stated in the context of widespread coverage of the angry international reaction to Carter's energy policy that the differences in nuclear energy development in countries around the world "ought to compel an international approach to the energy question, which in its way is quite as serious as the question of nuclear proliferation. It is far from clear that President Carter's program has anything to do with such an approach." The *Times* predicted that Spain may step forward as the first country to openly defy Carter's appeal for a ban on plutonium extraction, by issuing a large contract to a European firm to construct a nuclear energy cycle.

Similarly, the Shah of Iran, formerly a reliable ally of U.S. Atlanticist interests, was forced to issue a strong statement at Persepolis endorsing fusion energy as "the energy of the future" and defending the right of the LDCs

to nuclear technology. He also made a broad swipe at Carter's SALT provocations of the Soviet Union, while debunking the bogus rationale being forwarded to justify a policy of destroying the present and future world nuclear industry. Clearly referencing the Administration's recent demand for a halt to technological progress in Moscow, the Shah said: "Only a breakthrough in nuclear *disarmament* negotiations can end nuclear proliferation," not the collapse of the nuclear industry.

"Two Irreconcilable Philosophies"

Following on the heels of the Persepolis conference, the West German press has escalated its attacks against the Carter Administration, citing the gulf of "irreconcilable philosophies" existing between Bonn and Washington. Over the past week, the leading West German newspapers such as the *Sueddeutsche Zeitung*, *Die Welt*, *Handelsblatt* and others have broadcast Carter's "thorough isolation" from the rest of the world, including leading former U.S. allies.

Most recently the press outcry against Carter has begun to merge with exposés of the actual agencies in control of his Administration. The *Sueddeutsche Zeitung* exposed the Rockefeller-created Trilateral Commission's control over Carter and its blatant disregard for such "anachronisms" as national sovereignty.

The Italian daily *Corriere della Sera* is already predicting that Carter may be delivered a major "surprise" by Western Europe when the meeting of the London Group of nuclear energy-producing countries convenes in London on April 28. In an article which echoes statements from West German officials a week earlier as well as the current threats from Tokyo, *Corriere* warned that Carter's "nuclear blackmail" would be aborted by the possible announcement in London of a European agreement with Moscow for Soviet supplies of enriched uranium to maintain continental nuclear power production on line at present rates.

In the face of such massive and coordinated opposition, the Carter Administration is able to muster only hysterical hopes for a successful "bluff" to force the Europeans — and particularly the powerful West Germans — to go along with Carter's policies! When confronted with the evidence of Europe's firm opposition to Carter's "energy conservation," deindustrialization schemes, a high-level State Department source was only able to repeat: "Schmidt will back down when he meets Carter face to face (at the May 6 London economic summit)." In any case, he added, we will have the advantage that the summit will begin before Congress has had a chance to voice its own opposition to Carter's energy policy.

West German Government Calls For Reworking Of Non-Proliferation Treaty

Following is an unofficial translation of a statement by German Federal Government spokesman Armin Grünwald in Bonn on April 7, 1977:

The peaceful use of nuclear power, for many nations, is a necessary source of energy to ensure their social and economic progress. Even now, numerous countries have made comprehensive technical, economic and financial expenditures for the use of nuclear energy in accordance with Article IV of the Non-Proliferation Treaty.

But misuse of parts of the fuel cycle can, nonetheless, lead to nuclear-weapon capacity. The Federal Republic of Germany is in agreement with all countries conscious of their responsibilities and concerned with maintaining world peace with the goal of preventing and counteracting such misuse with all available means. This policy has been followed consistently and emphatically by the Federal Republic of Germany. As early as 1954, the Federal Republic agreed to abstain from production of nuclear weapons. In 1969 this country signed the Non-Proliferation Treaty. In the future, too, we shall undertake all efforts towards continuation of an effective non-proliferation policy.

In the view of the German Federal Government, the Non-Proliferation Treaty, which more than 100 countries

have signed, has provided the moral, political and legal conditions for convincingly, successfully and effectively developing non-proliferation. Outstanding significance is attached to confidence in this treaty, in its durability and in the credibility of its co-signers. The same applies to strengthening the existing international control measures with the goal of comprehensive oversight.

This government, in the international discussion on the peaceful use of nuclear energy within the framework of the further development of an effective non-proliferation policy, is guided by the following considerations:

1. Any national program for peaceful use of nuclear energy must be based on the specific circumstances of the country involved. This government represents the view that national nuclear energy programs must be in accordance with the Non-Proliferation Treaty. The nuclear energy program developed by this government, and our non-proliferation policy, correspond to those requirements.

2. This government accordingly favors the inclusion of as many countries as possible, particularly the "threshold" countries, within the framework of international consultation in order thoroughly to examine aspects of an effective non-proliferation policy, in con-

junction with peaceful use of nuclear energy, and in order further to develop this non-proliferation policy.

3. The goal of this consultation should be to promote the further development of agreements that still more effectively ensure non-proliferation — multinationally, non-discriminatory and in a generally binding form. In

this procedure, the German Federal Government attaches primary importance to the working out of comprehensive international control measures.

4. A non-proliferation policy must, in order to be effective and successful, be supported by the agreement of the greatest possible number of members of the Community of nations.

European Press Agrees: Carter's Plutonium Policy Will Isolate USA

The following is a grid of this week's European press reaction to Carter's plutonium ban and energy policy.

West Germany

Frankfurter Allgemeine Zeitung, April 12: Carter's scarcely hopeful theses are derived from a study made by the Ford Foundation. Their contempt for plutonium and their tough recommendations could lead to a situation in which a group of energy-poor nations will act against the USA, which in turn would injure America's cause rather than aid it. America has never put itself in the shoes of those countries which almost entirely depend on foreign resources for their energy supplies. For these countries, their risk and dependency are becoming even more pressing. Japanese Prime Minister Fukuda was speaking for all of them when he made clear to Carter that Japan will not give up plutonium. The time is ripe for a new concept, modeled on the old precept "Atoms for Peace."

Die Welt, April 12: Two variant philosophies are now confronting each other. The time for a decision (on nuclear shipments to Brazil — ed.) has been well chosen by the federal government of West Germany. It was well chosen because it comes just prior to Carter's April 20 speech. Following that date, such a step would have been more difficult. The majority in Europe is of the opinion that Carter is increasingly isolating himself. Even if all of this speaks in favor of Bonn's decision, it is not without risk. It is naive to believe that Washington will make accommodations. But such a confrontation can also be continued far behind the scenes. Carter would be ill-advised if he were now to pull out a big stick.

Süddeutsche Zeitung, April 12: West German policy is a house without foundation. For the moment, Carter may leave aside open threats, but there are still no illusions: he has made up his mind. Bonn and Washington have different foreign policies. This can seriously burden the foreign policy situation of the Federal Republic. Bonn's fear is that the USA, Canada and the Soviets will continue to fight them; the question is, are they strong enough?

Frankfurter Rundschau, April 12: Carter wants to move against plutonium. At first, the U.S. couldn't get enough

plutonium for the development of atomic bombs; now they want to ban it. This fight is senseless; fast breeders are very economical. The USA has no problems in supplying its own energy needs.

Die Welt, April 13: International criticism of Carter is increasing.... Bonn sees the statements of IAEA head Dr. Eklund as being extremely important, since he is responsible for all controls on nuclear proliferation. Peter Hermes, State Secretary at the Foreign Ministry, has stated that Bonn is not willing to join Carter's policy. Hermes also stated that the rumor circulated in *Newsweek* about a "secret deal" is utterly false.

France

Matin de Paris, April 13: "To transpose this kind of argument to the rest of the world, is, to say the least, to have an egocentric and unrealistic approach to the energy problem of the other countries concerned," according to one French official... Another remark which comes up frequently in the comments of Europeans: "It is clear that the Carter program puts off to the Greek Kalends the development of fast-breeders consuming plutonium and the Americas are very far behind European technicians in this area... At the nuclear conference in Chiraz, Iran, several delegations from the developing countries manifested their bad humor towards the American delegation. And some, who have the feeling that they were mystified, are threatening to denounce the nuclear non-proliferation treaty, because they consider the American initiative a violation of Article IV of the treaty, which states that the signers have the right "to undertake research, produce and utilize nuclear energy towards peaceful ends, with no discrimination."

Le Figaro, April 12: "The decisions made by President Carter last Friday could have, in the weeks to come, important consequences for world peace. The new strategy adopted to limit the threat of dissemination of the atomic weapon could have the opposite effect... The Iranian meeting (on nuclear technology — ed.)... was transformed as of yesterday into a real war machine against the new policy of President Carter. Among the

500 participants who came from all the horizons, there could be found in effect no experts who would support the new American nuclear strategy... Only the French camp showed some discretion which surprised certain observers."

Britain

London Sunday Times, April 10: In an Op Ed Ian Smart, Director of Studies, Royal Institute of International Affairs, stresses the impossibility of implementing a conservation program adequate enough to cut back all dependency on nuclear energy, and warns that even if Europe adopted the Carter program in toto, by the year 2000 there would still be "a deficiency equivalent to the energy from another 240 nuclear reactors which have not yet been ordered." Attacking any "free-market" conception of energy supply, Smart warns, "The world food market has always been balanced by price — but a price which has included famine and sometimes war. It will be no consolation to have the energy market balanced by its own version of starvation. That is simply a prescription for intolerable domestic and international friction." Smart concludes by calling Carter's "policy gap" as critical as the "energy gap" itself, and warns that "the policy gap on energy, like the policy gap on nuclear proliferation, has to be filled internationally, in concert, and now."

Italy

Corriere della Sera, April 9: "Europe does not share the opinion of the U.S. government either on the risk or on the economic inconvenience of new technologies, as demonstrated by the opposition of France and West Germany to efforts by the United States to suspend sales to Pakistan and Brazil."

Corriere della Sera, April 13: "There is the possibility that at the London Meeting of the Group of Seven the Soviets will take sides with the Europeans and will offer them uranium supplies... This will render Carter's pressures useless."

Unita, April 13: "Carter's stance has already provoked the first reactions in Europe which seem destined to act as a catalyst for a much broader opposition to the White House's policy... Renouncing this (nuclear — ed.) technology would mean to continue to depend on USA electro-nuclear facilities and on American supplies of enriched uranium."

Unita, April 14: "The debate on the nuclear plants has been re-opened after Carter's speech... Great Britain is first in line in the construction of nuclear stations... Prime Minister Benn has expressed strong reservations regarding the revision of American strategy... Opposition will come out unanimously by the end of the month when the (European) countries will meet in

London Times, April 11: Printed a letter by Conservative Party spokesman on Energy, Tom King, addressed to the *Times* and Prime Minister Callaghan calling for a full parliamentary debate as soon as Parliament returns on April 18 to discuss the ramifications of the Carter nuclear statement. According to the *London Times* of April 11, King's letter reflects the fact that "MPs of all parties are concerned about the implications of President Carter's statement for the British nuclear power industry and the development of fast breeder reactors, where the United Kingdom has a decisive lead."

The Financial Times, April 13: Has a strong editorial attacking Carter's unilateral action on nuclear policy, the editorial follows continuous coverage in the *Financial Times* on Europe's and the Third World's rejection of the U.S. stand. The paper rejects Carter's tactics to limit fuel reprocessing, warning that "by implication, this would increase rather than reduce the chances of proliferation as other countries sought not only their own access to enriched uranium, but also their own reprocessing facilities." "The correct approach," the editorial concludes, "is to intensify these international discussions and bring in the customers as well as the suppliers. President Carter, however well-intentioned, has jumped the gun by acting unilaterally. He should not be surprised if, however unjustly, the U.S. is also suspected of furthering commercial aims."

London...to express their dissent against the U.S.'s unilateral position and the presumption that other nations would accept to depend on the USA government and industry for their energy supplies."

Sole 24 Ore, April 14: "It is difficult for Europe to accept Carter's dictate... The internationalization of the energy fight (after Carter's decision) is not unpleasant to Bonn, which before was facing the Brazil question alone... Bonn will pick up the U.S. challenge... Is Carter's hope that Europe will follow the U.S. an illusion? Regarding Germany, yes. Carter's decision was not a surprise for the Germans and, deep inside, they did not dislike it. Now Bonn will find broader support... France cannot renounce to the self-breeder reactors... while rumors have it in Paris that the countries excluded from nuclear energy — the Third World — could organize a pressure group to stand up for their nuclear rights."

CORRECTION

TENG HEADS ANTI-MAOIST FACTION

The fourth paragraph of last week's (EIR No. 15) article on China's leadership faction fight inadvertently reversed the identification of the factional leaders. Hua Kuo-feng heads the "continuity" faction, supported by Wu Teh and Wang Tang-hsing, and Teng Hsiao-ping heads the anti-maoist forces, supported by Yeh Chien-ying and Hsu Shih-yu.

Carter Energy Program To Save New York Banks

In what the *New York Times* bills as his "first major address on international matters since the Arab oil embargo of 1973-74," Federal Reserve chairman Arthur Burns told a New York gathering at Columbia University April 13 that unless the U.S. population accepts Jimmy Carter's "painful" energy program, the world monetary system will shortly collapse.

"The energy program being prepared by President Carter unquestionably will entail sacrifices by many of our citizens," said Burns. "It is essential, however, that we at long last recognize that a decisive conservation effort must be a major part of our nation's economic policy." If this isn't done immediately, and if the Trilateral administration fails to push through — over the intense West European opposition — its scheme for rescuing the New York banks via an International Monetary Fund (IMF) bailout, then, Burns warned, the world financial system will become "especially vulnerable" to collapse.

With this blunt statement, Burns has dispelled all the propoganda regarding the threat of "nuclear terrorism," scarce fuel resources, "potential" oil embargoes which the Carter Administration has proffered as justification for its energy program; instead, a ranking federal official has openly admitted that the *sole* purpose of the energy program is to prop up the tottering Rockefeller banks.

"The Moral Equivalent Of War"

The resounding rejection of the twin pillars which support the Carterites' power — their energy program and their IMF bailout plan — both domestically and in Western Europe, has created a situation in which the Carter forces know they must move outside Constitutional limits if they are to get off the ground their "no energy" scheme for keeping the banks afloat. White House energy advisor James Schlesinger spelled this out on WNEW-TV's psywar special last night, "We Will Freeze In The Dark," when he compared the Carterite energy program to "Pearl Harbor" and demanded "the moral equivalent of war" in order to carry it out.

The Carter Administration and its Wall Street supporters cannot risk any delay in implementing the energy program, and are therefore now preparing to force it through by any means necessary, including deliberately provoking a constitutional crisis of unprecedented proportions.

In the last week, the Carter forces have subjected the population to a psychological warfare campaign, the likes of which haven't been seen since the notorious Creel Committee of World War I. President Carter in his April

15 press conference reported that the CIA had just issued a new estimate of world oil reserves which indicates that reserves are much lower than he had imagined and that the situation is even worse than previously thought. Lurid press reports predicting an outbreak of "nuclear terrorism," or an Arab oil embargo have proliferated. Nearly every major media outlet has become a conduit for the Administration's statements about the necessity for energy "conservation" and "sacrifice."

A draft of Carter's energy proposal, which will be officially unveiled April 20, was reported in all the major press this week, lays out in detail what Carter has in store for the country on the energy question: a possible \$2,500 tax on "gas guzzling cars," a five-cent a gallon tax increase on gasoline every year that gasoline consumption doesn't decline by 2 percent; imposition of a 50 percent tax on industrial users of natural gas to force them to switch to coal; and raising the price of domestically-produced oil by a full 100 percent, among other measures.

The Administration is taking full advantage of the Congressional recess to prime its forces for an assault when Congress reconvenes April 18. On April 21, the day after Carter presents his energy program to the public (in what one White House aide says will be a "sky-is-falling" speech), Schlesinger and other members of the Administration will deploy to Capitol Hill en masse to regale Congress with "expert" testimony on behalf of the proposal, while conducting back-room armtwisting sessions with recalcitrant Congressmen.

In an attempt to get Congressional support for his energy proposals Carter has withdrawn the unpopular \$50 tax rebate, restored funds to some of the cut water projects, and hinted that nuclear projects will also be restored. The April 14 *Washington Post* reports that Carter may speed up the nuclear regulatory licensing procedure and restore funds to fusion research and development projects. A spokesman for the Rockefeller-linked Sierra Club said this week that the President's "pro-nuclear" turn around shouldn't be taken too seriously.

Congressional opposition could stall the package indefinitely. The fearful Carterites have therefore succeeded in setting up a House Select Committee on Energy, chaired by Rep. Thomas Ashley (D-Ohio), for the sole purpose of maneuvering the package around all potential snags.

If the package still moves too slowly, the Administration has a few other tricks up its sleeve. A White House spokesman revealed last week that the Administration would rely on government regulatory

agencies, such as the Nuclear Regulatory Agency (which has sabotaged the construction of the Seabrook, New Hampshire nuclear power plant), as well as impoundment of funds and other extra-legislative measures if Congress proves obstructionist.

Gutting Congressional Power

The same anti-constitutionalist approach is embodied in Carter's proposal for a new Department of Energy to be presided over by Schlesinger. In a blistering attack on the proposal which appeared in the April 7 Congressional Record, Rep. Walter Flowers (D-Ala), the outspokenly pro-fusion energy chairman of the House Subcommittee on Fossil Fuels and Nuclear Energy detailed the dictatorial powers which the Department — and maniac

Schlesinger — would be able to wield. (See below)

On the very day that Flowers' attack appeared in print, Senator Ted Kennedy (D-Mass) moved to strengthen the Department's powers even further. Kennedy introduced an amendment to the bill authorizing the Department to create its own Office of Assistant Secretary for Competition and Consumer Affairs to oversee "every aspect of energy production, transportation, distribution, financing, retailing, and even use." In remarks appended to the amendment, Kennedy makes it clear that its purpose is to beef up the Department's capacity for waging war against industry, and specifically for breaking up the independent oil and natural gas companies, which are to be absorbed into the Rockefeller cartel.

Burns Demands IMF Dictatorship, Energy Sacrifices

Federal Reserve Chairman Arthur Burns began the following speech, at the April 12 Annual Dinner of the Columbia University Graduate School of Business, by telling his audience: "I plan to comment on the need for order in international finance... now besieged... by strain and turbulence." Burns proceeded to a description of a new IMF, made into a second NATO for the financial sphere, given the same powers over the economic policy conduct of the world's nations that a police department enjoys over the legal conduct of a municipality's citizens. This IMF dictatorship, Burns reported, would consist of augmented powers to impose stringent austerity and loan-allocation conditions on "borrowers" — all new IMF credit monies thus made available to reinflate New York private banks' receivable lag.

In Burns' emphasis, the IMF is no longer to be treated as a world central bank with powers inseparable from contractual financial operations. Burns demands the IMF be given power to dictate national economic policy, "exercise oversight" and so forth entirely unsolicited, whether a member nation has applied for a loan or not. He thus combines the "limited sovereignty" Entebbe doctrine with the "Common Fund"-type bail-out system demanded by David Rockefeller last month.

To ensure clarity, Burns recommended the following as policy guidelines for his new IMF:

— Forced devaluations (non-OPEC developing sector) and revaluations (West Germany, Japan) to guarantee the viability of U.S. dollar-denomination in present debt overloads;

— Forceable imposition of Carter-like "energy conservation" plans to eliminate the national possibility of diversionary productive investment as an alternative to debt roll-over;

— Supplemental roll-over loans to debtor nations and large contributions to the IMF by the OPEC nations.

Excerpts of Burns' speech follow.

... Quite obviously, the overriding problem confronting us in world financial matters today is the massive and stubborn imbalance that prevails in payments relations

among nations — a condition arising importantly, although by no means exclusively, from OPEC's action in raising the price of oil so abruptly and so steeply...

If OPEC surpluses on current account should continue on anything like the present scale, they would inevitably be matched by deficits of identical magnitude on the part of other nations. And if some countries outside OPEC should also have sizable and persistent surpluses, as now appears to be the case, the aggregate deficit of the remaining countries will be still larger. Under such circumstances, many countries will be forced to borrow heavily, and lending institutions may well be tempted to extend credit more generously than is prudent. A major risk in all this is that it would render the international credit structure especially vulnerable in the event that the world economy were again to experience recession on the scale of the one from which we are now emerging...

The realization of these conditions requires diligent pursuit of stabilization policies by countries that have been borrowing heavily in international markets...

What we need is a more forthcoming attitude on the part of borrowing countries in regularly supplying information to lenders on the full range of economic and financial matters relevant to creditworthiness...

Even now, as lenders are becoming better informed and somewhat more cautious in extending foreign credit, a tendency toward earlier recourse to the IMF appears to be emerging. It seems likely, therefore, that more countries that need to adjust their economic policies will henceforth do so sooner and probably also more effectively...

Private banks — both in this country and elsewhere — played a very substantial role in "recycling" petrodollars between the OPEC group and other countries, especially those whose external payments position was weakened by the higher oil prices... But with many countries now heavily burdened with debt, bankers generally recognize that prudence demands moderation on their part in providing additional financing for countries in deficit. For that reason, they understandably wish to

see an increase in the relative volume of official financial support to countries that continue to have large borrowing needs.

... The interests of the international economy and of private lenders thus converge and point to the need for a much more active role by the International Monetary Fund.

The leverage of the Fund in speeding the process of adjustment would clearly be enhanced if its capacity to lend were greater than it is now. One reason why countries often are unwilling to submit to conditions imposed by the IMF is that the amount of credit available to them through the Fund's regular channels — as determined by established quotas — is in many instances small relative to their structural payments imbalance. That will be so even after the scheduled increase in IMF quotas becomes effective. To remedy this deficiency, the Fund is currently seeking resources of appreciable amount that could be superimposed on the framework of the quota system. Negotiations are in progress with several countries of the OPEC group as well as with the United States and other industrial nations whose payments position is comparatively strong. Such a supplementary Fund facility should induce more deficit countries to submit to Fund discipline. But in no case must it become a substitute for an adequate adjustment policy by borrowers or serve as a bailout for private banks. If negotiations for such a facility are completed soon, which appears possible, high priority should be given to prompt ratification by our Congress and the legislatures of other countries.

The ability of the Fund to act forcefully in speeding the adjustment process will be strengthened in still another way once the five-year effort of amending the IMF's Articles of Agreement is completed. At present the Fund normally immerses itself in urging appropriate policies on a country only when that country applies for financial assistance. Under the revised Articles, the Fund could take the initiative in determining whether individual countries are complying with formally prescribed obligations to foster orderly economic growth and price stability. This authority, once available, will enable the IMF to broaden progressively its oversight role even when a country is not an applicant for a loan.

As the number of countries brought within the reach of the Fund's influence increases — either because of the enticement of enlarged lending facilities or because an IMF "certificate of good standing" becomes essential to further borrowing from private lenders — the outlook for correction of balance-of-payments deficits would be considerably improved. But that outcome will also depend on full appreciation by private lenders of the need to avoid actions that tend to undercut Fund efforts...

The suggestions I am exploring with you for improving the adjustment process obviously will not work unless broadly shared agreement develops that international financial affairs require a "rule of law" to guide us through the troubled circumstances that now exist... And if the IMF is to play a leadership role in pursuing this objective, it is not only private parties that must avoid weakening the IMF's efforts. Governments also — indeed governments especially — must be prepared to forego their own quite frequent inclination to do things inconsistent with the effective pursuit of Fund objectives.

There have been too many instances in which the government of a country negotiating a stabilization program with the Fund's officials has attempted to circumvent the Fund by seeking instead a loan from another government or by exerting outside political pressure on Fund officials in an effort to make loan conditions as lenient as possible. If the rule of law in international monetary affairs is ultimately to prevail, all countries — there can be no exceptions — must fully respect the IMF's integrity...

As I noted earlier, the payments difficulties of countries outside the OPEC group reflect many factors besides the way in which the burden of oil costs happens to have been distributed. It is important that adjustment proceed along several paths in this vast part of the world.

First, countries whose external position has been weakened by loose financial policies are going to have to practice some fiscal and monetary restraint, either of their own volition or because they find it obligatory to do so in order to maintain access to international credit facilities, including those of the IMF. In individual instances, the adjustment process in such countries may at times also entail allowing some depreciation of the foreign exchange of their currencies.

Second, since the burden of adjustment cannot and should not rest with deficit countries alone, those non-OPEC countries that are experiencing significant and persistent current-account surpluses must understand that they too have adjustment obligations... What I mean is simply that such countries should not actively resist tendencies toward appreciation in the value of their currencies in foreign-exchange markets...

Third, practically all non-OPEC countries — the deficit and surplus countries alike — must treat energy conservation as a key element of their economic policy. This is something to which the United States in particular must give the closest attention. We are by far the largest single consumer of energy in the world, and we have so far been notably laggard in addressing the energy problem. This year imported oil will probably account for over 40 percent of domestic consumption of petroleum, up from 22 percent in 1970. Our passive approach to energy policy, besides endangering the Nation's future, has aggravated strains in the international financial system, because we are directly responsible for a large part of the OPEC surplus. And, of course, our huge appetite for oil has added to the leverage of those OPEC members that have been most reckless in urging a still higher price of oil. The energy program being prepared by President Carter unquestionably will entail sacrifices by many of our citizens. It is essential, however, that we at long last recognize that a decisive conservation effort must be a major part of our Nation's economic policy.

If, in fact, we can build momentum into payments adjustment by the non-OPEC group of countries along these three paths — that is, internal discipline by countries in deficit, non-resistance to exchange-rate appreciation by countries in surplus, and determined energy conservation by all — the favorable consequences will be enormous. To the extent that energy conservation is effective, the present serious imbalance of the non-OPEC group of nations vis-à-vis OPEC will be reduced. Beyond that, there will no longer be such extremely large differences in the balance-of-payments status of the non-

OPEC nations. Consequently, the risk of disruption of the international financial system would be greatly reduced...

... Particularly in the years immediately ahead it is vital that the members of OPEC recognize that their economic and political future cannot be divorced from that of the rest of the world. Besides practicing forbearance with regard to the price of oil, it would be very helpful if they made larger grants of assistance to the less developed countries and also expanded the volume of loans and investments made directly abroad...

... Let me conclude by sketching or restating the responsibilities, as I see them, of the major participants in the international financial system:

First, in order to contribute to a more stable international system, the IMF must act with new assertiveness in monitoring the economic policies of its members...

Second, national governments must encourage and support the IMF, so that it can become an effective guardian of evolving law in the international monetary sphere...

Third, a better framework of knowledge for evaluating

the creditworthiness of individual countries is badly needed...

Fourth, commercial and investment bankers need to monitor their foreign lending with great care, and bank examiners need to be alert to excessive concentration of loans in individual countries.

Fifth, protectionist policies need to be shunned by all countries.

Sixth, countries with persistent payments deficits need to adopt effective domestic stabilization policies.

Seventh, non-OPEC countries experiencing large and persistent payments surpluses also need to adjust their economic policies and they can probably best do so by allowing some appreciation of their exchange rates.

Eighth, all countries, and especially the United States, need to adopt stringent oil conservation policies and, wherever possible, speed the development of new energy sources.

Ninth, the members of OPEC must avoid a new round of oil-price increases. They also need to play an increasingly constructive role in assisting the less developed countries and in the evolution of the international financial system...

Excerpts From Draft Of Carter's Energy Program

The following excerpts are taken from the April 13 Wall Street Journal account of a draft of the Carter Administration's energy program which will be officially unveiled April 20:

The President is expected to announce next Wednesday a surprisingly tough plan containing major legislative requests along these lines:

* An initial increase of five cents a gallon in the current four-cents-a-gallon federal gasoline tax. The increase... could amount to 50 cents within 10 years...

* A new tax on auto manufacturers as a penalty for producing cars using too much gas. This so-called "gas guzzler" tax would start at \$412 a car for the least efficient autos. Eventually, the tax could go as high as \$2,500 a car.

* A tax of several dollars a barrel on domestically produced crude oil, resulting in an increase of about 10 percent in consumer prices of gasoline. Thus, consumers would be hit twice — being forced to pay both a higher retail price and higher tax.

* An increase in natural-gas prices through a rise in the federal price-control ceiling on gas and a tax on the industrial use of gas. These measures would be aimed at encouraging industry to use coal...

Here, from that document (the Administration's draft program — ed.), are the ingredients of the energy plan as it now stands:

Gasoline Taxes: A tax increase of five cents a gallon would take effect automatically each year in which gasoline consumption rose by 1 percent or more from the level during a base period extending from last Oct. 1 to next Sept. 30...

Starting in 1981, every year consumption doesn't decline by 2 percent from the base period level, there

would be imposed another five-cent increase. The maximum possible tax rise under the plan would be 50 cents a gallon — a level that most economists think would be reached if the plan becomes law....

Gas-Guzzler Tax: The plan proposes the imposition of taxes on inefficient cars and accompanying rebates for efficient autos. These would be applied to auto manufacturers but presumably would be reflected in auto prices....

Initially, this tax would range up to \$412 (on the few cars that get 10 miles a gallon or less), and the rebate would range up to \$322 (on cars that get 39 miles a gallon or more). By 1985, the maximum tax would be \$2,500, and the maximum rebate would be \$500.

No manufacturer could make money from these arrangements, however, because the rebate to each maker for its efficient cars couldn't exceed the taxes collected from that company on its "gas guzzlers"....

Crude Oil: A stiff tax would be imposed in stages on wellhead prices of domestically produced crude oil. In addition, certain newly discovered oil, whose prices is controlled by the government, would be allowed, beginning in 1979, to rise to stimulate more exploration and production....

Natural Gas: The existing federally controlled price ceiling of newly discovered gas, which is \$1.44 per thousand cubic feet, would be raised to \$1.75 a thousand cubic feet. These are the prices producers charge to their pipeline customers....

The proposal would also give the Secretary of the Energy Department, which President Carter wants to create, the authority to set higher price levels for gas that is especially hard to find or produce.

In addition, the plan calls for a tax penalty for industrial users of natural gas (except fertilizer

manufacturers and certain agricultural users for whom it is essential) as a way to get them to switch to coal. Beginning in 1979, all industrial users of gas would be taxed at a level keyed to the price of distillate oil. The tax would start at about 85 cents per thousand cubic feet.

That would result in an average gas price to industries of \$3.05 per thousand cubic feet, compared with an average \$2.20 per thousand cubic feet without the tax. The tax would change slightly each year depending on the price of distillate oil.

A similar tax on utilities that burn gas would be phased in slowly. Under the plan, it would be 1988 before this gas tax rose to the point at which prices paid by utilities would equal the price of distillate oil. The later date for utilities is because of long lead times they need to convert to coal use.

Coal: To encourage more use of coal and less of oil and natural gas, the plan would prohibit newly constructed utility plants and new factory boilers from burning oil or gas. Existing plants that have coal-burning capability would also be prohibited from burning oil or gas. By 1990, no utilities, including existing power plants, will be allowed to burn natural gas.

Besides the tax on industrial users of natural gas, the industrial use of oil would be taxed, beginning in 1979, at \$1.20 per barrel and rising to \$2.70 a barrel in 1985. Utility

use of oil would be taxed beginning in 1983, at \$1.50 a barrel. These taxes would be in addition to the other crude-oil taxes proposed....

The plan calls for continuing current strict pollution-control standards related to coal burning. Industry had hoped for a relaxation....

Electricity Rates: Two years after enactment of the legislation, each state utility commission would have to adopt policies to restructure electricity rates....Utilities would have to give customers a cheaper rate for electricity used during low-demand periods of the day. Separate rates would have to be offered by both gas and electric utilities for summer and winter energy use.

Insulation: The plan contains two devices aimed at getting homeowners to add insulation and other energy-saving measures to their homes. A tax credit would be allowed for installation of insulation, as well as such things as timed thermostats and storm windows....

In addition, legislation would require all electric and gas utilities to offer the public a home-energy conservation program....Utilities declining to participate would be penalized by restrictions on their rates.

The plan also would require banks, savings and loans associations, credit unions and utilities to lend homeowners money for conservation improvements....

'Most Bitter Legislative Battle In Decades' Shapes Up Against Carter Energy Program

Jimmy Carter will take his domestic program to slash U.S. energy consumption by 30 percent "to the people" in a series of national television broadcasts beginning April 20. The leading East Coast press such as the New York Times and the Washington Post have proclaimed that "the people" will rally around the "wartime" sacrifices Carter and his energy czar James Schlesinger intend to impose.

Nevertheless, this week in a front page article, even the New York Times, which is staunchly behind Mr. Carter, was forced to admit that "President Carter's energy program is likely to lead to one of the most bitter legislative battles in decades." The Times based its prediction on interviews with influential members of Congress and knowledgeable staff members who foresee a situation in which a U.S. President will be resoundingly rebuffed by a Congress controlled by his own party.

All knowledgeable Capitol Hill sources agree on one basic point: the degree to which Congress will fight is 100 percent dependent upon pressures generated by constituency forces, especially labor and industry. "Congress brought down a President (Nixon — ed.) for the wrong reasons. If Congress feels it has the bulk of the population behind it, Congress can bring Jimmy Carter down for the right reasons," said one aide to a Southern

conservative Congressman. The Executive Intelligence Review has compiled the following summary overview report on the status of the population's active opposition to James Schlesinger's declaration of the "moral equivalent to war" against the United States.

Labor: Strikes For Energy

Within the last ten days, key unions — the United Steelworkers of America, building trades, and the International Brotherhood of Teamsters, the largest union in the country — have transformed their mere opposition to Carter's energy program into active organizing for a competent energy policy aimed at fostering worldwide economic growth.

The top levels of the national leadership of these unions are now in debate on whether to come out publicly in support of the pro-nuclear energy program of the Fusion Energy Foundation (FEF) as well as whether to organize for the April 29 national conference in Pittsburgh on national energy policy sponsored by the FEF and the Three Rivers Coalition of industry. Over the past few days, at least a dozen trade-union locals — particularly the building trades throughout Michigan and the Bridgeport, Conn. Plumber and Pipefitters Union —

have endorsed a resolution circulated by the U.S. Labor Party calling for a crash nuclear energy development program centered around achieving working fusion power by the 1990s.

The USW is currently split down the middle on whether to adopt the U.S. Labor Party's energy resolution. Meanwhile, more and more district Executive Committees have bucked intense arm-twisting to endorse the resolution. The Teamsters are sending national representation to the Pittsburgh conference; a top California Teamster official is considering joining a labor-industry coalition for expanded industrial production.

The AFL-CIO — controlled at its national headquarters by Carter stalwart and Trilateral Commission member Lane Kirkland — is fissuring on the state and local level. On April 13, California State AFL-CIO Chairman Robert Henning denounced in no uncertain terms the Administration's zero growth policies at a speech before the Comstock Club in Sacramento: "We remind the President and the Governor, we (the nation) need industrial growth. In this labor shares with business an unflinching commitment. Either we have growth or face

desolation." On the same day, Henning gave his complete support to an AFL-CIO-sponsored demonstration, which was led by the sawmill workers and the Teamsters, against the Administration-backed proposal to expand the Redwood National Forest, which would effectively wipe out the state's logging industry. The Eureka, Calif. demonstration drew 10,000 workers and was followed the next day by a demonstration of 1,000 workers in San Francisco where the U.S. Labor Party addressed the rally.

Industry: Cautiously Looking Towards A Labor Alliance

U.S. industry, particularly those companies tied to the capital goods sector or the nuclear energy industry, has become increasingly vocal over the past week in its opposition to the Administration's energy program. Leading corporations involved in nuclear energy production — Westinghouse, Union Carbide, Gulf Oil, etc. — have taken the lead in organizing broad-based opposition. Union Carbide, which operated the Ten-

Tennessee Legislature Backs The Breeder

The Tennessee State legislature passed almost unanimously a resolution calling on the federal government to continue funding on the Clinch River Breeder Reactor. The resolution, introduced by State Rep. Keith Bissell, passed the House 75-2 and the Senate 27-0 early last week. The resolution has already been signed by Gov. Ray Blanton (D) and a copy has been forwarded to President Carter, the Assistant Administrator for Nuclear Energy within ERDA and to Congress.

Filed for intro. 3-23-77

HOUSE JOINT RESOLUTION 84

by
Bissell

A RESOLUTION to urge continuation of the Clinch River Breeder Reactor Plant Project.

WHEREAS, The nation faces a growing energy crisis as our fossil fuel resources decline and the needs of the people continue to grow; and

WHEREAS, Sufficient energy is essential to heat and cool our homes, power our industry, transport our goods, and provide resources for the jobs and services required for a good quality of life; and

WHEREAS, Wise, efficient, and environmentally acceptable use of coal, conservation, and nuclear power must be expanded considerably to meet a major part of those needs; and

WHEREAS, Nuclear power, and particularly the breeder reactor, is clearly an important option

to this nation to bridge the gap between present energy resources and other promising but less assured possibilities for the future; and

WHEREAS, This state's confidence in nuclear technology is based on the experience and knowledge gained in Tennessee and throughout the nation by some 30 years of experience and many important applications of the atom in science, medicine, and industry; and

WHEREAS, The Clinch River Breeder Reactor Plant Project is a key step in demonstrating breeder technology — an achievement which would lead to safe, clean, reasonably priced, and environmentally acceptable electrical energy for centuries; and

WHEREAS, The President of the United States has asked for comment from concerned citizens about the Clinch River Project and the overall breeder development program; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE NINETIETH GENERALLY ASSEMBLY OF THE STATE OF TENNESSEE; THE SENATE CONCURRING; That the Tennessee General Assembly and the Governor of the State of Tennessee do firmly support the Clinch River Breeder Reactor Plant Project and urge the continuation of the project.

BE IT FURTHER RESOLVED, That a copy of this resolution be forwarded to President James Earl Carter and a copy to the Assistant Administrator for Nuclear Energy, Energy Research and Development Administration, Washington, D.C. 20545.

nessee-based Oak Ridge National Labs for the government, is a case in point.

In interviews this week, Union Carbide executives repeatedly denounced the Carter Administration, going so far as to point the finger at the Trilateral Commission control over the Administration. While generally upset over Carter's complete energy package, Union Carbide is particularly up in arms over the Administration's determination to shut down the nuclear industry. Union Carbide's nuclear program at Oak Ridge — especially its large fusion power program — stands to go down the drain if Carter's policies prevail.

Oak Ridge is itself the center of a larger Tennessee-centered scientific and industrial nexus which also includes the Tennessee Valley Authority (TVA), the home of the Clinch River breeder reactor. This entire Southern industrialized region spilling over into Alabama, the Carolinas, and Georgia is in a near-state of insurrection over the Administration's deindustrializing policies. Building trades in the Knoxville, Tenn. area are now considering organizing a nationwide demonstration to protest the President's April 20 energy message. "Carter won't last a month after April 20," one Tennessee building trades leader warned. Likewise, highly skilled technicians and scientists at Oak Ridge Lab, the TVA, and the University of Tennessee (a large research and development center) do not intend to take the Carter program lying down. A leading member of the nuclear energy department at the University of Tennessee laughed at Carter's recent pretense of a "pro-nuclear energy" stance, saying, "That's a lot of crap... Carter is out to destroy the industrial base of this country and nuclear energy is the first to go."

In this environment, Union Carbide — like other corporations — are looking towards labor and the scientific community as allies.

What A Labor-Industry Alliance Can Do

This labor-industry alliance took on specific form at a significant meeting in Denver this past week. On April 14, industry, labor, and political leaders representing the Democratic Party, the GOP, and the U.S. Labor Party met and established the Alliance for Science and Industry. State Senator Hillsmeier, a Republican legislator, promised the audience that the Labor Party's Fusion Memorial to Congress would be introduced into the Colorado legislature in the coming week. Colorado would then be the ninth state in which the Fusion Memorial has been introduced into the legislature.

The Fusion Memorial itself and similar pro-nuclear power resolutions have become the focus for action by similar labor-industry alliances in other states. Following the April 9 near unanimous passage of the Fusion Memorial in Maryland, the Federal-State Relations Committee of the Pennsylvania House of Representatives voted 13-4 on April 12 in favor of HR 54, a resolution calling for the reversal of federal budget cuts for the breeder reactor and other nuclear programs including fusion power.

Earlier that week, a Tennessee House Joint Resolution was passed — again almost unanimously — by both the State House and Senate. The resolution emphatically urges the continuation of the Clinch River Breeder

Reactor Plant project and calls nuclear power "an important option to this nation."

A similar resolution has been introduced in the South Carolina state legislature.

In total, the U.S. Labor Party Fusion Memorial has been introduced in seven states; has been passed in one state; and is pending introduction in at least four other states. Similar resolutions introduced independently of the Labor Party have either passed or are expected to pass in at least two states.

Congress: The Pressure Is On

While only a few weeks ago knowledgeable Capitol Hill sources predicted that Congress would support the Administration's energy program — however reluctantly — these same sources are now predicting that some 275-300, a clear majority, now strongly oppose it.

The Administration had hoped that the now-ended Easter recess would dissipate and disperse opposition in Congress. However, Congressmen say they were so deluged by industry and labor in their home offices that they are returning to Washington in an increasingly combative state. "Our constituents told the Senator in rather impolite terms that he had better defeat Carter's energy package," an aide to a prominent Southern Senator stated. "If he doesn't take heed, he just won't get reelected," she added.

The Line Up

The opposition to the Carter energy programs falls into three basic categories: conservative Republicans largely from the South and Southwest; conservative Democrats almost entirely from the South; and mainstream Democrats largely from the urbanized Midwestern and to a lesser degree Northeastern areas where active political machines still persist. Congressmen representing leading scientific research and development centers are generally assuming the leadership in this fight.

California's conservative Rep. Don Clausen (R), who is directly connected to the anti-Rockefeller Crocker National Bank of San Francisco, itself tied to the Bank of America and other Southwestern conservative political forces, is a case in point. Speaking before the earlier cited Eureka, Calif. AFL-CIO, Teamsters and building trades demonstration, Clausen stated: "This hearing and this gathering has to send the message throughout the country that we are going to fight to keep our jobs."

Conservative Southern congressmen have formed a bipartisan coalition which is also demanding at least the preservation of jobs, linking this demand to a strong denunciation of Carter's energy plan. Senator Strom Thurmond (R-SC) bitterly attacked Carter's energy program in a call to Senator John Glenn (D-Ohio) to open full hearings to restore breeder cuts. "Nuclear power is the most promising of all energy sources," wrote Thurmond, who is under particular pressure from the Gulf Oil Corporation owned Barnwell, S.C. plutonium reprocessing plant. Senate Minority Leader Howard Baker (R-Tenn), who has made similar but not as strong public statements, may now swing his support behind a full restoration of both fission and fusion nuclear energy

cuts, and voice his opposition to Carter's "plutonium ban." The entire Oak Ridge-T.V.A. area has placed heavy pressures on Baker, an aide disclosed.

Looking Toward An Alternative

A significant number of conservative and mainstream Congressional leaders have begun to map out a media campaign to counter President Carter's April 20 energy message. Sen. Baker's office expressed particular interest in a proposal to demand equal time to rebutt Carter under the fairness doctrine now being put forward by the U.S. Labor Party and the FEF.

The GOP plans to release its own energy program on or near April 20. The policy statement, which insiders describe as being somewhat of a "mixed compromise but with a strong pro-nuclear position," will be used as a counter proposal.

A number of Republican and Democratic Southern congressmen are moving toward sponsoring joint press conferences with the Fusion Energy Foundation soon after Carter's April 20 statement.

Eastern and Midwestern Democrats are also begin-

ning to draw the lines on nuclear energy. Rep. Joseph Gaydos (D-Pa) charged in the *Pittsburgh Press* April 11 that outlawing the development of the breeder reactor to curb "nuclear proliferation" is "akin to outlawing crowbars (in the U.S.) in the hopes of stopping all burglaries." From the Chicago Congressional delegation, Rep. Frank Annunzio (D-Ill) and other Democrats tied to the Daley machine have repeatedly stated their commitment to nuclear energy and the breeder reactor.

Congress' unwillingness to dutifully rubberstamp the President's energy policy is so intense that both leaders of the GOP and the Democratic Party are warning the White House that there is no way the energy package will come up for a vote before December 1977 — at the earliest. Without some kind of instigated crisis — like a nuclear terrorist "Pearl Harbor," as James Schlesinger eerily presaged in his remarks to the press this week — a look at the correlation of forces leaves the conclusion that right now the Carter energy program doesn't stand a chance. Then, as one labor leader put it, "Once we get rid of his energy program, Carter's next to go."

Rep. Flowers: Carter Energy Program Guts R&D And Congress' Role

Rep. Don Fuqua (D-Fla) entered a statement by his colleague, Rep. Walter Flowers (D-Ala) into the Congressional Record April 6. Flowers made the statement, which called for an increased emphasis on Research and Development in U.S. energy policy, before the Subcommittee on Legislation and National Security of the Committee on Government Operations, at hearings held on the Carter Administration's bill H.R. 4263, which would establish a Department of Energy in the executive branch. The following are excerpts from Flowers' lengthy remarks.

One of the basic concerns I have is that R and D which is very important for our energy policy goals doesn't appear to be given the strong and central role it deserves, either in the bill or the explanation...

The chart that accompanies the bill separates the R and D from the demonstration. This is not the best way to develop technologies for two principal reasons. A successful R and D program includes demonstration, and it should be organized and managed that way. And as important as the R and D itself is the national resource that R and D is and should be...

Next I would like to address the issue of the authorization process itself. The Energy Reorganization Act requires annual authorization in Section 305. Section 626 of H.R. 4263 eliminates entirely the requirements for any further authorizations... This bill in its present form simply guts the jurisdiction of our entire committee for energy R and D and reduces it to an oversight role. I find this unacceptable. Furthermore, I should point out that the annual authorization requirement is the legislative form of zero-based budgeting which has received support in the new Administration...

My next comment relates to another issue raised by this bill which, if enacted, would greatly limit the ability of the Congress to perform its oversight role...

The bill gives very broad powers in several sections... Included in those sections is an additional 600 GS 18 level personnel. This comes to a round figure of \$28.5 million a year. Additionally, the Secretary of the Department is exempted from the provisions of the Administrative Property Act, and Civil Service requirements, is able to use Armed Forces personnel, and indeed, pay his own volunteers... for as many volunteers as he desires. I would urge the Committee to examine each of these sections carefully...

Nat'l Opposition To Carter Voting Bill

"President Carter is undermining the U.S. Constitution by attempting to make on-site registration a national policy. If this becomes law, we have disenfranchised the U.S. population and in essence legalized vote fraud." These were the opening remarks in a statement released by Wisconsin State Representative George Klicka (R-Wauwatosa) on April 12, the latest of a series of attacks against Carter's so-called electoral reform package which have intensified over the past week.

The vote fraud in the Madison, Wisconsin mayoral elections last week (see below) has brought the vote fraud perpetrated in the 1976 general election into the public eye. An American Press wire carried in the April 10 issue of the Boston Globe discussed Carter's electoral package in the context of fraud charged in his election and highlighted the Wisconsin vote. The article included former Governor Knowles' televised statement charging widespread presidential election fraud, and efforts by the U.S. Labor Party and the American Independent Party to deny confirmation of Jimmy Carter by the Electoral College. Other media attacks on the Carter package include a Los Angeles Times statement that the new California state law passed "to minimize discrimination" will be certain to result in the retention of names of the dead on electoral rolls.

The steady barrage of media, congressional, and other public declarations of opposition to the Universal Voter Registration Act proposed by the Carter Administration marks a shift in a previous blockage of action against Carter's vote fraud policy from both Republican and Democratic layers. Indicative of the sentiment against the unconstitutional bill was the passage last week of a resolution condemning the bill in the Vermont State legislature. On Friday, April 7 the House passed the resolution by a 62-56 vote alerting the state's congressional delegation "to the complications for Vermont implicit in the national proposal." The complications enumerated included the requirement of only one form of identification for registration which, according to the resolution, would "greatly increase the potential for fraud and place an additional burden upon local officials on Election Day." Same-day registration, also cited in the resolution, would "prevent orderly transfer of voter's names from those checklists with which they were previously associated," another obvious source of fraud.

The widespread opposition to the bill has begun to force concessions from the Carter Administration. In an attempt to quell congressional fears that the Administration's electoral package would be used to the disadvantage of the Republican Party, the White House has announced the appointment of Republican aide to Sen. Robert Griffin (R-Mich.), Judge Shaner to a top post in the Federal Elections Commission. Shaner is currently engaged in planning a possible Republican alternative to the Administration package. This appointment to the FEC is significant in light of the fact that the Carter Ad-

ministration considers the FEC the agency central for implementation of its registration bill, under which the FEC would receive a broad extension of powers.

Wisconsin Election — Test For New Kind Of Fraud

The April 5 mayoral election in Madison, Wisconsin, set up by the Carter Administration and trumpeted in the national press as a demonstration of the validity of Carter's on-site universal registration electoral reform proposal, actually served as a trial run for the institutionalization of mass absentee balloting to facilitate vote fraud on a national scale.

The number of absentee ballots in this Madison election increased by 1300 percent, while on-site registration, the vehicle used throughout Wisconsin to get out the vote for Carter, dropped dramatically below the figure for the November 1976 presidential election.

Wisconsin's on-site registration came under public scrutiny as a result of fraud exposés in the press and a lawsuit to overturn the November election brought by the multi-party Committee for Fair Elections. As a result, four Federal Election Commission investigators were dispatched to Madison to observe on-site procedures during the April 5 election, and under these circum-

Wisc. State Rep. Charges 'Legalized Fraud'

On April 12, 1977, Wisconsin State Representative George Klicka, a Republican from Wauwatosa, issued the following statement from his office:

"President Carter is undermining the U.S. Constitution by attempting to make on-site registration a national policy. If this becomes law, we have disenfranchised the U.S. population and, in essence, legalized vote fraud. What this means is that the curtailing of political liberty will become institutionalized in this country. Carter's cynical use of Wisconsin as a shining example must be exposed for the fraud it is. The Committee for Fair Elections and I have been gathering evidence of irregularities and fraudulent voting in the April, 1977 Madison mayoral race, and while not challenging the outcome we are challenging the margin of victory — 20,000 out of 75,000 total votes cast. The information we are gathering will be included in a federal suit challenging the constitutionality of on-site registration."

stances on-site registration fraud could not again be used as the primary vehicle for throwing the election.

Fraud "The Easy Way"

The Democratic incumbent in the Madison election, Paul Soglin, ran an all-out campaign to entice students at the University of Wisconsin to request absentee ballots, a campaign that resulted in thousands of unverified ballots swamping the polls. The Committee for Fair Elections (CFFE) found myriad irregularities on these ballots including many that were not signed by the purported voter, as required by law. In addition the Committee sent 3,500 letters of verification to newly registered and absentee voters, of which a full 14 percent were returned to the Committee as undeliverable at the time of this writing. In addition, there were numerous instances of students who registered under multiple names and non-existent addresses.

CFFE member and Republican candidate for mayor, Anthony Amato has sought to impound the voting machines and absentee ballots and envelopes from the Madison election. Amato, who beat Soglin in the primary, lost the April 5 general election by a huge margin. In the primary, Amato carried his own district against Soglin by a three-to-one margin, yet in last Tuesday's election, Amato carried his district by a mere five votes. In seeking the impoundment, Amato stressed that the evidence of fraud must be investigated whether or not it overturns the election. The evidence from that investigation will be made available to the CFFE for a

major suit to challenge the constitutionality of Wisconsin's on-site universal registration laws.

The subversion of the absentee ballot for purposes of fraud is also evident in Washington State where the AFL-CIO political action committee, COPE, sponsored a major drive to influence its membership to vote "the easy way" in a special congressional primary. COPE sent 52,000 letters to state AFL-CIO members each of which included two requests for absentee ballots. The letter urged: "working people are tired, vote the easy way, vote absentee ballot for Gary Grant." It should be noted that Grant, the Democratic candidate endorsed by the AFL-CIO for the vacant congressional seat, was responsible for the passage of Washington's new unrestricted absentee ballot laws in the state senate.

As further encouragement for absentee balloting, the King County Board of Election (Seattle area) and local school board solicited absentee ballots. Twelve percent of the ballots in this election were cast by absentees.

The potential for fraud by such absentee ballots is similar to the post-card registration used in several states to send Carter to the White House. In the first place, where fraud is intended, there is unlimited possibility for the voting of nonexistent persons or multiple voting by a single person, especially where the usual voter turnout is low. Second, the absentee ballot lends itself to manipulation of the electorate. Limited interest groups and institutions can pressure for an early vote well before the electorate is adequately informed of the issues of an election campaign.

N.J. Congressman Finds Universal Registration 'Unreal'

On Monday, April 4, 1977, Representative Edwin B. Forsythe (D-N.J.) questioned the feasibility of Carter's plans for "easier registration" before the U.S. House of Representatives. His remarks, reported in the Congressional Record (E2007), included the text of a letter directed to him from the Burlington, N.J. Board of Elections, registering the board's opposition to the Carter Administration's Voter Registration Bill. The letter specifically stated that registration made easy in Burlington, N.J. had led to documented vote fraud in the 1976 general election. Excerpts from Rep. Forsythe's remarks and the Board of Elections letter follow:

"Mr. Speaker, all of my colleagues here in the House are aware of President Carter's March 22 election reform proposal. Of that five-part package, perhaps the most controversial "reform" proposal is the so-called Universal Voter Registration Act. The purpose of this proposal is to simplify registration and supposedly thereby enable millions of additional voters to participate in federal elections.

In the State of New Jersey we have postcard registration and have been able to substantiate very little if any connection between easier registration and increased participation in elections. Additionally, postcard registration has itself created enough problems to make local election officials quite apprehensive of the sweeping changes proposed by President Carter....

...Mr. Speaker, an informed and participating elec-

torate is one of the fundamental strengths of a democracy. I think I can say without hesitation that we all support the principle underlying attempts to increase voter participation. Unfortunately, however, as responsible legislators we also have an obligation to our constituents to provide laws which reflect the realities of the world in which we must function.

The following letter, I think, highlights some of the unrealities of the Universal Registration Act...

(The following are excerpts from the March 24 letter, signed by Mrs. Dorothy P. Main, chairman and Pearl B. Bush, secretary of the Burlington, New Jersey Board of Elections.)

Dear Congressman Forsythe: As members of a County Board of Elections, we strongly oppose voter registration at the polls. We look upon the right to vote as a privilege that should be extended to everyone who can qualify; but, with that privilege should be borne the responsibility of establishing proof of those qualifications....With registration by mail, one need not even leave his home to register to vote...

...In Burlington County, we have uncovered some fraud in registration by mail simply because it is made so easy, and because the forms get into the hands of irresponsible people who use them....We...appealed to the prosecutor to obtain the names (of two fraudulently registered minors who voted and were reported in the press — ed.) for us, but he was uncooperative since they were minors. As a result, they are still registered — fraudulently. We are sure that if we had cooperation and the means to investigate, we could find many more...

Europe Organizing Cordon Sanitaire Against Dollar

FOREIGN EXCHANGE

The U.S. dollar kept falling against *all* the major foreign currencies after the long Easter weekend. Meanwhile the price of gold closed at \$152.95 an ounce in London on April 13, to consolidate at above \$152 an ounce on April 14, up from \$148.70 an ounce on April 8.

The renewed weakness of the dollar against even Europe's weakest currencies, the British pound, French franc and Italian lira, reflects "continued doubts about the ability of President Carter's Administration to bring U.S. inflation under control," according to London dealers. Beyond that broadly shared opinion, it reflects a deliberate choice by European governments to organize a "cordon sanitaire" against the dollar in support of their self-interest as a whole economic unit.

The New York financial press tries to rationalize the run out of the dollar as in part a strategic move by the New York based banks to force an upward revaluation of the yen and the West German mark while sending under the "sick men of Europe," Italy, Great Britain and France. But the upvaluation of the mark has now nothing to do with maneuvers organized in New York. As for the yen, the Wall Street institutions are caught in a contradictory situation where their acknowledged purpose — to send the yen up — is countered by their political pressures on the Japanese government, notably their threat of a trade war, which tends to send the yen down. Moreover, the "sick" currencies are conspicuously failing to go under.

The reality of the market is that the U.S. monetary authorities have lost control of their formerly dependent currencies. Federal Reserve Board Chairman Arthur Burns' declaration urging "nations in large account surplus to let their currencies appreciate" to help out the dollar have nothing to do with the upvaluation of the mark. There is, in fact, no "upvaluation of the mark," but only a *devaluation of the dollar*. A simple examination of the European "snake" — an agreement between Central Banks of West Germany, the Netherlands, Belgium and the Scandinavian countries to keep their currencies within 2.25 percent margin variations — shows that over the past few trading sessions, the Scandinavian currencies and the Dutch guilder have been at or near their *ceilings* in relation to the mark!

What the Bundesbank is really doing is to maintain interest rates in Euro-marks and domestic deposits at a low level to foster capital flows out of the mark and into the "weak" European currencies, thus making the Euro-

pean monetary system function somewhat as a whole, the mark acting as a bridge for currencies into and out of the snake. It is therefore as a whole that the European currencies are moving up against the dollar. This implies that the Bundesbank does not need to buy dollars to avoid a too sudden upvaluation detrimental to West German foreign trade — because it is relatively "stabilized" by the other weaker currencies. Those currencies are in turn "bailed out" against the dollar. For example, Britain has been holding sterling at close to \$1.72 for weeks and amassing substantial reserves in the process.

There is now widespread speculation in Europe that the abovementioned agreement will be soon formalized by bringing the British pound, the Swiss franc and the French franc into the snake — this of course implying a relative revaluation of both the mark and the guilder, not as a concession to the dollar, but on the contrary, as a move against the U.S. currency.

The upvaluation of the yen was originally imposed by the Carter Administration to curtail Japanese exports and throw Japan into current-account deficit. As a consequence, the Japanese steel industry already faces a deep crisis: the competitiveness of Japanese steel exports is so damaged that industrialists have to sell at dumping prices, losing ten percent per ton sold! But as the dollar was about to drop below 270 yen at the beginning of the week, the Bank of Japan began intervening in the market to avoid the total collapse of Japanese small and medium size exporters. Teichiro Morinaga, governor of the Bank of Japan, warned that "the yen's recent rapid rise did not seem to reflect the conditions in Japan and overseas," stressing that "some speculative factor is at work." Following this declaration, the Bank of Japan intervened on the market for the first time, buying around \$80 million on a total turnover of \$278 million on April 12. Meanwhile, to keep the Japanese in line, the U.S. Customs Court issued a ruling the same day that could result in the imposition of new import duties on Japanese electronic products. The U.S. duties "would be designed to offset tax rebates on exports given by the Japanese government." Such a tax procedure being in conformity with the rules of the General Agreement on Tariffs and Trade, the U.S. decision was perfectly illegal and provocative. As a threat, it nonetheless worked, fostering a dollar upswing in Tokyo on April 13 to 272.35 yen from 270.73 yen — while the dollar continued to slump against all other major currencies. This situation induced a Japanese trader to comment that "judo was after all made in Japan," referring to the finally favorable consequence obtained for the Japanese interest out of an otherwise adverse U.S. operation.

The fall of the dollar was reflected on the commodity

market, according to a leading New York house, in the weakness of the soybeans market. Soya, cocoa, and coffee turned weak, since speculation in these commodities depended on excess dollar liquidity in the international markets. In a parallel move, the price of precious metals went up as a hedge against the dollar, among new rumors of Arab funds moving into gold, along with

traditional inflation hedges such as copper.

The decision of President Carter to drop his planned tax rebates, criticized as demagogical and inflationary, has temporarily slowed the fall of the dollar on April 14, but his announced energy policies are bound to reaccelerate, both domestically and internationally, the lack of confidence in his Administration.

European Bankers See Major Eurodollar Market Shakeout In Third Quarter

BANKING

Leading Swiss and British bankers expect a major shakeout on the Eurodollar markets by the third quarter of 1977 resulting from the probable failure of Carter Administration efforts to have the International Monetary Fund (IMF) take over a major portion of Third World debts. According to estimates previously circulated by the Swiss Banking Corporation, non-oil producing Third World countries must meet \$17 billion in principal repayments alone — not to mention interest — during 1977, the bulk of which falls due during the second and third financial quarters. The Swiss and British bankers surveyed this week now believe that it will be impossible for private international banks to handle this volume of refinancing. The giant New York commercial banks, which have the heaviest exposure, may not survive the third quarter crisis.

Any U.S. Federal Reserve attempt to rescue the New York banks without European support is, moreover, likely to backfire against the U.S. dollar. As a high-level official of one of the three largest Swiss Banks remarked, a single-handed Federal Reserve intervention, which would turn on the printing presses for new dollars, would only trigger a general crisis of "confidence" involving several times more funds than what the Fed is able to mobilize. "How can people conceive of such a scenario conserving their financial holdings!" the Swiss bank official declared.

One source close to the Swiss central bank reported that the Saudis will not give a penny towards an expanded IMF, unless the U.S. government supplies an equivalent amount — and, in Riyadh, it is believed that the U.S. Congress will effectively prevent this. Thus the Carter Administration will accomplish nothing at the April 28 IMF Interim Committee meeting or at the May Economic Summit in London. The entire IMF bail-out package will just fall flat. The following events will then unfold according to this source: "By the second or third quarter, there will be a big contraction in international finance, moratoriums, call it what you will. The United Kingdom and France will push for more stimulation, but it won't help. Confidence will be shattered and exchange

rates will move against the dollar."

In London, a spokesman for a leading British merchant bank, with credentials going back to the eighteenth century, attacked the IMF's austerity policies as the reason why the bail-out is getting short shrift. "Either the IMF employs new people, or they get less power — in any case, they're not able to play it as central banker," the spokesman said. "In the United Kingdom, the IMF team behaved like the most extreme type of Montagu Norman bankers — cut, cut, cut — the cuts were all far too severe, and with the funding of the sterling balances we've tied our hands for ten years...If the non-recovery goes on, or becomes negative, the commercial banks in the U.S., who have the prime responsibility for their overexposure, will be in trouble. European bankers have been far more cautious...Major write-offs will be possible, but even with Federal Reserve funding, it'll be too late — there will be withdrawals, a major collapse. The asset side has gone so far that nothing the IMF can do can salvage the situation." He then confirmed reports that the Saudis are opposed to the \$16 billion IMF special fund proposed by the Fund's managing director Witteveen.

Other City of London spokesmen expressed a similar lack of sympathy for the plight of New York's commercial banks. Said one merchant banker: "If the U.S. banks are going to collapse, I could not care less. The Fed will help them. Big effects on the dollar too, sure. So what?"

Only N.M. Rothschild and Sons dissented from the general view that the New York banks are likely to be badly shattered. "There will be a major banking and liquidity crisis but not a breakdown crisis," protested the Rothschilds' LDC debt expert De Carvalho.

In West Germany, opposition to the IMF expansion is nearly as strong as among British financial circles but is complicated by fear of a break with the U.S. A representative of a West German business association expressed it best: "Not everyone wants to help the U.S. banks that made so much profit on the LDC lending operations," but the West Germans hope for some kind of "compromise" on the IMF issue to delay having to come to grips with the larger strategic question of a collapse of New York financial power.

As word of the impending third quarter payments debacle spreads, the *Wall Street Journal* has been forced

to publish a grudging acknowledgement of the banks' difficulties, but denying the depth of the crisis. In an April 14 article entitled "Poorer Countries Face Test of Their Ability to Repay Bank Loans," the *Wall Street Journal* stated: "The question arises whether numerous countries might fail to meet the payments, threatening the solvency of the banks that lent them the money. Executives of the major banks say they are confident

that won't happen, although some wouldn't be surprised if a few governments ran into trouble." Nevertheless, the *Journal* quotes Darryl Francis, a former president of the Federal Reserve Bank of St. Louis, to say: "Purely on a gut feeling, I'm a little nervous about this area. I won't be shocked if it doesn't work out as beautifully as they (the bankers) expect."

Tax Rebate Dies — A Small Victory For Sanity

BUSINESS OUTLOOK

The Carter Administration has withdrawn its proposed \$11.2 billion tax rebate package, following the Administration's promotion of the rebates for over two months as the indispensable centerpiece of its economic program. The Administration's defeat, forced by a coalition of Republicans and Democrats, throws a roadblock before plans to pump up the U.S. credit supply. From the outset the tax rebates program had less to do with improving the performance of the domestic economy than with emergency relief for the illiquidity of the New York banks. It was intended, first, to facilitate U.S. purchase of Third World commodities at tremendously inflated prices, upon which the Third World was to get sufficient earnings to pay back \$17 billion on principal account of debt owed to Wall Street during the next few months. Second, it was supposed to create the funds necessary to finance the direct bail-out of the New York banking majors. A massive hyperinflation would have resulted.

The major congressional opposition to the rebates program was only in part due to the question of taxes per se. Rather it was seized as a vehicle by which Congress could attack other aspects of the Carter "No energy, no growth" budget, particularly the Administration's announced intentions to shutdown funding of 30 domestic water development projects.

Russell Long (D-La), chairman of the Senate Finance Committee, whose state of Louisiana was threatened with 5 water project close-downs, led the conservative Democrats' anti-rebates fight. Long told the Congress last week that, "if we voted right this minute, (the rebates) would be defeated," and added that the Administration "is going to have to call in the top man if they are going to win this fight."

Barber B. Conable Jr. (R-NY), ranking Republican on the House Ways and Means Committee, called the rebates proposal, "very close to throwing money out of airplanes."

Federal Reserve Board member Henry Wallich had hinted strongly in a *Journal of Commerce* interview last month that the effect of the rebates would be to gun the money supply, and thus provide liquidity for the banking system. However, the preponderance of Wall Street bank

newsletters warned that the rebates program would end up very quickly driving up short-term interest rates sky-high, thus crippling capital spending and leading directly to wage and price controls. The annual increase of the CPI at a clip of 10 percent for the average of the first three months of this year was more than enough convincing evidence for the business community that inflationary storm pressures were underway.

The effects on the money markets of the rebates defeat was immediate. The Dow Jones industrial stock average rose 9 points on the day, closing at 947, and intermediate securities on the bond market rose a full point. Virtually all intermediate interest rates, down to three month paper, fell a full quarter percent on the news — an unusual drop for short-term paper — and funds began to move out of short-term paper into higher interest rates in deposits.

While the medium term effects of the rebate cancellation will be salutary, by itself it only provides stability for the weak dollar in the very short (4-6 weeks) run.

To Wall Street's more euphoric analysts, the rebate cancellation argued that the period of hyperinflation was suddenly behind; with interest rates falling, and no apparent major loan demand, it was said that the "entire system is swimming in liquidity," in the words of an analyst at Aubrey Lanston. The need to create new credit would be eliminated.

In fact the system only appears liquid because: 1) the Treasury will not borrow, as a result of the rebate defeat, the anticipated \$11 billion for rebate payments, which will allow the Treasury to repay about \$2 billion in the second quarter rather than borrow the \$5-6 billion expected, and 2) virtually no major corporate bond issues are scheduled for marketing during the next six weeks. In addition, New York banks theoretically have more funds available for lending, because New York bank lending to corporations has sharply declined by \$1.9 billion since the first of the year. (At the same time, there is considerable lending, about \$4.5 billion in the last 8 weeks in the commercial paper market outside the banking system). Far from swimming in funds, the eight major New York banks are in borrowed reserve position of \$7.4 billion. Moreover, there are several mounting powerful forces countervailing the apparent lack of borrowing.

First, the Third World will be borrowing a large portion of the \$17 billion required to amortize debt principal payment at the end of the second quarter, beginning of

the third quarter from principally New York banks. Second, there will be a heavy Treasury financing of between \$15 and \$20 billion in the third quarter.

The moment that everyone stops being euphoric and starts borrowing — 4 to 6 weeks from now — the apparent deluge of liquidity will turn into a terrific shortage.

The real economy of the U.S. has not been fundamentally improved. The decline in commerce and industry loans of the ten leading New York banks is down \$1.9 billion since the first of this year, and what borrowing is going on is largely invested in very cautious industrial inventory build-up.

The possible important exception to this is indicated by the rapid growth in retail sales of 2.7 percent in February and 2.4 percent in March. But this is largely premised on the phenomenal expansion of consumer credit, which leapt by \$2.3 billion in February and a large amount in March to finance auto purchases. As most analysts

admitted, the purchase of autos in March was based on consumers hedging against expected increases in auto prices. Confirming this is the pattern of long loan terms taken out to pay for the autos — mostly four to five years — showing a tightness in the consumer purchaser's financial position. The traditional 36 month car loan now accounts for only 23 percent of the loans made, according to a survey of the American Bankers Association.

The auto boomlet may have come to a sharp halt. American new car production fell to a 7.5 million annual rate for the April 1-10 period, from the 10.2 million level in March, according to auto industry reports.

More ominous is the Carter energy plan. The price of gasoline will shoot up to as high as \$1.25 per gallon under the program, and taxes on heavy models of cars may rise to as much as \$2,500 per car. Coupled with Carter's proposed cutback of foreign petroleum imports to the U.S., this spells the death-knell for the auto industry.

Carter Prepares New Anti-Trust Attacks On Industry

CORPORATE AFFAIRS

Donald Farmer, a senior staff member of the Anti-Trust Division of the Justice Department, has confirmed that Attorney General Griffin Bell has ordered a comprehensive reorganization and upgrading of the Administration's ability to use the threat of the anti-trust laws against corporations resisting Carter's energy program. Farmer named "auto, steel, heavy electrical, and certain chemical giants" as likely targets. He added that the Justice staff is working overtime to draft the plan.

According to the *Wall Street Journal* which leaked the plan in two articles on April 9 and 10, Attorney General Bell is planning to consolidate the anti-trust authority of the Federal Trade Commission within the Anti-Trust Division of the Justice Department to provide greater

political coordination, and additional power to this new unit. According to the *Journal* the scheme includes:

- Granting the Anti-Trust Division "rule making" authority to produce Lockheed-type hearings. According to reliable sources, the rules would include limits on the size of any corporate share of any industry, on the basis of which court action enforcing divestiture orders would ensue.

- Creation of a court specifically to hear Anti-Trust cases.

- Special procedures to expedite trial procedure.

- Amend the Sherman Anti-trust Act to ease the burden of proof.

According to Farmer, this policy had been championed by former Senator Philip Hart, and will now be backed by Senator Edward Kennedy, who presently chairs the Anti-Trust subcommittee of the Senate Judiciary Committee. The General Counsel of the subcommittee has indicated that Kennedy has been closely coordinating his work with the head of Ralph Nader's "Congress Watch," Mark Green.

GAO Report Finds No Hope For NYC

SPECIAL REPORT

A rapid-fire release of studies, legislative actions and policy recommendations is preparing New York City and State for more drastic austerity measures than have already been implemented. In a study of New York City's economy, released two weeks ago by the General Accounting Office (GAO) and endorsed by the *New York*

Times, all the hoopla about bad bookkeeping and impecunious borrowing is purposefully deemphasized. Instead, the study soberly admits that two more years of severe cutbacks, and extended austerity cannot possibly put the city on anything near a sound financial footing.

"The picture that emerges is that the City acting alone is severely constrained. It has made many of the 'easier' cuts and is close to the point at which it cannot cut or even hold the line without help from other levels of government. If the city cuts certain

segments of its budget, there is real danger that the quality of City life will deteriorate.

"...Accordingly, if the City is to achieve a balanced budget in fiscal year 1978, it will probably require major administrative actions and policy shifts at the Federal and State levels.... 1977-85 will be an extremely difficult period for the City.... (The fact is that) the fiscal and economic base of New York City continues to deteriorate, and this deterioration is at the root of the City's problems."

The report notes that even under the most optimistic conditions, a balanced budget in 1977 and 1978, and surpluses in 1979 and 1980, budget deficits of \$150-600 million will occur in 1981, rising to \$1.5-2 billion in 1985. This optimistic prediction, of course, does not account for the increasing deterioration of the economic base described in the report:

* Between 1960 and 1970, growth in private sector employment increased only 2 percent in New York City, while increasing 27 percent nationally.

* In the same ten-year period, employment in manufacturing declined by 19 percent in the city, as compared to 7 percent nationally.

* From 1970-1976, employment in New York City fell by 468,000, including an average yearly decline of 48,000 in manufacturing. This contrasts sharply with states like Arizona, Florida and Colorado, where total employment increased between 35-44 percent.

The GAO study emphasizes that "nonetheless, many more expenditure reductions will be necessary..." despite the difficulty presented by largely "uncontrollable" budget items like welfare and Medicaid, ex-

penditures mandated by State and Federal law. It is also stressed that the exponentially-increasing debt service payments to the New York banks are not one of those uncontrollable areas to be attacked.

Offering numerous alternative scenarios for State and Federal funding of these "uncontrollable areas" in the budget, the report is predominantly biased toward further cutbacks, programs for labor-intensive productivity increases, and forced work schemes. For example, a complementary study of the northeast's economy by the Conference Board lists statistic after statistic on the northeast's decline from the nation's leader in advanced technology and personal income. The study's primary conclusion is that higher "productivity" is needed ... for the same amount of pay. No mention is made of increasing capital expenditure and industrial development, or of the failure of New York City under these measures.

Statewide Implementation

The recently passed New York State budget is the practical implementation of the GAO's proposed "alterations" in welfare and Medicaid. Large chunks are cut from already-designated social services like education, health and welfare. The Legislature, after last-minute maneuverings by Rockefeller State Senator Warren Anderson, also passed the first forced work-slave labor scheme in the northeast. As of April 1, welfare recipients in the Home Relief category will be required to work three full days per week regardless of the amount of their benefits. There are 12,000 CCC-type public works jobs already in New York State, largely through Federal CETA funds, and the Department of Social Services plans to increase that to 32,000 this year. One legislative

NE Governors Rep: 'Lifestyles Must Change'

The following is an interview with a member of the advisory panel of the Conference of Northeast Governors (CONEG) made available to NSIPS.

Q: Do you see any link between the mandatory work programs recently enacted in New York State for people on welfare and the need for large energy development projects?

A: Ah, this is an issue close to my heart. Both the energy and economic dilemmas are vitally intertwined. We need a program that can generate employment, is anti-inflationary, can give a lift to the investment area of the economy, and provide for our energy needs. The problem is that in the short run, people must be prepared to change their life-styles radically and to accept sharply higher prices for energy. Now energy is too cheap, the price of oil and gas are too low. As long as you have cheap oil, coal gasification and liquefaction are priced out of the market. We won't get investment into this area until the price of oil goes up.

Q: But oil prices have quadrupled or quintupled since 1973.

A: That's not enough. It must go up to \$20 or so per barrel to make these processes economically feasible. Look, the price of oil will go up regardless. If we have an investment policy in non-energy development areas and get unemployment down, between inflation and the OPEC countries driving up oil prices, prices will rise to that level anyway. Why not take the price hikes now in a way that will help later — I mean invest in energy development projects which will put people to work and not be inflationary. The problem, though, is that it is very difficult in a democracy for people to accept this. Nobody seems to want unpleasantness, but we will have to have it at some point soon.

Q: The cost of these energy development projects, especially for coal gasification and liquefaction, may be very, very high. A major factor could well be the high union-level wages of workers. Has CONEG discussed this problem, the possibility of paying workers below the union wage scale?

A: We've not gone into this, although everyone agrees this is an area of concern. This of course won't be easy to change, but ultimately these things will have to happen.

provision will allot a certain portion of the CETA jobs — hitherto designated for those on the unemployment rolls — to welfare recipients, setting the unemployed “who want to work” against the welfare people “who don’t want to work.”

The day after the budget was passed, Victor Gotbaum, head of the AFSCME District Council in New York City, protested that his union was “losing the CETA jobs to the welfare bums,” and announced that he would fight tooth-and-nail to get those jobs — which pay far below the union wage scale!

But the CETA jobs are merely one small portion of the forced work program. Under the rubric of “developing alternative energy resources,” the New York banks are planning to implement huge labor-intensive work projects. A member of the advisory panel to the Conference of Northeast Governors (CONEG) proposed exactly that in an interview last week (see page 5). The CONEG advisors, who met last week in Boston, will release their policy proposals for coordinated energy development schemes by this summer. The cornerstone is a Regional

Energy Development Corporation — a giant Big Mac operation, with federally guaranteed bonds for financing.

The so-called energy development projects will be instrumental in removing New York City’s “unproductive” population — a call recently trumpeted in a *New York Times* editorial and first pronounced by Roger Starr, a *Times* editor and former head of New York City’s Housing Development Administration. The other side of the GAO program is the creation of an “Urban Reconstruction Bank,” a proposal first floated at CONEG’s inaugural meeting at Saratoga Springs in November. Last week, the Trilateral Commission’s U.S. Treasury Secretary, W. Michael Blumenthal, revamped the proposal in consultation with editors and reporters of the *New York Times*. The proposal is nothing more than a retreat of the New Deal’s Reconstruction Finance Corporation, which guaranteed debt service to the Rockefeller banks by guaranteeing loot from slave-labor projects.

State Probe Shows New York Banks, Not City, Bankrupt

SPECIAL REPORT

Haddad’s Statement

Testimony last week before a New York State legislative subcommittee by William Haddad, director of the Office of Legislative Oversight of the State Assembly, substantially corroborates charges by the U.S. Labor Party that the bankrupt New York clearinghouse banks rigged the so-called New York City fiscal crisis, in part through wholly illegal manipulations of the credit markets, to protect their illiquid international debt position. The result, Mr. Haddad charged, was a de facto seizure of political power within the city by these banks and forcing of the people of the City and State of New York to cover banks’ bad loan positions through service cutbacks and other austerity measures enacted under the guise of imposing fiscal responsibility on the nation’s largest metropolis.

Haddad points out that the New York banks are no longer cooperating with his investigation. He requested and received subpoena powers from the committee to obtain relevant, secret bank records.

The information in the testimony excerpted below is of the type that warrants an immediate investigation, not only by Haddad and the New York State legislature but by the relevant committees of the Congress. In all likelihood such an investigation would lead to criminal indictments of the officers of the New York clearinghouse banks. In a press conference last week, which like his testimony was blacked out of the East Coast press, Haddad stated that what “we have here is only the beginning of a very nasty picture.”

Mr. Chairman, it is the purpose of this report to outline the persuasive evidence my office has collected to date supporting allegations that several New York banks quietly dumped two to 2.5 billion dollars in municipal holdings after privately learning of the city’s pending default.

This divestiture of municipal securities aggravated a growing crisis of confidence in the city’s ability to repay its debts. For many institutional purchasers, this was the coup de grace, the final shot in the head for a dying securities market.

With the market saturated to a standstill by these secret actions, the banks turned to the city and the state for help, which was forthcoming in the form of new institutions guaranteeing the repayment of new and “rolled over” investments by the banks. No such protection was provided for those who, trusting the banks, and relying on the integrity of the securities marketplace, purchased the securities being quietly dumped by the banks.

Some of our evidence comes from our review of minutes of the confidential deliberations of two committees.* A small, closed circle of twenty-five men — representatives of the city and the financial community — were not only members of these committees, but served as the decision-makers for the banks and other financial institutions concerned with the crisis...

*The Comptroller’s Debt Management Committee and the so-called “Patterson Committee,” an offshoot of the Debt Management Committee, and named for its chairman, Ellmore C. Patterson, Chairman of the Board of Morgan Guarantee Trust Co. Minutes of the Debt Management Committee are available; discussions of the Patterson Committee can be reconstructed from recollections and individual notes.

It was this conflict between private obligation and public responsibility which created the banks' dilemma and hastened the collapse of the city's securities market. From the records we have seen, and from what we have learned, it is clear that many banks decided to secretly sell their city securities as the *only* viable option for them, a statement which will be detailed later in this report. The banks bailed out in three ways:

(1) They sold extraordinary amounts of municipal securities from their own portfolios; we do not have information about how they handled the portfolios of their trust accounts;

(2) They did not replace matured out municipal securities, a reversal of their previous practices; and

(3) They sold, for the first time, new and older city securities to non-institutional and non-professional investors without disclosing the risk they foresaw.

The banks third step is the focus of my testimony today. Precisely, the banks sold New York City securities to small, individual investors and they did so without disclosing their inside information as to the City's fiscal condition.

In October, 1974 the underwriting banking syndicate, led by the Chase Manhattan Bank, could not market all of the issue's \$475 million in bonds, causing substantial losses of having the securities recorded at their market value as contrasted to their offering price. This signaled the collapse of the market, although the banks, of necessity, continued to assist the city in raising capital, but at increasing rates of interest...

In fact, from the records of the Chase Bank, it is clear that some banks had already begun to act on this and other related information. In the November 20, 1974 minutes of Chase's Dealers Planning Committee was the statement carrying out the earlier decision of their Portfolio Strategy Committee. We are, he revealed, "continuing to sell New York City obligations at every opportunity." The strategy decision called for sales even if a loss was sustained.

If the banks had decided to sell and there was no ready market with other institutions, where could they turn? The answer is found in the suggestion by the Comptroller at the November 12 meeting of the Debt Management Committee to dramatically reduce the denomination of city notes to \$10,000, to enable smaller investors to take advantage of the tax exemptions and high interest rates. The members of the Committee agreed this was a good

idea. Thus, the stage was set for sale of almost a half a billion dollars in ten thousand dollar notes to non-professional investors...

From testimony we have reviewed, it is clear investors turned to the banks as a matter of confidence and trust. They were convinced that the banks would tell them the truth, the whole truth and nothing but the truth. In one classic situation, a doctor, who had recently sold her cooperative apartment for \$100,000 went to a bank rather than her broker to invest the money. And what happened? She was sold securities the bank was unloading because of knowledge of the impending fiscal crisis. Yet the bank never disclosed this fact to her...

There is a classic irony in all this. Recently the court decreed the moratorium invalid instructing the city to repay a billion dollars to note holders, many of them small investors. The city turned to the banks for help. The banks responded in their righteous self interest by making hard management demands to control the flow of city revenues, an action the mayor and union investors believed would strip the city of its sovereignty. *Yet it is the banks who benefit most from this repayment.* Class actions are pending against the banks by note and bond holders which, if successful, would have required the banks to repay these monies on the grounds of misrepresentation at the time of sale. The city's repayment, once again, takes the banks off the hook.

Earlier the banks had been taken off one hook by permitting sales to non-professionals. Then came the moratorium and new institutions to guarantee that the banks would be repaid.

There is one consideration which cannot be overlooked, one with serious national and international consequences. Some of the banks were required to unload their portfolios because their poor investments in REITS, tankers and underdeveloped countries had placed them in a financially precarious position. Had they been forced to suffer the added book losses of default or moratorium, some may have been pulled across the line of stable institutions. What would have happened then? Not only to the nation, but to the world economy? In one sense, therefore, New Yorkers are paying the price of the banks' poor management policies. It ill behooves these institutions who have been living in glass houses to throw the first bricks at the city's management policies.

Mr. Chairman, we still do not know the full story. The banks are closeting important records...

2 Trillion Barrels Of Oil Waiting To Be Consumed

Carter's soon to be announced energy program calls for unprecedented cutbacks in petroleum consumption for the United States, implicitly, across the globe. There are two basic arguments widely used to justify the Carter-Schlesinger energy plan. The first is that the world is facing an imminent shortages of fossil fuels, which will run out before alternative energy sources come on line. The second argument is that the U.S. is increasingly "vulnerable" to foreign suppliers. The U.S. could be slapped with another embargo from the Arab producing nations in a less dramatic action, the Organization of Petroleum Exporting Countries (OPEC) will continue to raise the price of oil.

The "U.S. vulnerability" argument is obviously bogus. The oil producers have made repeated gestures toward cooperation with the U.S. and the advanced countries to secure oil-for-technology deals for development. They have shown willingness to cooperate with the consuming nations at the North-South meeting in Paris to establish a new world economic order. Saudi Oil Minister Sheikh Ahmed Zaki Yamani stated in January that the price of oil could come down once a resolution to the world economic crisis was reached through the North-South talks. Similarly, the Arab oil producers have been aggressive in attempting to organize for a Geneva conference to settle the Mideast crisis and eliminate the threat of a renewed war. Clearly it is the "vulnerability" of the New York banks to new monetary arrangements for expanded world production and trade, not U.S. national security, which preoccupies the Carter Administration.

The question of actual shortage is disproved by the fact that the Middle East producers, as well as numerous other areas are sitting on billions of barrels of unexploited oil. The existence of these vast reserves has been purposefully withheld from the American public by Rockefeller's oil companies, the CIA, and other agencies. The following is a region-by-region summary of world oil potential:

The Middle East

If one is to assess the prospects for future oil output the place to start is Saudi Arabia. The latest figure announced for Saudi reserves is approximately 150 billion barrels, though the Arabian American Oil Company (ARAMCO) puts their estimate at about 177 billion. It is based on these extremely conservative figures that ARAMCO estimates that Saudi Arabia could produce 12 million barrels a day (mbd) for a century, about three and one half mbd more than the Saudis have produced up to the present. Despite Saudi Arabia's large output,

Saudi reserves continue to climb annually, due to the discovery of new fields and the continual upping of the size of already producing fields. (See Tables 1 and 2)

It is widely acknowledged that even the highest current public estimates of Saudi reserves are a gross underestimation. The former U.S. Ambassador to Saudi Arabia has gone on record estimating that there are at least 300 billion barrels under the ground awaiting exploitation. As the map (1) shows, large portions of the peninsula have yet to be explored, most notably the huge empty quarter which is known to possess oil. Preliminary drillings and small finds indicate that the crude from the Empty Quarter is of the highest quality. Similarly, areas north of Riyadh are believed to possess high quantities of oil. These reserves were discussed by a Japanese delegation to Riyadh in February. The Japanese had hoped to open up the field in a technology-for-oil arrangement and Japanese sources put the potential of this single area at about five mbd.

Following the December OPEC meeting Saudi Oil Minister Yamani announced that his government intends to increase output to 14 mbd by the end of 1977. According to Donald Wells, a former Saudi economic consultant the Saudis could be producing 20 mbd with very little effort, the target personally set by Yamani prior to the 1973 Middle East war. The Saudis face no major technological limitations to achieving such a goal, and the ease of acquiring the oil (at 10 cents a barrel, Saudi oil is the cheapest to produce in the world) makes a stepup in Saudi output crucial for global economic growth. At present, the Saudis are making sizable investments in water injection systems to keep the output strong in older fields.

The offshore Persian Gulf also offers highly favorable prospects for increased oil production. Unlike the tumultuous North Sea, offshore drilling in this region can take place in one of the most propitious climates in the world. According to the *Offshore* magazine, current offshore pumping in the Gulf contributes about 3.5 mbd, or approximately 14 percent, to the total Mideast oil output of about 25 mbd. It is anticipated that this percentage will double in the near future. The Gulf emirate Abu Dhabi figures to be the producer to make the greatest contribution to offshore oil expansion. A Zapata Oil Company official in Abu Dhabi's sister emirate of Dubai recently confirmed in a interview with *Offshore* the large amount of oil still untapped under the Persian Gulf, and predicted a dramatic upturn in drilling activity in coming years.

At present Abu Dhabi has increased the allowable maximum production from its offshore fields and has commissioned the French state-owned firm CFP to

Table 1— Crude Oil Remaining Reserves of Saudi Arabia at Year End

In Billion U.S. Barrels

Year	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Total	78.00	80.40	136.00	136.70	138.70	138.26	137.07	136.83	141.04	144.58

Table 2— Crude Oil Production of Saudi Arabia

In U.S. Barrels
1966 - 1975

Year	Total	Percentage Change
1966	949,659,835	
1967	1,023,839,853	+ 7.8
1968	1,113,717,011	+ 8.8
1969	1,173,893,164	+ 5.4
1970	1,386,658,836	+ 18.1
1971	1,740,632,763	+ 25.5
1972	2,201,961,695	+ 26.5
1973	2,772,605,428	+ 25.9
1974	3,095,088,427	+ 11.6
1975	2,582,535,244	- 16.6

being expanded and two new fields, Sirri C and D, are expected to begin production this year. A very large off shore find was made in the straits of Hormuz a few months ago by the Brazilian state-owned company, Petrobras. With an anticipated capacity of 300,000 barrels a day, the Hormuz field could significantly augment Brazil's high-paced efforts toward energy self-sufficiency (see below). Iran's Marun field, the country's largest and most recently discovered, is currently producing 1.4 mbd thanks to stepped-up drilling activity. Marun's output is soon to climb by another 100,000 barrels a day, a rate which it is expected will be maintained for coming years. The Iranian government has already approved the installation of a number of gas injection systems into the already active wells, reflecting Saudi Arabia's similar move to extend the life and efficiency of producing wells.

The size of Iran's total oil reserves is as yet undetermined. A well-informed source at the Hudson Institute (which specializes in energy) is insistent that Iran's reserves are in the neighborhood of 200 to 300 billion barrels. This expert emphasized the gross underestimation of both Saudi and Iranian reserves. Moreover, it has recently come to light that Iran has gas reserves under the Persian Gulf in the Kangas fields which may well rival the world's largest known reserves now found in the Soviet Union. It is of course natural to assume that where there is gas there is oil. The Hudson Institute official added that the U.S. could rely solely on Persian Gulf oil supplies if necessary. To date, he added, no one has done an adequate analysis of Iran's actual reserves situation. The same situation exists for Iraq which is known to have equally large amounts of still unexplored crude.

Africa

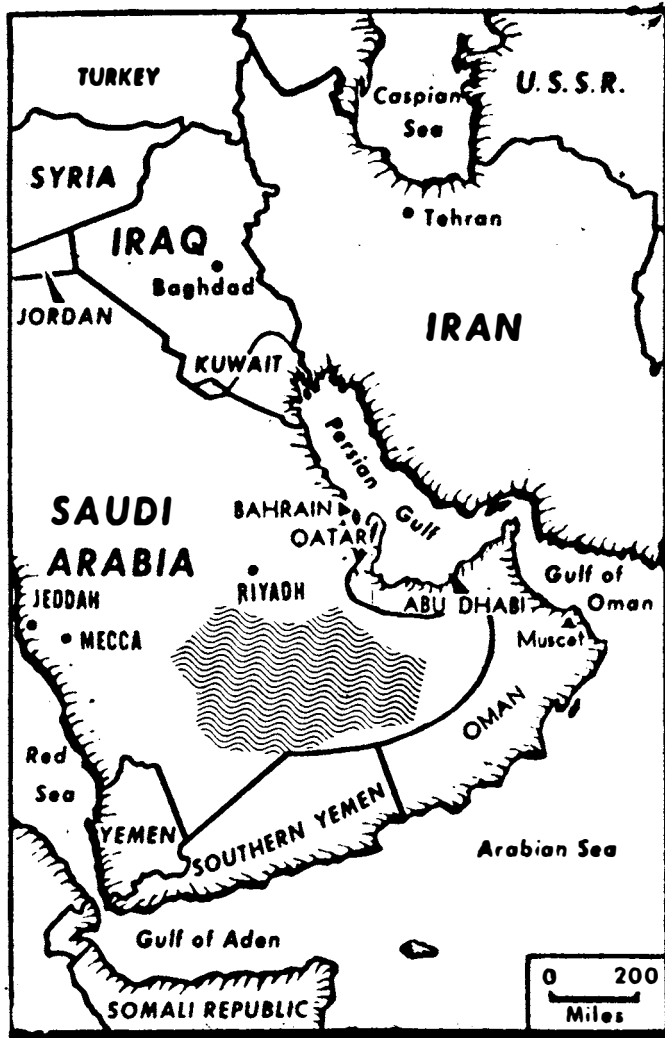
In North Africa, Libya is making a concerted effort to step up production of its 70 percent nationalized petroleum industry. Last year Occidental opened a new field in the Sirtica Basin, where the Almas field was discovered and developed by Oxy under a far reaching production sharing agreement giving Libya 81 percent of all commercial oil output. Other foreign companies have agreed to explore onshore in Libya under comparable terms that allow the government no less than 85 percent commercial discoveries. According to the Libyan National Oil Corporation, exploration done last year by a group of French, Austrian, and German companies has yielded a new field which is being described as Libya's


expand the Zakum field to produce 450,000 barrels a day more than it is currently yielding. Abu Dhabi Marine Areas Ltd. will soon provide the Zakum field with high technology drilling capacity known as the "supercomplex," one of which is already installed in the Umm Shaif field.

Last week, the Abu Dhabi government formed a new state owned company to oversee offshore activity, with the participation of British Petroleum, CFP, and a group of Japanese companies. In addition, United Arab Emirates Oil Minister Manah Oteiba has stated that the UAE could easily increase production by an additional 300,000 barrels a day.

On the other side of the Persian Gulf, Iran has its own share of both onshore and offshore activity aimed at expansion of output. The Ardeshir offshore fields are

Map 1



 The Empty Quarter

largest to date. Libya is looking to regain the past output of the large Sarir field which before nationalization in 1971 was producing over 400,000 b-d. It has since slumped to about 200,000 b-d, but the Qaddafi government envisages output by 1980 from this field alone of 900,000 b-d. British Petroleum, from which the field was originally nationalized, may be invited back into Libya to help revitalize it.

A major political prerequisite for expanded petroleum production necessary to service the world economy is nationalization. Since 1974 in particular, momentum among Mideast oil producers to take greater political control over the remaining private interests in their respective nations has gained. Saudi Arabia has finalized the terms of complete takeover of the enormous heretofore Rockefeller-dominated ARAMCO operations. Following a round of talks between Yamani and ARAMCO in Europe last month, the Saudis have agreed to establish a state-run institute to oversee managing their soon-to-be acquired remaining 40% of ARAMCO now held by Exxon, Mobil, Socal, and Texaco. An agreement was reached last year between the government of Qatar and the consortium of oil companies which still held 40 percent interest in its output. Added to this,

non-Rockefeller independent and state-owned oil companies have moved into exploration in the Mideast and North Africa. Companies like Italy's ENI, the Brazilian Petrobras, Elf Erap of France, Spain's Hispanoil and OMV of Austria are becoming favored exploration partners for the producing nations. At least two dozen Japanese companies are partners in production and exploration in the Persian Gulf, while about 60 companies including larger U.S.-based independents such as Anoco, Conoco and Philips are gaining steam within the area.

The same holds true for the continent of Africa, where vast regions are yet unexplored. Large territory with sedimentary basin — an indicator of possible oil deposits — covers about half of the continent. Discounting the North African producers, Gabon and Nigeria are Africa's only two members of OPEC. Yet, of the 51 countries or territories in Africa, 32 have issued petroleum exploration permits and Kenya, Tanzania, and Somalia have taken the lead in geological and geophysical exploration while the most drilling has taken place in Camerous, South Africa and Chad. It is thought that the landlocked state of Chad has sizeable amounts of reserves. In the case of the African states the viability of investment in expanded exploration must be weighted against the cost of both production and transportation. Nevertheless, the pattern of investment — in chiefly from Europeans and Mideast oil-producing states — in oil exploration and oil-related industry such as refining capacity, indicates a certainty that there are worthwhile amounts of exploitable crude, which will aid in furthering African development.

India and Latin America

Since the fourfold increase in the price of oil, a number of Third World nations have mounted a remarkable effort to become oil producing states. Often under adverse environmental and political conditions countries such as India have built an oil industry up from the ground in the space of two years. Such an accomplishment on the part of an underdeveloped country belies the worn-out slogans that building new oil-producing infrastructure to expand production takes too much time and is too costly. Prior to 1974, India had been unable to solicit concessions from advanced sector oil companies even though Soviet advisors had helped to establish the presence of considerable reserves in India's Bombay High region in the Arabian sea. Unfortunately, the Soviets did not have the offshore technology to aid the Indians in undertaking production. For India, like other developing countries who have been virtually bankrupted by the high cost of oil, the drive for near self sufficiency by the early 1980s — which would mean an output of about 250,000 mbd — will enhance its prospects for further industrial development. This was the national development plan put forward by former Prime Minister Gandhi and while her successor's commitment to industrialization is highly questionable, the Desai government has made it clear it will stick to the national oil development plan. Last year the Bombay High offshore field began production with two operating platforms. The plan for the future includes 18 platforms. The Soviets also have identified another field in the Arabian Ocean which is expected to draw about 80,000 b-d, the Basein structure

near the Bombay High. India's Oil and Natural Gas Commission expects to soon put Bassein on stream at 20,000 b-d, to reach 60,000 b-d by the end of the year. Apart from the Bombay High, which the government has reserved for itself, a number of other promising sites in southern India and off the eastern coastline have been awarded for exploration to foreign companies — again with the prominent exception of the Rockefeller-dominated multinationals. While India need not become an exporter of oil in the near future, it takes some of the burden off the Gulf producers which have been supplying its oil by beginning to meet its own needs.

Brazil has also escalated efforts at domestic oil production since the fourfold price increase. As also in the case of India, Brazil is not expected to become a net exporter of oil but is aiming to produce at least half of its 1.2 mbd daily consumption, thus cutting down on its high oil import bill. To date Brazil is 80 percent import dependent.

Since 1974, serious efforts at exploration have been ongoing with promising results in the Northwest states of Sergipe and Alagoas, five major fields discovered in the Campos Basin off the state of Rio de Janeiro, and new finds off the mouth of the Amazon in the north. This year alone the state-owned company Petrobras plans to drill 96 wildcats, 55 of which will be offshore.

Current offshore production comes almost entirely from the northeast section of the country (see map 2)

with the fields being shallow and close to shore, making for relatively easy extraction. Aside from domestic efforts to upgrade oil output (which include contacts with Royal Dutch Shell, British Petroleum, and Elf Erap) Petrobras has moved aggressively abroad into joint ventures with the Mideast producing nations and these have yielded sizeable finds. Petrobras's Iranian find has a potential of up to 300,000 b-d and a find of approximately the same size as recently reported in Iraq. Joint exploration still continues in Algeria.

A similar potential for domestic oil production exists for neighboring Argentina. According to the April 4 issue of the Oil and Gas Journal, the south Atlantic Ocean off Argentina may well become a boom area for exploration in the near future. With the Malvinas basin, the Burdwood Bank, the Falkland Plateau, and the San Jorge basen established as areas of possible petroleum sediments, Oil and Gas notes that two of these areas looks excellent, citing reports from London. (map 3) British Petroleum is slotted to play a major role in Argentina's petroleum development. British Petroleum recently participated in a three-year contract to explore off Bahia Blanca for Argentinian's state-owned oil company, YPF. This is a positive signal that an understanding is being reached between the UK and Argentina following their longstanding sovereignty dispute.

Mexico's recently publicized 60 billion barrels reserves, which puts that country on a par with Kuwait, makes it Latin America's probable near future exporter of oil. The English language daily of the United Arab Emirates this month, however, noted that even the 60 billion barrel estimate is low, claiming Mexico rather possesses 100 billion barrels of oil, the third largest reserves in the world! Like Indonesia, Mexico faces the political question of whether its oil will be used for expanding the industrial base of its economy or to serve as collateral on rollover credits for the country's considerable foreign debt. The scope of its reserves makes expansion of Mexico's one mbd output a political concern of the Rockefeller interests. This is both because Rockefeller's New York banks hold the lion's share of Mexico's debt and because if any sizeable amount of the oil exported by Mexico's state-owned Petroleos Mexicanos (Pemex), falls outside the hands of the multis Exxon's traditional control of oil markets could be upset.

There has been high level contact between the Arab oil-producing nations and Mexico, which the London-based *Sunday Telegraph* recently revealed may pay off in an Arab investment of \$5 billion in the Mexican economy. This is no doubt designed to prevent the cooptation of Mexico's oil business by Rockefeller's multis which could then be used against OPEC's efforts to expand production.

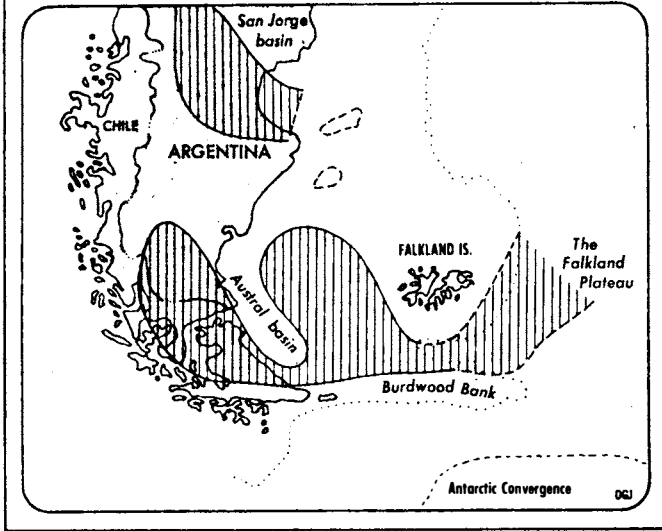
Furthermore, Pemex officials and the entire Mexican cabinet held lengthy consultations on coordination of oil prices with representatives of OPEC last summer during a visit of an OPEC delegation led by Kuwaiti Finance Minister Attiga. The features of Pemex's plan to invest upwards of \$15 billion over the next five years in developing Mexico's oil industry in many ways resembles plans for oil industrial expansion in the Mideast.

Pemex aims to produce 2.2 mbd by 1982, half of which would be for export (see table 3). According to Ing Jorge



Map 3

South Atlantic : Sedimentary Basins



Diaz Serrano, the director general of Pemex, the biggest outlays within the six year plan will be in the production sector (8 percent for exploration and 46 percent for development). Refining will get 15 percent, 17 percent will go for petrochemical development, and distribution and transportation will be allotted 13 percent. Pemex plans to drill 3,476 new wells during the six year period, with stepped up primary exploration of existing fields and the development of new offshore fields. To date Pemex had surpassed its 1977 production target of 953,000 b-d.

Table 3— Mexico: Oil Supply and Export Forecast

Thousand barrels/day	1977	1978	1979	1980	1981	1982
Crude production	953	1 246	1 522	1 781	2 028	2 242
Domestic requirement	800	910	954	1 011	1 068	1 137
Surplus for export	153	336	568	770	960	1 105
Less: processed for export	—	33	214	207	181	211
Crude for export	153	303	354	563	779	894
Refining capacity						
—nominal	865	1 035	1 270	1 380	1 470	1 670
—utilisable	795	975	1 200	1 300	1 390	1 580

The Soviet Union

The largest oil producer in the world, the Soviet Union's production last year topped 500 million tons (or an approximate average of 10 mbd). The Soviet Union plans to increase production by 150 million tons by 1980. The Soviet Oil Minister Valentin Shashin, according to the Kuwaiti magazine *Europe and Oil*, envisions new output capacity of a whopping 450,000 tons. Efforts to increase Soviet output are important in one crucial respect, which is that the Soviets intend to step up exports of oil outside the Comecon and to decrease traditional East bloc dependency on Soviet crude. During

1977 there was a marginal increase in USSR oil exports to Europe.

Increased Soviet production will be achieved from the intense exploitation of the enormous new Siberian fields the full reserves of which have not been revealed by the Soviets. The Soviets may also opt for improved recovery techniques in operational fields and possibly further exploration for offshore oil. One of the most promising offshore possibilities is the Caspian Sea. But the Soviets are faced with the constraints of inadequate offshore technology to fully exploit the oil rich Caspian sea, an extension of the wealthy Baku fields. Despite efforts by the Baku Offshore Oil Institute to develop semi-submersible rigging, such efforts are insufficient to drill into the deep untapped Caspian floor. With a contribution from Western Europe in providing the necessary technology the Caspian could soon be a thriving producer. Such agreements with the West have in part been worked out. Late in 1976 the U.S.'s Armco Steel and a Finnish concern won a contract to provide the Soviets with exploration rigs. British Petroleum, with the most advanced offshore techniques gained through the North Sea, signed a cooperation agreement with the Soviets in September 1976 after which it was revealed that the two parties were in the advanced stage of negotiating contracts for production rigging.

The Caspian area is ideal for investment to increase offtake because large amounts of refinery and pipeline infrastructure is already in place. The Caspian venture and offshore areas such as the gas rich Black Sea, the Sea of Azov, plus offshore drilling in the Pacific could easily surpass in scale that of the North Sea and greatly contribute to the Soviet Union's production increase target of 640 million tons (about 12.9 mbd). The Comecon countries have already shown signs of pulling their Balkan neighbors such as Turkey into joint ventures to process and market crude. Recently it was reported that the Soviets were considering supplying a Turkish refinery with crude oil from the Baku fields. As part of a just signed \$1.2 billion dollar trade agreement between Turkey and the USSR, the Soviets have offered to construct a refinery in Turkey on the Black Sea, while Rumania is funding expansion of a refinery north of Ankara. Indications are that the Soviets are aiming once again to extend their petroleum wealth outside the Warsaw Pact nations in efforts to relieve the threat of insufficient oil supplies at home as well as in Europe and preferred Third World countries like India. The key to the success of this drive depends directly on the technological assistance of the West and thus directly involves the political question of detente.

The International Energy Agency last month released a report predicting that by 1980 the world will experience a 14 mbd deficit of petroleum. Such an assessment is clearly based on completely erroneous zero-growth estimate of global production. Assuming that such a deficit figure is reliable, the Persian Gulf producing states could themselves easily fill the demand single-handedly for more crude in the coming years.

—Judy Wyer

OPEC Countries Develop Nuclear Power Sources

Keynoting the major international Conference on Transfer of Nuclear Technology, held in Persepolis, Iran April 10-13, the Shah of Iran told the gathering of top energy spokesmen from some 41 countries including the U.S. that "the developing countries also have a right to free access to the most modern nuclear energy." The Shah's remarks are an attack on the Carter policy for restricting international development of nuclear technology through U.S. control of technology transfer and fuel cycle facilities. Nuclear fission itself is not the final achievement, the Shah added. "Nuclear fusion which is a safer and more efficient form of energy is the energy of the future."

The Persepolis conference, the first such conference on nuclear technology transfer held in a developing sector country, marks a major change in the attitude of virtually every key member of the Organization of Petroleum Exporting Countries (OPEC). The reason for oil countries' investment of billions in nuclear energy resources is their increasing conviction that they must use their petroleum resources to develop petrochemical industry. If there is no substantial commitment today for the development of advanced nuclear energy and technological infrastructure, the OPEC countries will face exhaustion of their current energy resources, with nothing to replace them to fuel an actual program of industrial development. As one Aramco official commented: "The Saudis resent using their oil simply as a fuel source . . . They are very insistent on developing new alternative energy sources."

Iranian Plans

To date, the most ambitious plans for development of peaceful nuclear energy resources exist in Iran which has the fourth largest program in the world in terms of planned nuclear capacity by 1990. The Iranian government is not unaware of the potential for strategic blackmail confirmed in recent months by U.S. "non-proliferation" embargos on crucial nuclear technology to export markets. Recently Dr. Akbar Etemad, head of the Iranian Atomic Energy Organization, warned that if the U.S. government tries to interfere with Iranian acquisition of nuclear capacity, Iran would turn to the USSR for crucial supplies.

Iranian actions since they began their nuclear program in 1975, have, in fact, confirmed a very deliberate political awareness of the potential of U.S. cutoff of crucial technology. As a result, contracts have been made with West German and French reactor firms for the initial reactors. Two pressurized water reactor units with 1200 MWe capacity are under construction at Bushire on the Persian Gulf in a "turnkey" contract with KWU of West Germany, the reactor manufacturer involved in the West German-Brazil deal. This is the first time a reactor has been built on a remote desert site and the first reactor is scheduled to be operational in 1980.

Two French Framatome reactor contracts are near agreement and Italy is a probable contractor for future plants.

U.S. government veto demands have just resulted in a breakdown of talks with U.S.-based reactor industries for construction of 10 nuclear reactors in Iran even though Iran is a full signatory to the Non-Proliferation Treaty and has the required safeguards in full force. Investigating further technology sources, Iranian Atomic Energy Organization head Etemad is scheduled to go to Moscow in June, to investigate further technology sources.

Iran is well aware that a major point of potential sabotage is reliance on U.S. supplies of enriched uranium fuel, with its consequent "strings," and made a shrewd buy in 1975 of a substantial interest in two large French uranium enrichment projects, Eurodif, now under construction, and Coredif. Iran thus secured safe supplies of enriched uranium fuel at a time when limited U.S. enrichment capacity is making many U.S. delivery contracts untenable. Iran also contracted with France to build a major used-fuel reprocessing plant, defeating U.S. attempts to stall the project on non-proliferation grounds. This will give Iran full fuel cycle options for future development of fast-breeder and related technology. At the just-concluded Persepolis conference a resolution was unanimously passed condemning the Carter Administration's decision to end development of the fast-breeder and plutonium reprocessing, which is essential for breeder fuel supply.

While Iran has by far the most extensive program for nuclear development, nearly every OPEC country is in the process of making a substantial commitment to nuclear power including Kuwait, Indonesia, Venezuela, and Libya. Kuwait has invited tenders to construct a dual-purpose power reactor to produce 50 MWe and substantial desalination capacity. Further plans include construction of a commercial 600 MWe plant by 1986. Facing a skilled manpower problem, Kuwait has stipulated the establishment of a small training reactor to provide Kuwaiti personnel with basic experience and training. A firm decision on the commercial reactor is expected in a few months. The International Atomic Energy Agency (IAEA) has been fully involved on all aspects of program, safety and siting.

At the present time, Venezuela has a small test reactor used to produce radioisotopes for research, but plans are underway to upgrade this capacity to include all areas of nuclear power development.

Indonesia is also investigating the development of a commercial reactor program.

With this OPEC commitment to nuclear power development and the realization in the developing sector that they cannot remain hostage to U.S. dictated terms of technology transfer, it is little wonder that the United States' policy is already backfiring and costing a loss of billions of dollars in contracts to U.S. reactor industries in the process. The same day that Iran announced its break-off of talks with the U.S. because U.S. veto stipulations were prohibitive and amounted to substantial Iranian surrender of sovereignty, Spain announced suspension of work on eight American-built reactors in protest of Carter's plutonium ban.

The Argonne Experiments And The End Of Quarkery

Experimental results obtained over the past year at the Illinois Argonne Zero Gradient Synchrotron (ZGS), taken in the context of previous "anomalous" experiments elsewhere, have conclusively refuted the basic assumptions of the quantum mechanical approach to high energy physics, and of the fantastic "theory" of quarks which was the degenerate end-product of that approach. At the same time, by demonstrating the existence of dynamic geometric structures at subnuclear levels, these experiments point the way to a new theoretical framework for high energy and elementary particle physics, a framework premised on the same self-organizing processes which are fundamental in plasmas, and, for that matter, in biological and social evolution.

For the past 50 years physicists have attempted to use quantum mechanics to explain subnuclear particles (protons, electrons, etc.) and fields on the basis of two fundamental assumptions: 1) that all matter is composed of point particles, without structure or dimensions, and 2) that their interactions are controlled by potentials — fixed laws governing the forces they apply on each other. Any sort of geometrical structure on a scale smaller than that of a proton (about 10^{-13} cm) was excluded by the quantum mechanical "uncertainty principle." Just as the Ptolemaic astronomer piled epicycle onto epicycle to cover over the gap between their assumptions and observation, so, especially in the past 15 years, most particle physicists have stuffed a mixture of Buddhist metaphysics and pure humbug into the chasm which separates the Ultimate Particles — Quarks — from anything resembling reality. Galileo's telescopic observations of Jupiter's moons, flatly contradicting the Ptolemaic assumptions of an earth-centered universe, swept the field clear for Kepler's breakthroughs. Today, the unarguable observation of subnuclear geometric structure performs the same task in eliminating the old quantum structure, quarks and all.

The Argonne Proton Spin Experiments

The Argonne experiments, like all experiments in high energy physics, consisted of accelerating subnuclear particles (in this case protons) to high energies and hurling them against similar targets, and observing the results. The aim of all such experiments is to obtain some notion of the nature of the particles by observing their interactions. The unique advantage of the Argonne experiments for the study of the internal geometry of particles is that it allowed the experimenter to fix

precisely the alignment in space of the accelerated beam protons and those of the target protons.

Protons, like all other subnuclear particles possess a magnetic field, similar to that which would be created by a charged body spinning on its axis — the direction of the axis of the magnetic field is called the *spin* alignment of the proton. In a normal accelerator, protons of all different spin alignments collide with the target, thus blurring out any geometrically determined interactions. Even if the accelerated proton beam begins as a polarized beam, with the spins all aligned in one direction, either parallel or anti-parallel to the overall magnetic field in the accelerator, the rapidly changing magnetic fields in the accelerator tend to flip or depolarize the protons long before they have achieved very high energy. The Argonne ZGS accelerator, which has weaker focusing magnetic fields than any other accelerator of its size, can, with certain modifications, accelerate the protons without depolarizing them. Thus, beginning in 1973, the Argonne Lab in Illinois became the first high energy accelerator to collide spin aligned protons with spin aligned targets (liquid hydrogen). It remains at present the only accelerator capable of doing this.

Protons, accelerated to 12 billion electron volts energy (12 GeV or the equivalent of a temperature of 120 trillion degrees C), collide with hydrogen nuclei and are scattered into detectors arranged in a given plane and at definite angles. Since both the beam and target, or "recoil" proton, are observed, the dynamics of the interaction can be calculated. By moving the detectors, the entire scattering pattern can be determined.

The theoretical expectations for the spin aligned experiments were unexciting. Since spin is considered to be a very small magnetic effect, not really geometric, but just another minor field, the theorists expected that at high energies, spin effects would become very small, or even disappear entirely. The exact opposite occurred.

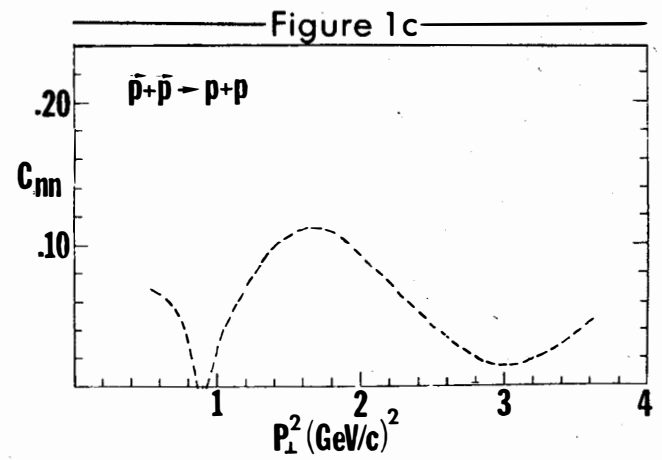
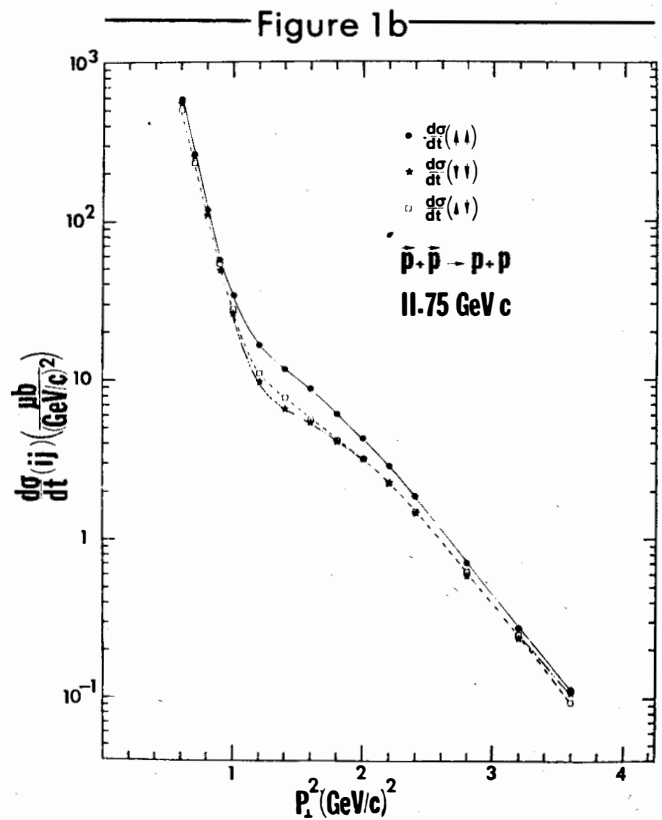
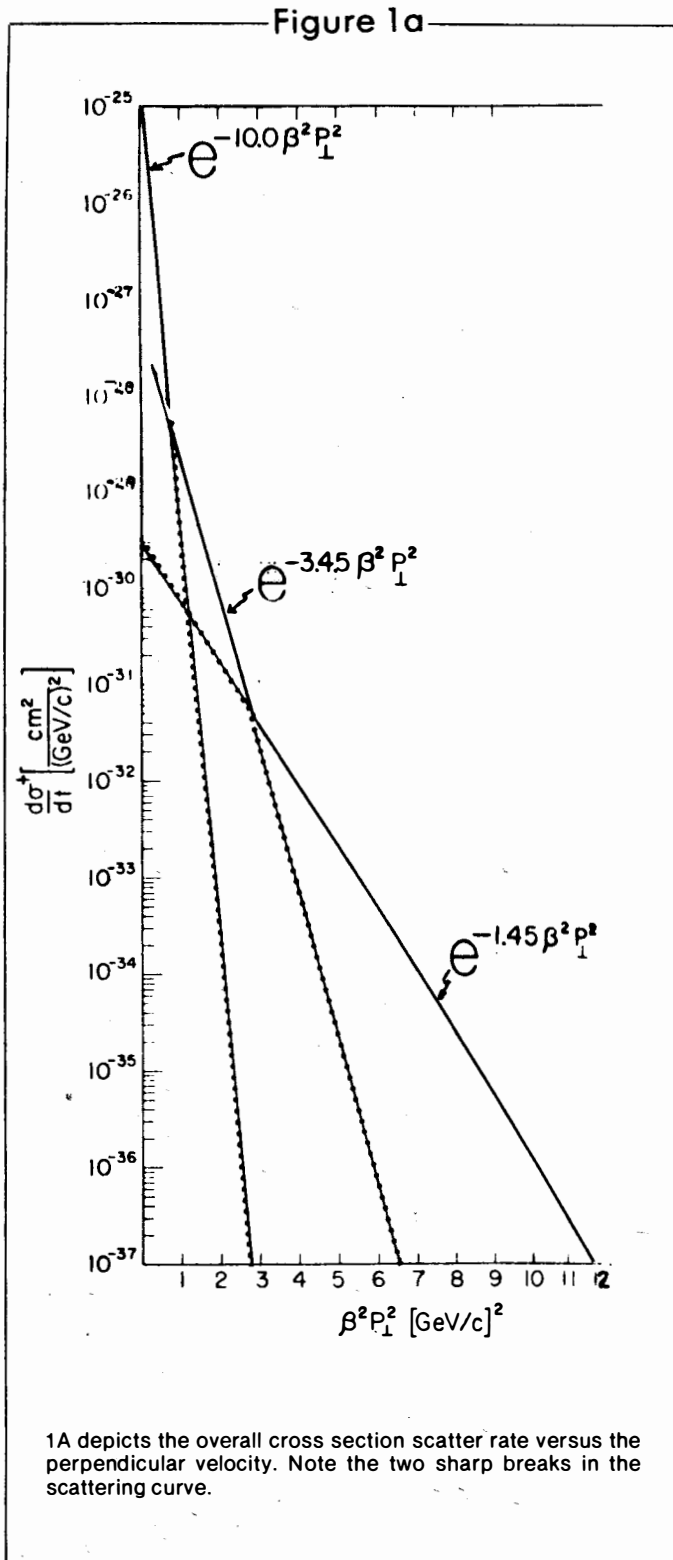
The experimenters at Argonne found that spin alignment effects were *thousands of times stronger than expected at high energies*, and were especially strong at large recoil angles, that is in more "head on" collisions where the interactions of the particles were the strongest. Specifically, they found that there was much greater scattering when the spins of the two protons were parallel than when opposed.

Secondly, when the spins were parallel and the spin direction is up, there was far more scattering to the left than to the right. This asymmetry, similar to the ability of optically active molecules to rotate the polarization of

light, was concentrated in certain high angles of recoil, thus producing "jets" of protons in certain directions (Fig. 1).

Thirdly, the experimenters found that the apparent "shape" of the proton was very much non-spherical. When the proton spins were aligned along with the beam,

Figure 1 — Proton Cross Sections



there was much more scattering (about twice as much) as when they were aligned at right angles to the beam.

These results in themselves were startling and disturbing enough. The existence of very strong spin effects at high energies and the fact that these effects were strongest for the most violent and penetrating collisions immediately strongly imply that spin is not some simple magnetic effect but is intrinsic to the geometric structure of the proton. If the proton as a whole poses an asymmetric (non-spherical) structure associated with its spin, then this has further implications for the famous parity experiments performed in the late 1950s and never since adequately explained.

These experiments showed that in the decay of certain radioactive elements, such as Cobalt, electrons were emitted with their spins aligned in the direction of their motion, while positrons, the anti-matter equivalent of electrons, were emitted with spins aligned opposite to their motion. What was perplexing was that this asymmetry implied that in some way positrons and electrons were mirror images of each other, but were not mirror images of themselves — they possessed left- and right-handedness. That is, a sphere when reflected in a mirror will be identical to itself, but a right- or left-handed glove will not be, nor will a particle whose spin is aligned with its motion.

The obvious implication was that this “parity violation” was a symptom of a geometric asymmetry in the structure of the electron similar to that of isomerism in organic molecules. The Soviet physicist Lev Landau suggested this at the time, but he was generally ignored. The Argonne results demonstrate that such geometric asymmetry in fact exists at the most fundamental structural level of the proton, at least, and quite possibly the electron as well.

However, while disturbing, this aspect of the results does not flatly contradict the quantum assumptions, since we are here dealing with the geometry of the proton as a whole and thus at scales (around 10^{-13} cm) which are still “allowable.” The critical aspect of the Argonne experiments lies in the fine structure of the spin effects. For about 10 years, it has been known that the proton appears to possess some internal structure. If it were totally homogeneous, the number of protons scattered over other protons would decline exponentially with increasing angle of scatter. Instead, there is a “break” in the scattering curve (Fig. 1). As in the case of the famous Rutherford experiments with the nucleus of the atom, the higher than expected scattering at high angles implies a “hard core” of scattering, smaller than the proton as a whole, in this case about three times smaller in cross section. The normal explanation for this phenomenon has been that the proton, although not itself a point particle, is composed of point particles called partons, or the notorious quark (a nonsense word from James Joyce’s existentialist novel *Finnegans Wake*).

The immediate problem with this explanation, even for the proton scattering results, is that there is a second break in the curve, implying a doubly compound structure. This problem cannot be avoided simply by postulating that the quarks have sub-quarks of their own, and so on, because this would still imply some real extended substructure within the proton on the scale of the

first break, even if these are considered only as local clumpings of smaller point particles. But of course, since only scattering is being measured and not geometric structure, these results can, and were, dismissed as “merely interesting.”

The Argonne spin experiments explode this little cover-up. Dr. Alan Krisch, one of the main Argonne experimenters (and not coincidentally, one of those involved in the earlier scattering cross-section experiments) discovered that the maximum spin effects occur at precisely the same angles of scattering as the breaks in the overall cross-section curve (Fig. 1). This is a critical experiment of the highest importance, since it demonstrates beyond a doubt that the *geometrical properties of the proton, its ability to asymmetrically deflect other particles is itself distinctly inhomogeneous on a scale of at least an order of magnitude smaller than that forbidden by quantum mechanics.*

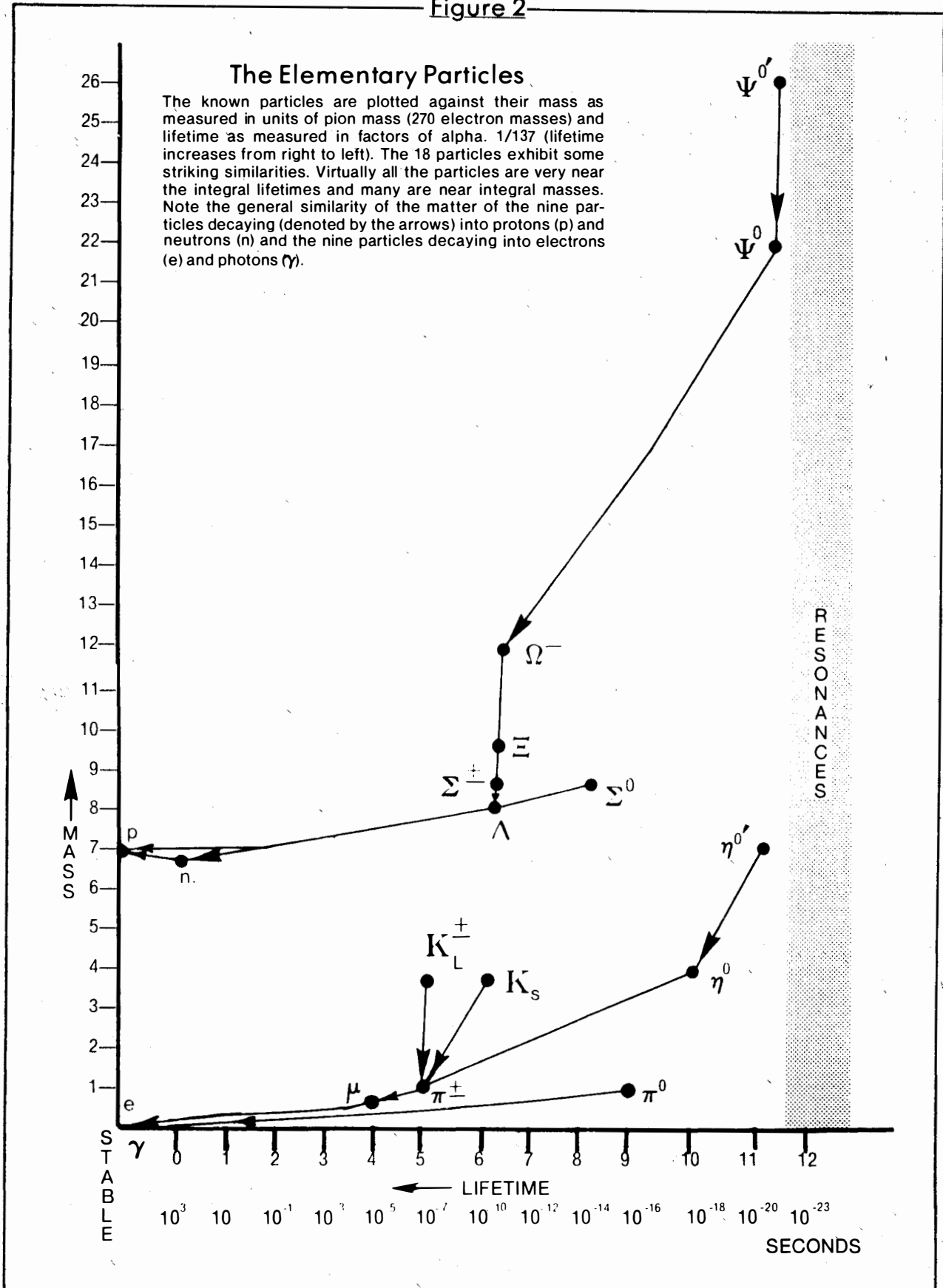
This is the crucial point to the experiments and therefore deserves elaboration. The combination of quantum mechanics and relativity theory implies that for any particle of mass M , there is a distance, $D = h/Mc$, called the Compton wavelength of the particle, where h is Planck’s constant and c is the speed of light. There can be no concentrations of matter within the particle that are smaller than this wavelength, excepting the special case of point particles. Thus, the experimentally verified existence of structures within the proton at least five times smaller than the proton’s Compton wavelength implies either that quantum mechanics does not hold in the interior of protons, or that Planck’s constant is at least five times smaller in that region, or that the speed of light is about five times larger, or some combination of all three!

By themselves, these experiments still leave open the possibility that some strange combination of point particles and potential fields, even if organized on a finer scale than that allowed by quantum theory, could somehow account for the structure observed. However, other recent experiments have ruled out this escape hatch. If any sort of point particle potential combination is responsible for particle scattering in collisions, then it is only to be expected that at very high energies, as the beam particle spends less and less time in the other particles’ potential field, that scattering cross sections (the number of particles scattered a given amount) will decrease. In fact, even at very high energies, the scattering cross section is continuing to increase — and this occurs not only for the presumably complex proton, but for the electron as well, supposedly the particle best understood quantum mechanically. Taken together, the recent results in high energy experiments totally undercut the foundations of not only current theories of elementary particles, but quantum mechanics in its present form. Of course, the implications of these results are by no means generally recognized, not even by the experimenters themselves. However, it should come as no surprise that such results have been obtained; the real wonder is that the present theories have lasted so long.

The Paradoxes of Quantum Mechanics

Since its consolidation in the late 1920s, quantum mechanics has been bedeviled by epistemological

Figure 2



blunders which it inherited from Newtonian mechanics, especially the notions of point particles and fixed interacting potentials. As demonstrated by Immanuel Kant in 1781, such point particles introduce inherent contradictions into any theory. For example, an infinitesimal electron will have an infinite electric field and thus infinite energy and mass. That the dominant formulations of quantum mechanics continued to insist on the Newtonian point particles is all the more remarkable when it is considered that the most striking successes of quantum mechanics are based on the recognition of a continuous or wave character to matter, the opposite of the ultimately discrete point particle.

But insist on it they did, and as a result, in a fundamental way, the resulting theory of quantum electrodynamics was inherently contradictory. Results consistent with observation in the realm of atomic physics were only obtained by the use of various explicit and implicit approximation and "renormalization" techniques, all of which relied on the convenient fact that the electromagnetic coupling constant, which is about $1/137$, got much smaller very rapidly, leading to a rapid convergence of approximations. In contrast, the "strong" or nuclear interaction has a coupling constant considerably greater than 1 (about 13) and therefore similar series of terms in powers of the coupling constant *do not converge at all*. Thus from the start, quantum mechanics' internal contradictions prevented a rigorous treatment of nuclear interactions.

Nor was such a treatment seriously attempted. Beginning in the late 1930s, and with increasing speed after World War II, physicists fled from the problems of theory to the latter-day Holy Grail — the Search for the Ultimate Particle. By the late 1930s, in addition to the electron and proton, three other subnuclear particles had been observed, the neutron and two so-called mesons, of mass intermediate between the electron and proton. These particles were observed as a result of radioactive decay of the collisions of high energy cosmic ray particles with nuclei. With the development after World War II of increasingly powerful particle accelerators, more and more "elementary particles" both heavier and lighter than the proton were observed. These particles were detected by their tracks through cloud chambers and photographic emulsions. All had very short lifespans, less than a millionth of a second, decaying into other short-lived particles and eventually into protons, electrons, and energy.

Each particle had a corresponding antiparticle, identical except for charge. Particle-antiparticle pairs could be produced from sufficiently strong electromagnetic fields, and the collision of particle and antiparticle led to mutual annihilation.

By the early 1960s, 16 such particles (and their antiparticles) had been discovered and two more have been discovered in the past 15 years (Fig. 2). However, this already complex picture was further complicated by the epistemological blunders of the investigators. As accelerators grew more powerful, it became obvious that there were certain particular energies at which the interaction of two particles suddenly became stronger. These "resonances" could be interpreted as evidence of short-lived excited states of the particles involved, transient

dynamic phenomena hardly outlasting the time of the collision itself, which were thus hundreds of times shorter lived than the fastest decaying "stable" particle. Unfortunately, the particle physicists decided to imbue these phenomena with greater dignity, and called them particles too. They thereby increased the number of "elementary particles" to well over 200, a number which grew with practically every new experiment.

The early 1960s was the logical period for physicists to step back and begin a fundamental reevaluation of their theories in light of the accumulated evidence. Unfortunately, this did not occur. Instead, high energy physics was submerged in a wave of numerology and Buddhist mysticism, as various groups attempted to induce from the mass of data regularities which would allow classification of the data into numerical groupings of various religious significances. With several hundred "particles," there was indeed quite a field for induction! Various symmetries and magic numbers — octets, nonets, dectets, sextets, etc., were rapidly found and given appropriate names — like Nobel laureate Gellmann's Eight Fold Way. After a while, the quest for doctrinal simplicity led to the theory that all of the 200 particles and resonances were made up of a single Ultimate Particle — a Quark.

Quarks, once invented, seemed to have the capability, as mere mental constructs, to multiply faster than rabbits. First of all, to account for all the different particles, it was immediately necessary to theorize more than one type of quark, which could combine together to make up the particles. Gellmann therefore created three quarks, distinguished by an imaginary quality he called "up," "down" and "strange" — Quark flavor. After a good deal more theorizing, without particular reference to any experimental results, it was decided to add a fourth flavor — "charm."

This however was insufficient, since if several identical quarks came together in one bigger particle, a fundamental dogma of quantum theory would be violated — the exclusion principle, which prohibits the cohabitation of identical particles. Thus to distinguish the similarly flavored quarks, a new property was invented — "quark color." Each flavor now had three colors — red, green and blue, as well as colored anti-quarks — cyan, magenta and yellow. (If the reader's credulity is now somewhat strained, he is referred to the January 1977 issue of Scientific American, where the quark theory, in living color, is described by its own proponents.)

By this time the number of elementary and unobserved particles had climbed to 24, not counting a few which, like the electron, were not included in the first place. But the quarkists were not through — they had to have a force to hold the quarks together, and thus a particle to carry that force. Eight of these "gluons" were deemed about right, bringing the total number of new particles to 32, considerably worse than when they started some 15 years previously.

(Not only have particles multiplied, but so have force fields. At last count theoretical justifications had been produced for at least three other forces besides the observed electromagnetic, gravitational, and nuclear forces.)

One serious problem remained. The quarks (charmed, colored, and flavored), have stubbornly refused to put in an appearance. Despite looking high and low for them with multibillion dollar accelerators, not one of these mythical beasts has yet been found. Unlike the Loch Ness monster, they have not even been glimpsed. Such an embarrassing lack of connection between theory and observation gives free play to the imagination, but also leads to nasty questions about the worthwhileness of the endeavor.

The quarkists have an explanation: "the law of quark confinement," which conveniently dictates that quarks can only exist inside other particles and thus can never be observed. This intriguing idea has led one devotee to ask rather plaintively, "If a particle cannot be isolated or observed even in theory, how will we ever know that it exists?"

We have thus arrived today at the Putrescence of the Elementary Particle. It is high time that physicists use the new results to sweep up the debris of quarkery. It is no coincidence that many of the most prominent particle physicists today reflect the same existentialism in their "life styles" as in their Buddhist physics. Einstein's violin and Mozart have been replaced by Feynman's bongos and rock music. One Nobel laureate recently made headlines by testifying in California against an ordinance prohibiting sex shows and nude bars, stating that after the long grueling hours of quark theory, he himself often frequented such scenes.

But it should not be thought that merely junking point particles for pure continuums will be all that is necessary. The problem is more fundamental. *It lies in the notion of fixed field laws, valid at all times and in all situations. Any such simple continua lead directly back to the conundrums of point particles.* Take, for example, the current confusion about Black Holes. General Relativity predicts that any sufficiently massive body will collapse under its own gravitational force without limit down to an absolute point — a point singularity, having infinite gravitational fields. Any object near such a singularity would get sucked in and disappear "over the edge of the universe."

Until recently, it had been thought that such singularities would be demurely covered up thus preventing physicists from every observing, and thus having to worry about one. Since light itself could not escape from the region around the singularity, a Black Hole of finite extent would be formed, within which nothing could be observed. The singularity would be out of sight, and presumably out of mind. Unfortunately physicists have been unable to separate the dilemmas at the opposite ends of the magnitude scale, and at a recent Astrophysics conference in Boston, quark met the Black Hole with disastrous effects. Calculations were revealed showing that pair formation would lead to energy and mass slowly leaking out of the Black Hole, eventually destroying it and leaving behind the "Naked Singularity." Morality and physics both trembled at the thought!

Thus the study of pure fields ends up in the same mess as the study of elementary particles. (Interestingly enough, the existence of gravitational singularities which is found so shocking on an astronomical scale is

blithely ignored on the microscopic scale. Electrons, if they were point particles, would of course have gravitational singularities. To ignore these singularities because they are quite small is to imitate the famous young lady who was just a little bit pregnant.)

The Redirection of High Energy Physics

The first step in redirecting subnuclear physics out of its present cul de sac is to throw overboard the fundamental assumptions which got it there in the first place — both point particles and unchanging fields. In place of these axioms, subnuclear or high energy physics must adopt those assumptions which are coherent with the directions already demonstrated in plasma physics, and, in an epistemological sense, in ecology and economics. The fundamental characteristic of the universe is *evolution* — this is obvious at the level of the biosphere or human society but must be coherently true of the physical universe as a whole. Thus it must be the case that the laws of the universe themselves evolve. In plasmas it is demonstrably the case that the evolution of a physical system is mediated through certain definite self-organizing geometric structures, such as the vortices common in energy-dense plasmas. Subnuclear physics, which is simply the extreme high energy extension of plasma physics, must be characterized by similar phenomena.

The working assumption which must replace the current axiomatic system is that subnuclear particles are self-organizing geometric structures comparable with plasma vortices. Such structures mediate through their concentration (capture) of energy the development of new field-interactions, which in turn lead to new levels of self-organized structure.

The postulate that subnuclear particles bear a resemblance to self-organizing entities in plasma physics is not at all speculative. It is indisputable that such particles do in fact concentrate immensely the field energy in coming into being in pair production — the field in fact organizes itself into the particle. The Argonne experiments prove beyond a doubt that we are indeed dealing with geometric structures, and thus, taken together with the phenomenon of pair formation, self organizing structures. In addition, the characteristic asymmetries of the Argonne experiments and the much earlier parity experiments are exactly what one would expect from specifically *vortical* structures.

Nor is it speculative to postulate fields which change their laws with time and space. As we have seen, non-constant values of c and h are in fact necessary to account for known experimental results, and without such changes "in the small," there is no way of avoiding the production of point singularities. Since geometric vortex-like structures can have greatly different interactions at short and long range, such changes of interaction law are coherent with their existence.

Such a working assumption enables us to begin to answer the question of why such a variety of short-lived particles — the 18 "stable" particles — should exist in the first place. That is, what role do they play in mediating the capture of energy? For example, in an extremely high energy plasma of electrons or electrons and positrons, direct energy capture through positron

electron pair production is extremely slow. However, energy capture is mediated far more rapidly through the production of the short-lived particles which in turn decay into the stable, captured energy forms — the proton and electron.

It is striking that, as was first pointed out last year by the physicist MacGregor, the lifetimes of the particles are nearly evenly spaced from each other by factors of α — the electromagnetic coupling constant, $1/137$. If very different forces, electromagnetic, strong, weak, are supposedly at work in these decay times, as is generally supposed, such a regularity of lifetimes must be considered a remarkable coincidence. However, if it is assumed that the particles are related to each other as various "compoundings" of vortex-like structures, then the regular relation of their energy throughput rates, and thus their lifetimes, is completely expected.

A Program for High Energy Physics

The adoption of the proposed working hypothesis immediately implies a theoretical and experimental program for the development of high energy physics. Theoretically, the examination of the interaction of compounded vortical-type geometries requires a considerable extension of current mathematical techniques. One method of attacking this problem is using three dimensional hydrodynamic computer simulation of collision of vortices, multiple vortice geometry, and so forth. The second is the development of techniques to deal with hyperspaces in which the rate of energy capture is the primary metric, defining the evolution of the system as a geodesic in such a space (a line of maximum rate of energy capture.)

Experimentally, a number of lines of investigation are immediately suggested. First, the repetition of the Argonne experiments with spin aligned electrons and positrons, and their extension to higher energy regimes

using colliding beam techniques. Second, the study of the dynamic evolution of particles by attempting to find changes in interaction behavior with increasing "age" of individual particles or particle beams. Third, the development of techniques for examining possible collective modes of interaction at high energies through increasing the densities of both accelerated particle beams, and of thermonuclear plasmas to extremely high values.

It is ironical, but not surprising, that ERDA's current budgetary plans call for the closing of the unique Argonne accelerator at the end of this year. Such an action would be the equivalent to destroying Galileo's first telescope. The requirement is quite the opposite — to subsume the investigation of self-organizing phenomena in the high energy realm within the broader context of the theoretical plasma physics program we have already proposed as the core of a fusion power development plan, and to give it the full financial support required.

The benefits of such a research program will inevitably be very great. For the fusion program itself, there will be a vast increase in the sort of useful cross-fertilization of research on high energy and thermonuclear plasma phenomena which has characterized the Soviet electron beam work. But beyond this, the understanding of the nature of the subnuclear realm will be, over the long run, essential to man's conquest of the universe, to the development of interstellar flight. Above all, it will give coherence to a new scientific view of the universe, in which the same self-developing creative tendency which characterizes human thought itself will be empirically demonstrated to be an immanent quality of matter at its most primitive level.

And, of course, the quarks can be quietly returned to their original home in some bottle of old Irish whisky.

— Eric Lerner

Top U.S. Scientists Asked Carter For 'Apollo' Fusion Program In February

The following letter from two leading fusion researchers to President Carter, dated Feb. 16, shows that the President was well informed about the potential benefits of fusion energy development prior to the fusion program budget cuts he instituted.

John M. Dawson and Burton D. Fried are both professors of physics at the Center for Plasma Physics and Fusion Engineering at the University of California, Los Angeles. Besides calling for a crash fusion program in their letter, they note many of the most significant developments in fusion up to this point.

Dear President Carter:

We wish to applaud your firmly stated intention to establish a national energy policy, a step which is disastrously overdue, and also your plans to emphasize not only conservation and near term energy options but also research on solar energy and other renewable energy sources. These latter programs, being essentially long term in character, tend to get very short shrift compared with efforts to find short term solutions to our incredibly urgent present problems — but in twenty years the near term problems will be even worse than at present if we have failed to press for the long range solutions in the interim. This letter is motivated by our profound concerns regarding the long term aspects of the U.S. energy program.

With your background in nuclear energy, you undoubtedly know that, aside from solar power, controlled

fusion is generally considered to be the most promising solution to the energy problem in the long term due to its essential advantages: the virtually unlimited supply of fuel, the freedom from problems of diversion of nuclear material, the greatly reduced generation of radioactive waste products (or even their elimination, through the use of advanced fuel reactions which produce no neutrons). The major disadvantage of fusion simply arises from the severe technical difficulties which must still be overcome in the basic physics, the sophisticated engineering and the high technology required for an economic reactor — but history shows this is just the kind of challenge to which our society can respond so magnificently, given proper leadership. The past 20 years have seen a steady progress in fusion, with the critical parameters — plasma density, plasma temperature and energy confinement time — all increasing, notwithstanding budget levels which have been unrealist-

Recent Significant Advances In Fusion

1. The achievement, in tokamaks, of kilovolt plasma temperatures and confinement times approaching those required in a thermonuclear reactor and, in particular, the achievement of conditions close to those required to get useful energy out of a driven reactor (wet wood burner).

2. New inventions by the University of Wisconsin fusion reactor group for achieving long life of the first wall of a reactor.

3. Recent ideas developed at MIT for very high density tokamak reactors.

4. Experiments at the Lawrence Livermore Laboratory, which demonstrate the generation of a thermonuclear plasma using neutral beam injection into mirror machines.

5. Studies at Los Alamos which indicate that material end plugging of straight systems may be more effective than anticipated.

6. Recent results, obtained by groups at the University of Wisconsin, UCLA and at TRW, showing that reactors of the multipole type may be fea-

sible, and that it may be possible to burn advanced fuels in such reactors, i.e., fuels which produce very few neutrons and, hence, much less radioactivity than even DT reactors.

7. The development, by the Lawrence Livermore Laboratory, of direct energy converters which may be employed on some thermonuclear devices, and the invention, by a group at the University of Washington, of high efficiency heat engines that could be used with thermonuclear reactors.

8. New studies by Westinghouse and Math Sciences Northwest, which indicate that a Fusion-Fission system, using fusion systems presently on the drawing boards, could make very efficient breeders of fission fuel, probably in ways that avoid many of the dangers associated with conventional breeders, and which are more compatible with present electric utility company programs than the conventional breeder program.

ically low in view of the enormous difficulty of the problems and the incalculable benefits which would accrue from their solution. Just in the last few years, there have been a number of advances which we regard as particularly significant, principally as a consequence of recent increases in funding: some of these are listed on the enclosed sheet.

To those scientists, like ourselves, who have devoted our professional efforts to this challenging problem for the past 20 years or more, it is clear that, notwithstanding its great promise, fusion power is unlikely to become a real option for this country if present levels of support are continued. If adequate resources were available, we are certain that fusion could succeed; the difficulty in securing such support may arise simply because, like any long term project, fusion will not come to fruition until most present politicians have left the scene. You alone, are in the position of being able to make a national commitment to this goal, somewhat analogous to President Kennedy's stirring declaration that we would land a man on the moon. Solving the fusion problem is, frankly, much more difficult than the Apollo project, but the benefits to our country, and to all of humanity, are incalculably greater. As you may know, there has been a modest worldwide effort on fusion during the past 20 years, characterized by very close cooperation, on a totally unclassified basis, between many countries, the principal efforts being in the USA and the USSR; in fact, many of the ideas being pursued in the present U.S. pro-

gram, such as the tokamak, are based directly on research carried out in the USSR during the 1960s, when the Soviet program was much larger than ours. This program has been a model of collaborative international undertakings, and it seems certain that a declaration of fusion as a U.S. national goal, with appropriate support levels, would stimulate enhanced efforts in the USSR, Europe and Japan.

You have adopted goals for your administration which are literally breathtaking — controlling the federal bureaucracy, controlling the arms race, diminishing world tensions. We wish you the best of luck in these undertakings and we hope that, to your achievements in these areas, you will add the great distinction of being the man who launches the fusion program on a course which will lead to success in this century.

Sincerely yours,

John M. Dawson
Professor of Physics and
Director, Center for Plasma Physics and
Fusion Engineering

Burton D. Fried
Professor Physics,
Center for Plasma Physics and
Fusion Engineering

Fast Breeder Reactors — If They're So Dangerous, Why Are The Soviets Building Them?

The Soviet Communist Party paper Pravda published an article March 27 entitled "Fast Breeder Reactors: It's Time for Serial Production," by O. Kazachkovskii, Director of the Physics-Energy Institute in Obninsk. The following are excerpts from the article:

Atomic electricity stations are now being successfully developed in many countries. The majority of them, with thermal-neutron reactors, recommend themselves as reliable, safe, economic sources of energy on an industrial scale. However they by no means utilize the atomic fuel in the best way — only 1-2 percent of the uranium is burned up. Reactors of a totally new type — with a chain reaction of fast neutrons — are free from this deficiency. Here practically all the uranium can be used, including that which is presently wasted.

What happens is that in fast breeder reactors uranium is transformed into plutonium, which burns almost completely. Thus two processes are going on in opposite directions — the combustion of the fuel and the generation (expanded reproduction) of new supplies of it. Furthermore, the fast breeder reactors significantly surpass thermal reactors in thermal parameters and, as a consequence, in the coefficient of useful activity. The

efficiency of the use of uranium in them rises accordingly.

(Research on fast breeder reactors) began in our country as early as 1949, under the scientific direction of A.I. Leipunskii. Approximately by the beginning of the 60s the necessary research had been done which made it possible to go ahead with the construction of the first electricity reactors. Now considerable experience has been accumulated and valuable data has been gained through experimental-industrial use. Thus in Dmitrovgrad, in the Ul'yansovsk region, the BOR-60 fast breeder reactor has been successfully functioning for eight years now. Since 1973, the biggest fast breeder reactor in the world, the BN-350, has been operating in Shevchenko, on the Mangyshlak Peninsula. It generates heat both for the generation of electricity and for desalination of water. In Beloyarsk in the Urals construction is being completed on an even larger fast breeder power reactor, with an electric capacity of 600 Megawatts.

The results achieved have confirmed the correctness of conceptions underlying the projections for fast breeder reactors, and demonstrated the high degree of reliability of such systems. Essentially the only problem requiring solution for large-scale use has turned out to be

the steam generator. There are not the slightest doubts about the possibility of overcoming the difficulties that have arisen here. Ways of substantially raising the reliability and efficiency of this apparatus through engineering improvements and the use of new construction materials are evident. True enough — this entails the necessity for developing the experimental basis for operating and large-scale testing of future atomic electricity stations....

As stated above, fast breeder reactors produce more new fuel than they burn. The surplus thereby achieved — after the appropriate chemical processing — can (and must) be used for fueling newly introduced fast breeder reactors. The rate of growth of the fuel is an extremely important indicator in this regard, since it determines the possible increase in the park of fast breeder electricity reactors. This rate is not unlimited. An important conclusion derives from this: we must not delay the broad construction of fast breeder reactors from the beginning. Otherwise it will simply not be possible to develop their capacity to the necessary level in a short time.

Fast breeder reactors make it possible to meet the

growing energy demands of the country for a long time. The economic advisability of this is evident, as is, furthermore, the real need to begin broad construction of large-block atomic electricity stations with fast breeder reactors, in the soonest possible time. It is precisely for this reason that the decisions of the XXV Congress of the CPSU (Communist Party of the Soviet Union — ed.) envisage speeding up this work....

The scientists of the countries of the socialist community are showing great interest in this program. This is why it makes sense, especially for the best coordination of efforts, to provide for the organization of a base for testing equipment, with the participation of specialists of interested CMEA (Council for Mutual Economic Assistance, or Comecon — ed) member countries on a cooperative basis.

as a whole, the volume of work in the area of fast breeder reactors is extremely great, and its realization of course exceeds the bounds of the present five year plan. It is precisely in the 10th five year plan, however, that the decisive steps must be taken and firm foundations laid for broad development of industrial fast breeder reactors.

Moscow Refuses To 'Play Ball' With Brzezinski

An extraordinary two-page editorial in the Soviet Communist Party paper *Pravda* yesterday announced the Soviet Government's wholesale rejection of U.S. efforts to pretend that the Carter Administration's strategic arms (SALT) proposals are still on the negotiating table. "Some quarters are pretending in vain that the Soviet side has not given a final answer and that it allegedly needs time to study the new American proposals because of their 'drastic character,'" said *Pravda*. On the contrary, the editorial declared, the Carter package "not only lacks any constructive element but in general cannot be the subject of serious discussion. Nor is it intended for such discussion." (*A full analysis of the Pravda statement will appear in next week's EIR.*)

The *Washington Post* today, calling this a "full-blown public assault" on the Carter administration's nuclear arms control offers, reported that it has already "jarred official U.S. attempts to transfer the Moscow-Washington debates to 'discreet' private negotiations." Incredibly, however, administration officials and advisers quoted by the *Washington Post* attempted to minimize the impact of the *Pravda* statement. It's only a "newspaper editorial," said one. "*Pravda* is discussing our proposals in a way, despite the Soviet contention that they do not warrant discussion," said another.

However Soviet diplomats have shown to all but the mentally unhinged that the editorial is Soviet policy, and it is final. In a meeting yesterday with national security adviser Zbigniew Brzezinski, Soviet ambassador Anatoly F. Dobrynin unceremoniously refused to enter into what Brzezinski euphemistically referred to as "the bargaining process." "That they don't find our proposals congenial has already been made clear," Brzezinski told reporters, "and they have not departed from that position."

Soviet Foreign Minister Andrei Gromyko rejected the Carter Administration's proposals, advanced by Secretary of State Vance in Moscow last month, as "a dubious, not to say cheap" trick to place the Soviet Union at a strategic disadvantage to the U.S. The proposals would have the USSR cutting its strategic weapons arsenal by half while U.S. stockpiles remained virtually untouched, and halting its vital military research and development programs, which some observers say are "20 years ahead of the U.S."

Despite the Soviets' unequivocal response, Brzezinski — targeting the previously compromise-prone Brezhnev faction in the Soviet leadership — still hopes to provoke at least "comment" on the U.S. proposals, thereby resuming bargaining on the terms set by the Carter Administration. Chief U.S. arms negotiator Paul Warnke

flatly announced last week that he did not believe Gromyko really meant what he said! However, Warnke blustered on national television April 10, the U.S. is operating on a "short timetable," and if no breakthrough on SALT is reached by the time Vance and Gromyko confer again in May, the U.S. will have to go ahead with new weapons programs.

The Soviet news agency TASS promptly denounced Warnke for "threats" and "attempted blackmail." The U.S., it said, will have to "assume all responsibility for the consequences of such actions."

The Real Debate

The Warnke-Brzezinski bluff is an even more stupid miscalculation than their original expectation that the Soviets would agree to bargain with Vance in March. The

USLP Pins Arbatov At MIT

When Georgii Arbatov, head of the Soviet USA and Canada Institute, told a Massachusetts Institute of Technology audience April 11 that science and technology increase the danger of nuclear war, the Trilateral Commission backers sponsoring his lecture rushed to defend him from questions by U.S. Labor Party members. Moderator Karl Kaysen — a participant in the recently issued Ford Foundation nuclear energy study advocating deindustrialization and cuts in energy use — banned what he called "political polemics" in the question period and prevented Labor Party speakers from taking the floor.

Labor Party spokesman Graham Lowry, however, collared Arbatov after the speech. "As you know," Lowry said, "the greatest danger today is the threat of thermonuclear war. And this danger is seriously increased by misperceptions among the Soviet leadership of the true state of affairs in the United States. You are a key part of an intelligence operation aimed *against* the Soviet leadership. At one time we thought you were just an incompetent. Now we know you are an incompetent Rockefeller agent." Lowry detailed Arbatov's extensive consultations with David Rockefeller and Zbigniew Brzezinski.

The MIT lecture series, entitled "World Change and World Security," has featured other leading Atlanticists like McGeorge Bundy and Robert MacNamara.

Politburo decision to override waverings from Brezhnev and reject Vance's package out of hand was not lightly taken and will not be reversed. That issue settled, the faction fight continues on a new footing: what political course to take in the wake of the SALT fiasco.

On the one hand, Carter is provoking the Soviets toward a military hard line, indicating war preparations and a growing conviction in the USSR that a nuclear conflict is likely. On the other, the Soviet faction favoring a political solution to the Carter problem is doing the leg-work for a decisive move into transfer-ruble financing of world trade in the coming months. Deputy Foreign Trade Minister Komarov is in Italy, reportedly to discuss this matter with the Andreotti government.

Intersecting this debate is Rockefeller's inside man in Moscow, Georgii Arbatov, the director of the USA and Canada Institute, who is exerting every effort to disorient the Soviet leadership as to the real situation in the United States, and thereby blunt Moscow's political effectiveness.

Since the collapse of Vance's trip and what the Soviet party daily *Pravda* called Carter's "alarming obstinacy" in sticking to his rejected package, the Soviet press has lambasted Administration tactics in increasingly harsh language. A leading commentator of the government's newsdaily *Izvestia* declared that Soviet-American relations are at "a critical crossroads" and could deteriorate further with consequences for "the entire international situation." The Soviet military daily *Red Star*, repeating a formulation of Defense Minister Ustinov's, vowed that the Soviet economy, science, and technology are now at a level that they can create "in the shortest period of time, any type of weapon that the

enemies of peace would like to place their stakes on."

The precise opposite was trumpeted by Arbatov to a Massachusetts Institute of Technology audience April 11. Arbatov said what he could never say in public in the Soviet Union: "the hazards of too rapid scientific development" have brought the world close to the danger of thermonuclear war.

Speaking on the "question of a new economic order," Arbatov made no mention of the real basis for such an order — a break with the dollar — instead he called for "new international agencies" to "deal with resource problems." This category includes the "Common Fund" proposal for bailing out the New York banks. This resource cartel plan was put forward by the Brookings Institution, a Rockefeller think tank that Arbatov has praised in recent press articles.

Arbatov retailed the line that has become the hallmark of his long-standing efforts to confuse Soviet leaders on the true state of affairs in the U.S.: "vested interests," "the military industrial complex," have created a huge war machine, and it is their thirst for profits that is creating the war danger. The interests to which Arbatov referred are primarily those conservative U.S. industrialists who are a leading source of opposition to the Rockefeller-Carter push for war.

Arbatov is actively engaged in spreading this nonsense throughout the Soviet press. A member of Arbatov's USA and Canada Institute, writing a guest feature in *Red Star* April 10, lied that the U.S. Joint Chiefs of Staff were "pleased" with the Carter proposals. Actually, as the *Washington Post* has reported, the Joint Chiefs opposed the Administration's strategy as too provocative.

Czechs Endorse New Swedish Communist Formation

April 13 (NSIPS) — On March 5 the leadership of the powerful Norskensflamman faction of the Swedish Communist Party, the VPK, announced that it was forming a new party, the Arbetarpartiet Kommunist (APK, Communist Workers' Party). At issue in the break is the VPK's NATO-inspired anti-Sovietism and "zero growth" and anti-nuclear-energy policies, which the APK's preliminary program counters with the demand for rapid development of fission and fusion power. On April 8, the Czechoslovak daily Rude Pravo became the first Eastern European Communist Party paper to endorse the APK. Rude Pravo's article signals that some Eastern European leaders intend to make the APK's principled defection from the agent-ridden Swedish Communist Party an international issue, and use it as leverage against other anti-Soviet "Eurocommunists" still plaguing the Western communist parties.

The Rude Pravo article read in full:

Stockholm, April 7 (CTK) — The main tasks of the new Swedish Arbetarpartiet Kommunist, founded in

March in Sweden, are defense of the vital interests of the Swedish working class, the struggle for peace, democracy and social progress, and the struggle against imperialism. This was stated in the document of the conference of this party, which took place March 26 and 27. The documents also stressed, that the party will consistently adhere to the principles of Marxism-Leninism and proletarian internationalism.

The formation of this party was the result of the aggravation of differences within Sweden's Left Party-communist (VPK, the Swedish Communist Party — ed.). According to the Swedish press, the leadership of that party took action against certain communists and excluded them from the party. These were people who criticized the policy of the leadership, because it departed from the basic ideological principles of the party. Their views diverged from the leadership's on the principles of proletarian internationalism and the evaluation of the significance of real socialism for international developments.

Air Force General On ABM

Soviet Technology '20 Years Ahead Of U.S.'

In an impassioned speech to a group of Washington newsmen delivered under the auspices of the American Security Council, Major General George J. Keegan, Jr. (U.S. Air Force Ret.) gave an honest professional assessment of the present strategic situation: "The Soviets on a war-winning philosophy... are 20 years ahead of the United States in its development of a technology (e.g., fusion and laser — ed.) which they believe will soon neutralize the ballistic missile weapon... They are now testing this technology..."

"The intelligence community was consistently wrong in its estimate of the development of broad-based Soviet science..." Keegan continued. "When people talk about technological superiority in this country, they are talking about potential and futures that have not yet been bought and paid for, distributed and manufactured and deployed to our forces... I object to the failure to observe the normal checks and balances, of letting the public know, letting the leaders know, letting the press know, and letting the full range of uncertainties be in the open — lest we make the kind of mistakes that have gotten us into every war this country has ever been in."

General Keegan's remarks, which were reprinted in the defense industry-linked Aviation Week magazine on March 28, contrast utterly with the viewpoint publicized last week by spokesmen for the Committee on the Present Danger (CPD) — a Trilateral Commission front organized by the Rockefeller bankers for the purpose of containing and manipulating pro-development military professionals, industrialists, and labor leaders. CPD spokesmen, including banker-turned-arms negotiator Paul Nitze, monetarist professor Richard Pipes, Carter energy czar James Schlesinger (a CPD founder, though not an official member) and Rockefeller Admiral Elmo Zumwalt, all denied the existence of a U.S. strategic disadvantage vis-à-vis the Soviet Union, while defending the Carter Administration's "technological disarmament" SALT package, and enthusiastically boosting the Carter-Ford Foundation deindustrialization program that mandates the sabotage of the development of fusion technology as well as a ban on plutonium use.

In fact, Keegan's statement confirms that the CPD circle is cracking apart over just this issue. Nitze and Pipes — as well as Keegan — had been members of "Team B," a group of "outsiders" brought in by the CIA last year to make an allegedly independent analysis of America's strategic situation. Team B's subsequent warnings have been the basis for the CPD's propaganda for the need for a massive U.S. arms push and confrontation with the Warsaw Pact.

Keegan's report demonstrates that both Team B and the CPD were hybrids from the start, containing on one side Wall Street stalwarts ready to send the country on

the road to national suicide, and, on the other, professionals like Keegan who commonsensically understood that the Soviets were indeed pulling ahead and, therefore, confrontation meant the end of the U.S. The latter are now seeking forums outside the CPD.

CPD Monetarists Blow Cover

The collapse of the SALT talks and the announcement of the Carter Administration's de-energization program has forced the monetarist debt collectors who have been masquerading as patriots in the CPD and Team B to blow their cover. On April 3 the CPD Executive Committee — whose members include Chase Manhattan Corporation director David Packard, Goldman Sachs partner Henry H. Fowler, Warburg banking family lawyer Rita E. Hauser, former Rockefeller Foundation president Dean Rusk; Trilateral Commissioner and AFL-CIO Secretary Treasurer Lane Kirkland, Social Democrats-USA official Eugene V. Rostow, ex-officio Schlesinger, and others besides, Nitze, Pipes and Zumwalt — issued statements and an 11-page report revealing their commitment to a policy of technological disarmament and worldwide deindustrialization, preferably with Soviet cooperation, and their determination to continue on a nuclear confrontationist collision course.

The Executive Committee's psychotic pronouncements are in direct contradiction with the publicly stated pro-growth positions of many of its members including scientist Edward Teller and building trades official Martin J. Ward, as well as industrialists and military men associated with the American Security Council who have been within the CPD's orbit.

In presenting the report at a Washington news conference, "cheap trick" artist Paul Nitze telegraphed the fact that the CPD executive was involved in the formulation of Trilateraloid Zbigniew Brzezinski's and Cyrus Vance's insane "technological disarmament" SALT proposal to the Soviets. Nitze lied that the Soviet Union rejected the Carter Administration's arms limitation proposal in Moscow last week "because it is an equitable deal, and that's what they don't want." The Carter proposal, amongst other things, demanded a ban on the development of advanced technologies and an agreement to sabotage nuclear energy development for Europe and the Third World under the cover of "nuclear non-proliferation."

Black Propaganda

To manipulate industrialists, trade unionists, and military leaders into support for this "disarmament,"-covered end to technology, the CPD Executive report "warns" about a "grand strategy" by a Soviet "expansionist empire" to "reduce any potential opponent's abi-

lity to resist." The black propaganda report specifically assails "the multiplying and tightening of links connecting Western Europe to the Soviet Union and its dependencies," "the strengthening of the Soviet economy through a process of intensive modernization... achieved in part by heavy borrowing of capital and technology in the advanced 'capitalist' countries," and alleged Soviet "undercutting of the economic links connecting the 'capitalist' world, and especially the United States, from the countries of the Third World."

The CPD in its Executive report also denies the existence of a Soviet strategic military advantage — in telling contradiction with their claims of last year when the organization was first founded — sneakily asserting that "the experts disagree as to whether the Soviet Union is already ahead of the United States in military strength either overall or in particular theaters." This Rockefeller cover-up is designed to justify and prepare a possible "first-strike-from weakness" attack — a fact tipped off by the CPD's hysterical statement that "should the Soviets eventually succeed in isolating the United States from its allies in the Third World, the United States would be less likely, in a major crisis, to lash out with strategic nuclear weapons, in a desperate attempt to escape subjugation."

Council on Foreign Relations Admiral and CIA

Director Stansfield Turner echoed this nonsense line in an interview with the New York Times on April 6. Turner, after comparing the industrial-based USSR to 19th century Czarist Russia, observed that "he does not believe that the Russians have yet attained nuclear weapons parity with the United States..." but "sees a gradual erosion in the military balance between the United States and the Soviet Union," and "does not believe that the United States is required to institute a military (technological — ed.) program to meet the Soviet challenge, but should devote resources and attention to problems raised by Soviet military (economic and technological — ed.) expansion."

There are, however, strong indications that military Clausewitzians, committed to the defense of the U.S. national interests, are not going to accept a Trilateral commission "military analysis" which demands the end to industrial progress. General Keegan closed his recent speech with a blast against the technological disarmament and deindustrialization policies being pursued by the otherwise unnamed Trilateral Commission-Carter Administration. Sighting this country's "creative genius, great wealth, and its unmatched industrial know-how," Keegan rips into the philosophy underlying such policies as "an odious and foreign doctrine, ignorant of the traditions under which this country was built, and how its forests were cleared, and its industry set up."

Gen. Keegan: U.S. Underestimates Soviet Technology

The following are remarks made by Major General George J. Keegan, Jr. to a group of newsmen recently, under the auspices of the American Security Council, and subsequently printed in Aviation Week magazine. General Keegan's assessments of Soviet military strength are perhaps the most accurate which have been publicly issued from the U.S. intelligence community.

Maj. General Keegan retired as assistant chief of staff of U.S. Air Force intelligence on January 1, 1977, after a 34-year career in the military. He is currently executive vice-president of the United States Strategic Institute in Washington, D.C.

Today I speak as a private citizen expressing my own personal views regarding the Soviet threat and the evolving world power balance. It is very difficult for a member of the military establishment to serve that establishment for better than 30 years, to work in harness with it to weigh what has transpired on his watch and, upon retirement, render public judgment about the adequacy of the Establishment's perceptions of our most serious national security problems.

It has been my unbroken experience that the (intelligence) community has been wrong about assessing Soviet intentions — granted that that is a very elaborate, complex and Byzantine art. The (intelligence) community has consistently been wrong about its judgments

to the national leadership on whether the Soviets were pursuing superiority, whether they could afford to do so, or whether they could in fact pursue such superiority.

Now as to the unfortunate question of who is No. 1 and who is not, and the unfortunate use of the loose language associated with superiority, I think the United States is superior in only one major area, and that is in its ability to respond quickly and efficiently to a nuclear initiative by the Soviet Union. And that's where it stops.

What the Soviets have evolved today, in my judgment, is a set of forces structured to a totally different strategic philosophy than our own. All U.S. strategic forces, in contrast, have been premised on a view that nuclear war was so horrible that it could not be contemplated in any rational environment and, therefore, for 20 years or so our philosophy has been that we must deter.

Nuclear war must be avoided at all costs. I have no quarrel with that strategy except that I am unaware in 20 years of a serious-minded scholarly, in-depth attempt to determine what it requires to deter.

All you have to read is Soviet Marshall V.D. Sokolovsky's book *Military Strategy*, now in its third edition. It's all there. But when the first edition appeared, high officials of this government — and I know because I was there — went to considerable extremes to try to obscure the thrust of that book and the thrust of its impact on thinking people for fear that it might hurt the evolving American strategy — as conceived under Mr. Mc-

Namara and others in the Kennedy Administration. And I'm not going to make any more comments or answer any questions on that allegation, because I don't want to get into a "names-contest."

But I was there and it happened. And it goes on to this day....Now what do I believe about relative Soviet fighting capabilities? In my considered judgment, the Soviet Union today has a capability to initiate, wage, survive and emerge from a global conflict with a far greater effectiveness than the United States and its allies. That is not to say that if we retaliated in a timely fashion to a Soviet initiative, which I don't anticipate, certainly not now, there is no question that the Soviet cities would be burned to the ground. When you here the phrase "they would cease functioning as a viable society," I think that is an unstudied recalling of the language of the McNamara era. It is not based on an in-depth examination of the extraordinary changes which have taken place in the Soviet Union during the past decade.

...All I can say is that there is no way that you can conceivably come to grips with the Soviet Union and understand what is transpiring unless you do it from the Soviet point of view, and it was to break that unfortunate habit that Air Force intelligence moved to obtain the original Soviet writings, to translate and make them available to the American public.

...When you estimate today you estimate against a country that has reached our own industrial stature, that has now reached our level of scientific competence, but that is thought backward in turning out the quality of hardware.

Now what are the facts? Very simply, the Soviets upon their determination that a nation could be made survivable undertook the greatest war survival-civil defense program in history. Bear in mind this is a country that lost half of its cities in World War II, lost between 20 million and 40 million people killed or wounded, and whose leaders destroyed some 20 million to 42 million of their own people in a succession of purges. These are a very tough people.

The United States today lacks the firepower, lacks the accuracy and lacks the yields to overcome the enormous advantage in terms of neutralizing our retaliatory punch which the Soviets have engineered for themselves at great cost.

Now, on force levels, what concerns me most in the tactical area has been the continued assertion that we can defend NATO. I won't go into and belabor the psychological points there. I think I have devoted as much time as any individual in the government of the United States to the study of Soviet literature, in the study of their exercises and in the monitoring of the development and improvement of their Warsaw Pact forces.

I find that there was a very distinctive change in Soviet strategy which occurred prior to 1970 in the NATO-Warsaw Pact area.

Rather than bore you with the details, I'll just simply express my judgment: I think that a Soviet war planner today, in the Warsaw Pact, given the forces, the capabilities, the combined arms doctrines...would have every reason for believing that he could take Europe by force of arms, with a minimum of fighting, in 24-36 hours, with or without the use of nuclear weapons. That's the posture that they have been placing themselves in. But we have a mind set. We have a diplomacy. We have had a policy and our estimates have tended to lag along in the same mental context...

...I object to the failure to observe the normal checks and balances, of letting the public know, letting the leaders know, letting the press know and letting the full range of uncertainties be in the open — lest we make the kind of mistakes that have gotten us into every war this country has ever been in...

Finally, you're aware of something through some newspaper accounts of the last few weeks that I'm really not at liberty to expand upon. But let me lay it out for you. The Soviet Union, irrespective of what any scientist in this country tells you,...is 20 years ahead of the United States in its development of a technology which they believe will soon neutralize the ballistic missile weapon as a threat to the Soviet Union. It is my firm belief that they are now testing this technology. For five years the intelligence community has said: "No, Keegan, you're wrong. Our scientists say it isn't possible." Our scientists never really tried. Our scientist haven't done the basic research. It was left to my little organization to undertake the most advanced basic research, or sponsor it, since the development of the A-bomb, to prove to these people in our community that what the Soviets have been writing about for 15 years they are in fact able to do and are doing. And I submit that the Soviets, on the basis of what I have examined, have every expectation that well before 1980, if they don't blow themselves up — and they may — will perceive that they have technically and scientifically solved the problem of the ballistic missile threat.

My last word before you throw me out of here is I'd like to caution that we do have great strengths in this country and that we're not on the edge of the abyss. But because of the failure in our perceptions, I think that a global conflict is now in gestation. Sometime in the future such a conflict is more likely than not to occur. I think the Soviets believe that principally because of what they are doing. Now we don't have to stand this country on its head to avert another mindless and needless holocaust. We are dedicated to preventing that, but we are not doing what we should.

Carter Seeking Control Of Military Intelligence

Like a trapped rat conditioned to tap a 'Watergating lever' in order to survive, the Trilateral Commission Carter Administration is gnawing away at the nation's intelligence agencies and Armed Forces. This past week, Carter forces launched a trial balloon call for a "Special Prosecutor;" a new public slander attack on Chairman of the Joint Chiefs of Staff, General George Brown, a demand for the "halving" of the number of U.S. Generals and Admirals; and the coincident placing of Trilateral agents in selected critical posts including National Intelligence Estimates, the Law Enforcement Assistance Administration (LEAA), and the Strategic Air Command (SAC).

With their low comedy Watergating rerun campaign, Carter hopes to clean out the unexpectedly strong resistance in the military and intelligence community to the Administrations' world deindustrialization program and its nuclear confrontationist tactics.

Scattergun Assault

The Carter Administration placed its call for the establishment of a "Special Prosecutors Office" to "investigate past assassinations" in the mouth of Rockefeller agent Richard Sprague, the discredited and canned House Assassinations Committee investigator. Sprague resurfaced on the national scene April 12 with fanfare provided by the Eastern Establishment media after vacationing in Mexico for over a week licking his wounds. Sprague's call signifies that the Carter Administration's effort to get Congress to do the dirty work against the Trilateral Commission's enemies under the cover of "assassinations investigation" has not gone over and a "Special Prosecutor" must now do the job. Such a post if established would serve Carter as a center to throw a dragnet of intimidation over pro-development intelligence community, military, and industrialist opponents.

The Carter team has no intention, of course, of conducting a serious investigation into the assassination of President John F. Kennedy. As most high level U.S. political circles are aware, Kennedy was killed when a *simulated* assassination attempt against him that he himself was involved in planning was *retargeted* by elements within his own Administration into an actual hit. The simulated assassination scenario was designed to follow a planned U.S. assassination of Cuban Premier Fidel Castro and would have covered for this crime by charging Cuba and the Soviet Union with a 'retaliatory' assassination attempt — setting up a planned thermonuclear war showdown.

The Trilateral Watergating campaign continued its focus on General George Brown, an outspoken opponent of the Carter Administration's nuclear confrontationist policies and the Schlesinger assault on nuclear energy and R and D. The *Washington Post*, April 9 carried a letter by Joseph Churba demanding Browns' immediate resignation. Churba is the same personality who 'leaked' Brown's 1975 Duke University alleged remarks about the influence of Jewish bankers and lobbyists on U.S. foreign policy. The new call for Brown's resignation by the one-time Israeli army officer, who was recently fired from his U.S. Air Force intelligence job caps a month of hysterical Trilateral slanders against Brown.

Hamstrung by the military wall of resistance building against its policies, the increasingly isolated Trilateral Administration is targeting the entire U.S. brass. Jimmy Carter's mentor — the Morgan-Rothschild linked Admiral Hyman Rickover, testified before Samuel Nunns' (D-Ga.) Senate Armed Services Subcommittee last week that 50 percent of U.S. Generals and Admirals should be eliminated for reasons of budget-cutting.

Trilateral Penetration Agents

Simultaneously the Administration moved to place reliable agents at key command posts within the military and intelligence establishment. For the crucial National Intelligence Estimates post, for example, Carter named Trilateral Commission member Robert Bowie. Bowie's service for the Rockefellers goes back over 25 years when he served as special advisor to Chase Manhattan banker John J. McCloy when the latter was U.S. High Commissioner for Germany. Since then Bowie has served as a Director of Policy Planning at the State Department and run the Center for International Affairs at Harvard University for his Rockefeller sponsor.

To help coordinate monetarist terror assaults and prepare domestic police state blueprints, Carter named James Hamilton to head the Justice Department's LEAA division. Hamilton from the Kennedy-linked law firm of Hamilton, Feldman and Bress, is experienced in domestic terror and police-state work having previously served in the Kennedy Justice Department during the heyday of "civil rights" race riots, and Watergating operations against the Teamsters and independent industrially-based capitalists.

Also this week the Trilateral Administration chose Air Force Lieutenant General Richard H. Ellis to head the Strategic Air Command. Ellis was groomed for his assignment at such Rockefeller outposts as the Dickinson School of Law which is not known for its prowess in military strategic matters.

Biggest NSC Terror Wave Since Kennedy Era

Reports this week from European capitals and well-informed sources here in the U.S. indicate that the U.S. National Security Council (NSC), working particularly through the FBI, has been responsible for coordinating the recent wave of terrorist incidents and assassinations throughout Europe. These bloody incidents, so-called "wetworks," have been aimed at individuals representing agencies and countries who had positioned themselves to clamp down on NSC-directed terrorism and for opposing the Carter Administration's "energy de-industrialization" policy.

The terrorist violence and assassinations throughout chiefly the European continent has reached a level not witnessed since the early 1960s when the Kennedy Administration carried out its special operations against opponents of U.S. policy. Then, Kennedy's National Security Advisor McGeorge Bundy established a special group to carry out assassinations, mercenary operations, and destabilizations against nations. The reader will recall the attempted assassinations of French President Charles de Gaulle and Cuban Premier Fidel Castro, and the murders of such leaders as Patrice Lumumba, Greece's Lambrakis, and Italy's Mattei. In Europe, the MacMillan government in Britain was brought down by the Profumo scandals, while the Adenauer government in West Germany was removed from power in a similar setup series of events.

In response to the most recent terror wave, opposition intelligence agencies in Europe and in the U.S. have locked horns with the NSC and its "wetwork" units in what now appears to be all-out inter-agency warfare. Most notably, the Swedish SAEPO police circumvented NSC-Interpol regulations and arrested 14 terrorists who were preparing to kidnap a number of former and current parliamentary leaders in that country. In the U.S., the internecine battle has taken the form of agencies opposed to FBI activity launching a counter-terror campaign which has resulted in the assassinations of some 20 Bureau informants within organized crime networks and trade-union circles.

The FBI's role in this current flood of bloodletting is central to the NSC's operational capabilities, say sources. The Bureau's international operations have been augmented with FBI operatives now situated inside U.S. embassies, an arrangement described by informed sources as "highly irregular." Through principally this network, in tandem with Interpol, the FBI "wetwork" units have been directly responsible for such events over the past few weeks as the assassination in London of the former premier of North Yemen, the Bonn slaying of West German Attorney General Siegfried Buback, and the attempted poisoning in southern Italy of Italian Soc-

ialist Party (PSI) parliamentarian Giacomo Mancini.

This rash of incidents, gridded below, have noticeably received "bare minimum" to absolutely no coverage in the United States from the major wire services, AP and UPI, and from the prestigious East Coast news outlets, the *Washington Post* and the *New York Times*.

However, these same outlets and others have almost prominently displayed coverage of terrorist scenarios in preparation for the next bout of orchestrated terrorism here in the U.S. At present, all indications are that the April 30 nuclear terrorism "Pearl Harbor" scenario, run under the cover of anti-nuclear "environmentalist" gangs, coordinated by the FBI and the Institute for Policy Studies, (see EIR No. 15) continues to be an NSC "live option" for coercing the American population into accepting the Carter Administration's energy program.

The command structure for this international operation has its center at the NSC level. The NSC Special Coordinating Committee is responsible for "coordination, development, and implementation" of policy "options" decided by the NSC Policy Review Committee regarding "crises, covert operations, and cross-cutting issues." Those "options" are then carried out by the FBI and four other intelligence units, in conjunction with Interpol.

This command structure directly parallels Rand Corporation "surrogate warfare" specialist Brian Jenkins' plan, printed in the March 27 *Washington Post*, which calls for NSC control over a "command organization" which has full interface with special military units to be used in "Entebbe-style" operations. That command, according to Jenkins, would have the capability to supercede local law enforcement and individual federal agencies.

The other units in the NSC-FBI command structure are the following:

**The Treasury Department's Federal Law Enforcement Training Center (FLETC) in Glynn County, Ga. Hundreds of new FBI agents have been trained at FLETC under the directorship of Arthur Brandstetter. Brandstetter in the 1960s coordinated the training of the South Vietnamese equivalent to the FBI.

**The Critical Intelligence Section (CIS) within the CIA. The little-known CIS unit has the additional function of coordinating NSC takeover operations against other sections of the CIA.

**The State Department's Cabinet Committee for Combatting Terrorism. That Committee is currently directed by Ambassador Douglas Heck who last week issued a provocative statement "predicting" specific terrorist incidents in the Middle East. Rand Corporation's Brian Jenkins is a paid consultant to the Committee.

**The Justice Department's Interdepartmental Committee on Internal Security (ICIS), housed in Justice's Criminal Division. ICIS deals with "national security matters, including nuclear terrorism," according to one Justice Department official. Robert Keusch, assistant deputy attorney general in charge of ICIS, is known

within the Justice Department as the individual who prevents "leaks," or in the words of one Justice operative, "he keeps the lid on" live operations. This apparatus, which includes the recently brought in Interpol unit from the Treasury Department, has been nicknamed "Justice Intelligence."

A Chronology Of Terror

The following is a chronological grid of terrorist incidents and pre-packaged press coverage on terrorism over the last two weeks:

March 30 — Charles Nicoletti, an FBI informant working for another executed FBI informant Sam Giancana, was assassinated.

March 31 — According to the *Christian Science Monitor*, 11 cars belonging to U.S. military and Defense Department officials stationed in Athens, Greece were recently firebombed. The incidents occurred shortly before Turkish and Cypriot negotiators resumed peace talks in Vienna on March 31.

April 1 — Swedish SAEPO police, operating behind the back of Interpol, broke up a terrorist kidnapping and assassination plot scheduled to take place in that country. Fourteen terrorists from several European and Latin countries, including two West German Baader-Meinhof members, were rounded-up.

April 5 — *Christian Science Monitor* reported that the Fresno Bee had resumed running advertisements for mercenary recruitment, i.e., "high risk" work, in Africa.

April 6 — Rand Corporation "terrorist response" expert Brian Jenkins said in an interview that it might be necessary to have a nuclear "Pearl Harbor" terrorist incident as a pretext for implementing his plan for a National Security Council "command organization" to deal with terrorism.

Guido De Martino, the son of Francesco De Martino (head of the Italian Socialist Party and leading supporter of the Andreotti government) and himself a PSI regional leader, was kidnapped in front of his home.

April 7 — Reliable sources reported rumors started by Israeli Interpol are circulating in intelligence networks that international terrorist "Carlos" possesses a nuclear capability.

West German Attorney General Siegfried Buback was assassinated along with two others by three terrorists on motorcycles. Buback was the 1975-76 prosecutor of Baader-Meinhof terrorists and had recently announced his intention to expose the coordination of international terrorism used to put pressure on West Germany and other European nations. Credit for the assassination was claimed by the Ulrike Meinhof Action Committee.

April 8 — The *New York Times* reported that a recent General Accounting Office report charged that the Nuclear Regulatory Commission has been lax in enforcing strict security measures at nuclear facilities and that these facilities could not withstand an attack by a small, armed group.

April 9 — *New York Times* columnist C.L. Sulzberger predicted a worldwide offensive by the "General Revolutionary Command, Armenia" in revenge against the Turkish government. Sulzberger proclaimed that the terrorist unit would hit several installations including those of the Turkish airline, Turk Hava Yollair.

The *Washington Star* reported with a banner headline that a new study just released by the congressional Nuclear Proliferation and Safeguard Panel claims that nuclear terrorism is inevitable and that a small terrorist group with minimal technical proficiency could put together a two kiloton atomic bomb that could "demolish lower New York." The Panel is chaired by Trilateral Commission member Thomas Hughes, current President of the Carnegie Endowment for Peace. Another member of the Panel, Theodore Taylor, is a former atomic weapons designer who helped develop the concept of nuclear terrorism while working for the Ford Foundation in 1972.

The New World Liberation Front (NWLFF) planted a powerful dynamite bomb inside the San Francisco Social Security building. The bomb did not detonate and, according to West Coast police officials, contained enough gelatin to destroy the building entirely.

April 10 — The former premier of North Yemen, along with his wife and another diplomat, were assassinated by an unidentified "Middle Eastern looking" man. The weapon used was a special .45 calibre gun equipped with a silencer. British intelligence, according to informed sources, see the assassination as a direct threat from the Carter Administration.

Several lower Manhattan shopping centers were the targets of FALN-planted incendiary devices.

April 11 — A *Washington Post* column by NSC-leaker Jack Anderson, "U.S. Bracing for More Terrorism," provided a cover story for the various NSC units described above by identifying them as separate "special anti-terrorist units." His article identified a Customs Service "Terrorist Data Base" which purportedly put out "classified bulletins" on potential terrorist activities. Among those noted were the FALN, the right-wing anti-Cuban National Liberation Front of Cuba, the Weatherunderground, the Japanese Red Army, and the Canadian FLQ.

April 12 — Informed sources reported that two Iraqi officials in Paris were mysteriously killed. These same sources reported that two suspicious "suicides" of Washington, D.C.-based U.S. intelligence operatives were totally blacked out of the press.

April 13 — Italian Socialist Party parliamentarian

Giacomo Mancini is poisoned, though not fatally.

April 14 — WINS radio reported that a FIAT representative in Paris was kidnapped today by the "Committee to Defend Italian Workers." The unit is demanding that Italian authorities provide food hand-outs for all unemployed Italian workers.

Radio stations reported that two persons of Polish origin occupied the West German embassy in Tel Aviv

for several hours, threatening to shoot the occupants.

French press reported that a series of bombings have taken place in that country over the last two weeks. The bombing targets included the World Library, the French-USSR Friendship Association, and the Soviet Embassy. The Action Front for the Liberation of Baltic Countries took credit for the bombings.

EXCLUSIVE

Wall Street's CPUSA And FBI Espionage Network Uncovered

The Communist Party of the United States (CPUSA) is a top Wall Street intelligence operation functioning as a leading conduit for disinformation and slander into the Soviet Union and East Bloc countries. It has served similarly as a nexus for arranging Wall Street special operation into Western Europe and its Communist Parties.

Through an apparatus built nearly 40 years ago by President Franklin Roosevelt, FBI Director J. Edgar Hoover, British Intelligence agent Sir William Stephenson, and later Nelson Rockefeller, this espionage network has given lower Manhattan a unique capability — premised upon maintaining a set of false characterizations of political forces within the United States. The CPUSA's job is to ensure that the legions of Wall Street are viewed by the Soviet leadership as the "liberal" peace-loving pro-detente types — as opposed to the "right-wing" conservatives who want an arms buildup and war. Portrayed in the pages of the *Daily World* and through special "courtesy" conduits created during the 1930s, this fairy-tale has provided de facto Rockefeller agent Georgii Arbatov with the means for twisting Soviet policies against the USSR's actual national interest in a way unparalleled since the heyday of Bukharin's control over Soviet policy.

The CPUSA was allowed to exist following its political decimation during the McCarthy period only to act the part of a "pro-Soviet" organization and participate in domestic counterinsurgency operations to control information going to the East Bloc about political affairs within the United States. The major conduits of misinformation to the Soviets are Arbatov's USA-Canada Institute and Herbert Aptheker's American Institute for Marxist Studies.

For the past six or seven years, the CPUSA's primary focus of activity has been the International Caucus of Labor Committees and its chairman Lyndon LaRouche. To prevent the Labor Committee tendency from achieving significant influence with the East Bloc has been a top priority for the Wall Street networks involved; even the assassination of LaRouche has been actively pursued as a means to that end.

The CPUSA's disinformation campaign against the NCLC began publicly back in October 1971, when *Daily World* correspondent George Morris attacked the Labor Committees as police agents. Morris, who, not accident-

ally, happens to be the *Daily World* correspondent in Moscow, is just one of the many Wall Street and FBI agents in the CPUSA providing such services.

The cast of operatives basically divides into two generation. The oldsters, besides Morris, include Victor Perlo, John Abt, Herbert Aptheker, and Gus Hall, all of whom have operated as disinformation specialists, in varying degrees. The second generation of agents includes Angela Davis, Amadeo Richardson, Mike Zagarell, Ron Tyson, and several as yet unnamed members of the CPUSA's Security Section. The party's Security Section functions directly under the control of the FBI, a special relationship created during the 1930s between Hoover and Roosevelt.

This apparatus is presently involved in many of the same assassination and dirty tricks deployments which promote terrorist operations in Europe and the United States. Ron Tyson, along with the CPUSA security apparatus has personally conducted many of these operations.

It is the intersection of this apparatus with the activities of the ICLC that provides the unique basis for exposing this treasonous group of agents, and ending once and for all one of the most well-protecting networks ever to exist.

The character of the network is revealed by the circumstances surrounding LaRouche's inability to travel in the East Bloc. According to sources within the U.S. intelligence community, the State Department, along with the FBI apparatus in the CPUSA, has maintained special "white" and "black" lists of individuals deemed acceptable and unacceptable for travel within the East Bloc. When one of the leading members of the Labor Committees goes abroad, a special dispatch is sent out by the State Department to all American embassies, from which the activities of the member are carefully monitored. Concomitantly, the special apparatus, within the CPUSA known as Anniversary Tours — a travel agency which was used as a conduit back in the 1930s (World Tourist Inc.) — run by Jessica Smith Abt and her husband John Abt, who doubles as the CPUSA's General Counsel — also sends out a special dispatch.

In some instances where these measures are not sufficient, "reporters" of the *Daily World* are sent to various Western and Eastern European countries to insure that the proper slander is reintroduced into var-

ious channels. (Amadeo Richardson has been utilized in this capacity.) Usually the slander has surfaced either in Western European communist party newspapers; at times within the East Bloc press itself. What makes the slanders operate is that the Arbatov-Brezhnev faction within the Soviet leadership implicitly — in the case of Arbatov explicitly — supports these slanderous allegations.

On the broader strategic questions, the CPUSA is still a necessary instrument of the National Security Council. With the Carter Administration trying desperately to maintain a pro-detente facade, the most recent issues of the *Daily World* have been filled with articles and political cartoons depicting the present leadership of the Pentagon, especially Gen. George Brown, and various conservative politicians as responsible for attempting to reverse the “winds of detente.” Nothing could be further from the truth and Morgan banking and Brookings Institution agent of the 1930s Victor Perlo knows exactly what he is doing when such articles are written. Perlo served on the War Production Board during World War II and has been a National Security Council agent in place since 1954 when he officially joined a shattered CPUSA. Perlo is presently the head of the CPUSA's economic commission.

It is the purpose of this article to destroy once and for all the Wall Street disinformation center in New York City, the CPUSA.

Background To “The Arrangement”

Immediately preceding World War II, President Franklin D. Roosevelt made the decision to create an official intelligence organization which would be responsible for running covert operations. With the direct help of British Secret Intelligence Service agent William Stephenson, Roosevelt succeeded in getting the project off the ground by July 1941 under the direction of Col. William Donovan as Coordinator of Information; Donovan subsequently became head of OSS. Before the project could be carried out, Roosevelt needed the support and cooperation of the FBI and its chief sleuth J. Edgar Hoover. By special arrangement in 1938 the FBI was given total jurisdiction over all Western Hemisphere intelligence operations, including Latin America, while the ONI and Army Intelligence were given the Pacific and Europe respectively. It was during this same period that the security apparatus of the CPUSA was taken over by the FBI. Previously, Wall Street had operated in the CPUSA through Morgan and Rockefeller agent Corliss Lamont and others from the board rooms of lower Manhattan, but had not maintained a centralized and systematic operation. This Wall Street apparatus was the location of many of the alleged Soviet espionage operations within the “New Deal” administration.

Practically all the agents involved in the House Un-American Activities Committee exposés, from Victor Perlo to Alger Hiss, functioned as part of this well-protected apparatus. From 1933-40, most of those involved — John Abt, Victor Perlo, Harry Magdoff, Lee Pressman, the Wheeler brothers, George and Don — served as members of New Deal economic agencies or within the Labor Department. Starting in 1940 and up to 1944, in the State Department Bureau of Economic Warfare and later in

OSS, many of the same agents moved into newly created positions. Following the war, the State Department and the United Nations became the centers of Wall Street's anti-Soviet intelligence operations.

Positions shifted constantly for the “Wall Street Communists.” John Abt's initial job from 1933-35, was under Henry Wallace in the Agriculture Department in the Agriculture Adjustment Administration, where he served as chief litigation counsel. Abt's job was used for special deployments into the Soviet Union, focusing on the extreme difficulties of Soviet agricultural production. Abt later moved into the Works Progress Administration and became “special assistant” to the U.S. Attorney General in 1937-38. Abt then became general counsel to one of Roosevelt's top labor enforcers, Sidney Hillman.

During this entire period, Abt was also a leader in the CPUSA's underground organization, a section of the party responsible for espionage activity. The cover given to Abt was provided directly through White House aide to FDR Lauchlin Currie. Abt's “cell”-work was part of what later became known as the Perlo group. Included in this network was Don Wheeler of OSS; Harry Magdoff, who later became one of the leading Maoist proponents through the *Monthly Review* crowd along with Paul Sweezy; and Harold Glasser. Glasser, now one of the leading liberal lights, spent a year at Brookings Institution in 1931, then traveled through the Agriculture Department and later was appointed by Nelson Rockefeller to a wartime mission in Ecuador. Wheeler's brother George, after working with the Allied Military Government, became a penetration agent into the East bloc in 1948 and surfaced as an official in the Dubcek government in 1968. Since his ouster from Czechoslovakia, Wheeler practices Eurocommunism at the World Fellowship Institute in New Hampshire.

The most famous member of the Perlo group was Alger Hiss. Hiss, who was to spend two years in jail for his activities, was actually a top flight Fabian operative who functioned at some of the highest levels of Wall Street's operations. Hiss served in the State Department throughout most of his career until 1948 when the Dies congressional Committee with Republican and conservative forces used the hearings into “communist spy” activity to purge the State Department of New Deal Fabians. But the hysterical climate generated by all factions concerned enabled the Cold War policies of the Marshall Plan to be implemented and permitted Rockefeller to consolidate his political control. Hiss left his career as Secretary General of the International Secretariat of the newly formed United Nations to accept a post at the Carnegie Endowment where John Foster Dulles was chairman of the Board.

Running in tandem with the so-called Perlo group was the Silvermaster cell and a group of CIAA agents operating directly under the State Department Coordinator of Inter-American Affairs, Nelson Rockefeller. Nathan Gregory Silvermaster along with Harry Dexter White, Treasury Secretary for Monetary Affairs, formed the core of a group that was protected from any interference by such notables as Secretary of War Patterson, Felix Frankfurter, and Lauchlin Currie. The CIAA group included Duncan Lee, assistant General Counsel of OSS,

formerly of Donovan's law firm; Maurice Halperin, top OSS-State Department expert on Latin America; OSS's Carl Marzani, later to be publisher of the *National Guardian*, a maoist rag; and five top CIAA employees, Willard Park, Robert Miller, Joseph Gregg, Jack Fahy, and Bernard Redmont. Park's brother-in-law Richard Branstem, alias Bruce Minton, was an editor of the CPUSA's *New Masses*. Miller's wife Jenny Levy was on the New York staff of the Moscow Daily News. It was through this network and other similar operations that Nelson Rockefeller in coordination with the FBI was able to run the assassination of Leon Trotsky under a GPU cover. The evidence being gathered is overwhelming in pointing in that direction.

The use of alleged "Soviet" espionage networks, besides the Trotsky assassination, became strategically important following World War II for the Rockefellers and their Fabian networks. At one point during the war, Hoover uncovered a special deal being worked up by OSS and the NKVD (Soviet military intelligence) whereby both sides mutually agreed to set up secret missions in Moscow and Washington D.C. Because this particular arrangement went beyond the initial agreement between Hoover and Roosevelt, and encroached upon Hoover's carefully guarded territory, Hoover had the plan killed. However, due to Nelson Rockefeller's position as Coordinator of Inter-American Affairs, he was able to surmount the Hoover obstacle and arrange through his private intelligence network along with certain FBI agents-in-place the basis for running these special operations. With a major portion of the CPUSA being directly controlled by the FBI following the war, Rockefeller had no difficulty arranging phase II utilization of the CPUSA.

The Institute and Herbert Marcuse

With practically one out of seven members of the CPUSA under direct FBI control in 1960, the next take-off point for conducting monetarist espionage activity came with the creation of the Institute for Policy Studies. Along with the pre-war Fabian School and OSS-CIA operative Herbert Marcuse, IPS embarked on creating a new synthetic ideology, black nationalism which would be used to spread the CPUSA and Socialist Workers Party. Angela Davis became its leading advocate under Marcuse's personal direction. The Davis operation enabled

Wall Street to utilize key penetration operations already existing within Western and Eastern European Communist parties. Part of these networks were tapped for the chaos operation aimed at assassinating Lyndon LaRouche and for the Konstantin George drugging and kidnapping in 1973. These same networks, built up along with the anti-war movement, acted as the slander vehicle against the small cadre group of the Labor Committees in Europe during the early 1970s.

Not only is IPS the main vehicle for sympathetic ideology creations, terrorism and "network" operations, but co-director Richard Barnet (a member of the Council on Foreign Relations) has been meeting for several years with USA-Canada Institute head Georgii Arbatov. Barnet is one of the leading propagandists for the Carter-Trilateral SALT II negotiating position.

Amadeo Richardson began his agent career in West Germany. Otherwise known as the pumpkin seed connection, Richardson organized the artificial Angela Davis defense committees and a slander operation against the European Labor Committee in 1973. Through the West German CP (DKP), Richardson and the head of the Marxist Institute in Frankfurt, Steigerwald, consistently counterorganized against the ELC.

In the U.S., Daily World assistant editor and now political bureau member Mike Zagerell launched the domestic slander machine against the USLP. Unconfirmed evidence suggests that Zagerell is probably one of the key FBI special agents operating within the old network of operatives in the CPUSA. Without a doubt Zagerell is an outright agent. The only question is whether he operates within the special apparatus of the FBI. Tyson, on the other hand, is a self-proclaimed "supporter" of the brainwashed police murderer group, the Black Liberation Army.

These existing networks of agents and operatives could not function without the same help that was afforded the "cells" in the Roosevelt Administration. From the State Department and FBI to the top levels of Wall Street, this network has enabled this treasonous CPUSA operation to exist. It is a fitting irony that even with the fraudulent election of Jimmy Carter, Victor Perlo still finds himself operating within the CPUSA, instead of some comfortable position within Rockefeller's Trilateral Administration.

Zaire Intervention Also Aimed At Gaullists

FRANCE

French President Giscard d'Estaing's sudden intervention into the internal affairs of Zaire this week was decided upon in Washington, D.C., and many people in France are saying so. But the most anti-Washington political force in France, the Gaullist "Barons," have not said so, and it is their political demise that is the leading domestic objective of Giscard's action in Africa. If the Gaullists support — or even merely tolerate — Giscard's ugly games, the Carter Administration will have successfully combined its campaign to create "hot spots" in the Third World with a total destabilization of the French political situation.

Specifically, the Carter Administration has created a potential Waterloo for the anti-Carter Gaullists. Cyrus Vance hopes that, faced with the 'fait accompli' of Zairian entanglement, the Gaullist leaders will react on the basis their conservative nationalist profiles would indicate, blindly accepting Giscard's tale about "independent" French action to safeguard national interests in Africa. If so, the Barons would be entrapping themselves in an "imperialist" posture, cutting themselves off from their popular supporters — who would flee at the spectacle of leading proteges of Charles DeGaulle becoming abject stooges for Atlanticism. France would quickly be engulfed in the chaos of "right-left" confrontation manipulated by the otherwise weak Giscard and the U.S. State Department.

This plan went into effect on Monday, April 11. An official statement issued from the Elysée palace announced that, following a decision by President Giscard d'Estaing, French military cargo planes were engaged in an airlift of Moroccan troops into Zaire. The public, the Parliament, and apparently even the government of Prime Minister Barre and the French Ambassador to Washington, had been kept in complete ignorance of the planning and execution of the operation. It was announced that the President would explain his decision in a nationally televised address the following day.

As Vance's *New York Times* and other U.S.-press trumpeted over the alleged 'cowardice' of the U.S. and the 'courageous' example set by France, Giscard went on TV to proclaim a number of untruths, each designed to encourage the hesitant support the Gaullist Barons such as Couve de Murville initially gave to the intervention.

For the edification of Gaullist fantasies, Giscard stated that: 1) France made a unilateral decision to send military planes in response to a request from friendly Morocco; 2) The U.S. was not consulted on the matter (Giscard even went so far as to highlight his "disagreement" with U.S. Ambassador Andrew Young's state-

ment at the UN that the U.S. could not insure Mobutu's security; 3) France was "actively participating in the construction of Europe," acting as the spearhead of an "independent European policy."

Attempts to smear his anti-Carter European colleagues took up the greatest part of the President's speech.

Giscard's masquerade as a Gaullist fooled RPR (Gaullist Party) Organizational Secretary Guéna, RPR Parliamentary leader Labbé and several others into stating that the RPR was backing the President's action in Zaire! As a Washington, D.C. thinktanker cynically commented to a journalist, "Isn't it puzzling that of all people the Gaullists would support it? ... They haven't learned the lessons of Vietnam."

There is no doubt that the "rotten wing" of the RPR represented by such figures as Jacques Foccart, an expert organizer of coups d'état on the African continent, and African specialist Journiac, linked to both Foccart and new Paris mayor, RPR President Jacques Chirac with his Rothschild entourage, are cooperating with Giscard to better force the hand of pro-development circles in the Gaullist movement. It goes without saying that if traditional Gaullist leaders such as Michel Debré go on abstaining (though reportedly personally "displeased.") from the needed condemnation of Giscard's Africa intervention, their movement will lose all political credibility as an alternative to the miserable Socialist-Communist "Union of the Left." At least the left has not hesitated to attack Giscard and call for an immediate Parliamentary debate.

Giscard's claims notwithstanding, it was obvious to left spokesmen, including independent left Gaullists, that the Zairian intervention was actually planned during talks between U.S. Secretary of State Cyrus Vance and Giscard about two weeks ago; in fact, the 'African situation' had been officially reported as the main topic of those talks.

Admiral Antoine Sanguinetti, whom Giscard removed from active military duty in 1973 because of his Gaullist attack against Paris subservience to Washington, told NSIPS: "Again a coincidence. After Vance's trip to Paris, Giscard d'Estaing launches an operation into Zaire. This intervention goes beyond the Constitutional powers of the President of the Republic. France acts on behalf of the U.S. at a time when West Germany asserts its independence for the first time in a long time. France is selling herself cheap to the U.S..."

The Socialist Party and Communist leaders in Parliament also have put the government on trial. The communist-led CGT union federation plans a nationwide mobilization of workers against the French interference in Africa and the danger it poses to world peace.

Left vs. Right

The Gaullist movements' attitude towards Giscard's

gunboat diplomacy — the support of some, the silence of others — poisons the national political climate and threatens to drag the country into a chaotic and diversionary left-right confrontation, accompanied by mounting Interpol terrorism, analogous to what is occurring in Italy. Giscard's team is preparing for precisely this kind of scenario, constituting itself as a "crisis management staff (involving the military, and French SDEC Intelligence) according to the right wing paper *L'Aurore*. The Belgian press reports that French officers sent to Zaire are led by Colonel Franceschini, a former Secret Army

Organization terrorist involved in anti-Gaullist subversion 15 years ago.

It is now rumored in Paris that Giscard might soon choose to invoke Article 16 of the Constitution, which empowers the executive to rule by decree in case of grave threats to national security. Because of Giscard's unpopularity, such a move would cause an uproar, and class war — type chaos in France's extremely tense social situation, now marked by a multiplicity of on-going metal industries against depression levels of austerity and unemployment.

Moscow-Rome Continue Talks; Will Italy Solve Debt Problem With The Transfer Rouble?

ITALY

Negotiations between Italy and the Soviet Union for a transfer rouble agreement to finance East-West trade, together with the inevitable economic implications of such an arrangement, are the main topic of heated political debate at the highest levels of Italian government and political circles.

Negotiations for the transfer rouble were further advanced this week with an invitation to Italy extended to a Polish banking delegation by the Banca Commerciale Italiana — the largest Italian bank outside the central bank itself — and the unscheduled visit to Italy by Soviet Deputy Foreign Trade Minister Komarov. This will be followed with a visit to Moscow by Italian Foreign Trade Minister Ossola later this month.

The Polish delegation has been meeting with Italian banking circles who are involved in easing the way for the transfer rouble, such as the large Bank of Sicily. Komarov's current discussions with Italian officials — a group that prominently includes Premier Giulio Andreotti — is to work out the preliminary arrangements for the transfer rouble, according to well-informed sources. Should the necessary arrangements be worked out, the transfer rouble will be put into an operational phase by the agreed midsummer target schedule.

Amid universal recognition by the Italian press that the International Monetary Fund has not one penny to grant even the miserable \$530 million loan it has promised to Italy, the Italian Communist Party paper, *L'Unità*, has been conducting a campaign on behalf of the transfer rouble and for the reorganization of the foreign trade ministry.

L'Unità featured an article April 11 attacking the IMF's system of refinancing by imposing levies on allied countries — "allies unwilling any longer to play that

game." For the first time, *L'Unità* raised the question of the transfer rouble as the way to come out of the "IMF's monetary games" into a monetary system oriented toward development and peace.

Financial Reorganization

The fact that the Italian government is considering undertaking major financial reorganization was hinted again today by *L'Unità* and by Italian Treasury Minister Gaetano Stamatì. PCI Central Committee member Cardia, a known supporter of the new world economic order and a party foreign affairs specialist, revealed government plans to submit a bill to Parliament that will reorganize the Foreign Trade Ministry so as to create a new institution for coordinating all foreign economic activity. Under the direct control of both the government and Parliament, the new institution will act as a mediator for trade with Third World and Soviet bloc countries. At the same time it will provide a global, coherent approach to Italy's trade with these sectors, an operation now fragmented into myriad agencies.

Treasury Minister Stamatì's proposal to establish a "lira pesante" (heavy lira), put forward yesterday would be a key aspect for reorganizing Italy's economy. A "heavy lira" by decree would change the pegging of the lira to the dollar by issuing new currency and giving it the value that Italian authorities consider the most appropriate. Although by itself — depending on the value given to the currency — this could be hyperinflationary, the indications are that the Italians are aiming at cleaning out their books for the transfer rouble and that they probably will declare a de facto debt moratorium by up-valuing the lira. As Stamatì emphasized, the problem is not a technical one, but one of political will. Interestingly enough, the Italian daily *La Stampa* compared the measure with one taken by General de Gaulle in 1958. At the time de Gaulle established a "heavy franc" in order to stabilize France's economic development and put the country's destroyed economy on its feet again.

West German Organizing For MBFR Settlement Reemerges

WEST GERMANY

Leading West German political figures are again organizing publicly for a Western European disarmament accord with the Soviet Union under auspices of the Vienna Mutual and Balanced Force Reduction talks (MBFR) — independent of the United States.

On April 13, Juergen Pawelcyk, a prominent Social Democratic member of the Federal Parliamentary Defense Committee, wrote an article for the conservative daily *Die Welt* declaring that “an initial MBFR result is possible...we are at a political crossroads.” Similarly the April 9 *Frankfurter Allgemeine Zeitung* said in a commentary that Social Democratic Parliamentary fraction leader Herbert Wehner — the most outspoken supporter of an MBFR agreement — is energetically organizing within the Social Democracy for this policy, and expects to force a confrontation on this issue within the Federal cabinet.

This open discussion of the need for European disarmament agreement has reappeared in West Germany after approximately a month of silence on the question. By no accident, it reappears at the very same time that West Germany, Britain, and numerous other countries have been forced to face up to the hideous reality of the Carter Administration's zero-growth energy program, Carter's plutonium ban and other forthcoming horrors which constitute a dire immediate threat to the European economy. This European consensus on the energy issue is now the main force driving them to Vienna. Thus, while Washington attempts to bluff and lure the Soviet Union into a SALT agreement on the basis of an inequitable “numbers game” confined to weapons systems, West Germany is leading the Europeans in putting out feelers to Moscow on a broad and basic peace

accord, including East-West economic cooperation and energy co-development.

Warsaw Pact No Threat

In his *Die Welt* article, Pawelcyk directly attacked “those who object” to an MBFR conclusion on the pretended grounds that Soviet military superiority is endangering the West; the MBFR concept of “equal” troop reductions by both sides would leave conventional Soviet war-fighting capacities intact, the argument runs.

Pawelcyk exposes the objection: “Talk of ‘Warsaw Pact superiority’ is aimed at creating a psychosis of fear, to manipulate government policy into spending more funds for weapons, funds which will be taken out of essential areas of social life.” He emphasizes: “There is no threat at present to the West from the Warsaw Pact.”

Pawelcyk's argument is directed primarily at West German Foreign Minister Genscher, whose recent public statements have asserted that West Germany has no intention of negotiating an MBFR settlement without U.S. acquiescence. Genscher, a firm ally of the Carter Administration in Bonn, also insists that “equal” troop reductions would never be tolerated by the United States.

The *Frankfurter Allgemeine Zeitung* commentary indicates that Herbert Wehner is on a confrontation course with Genscher. Wehner's strategy is to generate enthusiastic backing for independent MBFR negotiations within the SPD party machine, arguing that this will be a major political victory for the government. “Wehner's recommendations could interest the SPD delegates,” the *Allgemeine* notes, “who are looking for a release from a series of government failures” on social policy problems. Should Wehner convince the SPD that “the path to a solution to domestic problems leads to Vienna,” then this will generate a crisis in Genscher's Free Democratic Party, which is in a federal coalition with the SPD. “For Genscher, the danger would emerge...of having to push a policy which he considers false, or face the consequences” — resign.

Rockefeller's Nazi Networks In Greece

SPECIAL REPORT

Since the advent of the Carter Administration, fascist-terrorist gangs inside Greece have been increasingly activated in efforts to bring down the Karamanlis government. Karāmanlis is being openly pressured by the U.S. State Department to fully reintegrate Greece into

NATO; to grant overflight privileges to U.S. military aircraft operating in the Mediterranean region and the Middle East; and to accept a “final” U.S. solution of the Cyprus dispute, partitioning the island and installing NATO bases there.

Karamanlis has resisted on all of these points, and has sought European, Arab and to a lesser extent East bloc support to strengthen his negotiating position. He has been aided by successful efforts to relax tensions between Greece and Turkey, tensions which have always been manipulated by the U.S. to shape Greek and Turk-

ish policy and to overthrow governments when deemed expedient.

Cyrus Vance, who was exposed in 1969 as the case officer who handled NATO's "Operation Prometheus" coup in Greece for the colonels has therefore put into motion the extensive, well-organized Nazi underground. Although Greece's fascist groups, despite their international connections and funding, do not have the power to overthrow Karamanlis with a putsch on their own, they are the key element in a "left-right" destabilization scenario for Greece.

Personally involved in running this scenario for the Carter Administration are former U.S. Vice-President Nelson Rockefeller and West Germany's neo-Nazi chairman of the Christian Social Union, Franz Josef Strauss.

Since the end of the Second World War, the fascists have been intermeshed with Greek military security, police security, the Royal Household, and pro-Rockefeller political circles. A commitment by Karamanlis to dismantle this network would immediately put him into confrontation with the powerful pro-American political-military infrastructure upon which U.S. domination rests. Predicting that Karamanlis would not so move, Vance and company are banking on the hope that his inaction will unleash a wave of left-wing protests and mobilizations similar to the pre-coup period of 1965-67.

To this end, Rockefeller's private intelligence agencies have been heavily investing in the creation of a synthetic "left" that could play this provocateur role. All such counter-gangs were created in exile after the 1967 coup primarily through Institute for Policy Studies (IPS) networks operating in Western Europe. The Maoist-anarchist movement EKKE originated in West Berlin as an offshoot of Baader-Meinhof countercultural groups. Eleftherotypia, the daily newspaper which speaks for the "new left," is an IPS front group with links to the Baader-Meinhof group, the Eurocommunists and the CIA-Willy Brandt faction of the European Social Democracy. One of their journalists, G. Votsis, who advocates terrorism and backs such actions by the Baader-Meinhof, was exposed during the days of the Junta as an intelligence operative with connections to the Royal Household. Eleftherotypia is also closely connected with a Greek version of "Counterspy" (an IPS disinformation service) called "Anti" which is also under the control of IPS. The other side of the synthetic left is the Eurocommunist KKE (interior), which is controlled by the CIA's Carrillo-Amendola axis within the European Communist parties.

The Rockefeller-controlled "left," however, has failed to gain any mass base or credibility. Its most striking defeat came last month when the coalition slate of "new-leftist" candidates in the student elections was overwhelmingly defeated by the Greek Communist Party. Such results have prevented them from rallying students and others to protest the government's failure to fully prosecute fascist terrorists. Recently "Anti" and "Eleftherotypia" have conducted a steady stream of exposé material supplied by U.S. agencies on right-wing terrorist groups, charging the government with being the terrorists' "protector."

This ploy has failed in part because both Papandreou and the KKE have informed the Greek public since Feb-

ruary that the Nazis were being used to overthrow the Karamanlis government. Another major factor was the support Karamanlis has received from Britain's Prime Minister Callaghan (and probably Italy's Andreotti government as well) which allowed him to begin a partial crackdown against the Nazi groups in February. However the potential for destabilizations still exists until the Nazi networks in Greece are completely dismantled.

Nazis Mobilized

On Jan. 17 former Junta Minister Totomis appeared on a Greek language program on New York television three days before Carter inauguration, praising the Junta and attacking Karamanlis, calling him "the Greek Keren-sky" and denouncing his "socialist economic policies." Totomis also attacked MP Tsouderou, and charged Rumania with infiltrating Greece under the pretext of prospecting for oil. Latest reports from Greece point to the fact that the allied forces of Royalists like Theotokis, Stefanopoulos Garoufallias ex-army officers, and members of the Strauss-connected Christian Democratic Party XRIKE are touring the country campaigning for the release of the Junta operatives still in jail, and spreading fierce anti-Communist propaganda. This open provocation has to be attributed to the legislation adopted by the government designed to frustrate the Royalist plans for a full return to the political life through the formation of a Royalist party. Sources say that this campaign is financially and otherwise supported by London and Bonn.

Plans for the current activation of Die Spinne international terrorist networks were laid at a January 30, 1977 meeting in Paris. That meeting brought together such men as Marcello Sada of the Chase Manhattan-dominated Monterrey financial group in Mexico, actively involved in the deployment of the 23rd of September and other fascist gangs; CIA station chief McKay from Miami, Florida, one of the main command and logistics centers for anti-Castro Cuban terrorism; CIA station chief Johnson from Baden-Baden, West Germany, a major training center for Die Spinne terrorists dating back to the CIA's creation of the "Gehlen Organization" for Cold War paramilitary operations in Eastern Europe; and Phil Ford, CIA station chief from Paris. Immediately after the meeting a wave of terrorism was unleashed against Rockefeller opponents in Spain, Italy, Greece and France coordinated jointly by Interpol, the countries' respective Interior Ministers, and Wall Street linked CIA factions.

Two of the Rockefellers' top Die Spinne controllers, William F. Buckley and Lt. Gen. Vernon Walters, traveled to Spain where they could secretly meet with the participants at the Paris meeting and provide final marching orders. Vernon Walters, the former Deputy CIA Director under Richard Helms and now in charge of Mediterranean CIA operations, is one of a handful of quasi-military intelligence operatives who have made their careers as Rockefeller agents. It was Walters who coordinated the destabilization of Chile, where old Nazi networks were mobilized for the "Truckers' Strike," etc. to pull down Allende's government. William Buckley and his family, who have made a small fortune as camp followers of Standard Oil operations, are deeply involved in

Rockefeller's Die Spinne operations, particularly in Iberia, where F.Reid Buckley resides, and in Latin America, where William Buckley worked under E. Howard Hunt to set up CIA operations shortly after the agency's creation, redeploying tens of thousands of Nazi war criminals, the basis for current Die Spinne terrorism.

Others involved particularly in the Greek side of Die Spinne operations are American Ambassador Kubisch, who has previously served in such Nazi "safe havens" as Brazil and Bolivia; the head of the U.S. Military Mission, William Berg; and Phil Scott (a.k.a. "Steve" and "Jackal"), who under Embassy cover serves as coordinator of the "Palladin" group which combines both Die Spinne and Institute for Policy Studies "right and left" terrorist organizations.

It was shortly after a visit by Buckley and Walters announced in *Rizospastis* some months ago that the Palladin and New Order networks were first activated. In mid-December, the Junta's notorious torturer, Mr. Mallios, former head of the Athens General Police Security Division and liaison to the National Military Police (ESA), was assassinated. During Mallios' funeral the neo-Nazi groups "August 4th Movement" and New Order went on a rampage, assaulting members of the KKE, bombing KKE bookstores and cars. Once journalists stripped the cover off the previously unheard of group which claimed credit for the assassination, the "November 17th Movement," it was found that Kaletzis, the murderous head of New Order, was actually responsible.

Ample evidence also pointed to the involvement of Scott's Palladin group in the Mallios affair. Palladin was earlier the subject of a combined KGB-CIA investigation into the murder of Mideast Regional CIA chief, Richard Welch. Following the Mallios operation, Palladin was also linked to the assassination of Gaullist Deputy De Broglie in France, where a branch of the organization is tied into both the IPS-linked Liberation newspaper group and remnants of the Secret Army Organization (OAS).

International Connections

New Order in Greece is part of the Nouvel Ordre European (NOE) Nazi International which was founded in 1958 to create a second-generation Die Spinne terrorist capability. The founders of NOE were members of the Malmo International, a post-World War II Anglo-American intelligence operation that combined such agents as Sir Oswald Mosley, Otto Skorzeny, etc. Branches of the NOE were established in Greece, Spain, Italy, and France. In Italy the NOE, known as Ordine Nuovo, worked closely with Atlanticist factions of the Movimento Sociale Italiano; in France it was intermeshed with the Secret Army Organization, the paramilitary fascist organization created by the CIA and Vichyite military layers to counter De Gaulle.

In 1974, the NOE shifted its principal operations from Italy to both Spain and Greece. It had been driven out of Italy following an aborted military coup, organized by Italian intelligence (the SID), which was to have included the assassination of Italian President Leone, the Prime Minister, members of the Cabinet and anti-Atlanticist military leaders. Italian newspapers fully documented the connections between such Ordine Nuovo

leaders as Elio Massagrante and the Rockefeller-allied head of Italy's Interior Ministry, Francesco Cossiga. Despite this exposé and the forced redeployment of NOE headquarters to Spain and Greece, Ordine Nuovo elements are still active in Italy, where they attempted the assassination of Italian Prime Minister Andreotti on the heels of the Paris meeting of Die Spinne controllers.

Since then, both the Italian government and the Suarez government in Spain have launched a major crackdown on the NOE network. With the strong support of Italian pro-development forces, Spanish police arrested 18 fascist terrorists last month and four Italian "instructors" responsible for a wave of bombings and kidnappings. Included in this group was Ordine Nuovo leader Elio Massagrante, who coordinated activities in Spain, Italy and Greece.

The Movement of August 4, now active in Greece, is also affiliated with the NOE. The group was officially founded by sociology student Kostas Plevris in 1960. Plevris was given his first recruits and funds through the Interpol-controlled Police Security department. The manner in which August 4th, like the NOE, was used was modeled on the early 1930s experiences of Interpol. During that time Interpol was put under Nazi control, and established control over the political-security departments of European police forces. Through those departments it organized extra-legal terror units for assassinations, riots and so forth. The creation of August 4 in 1960 was the cutting edge of a destabilization campaign being carried out at the time by the Greek Palace and the U.S. Originally it was used in conjunction with the security police as a terror weapon against the Communists and Papandreou in the 1961 elections; however by 1964 August 4th gangs became the vehicle for the forced resignation of Karamanlis, who was fiercely resisting the U.S. on the question of Cyprus, and was also displaying Gaullist sympathies. August 4th gangsters were deployed by the Royal Household through the supervision of the security police to assassinate G. Lambrakis (an MP of the United Democratic Left) and after the deed was done Karamanlis was publicly accused and linked to the murderers, thus forcing his exit from Greece.

It was later revealed that only two months before the Lambrakis assassination, two top personalities of Black International terrorism arrived in Athens. The first was CIA agent "Sherman Miller" who functioned as a controller of numerous fascist organizations in the Mediterranean area. He was accompanied by SS major Ziegfried Zogelman, better known as the "Butcher of Prague," who worked under Skorzeny for Die Spinne. Miller was also in Greece in 1960-61 helping to put together the wave of terror that made the elections of 1961 go down in Greek history as "the elections of fraud and violence." Zogelman and Miller also helped found the fascist, police-controlled student movement EKOF, the same year that Ordine Nuovo was created in Italy out of the same networks.

The most prominent patron and controller of the Greek Die Spinne apparatus is Franz Josef Strauss. During the Junta years Strauss travelled to Greece several times to give the colonels international support. Strauss was a close collaborator of Makarezos (one of the main

characters behind the coup), and made his newspaper the *Bavarian Post* the Junta's mouthpiece in Europe.

After the downfall of the Junta in 1974, Strauss was sent into Greece to prevent Karamanlis from purging the military-police apparatus of its Die Spinne infrastructure. While Karamanlis was under intense pressure from the left to carry out this purge, and was in the process of trying Junta chief Papadopoulos, Strauss came to Athens and delivered a personal warning to Karamanlis.

In March 1976, at the point where the groundwork was being laid for terrorist activation, Strauss arrived in Greece and formed a new fascist party called the "Greek Christian Democratic Party" (XRIKE), whose leadership is made up of notorious Nazi collaborators and Junta henchmen such as Matheou, Gouras, and Manolopoulos. This new group was created to provide a political cover for the terrorism which was to follow. Strauss arranged that another meeting be held in Nuremburg for the purpose of making XRIKE's political presence felt in the political arena, and to formally announce an alliance with other Black International parties operating in the Mediterranean zone. During the conference in Nuremburg where Greeks, Spaniards, Portuguese, and Italian neofascists participated, it was decided that the recruitment of membership should come from the Royalists, from disaffected members of Karamanlis's party who believed that "Karamanlis had turned to the Center," and from members of the police-security "invisible government." Fotis Gouras, who was appointed to head up XRIKE, is a member of Strauss's CSU party and was a university student for many years in West Germany.

Rockefeller Support for Karamanlis' Overthrow

Latest reports reveal the Carter Administration's role in this affair. On Jan. 20, the Greek CP newspaper *Rizospastis* reported that on Christmas eve a meeting between the ex-Junta Interior Minister Totomis and Nelson Rockefeller in Virginia took place. Also present at that meeting was ex-Junta Minister Evlambios. High-level consultations and meetings between other ex-Junta officials and Washington State Department figures were also publicized in the Greek press as being part of a plan to topple the Karamanlis government. After Totomis' meeting with Nelson Rockefeller, the former minister

announced to the press "Karamanlis's days are few!" Then, on New Year's Eve, Totomis went to Germany for a meeting with Strauss where funding conduits were set up and an agreement reached for training Greek fascists in paramilitary acts at the Hans-Seidel Institute. Evlambios toured U.S. cities the same week calling for the overthrow of Karamanlis. On Jan. 17 Totomis appeared on New York TV. Immediately after his meeting with Strauss, Totomis paid a short visit to Teheran, where he received financial backing (supposedly from the Shah of Iran, who is reported to be a staunch ally of the Greek Royal Household, though it cannot be excluded that Totomis simply received laundered CIA funds without any commitment from the Shah.)

At present XRIKE is working hand in glove with Royalist agents such as Garoufalias, and ex-Junta officers and police officials around a campaign for the overthrow of Karamanlis, and the release of imprisoned Junta leaders. This campaign which is merely the window dressing "legal" cover for the terrorist rampage is funded through Strauss and the Royal Household. Karamanlis has responded by declaring illegal the creation of any political formation which advocates the return of the Monarchy.

Karamanlis' Counterattack

Besides the crackdowns and the attempt to flush out the agents in the security police apparatus, the Karamanlis government has approved legislation which declares that any attempt by the royalists to form a party is "illegal and unconstitutional."

This week the Greek Foreign Ministry simultaneously announced a Karamanlis tour in five European countries at the end of April, including a meeting in Britain with Prime Minister Callaghan. This meeting is specifically designed to get the Europeans more involved in the settlement of the Cyprus conflict and thus keep Clifford's "mediating" assignments from Carter out of the negotiations.

In addition Karamanlis has been the main promoter and advocate of a unified Balkan peninsula and has been pushing for the reconvening of the Second Balkan Conference to secure peace and cooperation among the countries of the peninsula including Turkey.

—*Chrissa Axios*

Warhawk Peres Consolidates Victory Over Humiliated Rabin

Defense Minister Shimon Peres is quickly consolidating power in Israel after the bloodless coup d'état April 7 that forced the resignation of moderate Prime Minister Yitzhak Rabin. According to sources in Jerusalem, Rabin — who had been putting up a rearguard battle against Peres until yesterday — now plans to take a “vacation” next week and will designate Peres to handle state affairs in the pre-election interim period until May 17. The Rabin decision, following his resignation as the Labour Party's candidate for the elections, gives Peres nearly complete control over decision-making by Israel.

The Peres coup, which was backed by nearly the entire Israeli right, especially the military clique headed by former Defense Minister Moshe Dayan, dramatically heightens the danger of a lightning Israeli strike into southern Lebanon, creating an instant Arab-Israeli crisis. According to the *Christian Science Monitor*, Peres said yesterday that he can “foresee the introduction of missiles with nuclear warheads into the Middle East.”

A survey of Middle East observers in Washington elicited a near-unanimous consensus that, possibly within days or weeks, Israel will launch a preemptive invasion of Lebanon to counter a Palestinian buildup and to defend the fascist militia of Lebanese extremist Camille Chamoun. In the first official policy statement since the Peres takeover, Foreign Minister Yigal Allon said bluntly April 12 that Israel “would not permit the massacre of Christians” in Lebanon, and would if necessary come to the aid of the besieged Chamoun forces. The Allon statement, said the *Washington Post*, “went beyond previous statements” by Israeli leaders in “defining Israel's responsibility for its allies in southern Lebanon.”

Observers agree. An official at the State Department predicted an Israeli move into Lebanon in the near future, and a former member of the Israeli Parliament (Knesset) said that, according to his information, the Israeli military was planning to attack Lebanon between now and the May 17 election, in part to bolster the image of the faltering Labour Party among the war-fevered electorate.

Joseph Churba, the former director of intelligence for the U.S. Air Force Middle East division, gloated in an interview that the Peres takeover “restored the military deterrent” in the Middle East and would serve to keep the Arabs in line, Churba praised Peres as “a far more hawkish man” who would not tolerate a change in the status quo in southern Lebanon.

Rabin Humiliated

Rabin, who had been publicly resisting calls within

the Israeli armed forces for a strike against Lebanon and the Arabs generally, has been humiliated since his resignation.

Because Rabin is heading an interim government in preparation for elections, he cannot legally resign. Initially, Rabin had sought a “leave of absence” until May 17, but the Attorney General ruled against such a move, and Rabin decided to stay on as caretaker prime minister until May 17. The *Jerusalem Post* reported April 13 that perhaps Rabin had begun to regret his decision to resign, and was seeking to build a base in the party from which to challenge Peres at a later date.

But the pro-Peres-Dayan press geared up for attacks on Rabin. The “liberal” daily *Haaretz*, a Dayan mouthpiece, called it “a strange and repelling sight” for a prime minister accused of a crime to remain in power, and the extremist *Yediot Aharonot* editorialized that the “law is absurd” in forbidding Rabin to resign. According to the *New York Daily News*, Peres was “irritated” that Rabin accepted the decision to stay in office, and was said to feel that Rabin “could, if he wished, overcome the legal difficulties” and get out.

On Sunday, April 10, Peres had been nominated to succeed Rabin as the Labour Party's candidate for prime minister, and the Peres forces were anxious to take power even before the election.

Thus, in a total capitulation to pressure, Rabin said yesterday that he was removing himself from active service to the country.

Making the Peres victory total was the April 11 decision by Mapam, the leftist coalition partner of the Mapai in the Alignment, to support the decision to nominate Peres. Previously, Mapam had threatened to withdraw from the Alignment if Peres were nominated, but collapsed after a meeting between Peres and the Mapam leadership, voting instead to stay inside the Alignment. A leader of Mapam's left wing said bitterly after the vote for warhawk Peres, “We have lost our self-respect.”

“No Room For Hawks”

The Arabs have so far been restrained in their reaction to the stunning Peres coup, which has nevertheless upset the entire strategy of the Arabs in seeking a peaceful settlement of the conflict with Israel. Rabin, until the coup, had tacitly accepted the Arab offers and was working behind the scenes with such leaders as Egypt's President Anwar Sadat.

Although Sadat, terrified to admit to his military commanders that Peres' coup is a disaster for the Arabs, has said that there is no real difference between Rabin and Peres, Egypt's Ambassador to the U.S. Ashraf

Ghorbal was more honest. "There is no room for hawks in the Middle East," Ghorbal told a Chicago audience this week, commenting on the Peres victory.

Other Arabs have warned openly of the possibility of war, especially Syria, whose press now daily predicts the outbreak of a new conflict in the region.

For the Arabs the key question is whether oil-rich states like Saudi Arabia can combine with Egypt and Syria to forge an Arab initiative that can destroy the source of the Israeli danger: the New York banks. One sign of that emerged this week with the report that Saudi Arabia and Kuwait have granted a seven-year debt moratorium to Egypt, which may set an unstoppable

precedent for the coming IMF showdown with Egypt early next month in Paris.

In addition, Egypt has proposed the formation of an Arab-Comecon Bank to promote Arab-Soviet trade, according to the French daily *Les Echos*. An official of the Moscow Narodny Bank indicated that Egypt would be on line for trade in transfer rubles in the immediate future, depending on other factors — obviously a change in Egypt's current anti-communist stance under Sadat. A possible opening in that direction was the statement by Abdel Moneim Kaissouny, Egypt's economics czar, that Cairo wished to invite greater Soviet involvement in Egyptian development.

How Rabin Was Dumped: The Real Crime In Israeli Politics

Yitzhak Rabin was not shunted aside as the ruling Israeli Labour Party's candidate for the May 17 elections because of a petty act of financial corruption. His decision last week to resign as the Israeli Labour Party's candidate made him the latest Israeli victim in a months-long conspiracy to destroy the constituency-based machine of the Labour Party and to bring to power a military, pro-war coalition. The conspiracy, totally blacked out of the U.S. press, is run jointly by Zbigniew Brzezinski and the National Security Council here and by the militarist faction in Israel around former Defense Minister Moshe Dayan. The Watergate-style series of destabilizations went into high gear just as Jimmy Carter was elected to the U.S. presidency. In Rabin's case, the setup involved a leak to the Israeli press about a family bank account in the U.S., a "leak" that turned what is a "normal" hidden bank account for a high-ranking Israeli politician into a scandal that toppled the government.

Rabin, the leading Israeli pro-peace moderate, has refused to expose the operation against him, and now the conspirators are proceeding unimpeded with their war scenario. With Rabin out of the way and the Labour Party forced into disarray, an Israeli ruling coalition of rightist ex-generals and intelligence chiefs will organize the Israeli population around a program of undiluted nationalism and bellicose isolationism. According to plan, this type of government can wield a "nuclear option" and pre-emptive war against the neighboring Arab states and thus set up a test thermonuclear brinkmanship crisis with the Soviet Union.

Rabin's Vulnerability

Rabin, closely connected to anti-Carter conservatives in the United States, is regarded as a moderate on foreign policy issues by leading Western European leaders, and is at the center of a circle of dovish Zionist machine politicians in Israel. He has also been an open opponent of Israeli pre-emptive strike preparations. In all, Rabin possessed all the necessary qualifications to rally Israel's population behind a pro-peace platform. If he had remained in power, Rabin clearly had the potential to encourage a process of peace for the Arab-

Israeli crisis — necessary for the new world economic order, and anathema to Brzezinski, the Rockefellers, and the Trilateral Commission.

The Watergate operation to rid Israeli politics of moderate leaders and wreck the Labour Party machine involved a number of scandals produced and packaged by Brzezinski and his colleagues and unleashed against top Labour Party leaders. In addition, manipulated, anarchic labor strikes were used to try to drive a wedge between the historical alliance of Israel's Labour Party and the national labor confederation, Histadrut.

To carry out the destabilizations, the Trilateral Commission sent its leaders to visit the Holy Land. Nelson and David Rockefeller, Brzezinski, and a host of members of the warmongering Committee on the Present Danger have been to Israel in the past six months. During the same period, Dayan, Defense Minister Shimon Peres, and other fanatic Israeli militarists have held meetings in the U.S. with President Carter, Brzezinski, and U.S. energy czar James R. Schlesinger.

A series of top-level leaks were systematically fed so-called investigative journalists from the newspapers *Ha'aretz*, *Ma'ariv*, and *Hoalam Hazeah*, while the chief organizational link between Dayan, the National Security Council, and the U.S. Jewish Lobby — the American-Israel Public Affairs Committee (AIPAC) — has run a covert, but systematic campaign to undermine the credibility of Rabin and old-line Labour Party leaders and to bolster the images of former generals Ariel Sharon and Yigal Yadin, the fascist Israeli candidates for the premiership.

The NSC - Dayan Partnership

Less than two weeks after the election that put Carter in the White House, Moshe Dayan trumpeted his joy at the anticipated happy relationship between his circle of warhawks and the Trilateral Commission. From Paris, Dayan beamed to reporters, "The victory of Carter is a great satisfaction for us...Carter is ready to resist the Soviets and the Arab blackmail. That can only make us happy." The warhawk told France's *Quotidien de Paris*,

"I am extremely happy about the election of Carter. We must not give back the West Bank nor the Gaza region. We must be prepared to face the tragedy of the use of nuclear capacity."

While Dayan outlined the new strategic overview for his nest of Israeli conspirators, Generals Sharon and Yadin, Defense Minister Peres and others simultaneously began to splinter Israel's traditional party system and to create an environment of chaos that would block the capability of the Rabin government to act on a peace platform. In mid-November, Sharon split from the right-wing Likud Party and formed his own party, a move that was heralded by Dayan. Sharon, a cotton farmer by profession, bellowed that Israel needed a "government of technocrats" — words cribbed from the published works of Brzezinski.

"We must be prepared to face the tragedy of the use of nuclear capacity."

Days later, Yadin announced the formation of a "Democratic Movement for Change," an archetypal counterinsurgent civic reform with which he intended to organize what he termed Israel's "discontented" population into a mass proto-fascist movement around quality-of-life issues. The first splittoffs from the Labour Party to join Yadin's movement were a circle of hawks close to Peres who welcomed signs that Yadin was becoming more hawkish in his foreign policy ideas. In early December a source in London close to Dayan welcomed the birth of what he called a "Dayan-Yadin Alliance" and reported that Dayan was out to "topple Rabin."

Also in mid-November, the Independent Liberal Party, a minor party coalition partner of the Labour Party whose leaders had met with Brzezinski just days before, announced that they were pulling out from the government.

At the same time, Defense Minister Peres announced a trip to the U.S. which one staffer from the AIPAC said frankly was to "meet all the Carter people" and "pull the plug on Rabin."

AIPAC, whose connections to the Trilateral Carter team were very tight — a top AIPAC staffer had left the group to become Carter's Western regional campaign director in October — made no bones about its role in organizing Brzezinski's operation against the Rabin-led Labour Party. "Rabin's leadership breeds disunity," one staffer proclaimed: "Yadin and Sharon are the Carters of Israel. Sharon is a dynamite guy! Carter is very close to him, the Carter-Sharon parallels are very similar, they are both agri-businessmen." Recent Sharon trips to the U.S., he noted, were "financed by the Carter campaign."

AIPAC staffer Leonard Davis on December 13 made known in an interview all the essentials of the gameplan. "The Labour Party has its tentacles everywhere, even in the army, everywhere. This is a major problem. Israel needs a change in the whole ideology of the country, from socialism to capitalism, to a country with business managers and technocrats replacing bureaucrats."

This transformation could not take place, Davis continued, "as long as the labor unions support Labour." Davis then reported hopefully that a series of anarchic wildcat strikes had begun to undermine this relationship and to work to the advantage of Yadin. "One has to wonder in this situation how the Labour Party can defend itself; it's factionalized; there is great dissatisfaction with Rabin. I am writing an article that will lay out the theoretical basis for the necessary transformation in Israel," Davis concluded.

Brzezinski himself did the most important preparations for removing the Israeli old guard. Although he is known not to travel extensively, the then-director of the Trilateral Commission made two visits to Israel prior to November. Brzezinski was followed by another top national security advisor to Carter, Harvard University Professor Samuel Huntington, the author of a Trilateral Commission paper on the "ungovernability of democracies."

During this period, the U.S. side sent out orders for Israel to play the nuclear fortress role propounded by Dayan in Paris. While in Israel Brzezinski stayed twice at the house of Menachem Begin, the ultra-rightist head of the Likud Party. Reportedly Brzezinski told the former anti-British terrorist (Begin masterminded the bombing of the King David Hotel) "not to take the Arabs seriously" and that Israel must be the bulwark for stopping Arab radicalism and Soviet influence.

James Schlesinger issued the "breakaway ally" challenge to Israel from Washington in November. Israel as presently constituted, he said, is "unable to dare to disobey the political directives coming from Washington."

Rabin Counterattacks

The handwriting was on the wall for Rabin. The most immediate danger was a burgeoning kickback scandal involving a close Rabin associate, Asher Yadlin, head of the powerful Sick Fund of the Histadrut Labor confederation. Yadlin was being most vigorously pursued by *Hoalam Hازه* "investigative reporter" Yigal Laviv, while *Ha'aretz* and *Ma'ariv* were openly expecting the scandal to spread throughout the center Labour Party leadership. Attorney General Aharon Barak swore that all offenders like Yadlin would be prosecuted.

On December 21, Rabin counter-attacked. Preempting a Knesset (Israeli Parliament) no-confidence motion against him, Rabin resigned, collapsing the government and forcing early elections. The entire spectrum of Trilateral associates in Israel, Sharon, Peres, and others, were reportedly "stunned" by Rabin's move. Reports began to circulate widely that Rabin was going to use the momentum to build a solid electoral base by opening up a major peace offensive.

Corresponding to Arab diplomatic overtures, a pro-peace move was manifest in Israel in December. One poll showed nearly 50 percent support for negotiations with the Palestine Liberation Organization, an unprecedentedly high figure. One of Israel's most outspoken doves, Yossi Sarid, called in the Knesset for negotiations without prior conditions with the PLO. Two other top pro-peace leaders, former Labour Party Secretary General Arye Eliav and Housing Minister Avraham Ofer,

travelled to Europe to sound out peace possibilities, each reporting to Rabin that Israel would receive backup if it launched a peace offensive.

Agents "Come Back with a Vengeance"

On Brzezinski's prompting, the conspirators in Israel regrouped. Amidst growing conspiratorial rumblings against Rabin — including a well-publicized Peres-Begin series of meetings in which the subject was an exchange of notes on their respective meetings with Brzezinski — a familiar tactic was decided upon: open-ended Watergate scandals. The first target was Ofer.

What is Ha'aretz Newspaper

A knowledgeable former Israeli Parliament member had the following assessment of the role of the Israeli newspaper Ha'aretz in the dumping of Israeli Premier Yitzhak Rabin:

"Of course, *Ha'aretz* likes Dayan. That newspaper is a mouthpiece of Peres and Dayan. It is no accident that this is the newspaper that watergated Rabin. It works through the newspaper's staff, which is hugely pro-Dayan. The publisher of the paper, Schocken, is the son of the man who 15 years ago took in six of eight Dayanists into the paper, and they have remained loyal to Dayan ever since."

For weeks, *Hoalam Hazeh's* Laviv had been pursuing both Ofer and his son with revelations about Ofer's alleged corrupt misuse of funds earmarked for construction projects, but the issue had lain relatively dormant. On Jan. 3, however, *Ma'ariv* published a front-page story on the Ofer affair, and Israel's leading "leak" columnist, Matti Golan of *Ha'aretz*, issued a vitriolic personal attack against Ofer, later dubbed Ofer's "last straw." On Jan. 3, Ofer was found dead, allegedly from suicide. Without doubt, he was cognizant that his case was being used to wreck the Labour Party.

Many informed Israelis smelled a rat. A former close associate of Ofer, Knesset member Amnon Linn, commented that Ofer's attackers and opponents had certainly been involved in similar petty crimes. Other sources recalled that Ofer had been the main organizer in the mid-1960's within the Labour Party against the breakaway Dayan-Peres "Rafi" clique and insisted that the Dayanists wanted Ofer out of the picture. An informed Washington source noted that "the hawks have come back with a vengeance."

Ha'aretz and *Ma'ariv* would not let matters rest with Ofer's death. Both papers chattered about the "Watergate atmosphere" enveloping the Labour Party. *Ma'ariv* editor Rosenfeld intoned that journalists "must remain the watchdogs of the community." *Ha'aretz* editorialized that "we feel that the facts that led to his suicide must be clarified." On Jan. 9, Attorney General Barak ordered that the investigation of Labour Party members continue.

The following sequence of events in the month prior to

the crucial Feb. 17 Labour Party nominating convention offers a striking pattern of Washington's destabilization of Rabin and the Labour Party center:

—Jan. 5: The *Washington Post* comments that Peres,Rabin's expected challenger for the premiership, is the "most likely beneficiary" of the scandal revelations.

—Jan. 7: The U.S. State Department informs a caller that Peres is "on the move" and that Rabin is to be the victim of a building "Watergate" atmosphere, especially as the Yadin trial is to begin the night before the Labour Party convention.

—Jan. 8: Peres officially announces his determination to "oust" Rabin.

—Jan. 9: *Sunday Times of London* comments that Ofer's suicide may be the "final blow to the Labour Party doves."

—Jan. 11: AIPAC asserts that Peres is "coming on strong; the Labour Party is witnessing a crisis among the last staunch Labourites."

—Jan. 12: *New York Times* claims the Labour Party is "rapidly losing huge blocs of voters — intellectuals, teachers, public servants, and the young" and that Yadin's "Democratic Movement" is on the rise.

—Jan. 29: France's Baron Edmond de Rothschild suddenly threatens to "come out with revelations which would shatter a number of institutions and party foundations." *Ha'aretz* editorially hopes that Rothschild will "put into execution his threat of revealing the facts that will place in difficulty numerous Israeli organizations."

During the period of Jimmy Carter's inauguration, a number of other events acted to box in the Israeli prime minister. For the first time in weeks, the southern Lebanon crisis began to worsen, and Israeli military circles threatened that a "preventive war" against the Arabs was possible.

Labour Party moderates around former Foreign Minister Abba Eban made Byzantine deals with Peres in a joint electoral strategy to up-end Rabin.

In early February, Dayan met Brzezinski in the U.S.

The Final Phase

Nonetheless, at the convention, Rabin won the nomination. Dayan's new threat to bolt from the Labour Party if a moderate foreign policy platform was adopted was ignored, as the convention voted to make significant offers of territorial concessions on the Israeli-occupied West Bank.

It took the conspirators less than a month to regroup. By mid-March, *Ha'aretz's* leading military correspondent, Ze'ev Schiff, was publicizing Israel's "moral duty" to launch a pre-emptive war if there were "signs" of Arab war preparations. *Ma'ariv* headlined ostensible Arab war moves and pressed for an intervention into southern Lebanon. Sharon insisted that the Arabs were preparing a total regional war in the summer and many "little wars" until then. Peres announced that new Arab capabilities gave "the enemy" a "six-hour" mobilization time for war.

In mid-March, the groundwork was laid for the final Watergate operation. *Ha'aretz* Washington correspondent Dan Margalit, a former *Hoalam Hazeh* scandalmonger and now Israel's leading NSC conduit, revealed that Rabin's wife had held an illegal U.S. bank

account.

By the end of March, Dayan issued what the *Jerusalem Post* denounced as an "ultimatum": he would resign from the Labour Party if the convention decision on West Bank concessions was not superseded by a promise that Israel would hold a national referendum before any such concessions were made. Rabin defended the original decision as the product of a democratic convention process, but drew the rope around his neck by agreeing "in principle" to Dayan's demand.

"The season of the generals is now awaiting Israel."

Rabin ordered a stop to the pre-emptive war chants in the press and ordered restraint vis-a-vis southern Lebanon. Military correspondents close to Rabin and the center Labour Party ridiculed the strategic assessments of the "war hysteria" crowd, and insisted that Israel must explore avenues to a diplomatic solution to the Arab-Israeli crisis. As late as April, the *Jerusalem Post* castigated Sharon and others for basing their "pre-emptive strike" recommendations on "partial facts" and "information in a vacuum" and attacked the "arm-chair generals" who were clamoring for a drive into southern Lebanon.

But this rearguard battle left the field open for the conspirators to move in for the kill. Fittingly enough, it was *Ma'ariv* that finally pulled the rug out from under Rabin. On April 7, the paper's lead story headlined that Rabin too had held a U.S. bank account and that the premier had tried to cover up his involvement in the

illegal affair. The incriminating information was obtained by Margalit, who received top-level leaks from the Israeli embassy and the U.S. National Security Council. Margalit then posed as an intimate of Rabin's depositing money in the account to "prove" that Rabin had maintained the account!

Barak quickly arrived on the scene to squash a judgment by the Israeli Treasury that would have made Rabin's doings a minor infraction. Barak insisted that the Rabin misdemeanor be pursued in the courts. Then in a special midnight broadcast April 7, Rabin resigned as prime minister.

For the future, a former Israeli Knesset member commented that "the season of the generals is now awaiting Israel."

A U.S.-based Dayanist controller, retired Air Force Intelligence chief Joseph Churba, declared that "to the extent Rabin is out of the picture, Israel will benefit. His being replaced will restore the military deterrent against the Arabs. Israel will now be able to go it alone and stand tough."

Numerous sources now predict that a right-wing "no-concession coalition will emerge out of the splintering and chaos of the May 17 elections. Brzezinski's coup is nearly consolidated.

The Dayanists have not finished yet. In the past days, Rabin has been trying to hold on to power until May 17, with broad popular support. In an editorial earlier in the week, *Ha'aretz* ordered that Rabin should "keep his distance from the public stage." Within a week Rabin will be retired to a vacation and Shimon Peres will hold the reins of power in Israel.

—Mark Burdman

Who Controls Israel

General Ariel Sharon

Chief of right-wing party Shalom Zion... Close associate of Dayan in Israel's early post-independence period, was instrumental in setting up the "Brigade 101" counter-terror units in the Sinai in the 1950s... Called the hero of the Yom Kippur war, led Israeli units into the Sinai, and launched public dispute with Dayan over conduct of the war. Quickly became spokesman for a host of extremist groups, including U.S.-based Jewish Defense League... Formed the Likud Party in the 1970s out of a melange of disparate right-wing groups, then left Likud after Carter's ascendancy in U.S. in order to push an Israeli "government of technocrats"... Met Carter more than once in U.S. during election campaign, while setting up his own "contact network" in the U.S.

Moshe Dayan

Trained by British security forces during World War II in counter-terror operations, received personal attention from an intelligence operative nicknamed "Killer"... Leading protégé of first Israeli Premier David Ben-Gurion, an advocate of tough retaliation policies against neighboring Arab states... Helped set up counter-terror

units in the Sinai in the early 1950s... Chief of Staff during 1956 Suez war... Formed, with Ben-Gurion and Peres, the breakaway "Rafi" clique out of the Labour party in 1965... As a visitor to Vietnam in the mid-1960s, lavishly praised the U.S. as "the greatest country in the world" for its conduct in Vietnam... Led coup d'état against moderate Israeli Premier Levi Eshkol on eve of 1967 Arab-Israeli war and was appointed Defense Minister by Eshkol... After war, was leading government hardliner on keeping Israel's hold over the West Bank, declaring that "coexistence of Jews and Arabs is only possible under the protection of the Israeli government and army"... In October, 1973, responsible for arranging Israeli "intelligence lapses" that provided Egypt with token military victory and ensuing Rockefeller-manipulated oil hoax... Prime advocate of Israeli adoption of a "nuclear option."

Shimon Peres

Current Israeli Defense Minister and Labour Party candidate for Prime Minister... Ben-Gurion's "other" protégé, Dayan's closest ally in Israel, Peres joined with Dayan and Ben-Gurion to form mid-1960s Rafi split-off from Labour Party... Throughout 1950s, was top opera-

tive in Europe for Israel among right-wing, Rockefeller-controlled "Die Spinne" intelligence circles, building intimate relations with French rightists around Jacques Soustelle and with West German neo-Nazis around Franz-Josef Strauss. Through these connections, helped to obtain Israel's atomic weapon capability at Dimona. Was also Israel's leading arms procurer from European right-wing circles... Described recently by a leading Israeli expert as "the most pliable pigeon-servant of the U.S. ever . He's a Big Zero, an opportunist, with platitudes that appeal to the semi-literate."

General Yigal Yadin

Chief of Democratic Movement of Change... Israel's Chief of Staff during the 1948-49 "War of Independen-

dence"... The archaeologist who discovered the Masada findings, thereby resurrecting the tale of national suicide at the hands of the invading Romans. Uses archaeology to "prove" that Jews have always been a separate and apart nation, giving religious-ideological underpinning for Zionist myths. Works with American Schools of Oriental Research, an archaeological center originally established by John D. Rockefeller, now with extensive State Department connections. One leading U.S. archaeologist, listening to Yadin speak, judged that Yadin "is not a man of peace"... Yadin spent several months recently in the U.S., then returned to Israel to set up "Democratic Movement for Change"... Described by a close relation teaching at a U.s. university as "close to the U.S. National Security Council."

Tunisia On Center Stage In The Mahgreb

TUNISIA

Tunisia, long an Atlanticist satrapy and a source of problems for its progressive neighbors in north Africa in consequence, has recently emerged at the center of a flurry of Euro-Arab-Soviet diplomatic activity which can change the political geometry of the Mediterranean basin. Under pressure from its Mahgreb neighbors on one side and the Soviet and Italian governments on the other, Tunisia is breaking with its "sore thumb" profile, and has begun to settle petty disputes with Algeria and Libya and undertake major trade and defense agreements with the USSR and Italy.

Soviet-Italian Offensive

On March 21, the arrival in Tunisia of Vito Lattanzio, Italian defense minister, coincided with the visit of Admiral Sergei Gorshkov, Soviet deputy defense minister and commander-in-chief of the Soviet Navy. In separate communiques, the Italian and Soviet governments, called for a swift Middle East peace and expanded economic ties. Upon his departure from Tunisia, Lattanzio said, "The Mediterranean is not a barrier between the two countries but a link, a port of peace and a bridge between Italy and the Arab countries."

The Gorshkov visit addressed primarily the importance of strengthening economic relations between Tunisia and the USSR and paved the way for Prime Minister Hedi Nouria's trip to the Soviet Union. Nouria's one week stay in the USSR has swung Tunisian-Soviet relations into high gear. A joint communique, issued April 12, stressed the necessity for reconvening a Geneva Peace Conference, and proclaimed that the Middle East crisis remains "the gravest threat to world peace." Nouria was also successful in signing economic, political, scientific

and technical accords with his hosts. An article in *L'Action*, the French-language Tunisian daily, praised relations between the two countries on the eve of Nouria's trip. Mention was made of the Kasseb dam, and the National School for Engineers which Soviet capital and technical assistance helped to construct. The bilateral nature of the "Soviet-Arab" and "Euro-Arab" statements does not becloud the surfacing Euro-Arab-Soviet demand for peace and development in the region.

Intra-Mahgreb Relations

Interfacing this diplomacy are Algerian-Libyan efforts to "box in" their recalcitrant neighbor. The bogus issue of "water rights" has tended to destabilize intra-Mahgreb cooperation. Sonatrach, Algeria's state-owned hydrocarbon sector and ENI, its Italian counterpart, had signed an agreement for a gas pipeline to be built across the Mediterranean waters into Sicily in order to supply both Italy and other European countries with natural gas, but the business arrangement has been at a stalemate because of Tunisia's refusal to allow the pipeline to cross its waters. Recent reports say that a solution has been reached between Algeria and Tunisia.

The Libyan-Tunisian dispute has a bitter history. The difficulty centers around the oil drilling rights in the Gulf of Gabès region, which demands a mutual agreement on the delimitation of the continental plateau. The Libyans, in calling for an immediate solution to this troublesome affair, appear ready to negotiate a settlement.

These quarrels are soluble within the broader context of expanded economic relations between the Mahgreb and its pro-development European allies. The Italians are anxious to settle both disputes because their state-owned enterprise ENI is involved in both cases. No doubt Tunisia has felt strong pressure to terminate its intransigence. The primary condition for a viable Euro-Soviet peace offensive is peace "within" the Mahgreb.

Fukuda Foiled: Japan, USSR Proceed On Fishing Talks

Japan and the Soviet Union have resumed talks on an interim provisional fishing agreement. Negotiations between the two nations had almost completely broken down April 1 when the Soviet Union ordered all Japanese fishing boats out of its new 200-mile zone bordering north Japan.

The breakthrough in the talks came after Japanese Prime Minister Takeo Fukuda, under severe pressure from Japan's businessmen, backtracked on his bid to push for an anti-Soviet "peace treaty" with Peking, the real reason for the initial collapse of the talks. Fukuda's inability to disrupt Japan's growing economic ties with the Soviet Union has wounded his meagre political credibility in Japan.

The Japanese government, reports the April 12 *Daily Yomiuri*, will send a special envoy to Washington "to appease the Carter Administration's anger" over the resumption of the Japanese-Soviet talks. Evidently the U.S. government believes that Japan committed "a breach of international faith" by not following the precedents set in the earlier U.S.-Soviet fishing negotiations.

U.S. pressure on Fukuda has led to a certain stalling of the talks now going on between Japan's Agriculture and Forestry Minister Zenko Suzuki and Soviet Fisheries Minister Alexandr Ishkov. Although late last week Japan's newspapers were predicting that the negotiations would be concluded, the talks have been delayed by the Soviet Union's stalling on the presentation of specific fishing quotas for the Japanese.

The Soviets' delay is a pressure tactic on Japan not to back down in the face of Washington pressure and raise the long-standing issue of the ownership of four islands in the north of Japan. Fukuda was hoping to use this issue to wreck the talks. Last week Fukuda's special envoy to Moscow, chief cabinet secretary Sunao Sonoda and Soviet Premier Alexei Kosygin reached a compromise agreement on the islands which serves as the basis for the resumption of the Suzuki-Ishkov talks. Japan decided to recognize the 200-mile Soviet limit around the four islands in return for fishing rights, thereby bypassing the ownership issue until a later date.

"Perfect Diplomatic Blunder"

The backfiring of Fukuda's disruption tactic has delighted his opponents inside both the ruling Liberal Democratic Party and the press. A columnist for the anti-Fukuda *Daily Yomiuri* lambasted Fukuda's moves as a "series of fiascos" which culminated in a "perfect diplomatic blunder." The *Yomiuri* contrasts the approach of former Prime Minister Tanaka in his talks with the Soviets four years ago, noting that before Tanaka entered fishery negotiations he first sent a

personal letter to Soviet General Secretary Brezhnev stressing Japan's desire to cooperate in the economic development of Siberia. Fukuda, *Yomiuri* notes, displayed only hostility to the Soviet while his government made busy overtures to Peking.

According to *Yomiuri* columnist Minoru Hirano, "the first step taken by the Fukuda cabinet upon its formation was to inform the Soviet Union of a postponement of the Japan-Soviet ministerial conference to be held in Moscow with Foreign Minister Hatoyama present. The official reason was that Hatoyama had to attend the Diet session but a remark by (Chief Cabinet Secretary) Sonoda 'in consideration of Japan-China relations' strongly provoked Moscow. In effect Sonoda's positive attitude toward Peking was much in evidence in January and February." Hirano concludes: "The blunders this time compared with the display of superb diplomatic skill four years ago makes us keenly feel...how difficult it is to conduct equidistance diplomacy toward Peking and Moscow...and what foresight Japan should have in carrying out such diplomacy."

The Peking Angle

The talks between Sonoda and Kosygin made it clear that Fukuda's desire to enter an anti-Soviet alliance with Peking and Washington by signing a peace treaty with Peking which will include an anti-Soviet "anti-hegemony" clause was at the center of the fishing dispute. The talks became most heated when Sonoda referred to the "responsibilities" of a military superpower like the Soviet Union, a remark which Kosygin took as an attack on Moscow's "hegemonic policies." The conversation then exploded with debate centering on "Japan-U.S. relations and the China problem."

Why Fukuda Failed

But the prospect of Japan being trapped in an alliance with Peking and Washington against the Soviet Union was a totally unsellable package to Japan's businessmen. (See Asian Economic Survey). For one thing, the incident occurred at the same time that Japan and the Soviet Union are in the final stages of talks in Moscow around major oil exploration and development projects in the Yakutsk region of Siberia.

The commitment by Japan's big businessmen to develop both the Soviet Union and China was emphasised by Toshio Doko, head of the big business federation Keidanren, who has just returned from Peking. Doko denied that China had succeeded in putting the brake on Soviet-Japanese development. Interviewed in the daily *Mainichi* April 5 Doko "emphasised that Sino-Japanese and Russo-Japanese relations are two different things. 'I thing Chairman Hua Kuo-feng (of China) understands this because he gave us a hearty welcome.'"

Javits In Mexico To Beat Down Resistance To IMF Shock Treatment

MEXICO

A raging battle has broken out in Mexico over the attempts by the IMF and Wall Street to force Mexico through Chilean "shock treatment" economic policies. Nationalist forces within Mexico have for the first time openly denounced the agreement signed early this year between the government of President José López Portillo and the International Monetary Fund. On April 6 Congressman Armando Labra opened fire on the IMF in an interview prominently reported in the Mexican press in which he attacked the "extremely damaging" economic austerity policies proposed by the Fund. Labra specifically attacked the IMF for "attempting to impose a policy to restrict the growth of the national economy" and called on the government of López Portillo to reject policies which would dismantle Mexico's large state sector and drastically cutback consumption by formally "renegotiating" the agreement with the IMF.

Labra's statements, which have effectively rallied pro-development forces within Mexico into open battle against Wall Street policies, have had major repercussions both in Mexico and in the U.S. Two days after Labra's remarks, U.S. Senator Jacob Javits arrived in Mexico to head up a top-level delegation whose mission is to insure that Mexico does not buck the IMF. The U.S. delegation which includes Senator Lloyd Bentsen and Carter's Undersecretaries of State and Treasury Richard Cooper and Anthony Solomon, will participate in a series of "quadripartite meetings" involving U.S. and Mexican government and business representatives. While the meetings have been officially billed as a "step towards easing investments by U.S. companies in Mexico," the Carter Administration's great interest in Mexico's oil has not remained concealed. On his way to Mexico City Javits went out of his way to visit one of Mexico's new rich oil-field regions in Tabasco. A spokesman for Senator Bentsen — an outspoken proponent of U.S. control over Mexican oil — indicated that the main purpose of the meeting would be "how the U.S. can use the natural resources that Mexico offers."

The details of the IMF program for Mexico are meanwhile being circulated in U.S. financial circles in a document written by Redvers Opie, a founding member of Business International and an economic analyst in Mexico, which calls for, in the words of a New York financial expert, "putting Mexico through the grinder." Opie makes clear that Wall Street, is now demanding straight Chilean shock treatment administered by the IMF under a "two year recession" and a total credit shutoff.

While Carter's representatives try to strongarm the Mexican government into accepting this program, a high level Mexican delegation headed by Finance Minister Moctezuma Cid and the director of the national oil company (Pemex) Diaz Serrano, scurried up to New York on April 11 for a round of meetings with top Wall Street representatives.

The Moctezuma Cid visit is specifically designed to deny the reports, following the Labra attacks on the IMF, that Mexico is reviewing its agreement with the IMF. In a speech before the Council of the Americas April 12 Moctezuma assured the banks that Mexico will stick to the IMF's debt ceiling of 3 billion in loans this year, and promised to cut imports further. Moctezuma and Diaz Serrano went on to reiterate that Mexico has no intention of joining OPEC but at the same time insisted that while López Portillo's strategy centers around reducing inflation it also is based on insuring a "satisfactory growth" of the economy.

David Ibarra, the head of the national financing agency (Nafinsa) followed through with an explicit denial that Mexico was thinking of repudiating the IMF's conditions. In a show of good will Ibarra announced that Mexico will follow up the recent issue of lucrative "petrobonds," directly backed by and pegged to the international price of oil, with special "silverbonds."

The centrist position of the López Portillo government on the latest IMF demands for a total zero growth, "shock treatment" economy, was presented on April 11 by Planning Minister Tello Macias. While reiterating the government's commitment to austerity policies including a low wage increase, Tello warned that "stagnation of the national economy cannot be considered as a viable option for the country . . . due to the political and social problems that would imply." Aware of the social upheaval that further austerity would bring, the López Portillo government is resisting Wall Street demands for total "shock treatment." At the same time, however it is trying to entice the bankrupt New York banks into providing some credits to roll over Mexico's large foreign debt.

The sum total of credits received by Mexico this year, however, bodes ill for this tactic. During the first quarter of this year, Mexico has only received \$800 million, in sharp contrast with the more than \$1 billion received in the same time span last year, and there are no indications that the banks will come through with much more despite Moctezuma Cid and Diaz Serrano's public relations job.

Popular Mobilization Against IMF

Meanwhile, within Mexico the progressive forces linked to former president Luis Echeverría are moving to

mobilize popular support for and institutionalize the resistance to the IMF's policies first voiced by Labra last week. On April 11 the head of the School of Economists, Becerril Straffon strongly backed up Labra's attacks on the IMF and stressed that the "government must mobilize the popular masses around a historical project of development." Becerril's call is being put into motion by pro-development elements within the Congress. Congressman Heladio Ramirez on the same day announced that the congress will begin tours throughout the country to listen directly to the demands of the population and to

evaluate federal projects — the first time since López Portillo took office that the progressive congressmen will adopt a high public profile.

At the same time other congressmen are arranging a separate ordinary session of congress solely for oversight of public spending. As an unprecedented step the measure will institutionalize the popular input into what has traditionally functioned as a rubber stamp congress — at the same time that it places the issue of IMF demands for slashing public spending in a forum for open debate.

IMF, Industrialists, Vie For Venezuela's Petrodollars

VENEZUELA

The Wall Street financial weekly, *Money Manager*, described Venezuela in its April 11 issue as an "unfolding economic horror story ... spending itself into debt faster than its oil earnings soar." The article gives no facts or figures to substantiate its assertion of a coming economic crisis in Venezuela, but predicts a massive capital flight in the near future.

Money Manager's picture of Venezuelan inflation and growing insolvency due to the government's spending, the most dire of a series of similar articles that have appeared recently in the international financial press, is, in fact, false. Venezuela has one of the lowest inflation rates in the world, around 8 percent in 1976, and still has more than \$8.5 billion in petrodollar reserves.

But *Money Manager's* warnings match a fierce internal debate over economic policy within Venezuela. The premise of the development policy of President Carlos Andres Perez is to use the enormous increase in oil income — now primarily resting in New York banks — to industrialize Venezuela. A five-year, \$20 billion investment program has been designed to carry out that policy. Perez, backed by a growing faction of Venezuelan industrialists, has stressed that the way to reduce inflation is to expand both production and the productive base of the Venezuelan economy. The strategy of the opposing monetarist faction, headed by Finance Minister Hector Hurtado, is to halt inflation by bringing production to a halt.

At the heart of the debate lie the petrodollar reserves. Spokesmen for the Perez faction have called for Venezuela to pull its money out of New York for domestic production. Venezuela last week promised Italian Foreign Trade Minister Ossola an increase of deposits in Italian banks, already tripled since last November. Although the promised increase is modest, the significance of the pull-out is political.

On the other hand, Hurtado told the press last week that Venezuela is "favorable" to funding the proposed \$15 billion bailout fund for the International Monetary Fund (IMF).

Hurtado last week proposed a counter domestic

economic package, and demanded that the Finance Ministry be given tight control of the country's purse-strings. Current expenditures in the 1978 budget must be 10 percent under those of 1977, (in actuality representing a minimum cut of 20 percent after inflation), "priorities" for expenditures must be established and government projects "reevaluated" and revised accordingly, Hurtado has said. Any programs for which there is not a "critical mass of human and financial resources" must be eliminated, and available resources "concentrated" in only those projects already begun.

Pro-growth industrialists supporting Perez will not be pleased with Hurtado's austerity budget. Jose Ignacio Casal, ex-Development Minister and a spokesman for industrialists, told the Caracas daily *El Nacional* that the difference between this administration and previous ones is "like the difference between heaven and earth" for industrialization. He pointed out that in the past two years the rate of industrial growth has doubled, and a "take-off phase" of industrialization has been reached to move beyond mere import substitution and assembly manufacture to medium and heavy industry. Demanding from the government only more credits for industry, Casal stressed that there was a real "climate of confidence" for investment in the country.

An economist for the powerful Mendoza national capital group, Carlos Acedo Mendoza, explicitly demanded pulling the petrodollars out of New York. In an op-ed in one of the major dailies in early March, Acedo Mendoza wrote that holding reserves abroad is "bad business." If the enormous reserves are a dangerous source of inflation, then the reserves should be reduced, through the "increase in importation of capital goods, technology and inputs which permit the expansion of local projects."

"Never Has A Government Done
So Much In Such A Short Time
For So Many People"

Gumersindo Rodriguez, ex-Planning Minister and present Congressman, defended the government's economic policy against its critics in a rousing speech before Congress last month. Rodriguez was speaking for the ruling Accion Democratica party in a debate called

by the opposition Copei party to compare the results of the Perez administration and prior governments. The following is merely a short excerpt from the speech:

...The course of the economic history of the country has been modified with the assumption of control of the fundamental industries of oil and iron between 1975 and 1976.... From 33 percent, which represented state participation in investment, we have gone to nearly 50 percent.... This formidable internal distribution of economic power now places the state in a position much more advantageous to impress upon private capital a conduct in the use of social wealth more consonant with the interests of the great majorities. With each day, private capital handles more public wealth through the delegation of democratic state capitalism. The philosophy of the new state capitalism is to impose greater social duties on private business in return for the profits which it derives from the handling of this public wealth.

...Scientific and technological wealth is beginning to be placed massively in the hands of the people. Thanks to the scholarship program, "Gran Mariscal de Ayacucho," more than 11,000 sons of working people and the lower middle classes study in the best universities in the country and abroad. This is the reserve of future technical, scientific, administrative and political leaders which represent for the people a true participation in the exercise of power in the future....

It is in the context of the structural transformation of the country that we must analyze the work carried out by the government in these three short years.... We have already put forth a path for the country from which no one can make us retreat. The most significant aspect of these achievements is their historical irreversibility....

People have tried to minimize the significance and historical achievement of the nationalization of the oil industry ... (yet) history will inscribe this as the most transcendent event since political independence in the history of our economic and intellectual sovereignty.

...It has been said in this debate that despite the nationalization of oil and iron, we are now more dependent as an importing nation. The increase in imports has also been presented by the opposition as an indicator of the failure of this administration. To the contrary, this has been the result of an explosive expansion of consumption and investment which has surpassed the elevated growth of the real magnitudes of our production, within the traditional assembly structure of our industrial production and even our agricultural production.... The imports are part of the process of capitalization; they are the earnings, or barrels of oil, which have been transformed into productive wealth that creates employment and permanent production....

It is true that in the past the serious error was being made of not adequately planning the social infrastructure to attend the human problems which were generated around the new great development projects for basic development.... We quote the words of the President in his III Message to this Sovereign Congress: "Before the National Five-Year Plan, the great deficiency which our planning suffered was the improvisation in the area of social and physical infrastructure. This situation constitutes the essential reason for the housing and services crisis which we presently suffer, and if we were not adopting the emergency measures now in progress, this would constitute the most limiting factor in the progress of such important projects."

...We are not in agreement with the position of Petkoff (member of the opposition — ed.) of rejecting the application of sophisticated technologies, which are highly capital-intensive and have little capacity to absorb labor.... We cannot be the 'modern Luddite' destroyers of sophisticated machinery.... These enterprises and these projects are not for direct employment, but to increase and concentrate in the hands of the state what the Marxist economists call economic surplus. The lower the costs of these undertakings, the higher their benefits and the higher will be the economic surplus....

The New South's 'New Southern Justice'

Foes of the Jimmy Carter Administration are watching closely the progress of an appeal of a major election case, *Hooks v Eure*, now pending before the U.S. Fourth Circuit Court in Richmond, Virginia.

In the case, leaders of the U.S. Labor Party are seeking a major damages award from the North Carolina Secretary of State, local election officials in Charlotte, and members of a drug-counterculture collective, the "Red Hornets Mayday Tribe," for violation of the USLP's federally-guaranteed election rights in the 1975 Charlotte mayoral election. Members of the drug collective registered as USLP voters, and, with the collusion of Mecklenburg County Board of Elections (some of them close to the Red Hornets), succeeded in placing their leader, self-proclaimed homosexual Mark Englander, on the November ballot as the "U.S. Labor Candidate for mayor." As Englander's subsequent campaign — in which he used every opportunity to cast ridicule on the Labor Party — made clear, the "Hornets" registrations as "Labor Party" members violated state election law, which holds that party registrations must be in good faith. Yet, rather than enforce state law and void the potheads' registrations, both county and state election officials, egged on by the local press, allowed the farcical Englander campaign to continue through the general election, where Englander secured only a handful of votes.

The implications of the case reach far beyond the 1975 Charlotte mayoral race. The Red Hornets are not a spontaneously-generated conglomeration of local hippies and potheads; they were organized with help and guidance by the Washington, D.C.-based Institute for Policy Studies.

The Hornets have a history of involvement in professional election "dirty tricks." Before their 1975 "USLP" caper, they were involved in "Watergate"-type operations against then-president Richard Nixon in the 1972 presidential campaign.

The Hornet scandal potentially could involve leading luminaries in and around the Carter Administration, including, notably, Carter's embattled drug czar-designate, Dr. Peter Bourne, a former board member of IPS's southern affiliate, the Institute for Southern Studies, and the "Warner Communications" network of rock-star and drug-smuggling-linked Carter fundraisers. Also involved is a federal judge who, in addition to systematically protecting the Hornets from efforts of local law enforcement officials, has recently handed down a highly controversial decision strongly supporting the President's attacks on nuclear energy. The case opens a new front on the vote fraud scandal which the President's backers have only with difficulty contained in such northern and midwestern states as New York, Wisconsin, Ohio and Pennsylvania where Carter's 1976

vote totals were challenged as fraud-tainted in both state and federal courts.

In sum, *Hooks v Eure* offers a capsule look at the wormy side of Carter's "New South" which is rarely publicized in the national media, and could result in a scandal causing major damage to the Administration.

The "Red Hornets" story begins in the late 1960s, when the Institute for Policy Studies, the organizational hub of the Wall Street-funded "new left" radical movement of the 1960s, shipped a number of its organizers to the South. To ensure that their operatives — whose assignment was to promote the use of drugs and develop a "radical" counterculture activist movement — were not run out of town, IPS put together a layer of liberal professionals to provide protection and funds for their nascent movement. These IPS networks established safehouses for the hippies to protect them from the police and vigilante groups in their germinal period.

Atlanta was transformed into the mecca of the Southern counterculture, with that city's "Great Speckled Bird" collective the focal point for the southern counterculture. The collective's paper, *The Great Speckled Bird*, touting the virtues of drugs, violent protest and the counterculture, was peddled by hippies throughout the South.

From Atlanta, members of this IPS swamp were farmed out to promising spots in other parts of the South. A primary target for this deployment was the triangle of universities in North Carolina: Duke, the University of North Carolina and North Carolina State. In the late 1960s, these campuses were hotbeds of student activism which provided a perfect medium to further the activities of the Great Speckled Bird, et al. This was the larval stage of the Red Hornet operation which originated out of a short-lived IPS creation called the Southern Student Organizing Committee (SSOC).

The Red Hornets have their genesis in a splinter from the SSOC that formed around future Hornet leaders Marvin and Kathy Sparrow. Kathy Sparrow, the former Kathy Taft — an adopted daughter of Ohio's Taft clan which sent another scion, Dr. Robert Taft, to his death by heroin overdose at New York's Lincoln Hospital Detox Center where he was involved in the brainwashing of drug-addict recruits to IPS's terrorist Black Liberation Army — traveled south to Duke University in 1968 and began pouring her family's money into a variety of radical organizing escapades. During the same year she met and married Marvin Sparrow, a native North Carolinian. Their honeymoon itinerary included such tourist attractions as the riotous 1968 Democratic Convention in Chicago.

Soon thereafter, Kathy moved herself, her husband and her money to Charlotte. Her "strategy" for building IPS's counterculture movement was "Hippies can be

organized. We will organize hippies." Within months Kathy provided local hippies with the financial lubrication necessary to open two "communes," the local "Women's Crisis Center," a coffeehouse appropriately called "Mothers," a house for gays, an organized farming commune, the Open House Methadone Center, the "Plain Dealer" newspaper and a "nightspot" called Phantasmagoria. The christening of Phantasmagoria, in October 1969, was a big step forward for the political activity of Marvin and Kathy Sparrow. There were two rooms at Phantasmagoria excluded from public access. One was for major drug deals, with the Sparrows receiving 10 percent of the take, and the other room was used for Friday night orgies where local high schoolers were initiated into the experiences of the "revolutionary," drug-counterculture life-style.

The Sparrow's organizing received important official protection, without which their followers would have long ago been dispersed by law enforcement officials. Federal district court Judge James B. McMillan played an especially interesting and important role. Prior to his appointment to the federal bench, McMillan was a conservative Democrat active in local party politics. In the late 1960s, in the course of touring a black school in connection with a desegregation case he was considering, McMillan underwent a "Damascus Road" conversion. He stated later that he "realized" he had been misguided on racial questions all his life and, in repentance, mandated a pioneer busing program for the Charlotte schools (*Swann v Mecklenburg*). From that point forward, the former moderate Dixiecrat became a committed supporter of the "New South" ideology, as typified by his recent decision to declare unconstitutional the Price-Anderson Act which fosters the development of nuclear energy.

In the case of the Sparrows and their recruits, known as the Red Hornets by the early 1970s, McMillan has emerged as a consistent defender of their "rights" vis-a-vis local law enforcement efforts to close down their notorious drug trafficking. Charlotte police, when asked the reason for their failure to close down the Hornets' drug traffic, respond with one word, "McMillan."

Every time the police took action against the Hornets' criminal activities, they encountered vehement resistance from the Hornets' "straight" supporters in the community. When the Charlotte police conducted a drug raid on the Red Hornet "hippy house" in 1970, they were severely chastised by Judge McMillan for "vulgar entry practices." The Charlotte press used the incident to drum up massive anti-police sentiment. This press campaign paved the way for a takeover of the Charlotte Police Department by the Wall Street-dominated federal police agency, the Law Enforcement Assistance Administration (LEAA).

During the same year, the Sparrows were arrested and convicted of "contributing to the delinquency of a minor." After being sentenced to 18 months in jail, Marvin vowed that there would be large protests "until there are no more arrests for acid and grass." But Marvin didn't need his protests. Local ACLU attorney George Daly took the case before Judge McMillan, who dutifully let the Sparrows off scot-free.

Pleased with the early success of their Southern opera-

tion, the Institute for Policy Studies tightened their control over such groupings as the Red Hornets for more effective political deployment. In the early 1970s, IPS set up the Institute for Southern Studies in Atlanta to be the centralized command point for pulling together the variety of ragtag counterculture groups. Dr. Peter Bourne, an intimate of Jimmy Carter and top drug official in Carter's Georgia administration, was placed on the ISS board of directors, where he remains to this day.

The Hornets were hooked up to the national organizing of the "Mayday Committee," a band of rioters brought together by IPS's CounterSpy organization. The Mayday Committee led nationwide riots and violent demonstrations in 1971, centered in Washington, D.C., with the Charlotte Red Hornets being eager participants in the festivities. Top CounterSpy operatives Winslow Peck and Tim Butz were the field coordinators for the Mayday Committee, while continuing their close association with Dr. Bourne through the Vietnam Veterans Against the War. The financial backing for Mayday came from one of the top drug conduits in the nation, the Eli Lilly Endowment Fund.

Butz and Peck presided over the August 1971 "Gathering of the Tribes" in Atlanta. The two laid out the political tasks that had been assigned to the Mayday Committee, focusing on the destabilization of the Nixon Administration. In October 1971 the Red Hornets were sent to disrupt the Billy Graham Day celebration where President Nixon was the featured speaker. It is evident from the Watergate transcripts that the Nixon staff was sold a bill of goods over the potential for reaping political capital from this Hornet-planned disruption. According to the transcripts, Nixon's White House Chief of Staff, H.R. Haldeman, sent a memo to Ronald Walker concerning the scheduled disruption. The memo stated: "100 to 200 anti-Nixon demonstrators expected. They will be violent. They will have extremely obscene signs ... it will not only be directed toward the President but also toward Evangelist Billy Graham." Next to the reference to obscene signs, Haldeman had written the comment "good" and next to the reference to Billy Graham, Haldeman had written "great."

But while Haldeman and other Nixon staffers thought they could make political capital by being the target of Hornet obscenities, they were being set up for Watergating by the IPS-CounterSpy networks, who would later use examples like the Billy Graham Day fiasco to claim that a paranoid Nixon was out to squelch all political opposition. Hornet lawyer George Daly cited the Billy Graham Day affair to compare Nixon to Hitler: "The whole affair, the tone of the memos, the crowd control, the manipulation of public opinion, the sealing off of the Coliseum, was startlingly like the Nuremberg party rallies of 1934."

Because the police and Secret Service had taken action to prevent the disruption and protect the President from a possible threat to his safety (a well-warranted precaution where the IPS drug-terrorist networks are involved), the Hornets sued them for violation of civil rights. The case was brought by George Daly before Judge McMillan, giving this pro-Hornet duo another opportunity to let the police and the rest of the Charlotte area know that the Hornets are protected property.

Although McMillan did not give the Hornets the monetary damages they were seeking, he used his courtroom as a forum to lash out at the police and Secret Service for their "wholesale assault on civil rights and liberties of numerous citizens."

The Hornets' 1975 operation against the Charlotte mayoral campaign of U.S. Labor Party candidate Stan Ezrol was their next major deployment in major election dirty tricks.

Although the Hornets locally pretended that they were engaged in a spontaneous, local effort to inject some lively "fun and games" into the election — and although this pretense was accepted and warmly endorsed by Judge McMillan in his decision against the Labor Party in *Hooks v Eure* at the federal district court level — there now is published proof that the operation was a nationally coordinated, IPS-run dirty tricks operation against the USLP. That proof appeared in mid-1976 in the form of a scurrilous CounterSpy attack on the USLP titled "Brownshirts of the 1970s." The pamphlet, which includes virtually every slander against the USLP circulated by IPS networks over the past six years, concludes with a battleplan for disrupting the Labor Party's election efforts. And one of the premier tactics advocated is the Charlotte Red Hornet disruption of the 1975 mayoral campaign.

Besides the role of Judge McMillan, the Hornets' 1975 mayoral caper would not have been possible without the fact that leading Hornets had infiltrated the Mecklenburg County (Charlotte) Board of Elections — a circumstance which should prove instructive for investigators of the 1976 Carter vote fraud throughout the country. The Executive Secretary of the Board of Elections is a former Florida SDS member named Bill Culp, an acknowledged Hornet enthusiast. Culp's chief mechanic at the Board, who is in charge of "fixing" the voting machines, is Kent Crawford, a veteran Red Hornet. Culp has employed various Hornet members for work in local elections, including even mayoral candidate Mark Englander. And Culp is known to be a personal acquaintance of Hornet leader and bankroller Kathy Sparrow (a Hornet collective which houses Kathy Sparrow and Mark Englander is across the street from Culp's house).

Just before the 1975 Charlotte mayoral filing deadline, Englander filed for mayor against Ezrol. The Red Hornets, with their Board of Election supporters, packed the registration rolls with local potheads and succeeded in winning a mandate primary election for Englander. The local press, led by the Charlotte Observer and WSOC-TV — the latter the Charlotte affiliate of Cox Broadcasting, the largest contributor to Jimmy Carter's 1970 Georgia gubernatorial campaign — played the situation as a "factional dispute within the Labor Party." These same press outlets ignored documentation proving that the Red Hornets had never been associated with the U.S. Labor Party and in fact were witting tools of the Labor Party's political opponents.

North Carolina state Law clearly addresses the relevant questions of the legality of the Hornets' registration as Labor Party members. In order to change parties, as Englander and his cohorts did, a voter must swear to an oath that the registration change is being made "in good faith." The North Carolina State Supreme Court, in the

1964 case *Clark v Meyland* held that the intent of this good faith clause was to protect political parties from raids conducted by opponents of the parties. Obviously the Hornet move is precisely the sort of thing that Court had in mind. Yet when the Labor Party petitioned to have the Hornets removed from the rolls on the grounds of the "good faith" clause, they were met with cavalier disregard by the Hornet-riddled Mecklenburg County Board of Elections. The Board's decision to give official blessing to the Hornet usurpation was backed up by two successive court rulings, by local Judge Frank Snapp and federal judge McMillan.

For two months Mark Englander was billed as the mayoral candidate of the U.S. Labor Party. He used the attendant media coverage to promote his crude fascist program for turning Charlotte into a countercultural zoo (with Englander as the zookeeper). He insulted audiences wherever he went and told them that he didn't want their vote because mayoral politics was a farce. He appeared on TV commercials wearing a Groucho Marx nose and glasses to promote his "ideas" for running the city.

With the Englander campaign sanctioned by local courts and officials, the USLP turned to federal court for relief under Title 42, §§1983 and 1985, subsection 3 of the United States Code. The case, *Hooks v Eure*, was assigned to Judge McMillan.

On November 9, 1976 McMillan handed down his decision. The decision was a deliberate obfuscation of the essential facts of the matter. McMillan stated that "the court is unable to see that their conduct (the Hornets') amounts to anything more than a robust, though sometimes clownish, assertion of political rights." He then proceeded to laud the Red Hornets as exemplars of the American political tradition: "The conspiracy was to take over a political establishment and elect their own people. This is a ritual which is not unique in American experience and does not lack in respectability as to which view various Reagans, Goldwaters, McGovern, Kennedys, Roosevelts, Carters and Jeffersons could attest." The judge performed this distortion of the American tradition to obscure a critical point in which the North Carolina "good faith" clause is quite clear. Every one of the persons mentioned in the judge's opinion was previously affiliated with the political party whose nomination for office they secured. None ever stated, as Englander did, that their candidacy was aimed at destroying the party in question.

The seriousness with which McMillan himself views the electoral process was indicated in his decision where he stated that "It is not out of order to observe that a little nonsense now and then is relished by the best of men, and it would not hurt if we could maintain in political matters a little more sense of humor and not condemn too seriously those who laugh a little over serious matters."

McMillan's decision showed evident disregard for both state and federal law in the case, and amounted in fact to an ill-concealed coverup of a major "dirty tricks" scandal which could touch on important Carter Administration figures. The decision on appeal by the Richmond circuit will be viewed as an important test of the willingness of the federal judiciary to uphold the Constitution in tests of Carter Administration policy.

— S. Roberts and P. Arnest

IPS Pays Kickbacks To Phoenix Probe Publishers

The *Executive Intelligence Review* has been informed that the Institute for Policy Studies, the "mother" political intelligence agency responsible for direction and funding of the Fund for Investigative Journalism (FIJ) and Investigative Reporters and Editors (IRE) groups in their attacks on Sen. Barry Goldwater and southwest conservative politicians, is itself making direct payments to newspaper publishers who run the "Arizona Story." Reports indicate the payments have been made to various small papers and so-called underground press, from a California bank account in the name of IPS.

As the Arizona series broadened out recently to include the International Brotherhood of Teamsters in its smear campaign linking prominent figures to organized crime, a United Press International survey showed that more than one-third of the newspapers originally contracting for the series had cancelled out during its first week. The lower level networks of this particular IPS operation, particularly the IRE, are a shambles.

Who Is Robert Greene?

A few things should be said about the pedigree of IRE Arizona team leader Robert Green of Long Island's *Newsday*. Greene "defended" his work to *Editor and Publisher* in an interview March 26 by admitting that the team uncovered "nothing criminal per se" against Goldwater, "but we found that (Sen. Goldwater) publicly associated with organized crime figures...and this condoned their presence in the state." Greene was promptly attacked by the widow of murdered investigative reporter Don Bolles, whose death while investigating Arizona crime in 1976 became the "cause" around which IPS networks built the Arizona probe. Rosalie Bolles charged Greene with "using" her husband's name to "give credibility to (the team's) work," and flatly challenged Greene to let the story "stand on its own merits to the test of responsible journalism."

The IRE's Arizona story is basically a rehash of Green's earlier attempts at a hatchet job on Sen. Gold-

Augusta Paper Hits FIJ

The following editorial appeared in Georgia's Augusta Chronicle-Herald, Friday, April 1. The paper circulates to about 75,000 of Augusta, Georgia's 100,000 population, and is part of the southern-based Morris newspaper chain.

OBJECTIVITY SUFFERS

It was former Vice President Spiro Agnew who, in recent years, drew attention to the practice of too many journalists subtly salting "objective" news with their own opinions.

Mr. Agnew, in several speeches a few years ago, especially urged professionally edited newspapers of this Nation — regardless of their shade of opinion — to confine editorial comments to the editorial page, while assigning straight news to its rightful and separate place in news columns.

Along comes the so-called Fund for Investigative Journalism, however, with the type of reporting that the former Vice President — and no doubt millions of Americans — should find objectionable.

According to writer Fay Sober, the FIJ — backed by such luminaries as journalists Jack Anderson and Seymour Hersh — is promoting something called "precision journalism." The idea behind this "new trend," says Sober, is to make "objective

reporting more subjective, to appeal to one's 'natural feelings' and 'psychological needs.'" In fact, the FIJ has gotten several big journalism schools — most notably Ohio State and Northeastern — to include "precision" training programs for its students.

One signal for this interpretative reporting scheme was given by Seymour Hersh, when he reportedly told friends last year that "conservative editors and publishers are the biggest enemy facing investigative journalism today." To fight these "conservatives," Hersh says a shift is needed away from "straight news" to the setup of "alternative investigative press." Furthermore, the FIJ points to at least one major chain that has already integrated the use of "precision journalism" for "long-range investigative stories" on topics like Third World commodity cartelization, police crime and corruption, and the forecasting of terrorism.

So, the question — as it was in Agnew's era and as it is now — remains: Have the media tossed out objectivity and used the news to propagandize for liberalism?

We have not seen any attempt by some of the big newspapers such as the *Washington Post* to demonstrate that Agnew isn't at least still basically correct. And the activities of groups like the FIJ don't remove any doubts, either.

water, when he helped compile a widely discredited "exposé" series on Goldwater during the Senator's 1964 presidential bid.

Green's anti-crime-and-corruption career encompasses a broader range of McCarthy-era witchhunt and watergate activity — including service on the U.S. Senate Select Committee on Improper Activities in the Labor-Management Field (the McClellan Committee), at the personal request of Robert F. Kennedy, in 1957. Greene's role on the McClellan committee was to target Teamsters in New York City for "corruption" charges. Greene testified as an "expert witness on organized crime" before a number of government witchhunting committees as well, before launching his career at *Newsday* with a Pulitzer Prize-winning "exposé" of the Long Island Republican Party machine. His Long Island GOP watergating resulted in indictments and resignations of several party officials.

IRE At Its End

In the past two weeks, Greene took over as IRE's "interim president" after the expulsion of agent Ron Koziol, who headed the IRE and participated in the Arizona project until he was publicly exposed by the Chicago Daily News as an FBI operative in the press. In his capacity as acting IRE chief, Greene indicated that the IRE "team" strategy might now be scrapped. "Basic morality (sic) is the real way to prevent another (Bolles) murder...a task force like this one should rarely be used," said Green.

In reality, IPS is abandoning its IRE creation, and the group is not likely to get a second chance at exercising its version of basic morality. Most of its legitimate funders in the press and media have cut off funding since publication of the series began. Even IPS payola is apparently finding few recipients willing to stake their journalistic careers on the Arizona smears. IPS and its chief Marcus Raskin, however, are still at large.

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