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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

Special Economic Report...U.S. Labor Party Chairman **Lyndon LaRouche, Jr.** explains in detail how to set up a **private bank** as the "seed-crystal" **replacement** for the bankrupt **International Monetary Fund**. "I can defeat the Rockefellers" in financial-strategic warfare if given sufficient resources, says LaRouche.

* * *

A generalized **crisis of confidence** has broken out in **Western financial markets** following the Carter Administration's **failure** to secure a multibillion dollar **IMF bailout** for the New York banks at the London **economic summit**. Our **Economics** coverage assesses the panic...reports the desperate maneuvering on the **foreign exchange** markets...reviews the search for suicidal "quick cures" among **U.S. business**.

* * *

The **sabotage** of a major oil pipeline in **Saudi Arabia** coordinated by **Brzezinski** and **Schlesinger**... reports that the Carter Administration will secure its "special relationship" by bringing **Israel into NATO**... "disarmament negotiator" **Paul Warnke's** threat of a **U.S. first strike** against the Soviet Union...the world is nearing the brink of a **Middle East war**, as Rockefeller

tries to bluff out a few more months of life for the dollar monetary system. Our **International Report** is a complete rundown on the Carter team effort for **thermonuclear confrontation** with the Soviets...and **Europe's rejection** of the Carter war plan.

* * *

Opposition to Carter is everywhere in the **U.S. Congress**...but the piece-by-piece approach the legislators are taking to the **Trilateral Commission's energy package** is allowing Carter to get away with **murder**. This week Congressional committees okayed "**emergency powers**" for would-be energy czar **James Schlesinger**. See **National Report** for the full story on the **Energy Department reorganization**.

* * *

The evidence for "**Cartergate**"...the complete text of a **Justice Department memorandum** warning the Carter "electoral reform" bill will lead to massive **vote fraud**. Plus a report on Vice-President **Mondale's intervention** to stop a Senate investigation into the vote fraud **coverup**...excerpts from the **U.S. press outcry** over the vote fraud package...how **mental patients** were voted en masse in the 1976 elections...see **National Report**.

INTER-NATIONAL
NATIONAL
ECONOMICS
SOVIET SECTOR
MILITARY STRATEGY
EUROPE
MIDDLE EAST
AFRICA
ASIA
LATIN AMERICA

In the wake of the **Aviation Week** story exposing the **USSR's** development of an anti-ICBM "**superweapon**"...the **CIA's Stansfield Turner** is doing his best to **suppress the evidence**. A Carter Cabinet campaign to **muzzle competent military intelligence professionals** is underway...see **Military Strategy**.

* * *

The Soviet press is broadcasting an unmistakable message...**Brzezinski's** "limited nuclear war" **provocations** in the Middle East and Africa are a **direct threat** to Soviet strategic interests...Pay no attention to the antics of **Moscow's USA Institute**...the **Kremlin** has adopted an angry posture of **war readiness**. See **Soviet Sector** for documentation.

* * *

European press gives Jimmy Carter **bad reviews** on the London economic **summit**...Italy's **Giorni Vie Nuove** exposes **Gianni Agnelli** of Fiat as the right hand of **Rockefeller's** Institute for Policies Studies' **terrorist networks**...DeGaulle's top economic advisor explains how to curb **inflation** by letting the air out of the **Eurodollar market**...Plus reports on the resistible rise of **Mitterrand** in France, the destabilization of Britain's **Callaghan**...see **Europe**.

* * *

Diplomatic personnel are predicting a **military coup** in Turkey...to halt motion toward a **moratorium** on the country's outstanding dollar debt...and impose a 75 percent **currency devaluation**...see **Middle East**.

Southern Europe's economies are **unraveling** at an alarming rate...our **Mediterranean Economic Survey** reports the situation country-by-country...includes a look at one of Europe's most important potential Arab development partners, **Algeria**.

* * *

Ethiopia signs **friendship agreement with USSR**...Cuba's **Castro** warns "**We will defend Angola with all our means**"...but the Carter Administration's **Amos and Andy, Mondale and Young**, are on tour to promote continental **chaos**...see **Africa**.

* * *

EIR **Asia** desk chief **Dan Sneider** recently returned from a visit to India...his **eyewitness report** on **India's agriculture, industry and science** explains why the country's new rulers will have extreme difficulty putting their World Bank zero-growth program into effect...Elsewhere on the sub-continent...**Pakistan's** press unloads on Jimmy Carter.

* * *

Within a week, the Foreign Minister of El Salvador has been **assassinated**, the Foreign Minister of Argentina **wounded**, the former President of Argentina **arrested**, and the current President of Venezuela threatened with a **military coup**...all because **Zbigniew Brzezinski** is out to build a new '**Holy Alliance**' against Cuba. See our **Latin America** report for an exclusive on Brzezinski's operation.

Rocky Cripples Saudi Oil Output

Israel, NATO Prepare War Against Arabs

A transparent attempt to cripple the immense oil production of Saudi Arabia by the Rockefeller forces and President Carter's bolstering of the close U.S.-Israeli military ties, including reports that the U.S. will seek to sponsor Israel's entry into NATO, heightened the danger of a fifth Arab-Israeli war by mid-June or July. The Middle East flashpoint, with the inherent threat of a direct showdown between the United States and the Soviet Union, is now on a short fuse.

Despite airtight security and virtually zero chance of an "accident," a huge pipeline near the central pumping station in Saudi Arabia ruptured, caught fire, and exploded, spreading quickly and shutting down almost 6 million barrels a day of Saudi oil exports, equivalent to two-thirds of Saudi output and over 10 percent of the entire world's production. The potential crisis triggered by the disruption of oil supplies caused a momentary panic in Western capitals, with the Tokyo stockmarket going into a tailspin and the Japanese yen falling sharply against the dollar.

According to initial reports, the fire was quickly contained, and officials of Aramco, the giant oil company partly owned by Rockefeller's Exxon and its sisters, said that the damage would be repaired quickly with little serious disruption of supply. But, according to the *Washington Post*, Aramco officials privately say that the damage is "major," and that in fact there may be severe dislocation. The entire 6 million barrel production is still shut down.

A telephone survey by *Executive Intelligence Review* revealed that among informed political circles, including Arab officials, the intelligence community, and Capitol Hill, the sentiment was unanimous that James Schlesinger, Carter's energy czar, and the National Security Council's Zbigniew Brzezinski bear primary responsibility for the disaster. A former Air Force intelligence officer said bluntly, "It's far more plausible to trace it back to Schlesinger and his people here than to think of it as an accident. As for sabotage, the Saudi police know every Arab in the country — the guerrillas could never do anything like that." An official at the Defense Intelligence Agency, told that the incident in Saudi Arabia could signal that the Carter Administration was going for war in the Middle East and a confrontation with the USSR, said, "If somebody doesn't put his foot down soon, then what you are saying is certainly going to happen."

The fire and explosion in Saudi Arabia followed only a week after U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. in an Open Letter to Shimon Peres that was printed in this newsletter last week, warned that Rockefeller had designated the Saudi oil fields as a primary strategic target.

The Israeli Angle

At the same time, the danger of a Middle East war drew closer after a round of intensive diplomacy begun this week by Carter and Secretary of State Cyrus Vance.

LaRouche: 'I Know Who Did It'

"I know who did it," Lyndon H. LaRouche, Jr., Chairman of the U.S. Labor Party asserted today. "It was the Carter Administration acting on behalf of David Rockefeller."

Chairman LaRouche, speaking from Wiesbaden, West Germany today, was exposing the origins of the suspicious fires that suddenly erupted May 11 at the Ghawar oil fields, Saudi Arabia's largest, with capabilities of pumping six million barrels of oil a day to the U.S., Western Europe and Japan. Two-thirds of Saudi production has been shut down completely, and disruptions in oil flow will likely continue indefinitely.

LaRouche stated that the fires at Ghawar were a last desperate attempt to secure implementation of

the Carter Administration's Schachtian energy program. LaRouche reported that to his knowledge the Carter Administration has an "in-place" destructive capability within the Persian Gulf oil fields, able to circumvent stringent oil field security measures. Such capabilities were significantly enhanced during the tenure as U.S. Defense Secretary of present "energy czar" James R. Schlesinger. "That capability was deployed to mine the pipeline," said LaRouche.

LaRouche advised the Saudi government and neighboring Arab regimes to expropriate all Rockefeller assets within their respective nations. Such retaliatory measures would be necessary to prohibit repetition and escalation of the attack carried out on the Ghawar oil fields.

London Oil Journal Predicts Attack On Saudi Oil Fields

The following are excerpts from a London-based journal, Arabia and the Gulf, of May 9, predicting the possibility of an Israeli attack, backed by U.S. forces on Saudi Arabia's oil fields:

The message is clear to Washington. Saudi supplies must be secured, preferably by means of a stable and sympathetic regime in Riyadh prepared to cooperate to the fullest extent.

There is already a Saudi nightmare, born of her central position on the stage of the world energy crisis. This sees all recent developments in the Red Sea area — the independence movements, and Soviet involvement in the Horn of Africa, pressures on Sudan, the Yemeni connection, as an orchestrated strategy which can only raise the temperature. One renewed suspicion is that Israel is waiting for the first opportunity to strike at Saudi Arabia and neutralize her military capability. There were suggestions years ago from the Ford Administration in the wake of the oil embargo, that the U.S. could encourage such a strike, if not intervene directly herself. Contingency plans for the seizure of oil wells on the peninsula were hinted at,

while American troops conducted exercises against unnamed desert kingdoms.

In November last year, Israeli Chief of Staff Mordechai Gur declared that Saudi military potential was not to be treated lightly. Besides being a direct threat to Israel, he said, these resources could be channelled to the main confrontation states. There was even the possibility of Arab states obtaining nuclear weapons, and Israel would do her best to pre-empt that. Such arguments would be available to the Israelis in the event of a surprise attack on Saudi Arabia. Analysts in Riyadh further suggest that the U.S. would step in to prevent a full-scale war and as "saviour" of the oil wells, use leverage to install a sympathetic Saudi leadership and perhaps some form of defense treaty.

Amid a welter of more or less plausible hypotheses, the eyes of the world are increasingly on Riyadh. Also, it would seem, the ears. In recent months communications between the capital and Saudi embassies worldwide have been subject to intensive electronic surveillance and disruption. Technical consultants advised the use of satellites for the greatest security, and King Khalid late last year personally ordered two at any price.

Central to the threat is the "two-faced" nature of the U.S. policy toward Israel. On one hand, an unending series of little "nuisance" crises in U.S.-Israeli relations since Carter took office has created an atmosphere of tension between the two countries, the latest incident being reports that the U.S. intends to throttle down its arms shipments to Israel. The goal of this managed crisis is to set up Israel, under certain circumstances, to strike "independently" as a breakaway ally — for which the U.S. could refuse responsibility.

But ironically — in explicitly contradictory style — Carter is moving behind the scenes to draw Israel into the NATO framework. A West German diplomat said this week that certain U.S. circles are seeking to bring Israel into NATO, although powerful opposition to that policy exists in the U.S. itself and almost overwhelming hostility in Western Europe, which does not want to involve itself in Middle East military questions. However, a spokesman for Senator Jacob Javits hinted yesterday that NATO and Israel might draw closer to halt

"terrorist actions."

"This might happen, but not through formal NATO channels," the aide to Javits said. "It will be through channels of communications through several capitals, between Paris, London, and Washington. Terrorist sabotage of the oil fields has been a subject of discussion for a long time, and the talk may arise again of contingency operations to secure oil. Remember, there are thousands of Americans in Saudi Arabia, in all sorts of capacities, and they could be useful under such circumstances."

Last week Javits asked the State Department to say which countries were responsible for international terrorism, and State responded by targeting Iraq, Libya, Somalia and Peoples' Yemen — setting up those four pro-socialist countries for Israel-NATO hit squads in reprisal for "blind terrorism" already under the control of Interpol via such agents as Carlos. Today, the *New York Times* slyly reported that "communist guerrillas" infiltrated into Saudi Arabia were probably responsible for the oil field sabotage.

Behind Oil Sabotage:

Saudis, USSR Back PLO, Prepare Dollar Bust

The political leadership of Saudi Arabia, including Crown Prince Fahd, the regime's most powerful figure, yesterday issued a resounding denunciation of the Carter Administration's energy program and demanded that the U.S. move immediately toward a settlement of the Middle East conflict that would include the establishment of an independent Palestinian state.

The Saudi statements — by Prince Fahd, Foreign Minister Saud, and Oil Minister Zaki Yamani — placed the Saudis and their vast oil and financial resources in direct conflict with all aspects of the Carter Administration's Middle East policy.

The Saudi offensive against Carter was launched yesterday with coordinated simultaneous press conferences by Prince Fahd, Foreign Minister Saud, and Yamani, Fahd, addressing the political core of the Arab-Israeli conflict, said that the "leaders of the Palestinian people" — recognized by the Arabs as the Palestine Liberation Organization — "will be willing to accept any peaceful solution" to the conflict provided that it includes "the establishment of a Palestinian state on the West Bank and the Gaza strip," now occupied by Israeli troops.

At the same time, leaders of the Israeli Communist Party (Rakah) held a press conference in Tel Aviv to say that the PLO is prepared to recognize Israel in exchange for the creation of an independent Palestine on the West Bank. The statement by Rakah was especially authoritative because Rakah and the PLO have just concluded an unprecedented series of bilateral talks in Prague, Czechoslovakia, at which the attitude of both parties toward a negotiated peace was discussed.

In addition, the U.S. Hearst news chain reported, May 8, that Soviet Ambassador to the U.S. Dobrynin, in a meeting with Carter and National Security Council chief Zbigniew Brzezinski, reported that PLO Chairman Yasser Arafat agreed, during his recent visit to Moscow, to accept a Soviet proposal to have the PLO and Israel extend mutual recognition — provided that Israel is willing.

The Saudi statement and the backup from Dobrynin and Rakah indicate evident political coordination between the Saudis and the USSR.

A commentary in the Soviet government daily *Izvestia*, May 8, lent implicit Soviet support to the Arab oil states against Israel. The article, citing the threat of Israeli-U.S. attacks on the oil-rich states of the Gulf, warned against "the dangerous repercussions of playing with fire so near the oil of Arabia."

In combination with their Middle East policy, the Saudis also made clear their opposition to the no-energy policy of Carter and White House energy czar James Schlesinger, who in 1975 was the principal architect of the scenarios for U.S.-Israeli-Iranian military threats to the Arabs, including Saudi Arabia.

"If importing countries themselves raise the domestic price of oil, through taxation or other means," Prince

Fahd told a *New York Times* reporter in reference to Carter's plan to jack up oil prices, "then the purpose for which we moderate our prices is no longer valid and we will have to raise our prices, too." The *Times* adds that Fahd "appeared to be hinting that he might oppose some or all...of President Carter's energy proposals."

In stark contrast to NSC and CIA predictions that the Saudis intend to cut back oil production, the Saudis yesterday announced the opening of two new oil fields with a capacity of 350,000 barrels a day, rising by 1979 to 1.2 million barrels a day.

In the U.S., several observers predicted a showdown between the U.S. and Saudi Arabia, speaking on behalf of the Arab world, when Prince Fahd visits Washington later this month. One source said that the chief weapon available to the Saudis is their "money weapon" — i.e.,

Kuwaitis: Arabs Must Mobilize With Europe Against Carter Energy Policy

"The U.S. has declared war on Europe and Japan in the field of energy and its long-term substitutes", charged Arab oil expert Faysal Al-Mazidi in the April 14 issue of the Kuwaiti newspaper *Al-Siassah*. Al-Mazidi called for all Arab oil-producing countries to align themselves with Europe to counter Carter's plan.

According to Al-Mazidi: "Last week president Jimmy Carter declared a halt to exports of enriched uranium, thereby opening a new page in the confrontation with the U.S. over energy substitutes. This confrontation will implicitly involve the oil-producing countries, whether they like or not. What is interesting is that, while there has been a rapid and strong reaction from Britain, France, West Germany, and Japan, the oil countries, including the Arab countries, so far do not seem to realize that the new large scale international war will affect them directly... Since the U.S. currently produces 70 percent of the world's consumption of uranium, halting U.S. exports means crushing Europe and Japan strategically in the matter of energy for several decades to come. Therefore, can the outside world discuss and decide on questions of energy without the Arab countries exercising their legitimate rights in this regard? The time is now very opportune for the Arab oil countries to achieve the advantage of becoming the stronger side by aligning themselves with the weaker side."

an Arab threat to pull their multi-billion dollar deposits out of the New York banks — but added that Brzezinski and Vance were planning to threaten the Saudis with an Israeli war strike should they pursue that course!

To counter the powerful effects of the Arab and Soviet peace initiative, the Carter regime has developed a tactic whose sole purpose is to set up the Arabs for an Israeli blitzkrieg á la 1967, according to the “breakaway ally” mode developed by the Rand Corporation. That tactic is Carter’s silly call for a “Palestinian homeland.”

The policy, first pronounced several weeks ago by Carter in a Washington press conference, was reiterated in Geneva after a meeting between Carter and Syrian President Hafez Assad. Said Carter, the U.S. favors “a resolution of the Palestinian problem and a homeland for the Palestinians.”

In the Middle East, and among all informed observers, it is well known that what Carter means by a “homeland” is exactly the opposite of an “independent Palestinian state,” demanded by the Arabs. Carter’s proposal, as developed by the Brookings Institution, would create a puppet state — like South Africa’s bantustans — on the West Bank, under direct Israeli-Jordanian military control. The PLO would be excluded from such a state, which under the Carter plan would be administered by the feudal leadership of the West Bank’s sheikhs and mukhtars and selected “camp police” from the non-PLO community.

That policy requires the physical and political extermination of the PLO in the region, an eventuality which is wholly unacceptable to the vast majority of the Arab world. Carter intends, in the coming weeks, to hand the Arabs an ultimatum: either accept the U.S.-dictated solution, including the destruction of the PLO or prepare for war.

Arab Options

At this point, there are only three options open to the Arabs.

First, the Arabs can capitulate to the U.S. dictate and fall to Vance’s armtwisting. This would involve the

Arabs’ rejection of the Geneva Conference (favored by the USSR) and their acceptance of a U.S.-sponsored “settlement” between Israel and Jordan *excluding the PLO*. However, such a move by Egypt, Syria and Jordan would incur the wrath of the Arab left — including Iraq, Libya, and Algeria — and, overwhelmingly, the Arab population. So far, there is no sign that they will buckle.

Second, the Arabs can go to war. This is not an unlikely possibility. Already, Saudi Arabia, Egypt and Syria have threatened to launch another round of warfare if the peace process is stalled. Prince Fahd, in his statement yesterday, said, ominously, that unless there is peace, “disturbances and tensions” will result, with the crisis “making one willing to resort to a military solution to solve the simplest of problems.”

As a warning, Egypt this week staged the biggest war maneuvers since the 1973 war in the Sinai peninsula. President Anwar Sadat personally watched over the war games, and said that the Arabs would go to war if need be to regain their rights. Assad said the same after his meeting with Carter in Geneva May 9.

But an Arab military option is foolhardy, since the well-armed Israelis are waiting to launch a lightning preemptive strike the moment the sign of an Arab buildup emerges — including attacks on Saudi Arabia and possibly Iraq and Libya.

Third, the Arabs can bust the New York banks and form an alliance with Western Europe’s anti-Atlanticists. This option, the Euro-Arab trade and development option, is a real possibility only if the Europeans act forcefully to back up the Arab-Soviet peace initiatives and with enough guts to challenge Rockefeller and Co. The withdrawal of Arab funds from New York would promptly dismantle the political control of Lower Manhattan over the U.S. Cabinet and NSC and giving impetus to the Cartergating process already begun.

A hint of this possibility was raised with the report that Assad, after seeing Carter, held a series of closed meetings with Swiss bankers in Zurich.

Carter Calls For ‘Special Relationship’ With Israel

In a May 13 editorial from Washington, *New York Times* columnist James Reston defines the Carter policy for the Mideast as “the policy of confusion,” a “masterpiece of imprecision” in which “nobody quite knows what it means, and everybody is vaguely suspicious.” While Carter “may be right” in such a policy, Reston suggests, a great deal of unclarity could be done away with if Carter followed the suggestions of the U.S. Congress’ pro-Israel bloc and committed the U.S. “by treaty to the defense of Israel within its pre-1967 boundaries.”

Following the spirit of Reston’s advice, the Carter Administration this week showed definite signs of shifting from its “breakaway ally” tactic with Israel and replacing it with a straightforward “special relation-

ship” extremely provocative to Arab nations. Meanwhile, enough confusion has been sown to maintain the “breakaway” mode intact, bringing the Israelis closer to a preemptive strike posture.

In response to strident appeals from U.S. Senators Case, Jackson, and Humphrey, Jimmy Carter twice on May 12, once in a closed door special session and again in a news conference, committed the U.S. to give Israel “special treatment” in regard to purchasing and acquiring super-sophisticated weaponry. In a letter to U.S. Congressmen, Carter affirmed that “it goes without saying that the U.S. will do everything necessary to ensure Israel’s security,” including giving “particular consideration ... to our military arms and coproduction arrangements with Israel.” Carter’s statement put

Israel on an equal status with the U.S.' NATO partners; the Israeli embassy in Washington declared that it was "very satisfied" by the President's remarks.

Emerging from discussions with Israel's Foreign Minister Yigal Allon May 11, U.S. Secretary of State Cyrus Vance had expressed identical sentiments. "We have a special relationship with Israel. We are committed to the security of Israel and we will make sure that Israel has the defense material to protect that security — including the advanced technology required."

Allon had rushed to the Vance meeting panicked that the U.S. was abandoning Israel because of weekend press reports from Washington that the U.S. had removed Israel from the "most favored" arms lists. After meeting with Vance, he declared, "We are satisfied." Allon claimed that he had been "given to understand" that the U.S. did not intend to "impose a solution" in the Mideast.

Breakaway Still in Play

Before Allon's visit, a state of near-panic existed in Israeli media over fears that the U.S. was undercutting Israel's security. The May 9 *Jerusalem Post* headlined

its lead story "U.S. Arms Plan Worries Israel," and reported that a high-level Israeli source — believed to be acting Premier Shimon Peres — had informed the Israeli Cabinet that Carter was jeopardizing an arms relationship "vital to Israel's security." Peres was cited warning that "experience shows that whenever the U.S. put forward its own proposals to solve the Mideast dispute, it entered into confrontation with either one side or both sides in the dispute." According to the *Baltimore Sun* May 12, Peres is preparing a "much tougher stance" toward the U.S. which will result in Israel dealing with the U.S. "on an equal basis." Some observers think this signifies increasing integration of Israel into NATO special operations structures.

The *Washington Post* May 12 noted that Israel's anxieties vis-a-vis the U.S. are "not altogether unfounded." On the same day, *New York Times* columnist Anthony Lewis asked "A Pre-Emptive Strike?" Lewis counterposed the "sincere" efforts of the Carter Administration to negotiate a Mideast settlement to efforts of the U.S. Israel Lobby, personified by Case, Humphrey, and Jackson, for a "preferred arms status" for Israel and a halt to U.S. attempts to "impose" an Arab-Israeli peace settlement.

Persian Gulf States Seek Stronger Ties With Soviets

Intense diplomacy underway in the Persian Gulf is shifting the area closer to the Soviet Union. Iraq is the major regional force motivating the shift, with an eye to realizing the long-sought-after Persian Gulf Security Pact, a regional military agreement which will neutralize the area in keeping with the Non-aligned Movement's "zone of peace" initiative for the Indian Ocean. In addition the Soviets and the British are reportedly working behind the scenes for neutralization of the oil-rich Gulf, to wrest it from the domination of Rockefeller oil interests.

According to the authoritative London-based weekly *Arabia and the Gulf*, the United Arab Emirates' Foreign Minister Suweidi is pushing his Gulf brethren towards closer relations with the Soviet bloc, to establish "balanced relations" with both superpowers. Suweidi's actions are based on the premise that recognition of Iraq's role in the Gulf, accompanied by a pro-Soviet posture moderating traditional Saudi-dominated ultra-conservative foreign policy, will undercut radicalism in the area. This new orientation is picking up steam and has been acknowledged by Kuwait, according to a well informed Washington source, who claims that Kuwait has broken with the Saudis over the issue of closer Soviet relations. Kuwait last month signed its first arms agreement with the Soviets, amounting to \$300 million, and is in the process of negotiating further trade agreements with the Soviet Union and East Germany. A Soviet delegation arrived in Kuwait this week to discuss trade and, further, to mediate the long-standing Kuwait-Iraqi border dispute, whose settlement will finally open

the door to a normalization of relations between the two countries and markedly shift the correlation of forces in the Gulf in favor of Iraq.

At the end of April, a highpowered Iraqi delegation embarked on a lengthy tour of the Gulf states to discuss the question of regional security. The delegation's visit to Kuwait included negotiations on the border issue, which revolves around rights to a large oil reserve spanning both countries. In an interview with a Teheran newspaper, Iraqi Prime Minister Saddam Hussein indicated Iraq's willingness to resolve the conflict, saying that Iraq would be willing to come to the defense of Kuwait once relations were normalized. Kuwait's semi-official newspaper *As Siyassah* editorialized that an end to the border dispute would benefit the entire Persian Gulf.

Following the departure of the Iraqi delegation early this month, United Arab Emirates President Sheikh Zayed issued a public statement stressing the need for a Gulf Pact, but emphasized that it would take time to reach unanimity between the Gulf states on its content. There are still significant differences among the Gulf countries on the formula for such cooperation.

Most notable is the antagonism between Saudi Arabia and Iran. All of the Arabs states, and Iraq most vehemently, are suspicious of any formal arrangement which would increase Iran's already sizeable military presence in the Gulf. Last month both Iraq and Kuwait had top-level contact with Iran over this sensitive issue. For the first time since the March 1975 signing of the Iran-Iraq border agreement, Iraq has sent its top military brass to Teheran to confer with the Shah. The

Iraqi Armed Forces Chief of Staff Abdul Jabbar Shanshal arrived in Iran May 1 at the invitation of Iranian Chief of Staff General Azhari, the Shah's brother, who visited Baghdad earlier this year.

In the wake of the talks with the Iraqi delegation, Kuwait's Defense and Interior Minister has announced his intention of visiting Baghdad for a series of meetings on the question of Gulf security, and the president of the United Arab Emirates has initiated a series of visits to "find the correct view" on a regional pact.

Saudi Nationalization Critical

Saudi Arabia's neighboring oil-producing states have recently been pushing Riyadh to finalize the takeover of the Arabian-American Oil Company (Aramco) thus delimiting the role of the four partners — Socal, Exxon, Texaco, and Mobil (all Rockefeller-controlled) — in the area. During a tour of the Gulf last month by Venezuelan President Carlos Andres Perez, following his surprise

second visit to Iraq, Perez issued a joint statement urging the Arab oil producers to fully nationalize, a pointed jab at the Saudis who are still negotiating with Aramco.

Circles associated with these multinational oil companies have once again begun to put tremendous countervailing pressure on Iraq to limit its activity in the Gulf. A Chicago source who works closely with the National Security Council emphasized that the U.S. is pressing for a political and economic alliance between Iran and Saudi Arabia which would include oil production programming between the two states. This, as he put it, would "cut into Iraq's oil markets and put the squeeze on." At the same time the Kurdish rebels, whose CIA links are widely known, have been retooled for renewed terrorism against Iraq's Ba'ath government. Such operations are ominously reminiscent of the 1973 Kurdish "uprising," when similar forms of internal destabilization were used to throw Iraq off guard — just weeks before the Mideast October war broke out.

'Kuwait Has Definitely Moved Closer To Moscow'

A Washington-based journalist well informed on Mideast affairs described the Persian Gulf shift toward closer links with the Soviet bloc in an interview this week.

Q: What do you think about the recent moves by Kuwait and the United Arab Emirates toward friendlier relations with the Soviets?

A: Kuwait has definitely moved closer to Moscow in its foreign policy — in fact there is a Soviet delegation there now. It's a trade delegation but it is dealing with political matters as well. One of the main reasons why Kuwait is renouncing its old traditional alliance with the Saudis and moving towards the Soviet Union is that the Kuwaitis hope that the Soviets will take a stand on the (border) problem Kuwait has with Iraq. They hope that the Soviets will dampen Iraq's enthusiasm for taking territory close to Kuwait's border which has a lot of oil. On both sides of the border, the Kuwaitis and the Iraqis are drilling into the same field. It seems right now that the Iraqis will strike the oil first, but the Kuwaitis want to reach an agreement with Iraq.

Another important element in the Soviets' getting closer to the Gulf states is that the Soviets hope to open up trade relations which by the 1980s will yield them oil in exchange for "know-how" and technology, the same kind of trade relations with the Gulf states as it has with Iran — I mean barter arrangements. In fact the split between Kuwait and Riyadh on the issue of the Soviets has reflected itself in a fight in the United Arab Emirates between, mainly, Abu Dhabi and Dubai. Oman is a prospective proponent for a pro-Soviet Persian Gulf outlook too.

Q: On Saudi-Iranian relations, what are the

chances for an agreement between the two countries?

A: The Saudis and the Iranians have been working on an economic and political agreement, one that would satisfy the Shah. This would primarily involve petroleum, where the two countries would engage in petroleum production programming.

Q: But wouldn't this hurt Iraq's oil sales if Saudi Arabia and Iran coordinated their output and sales?

A: Yes, it would definitely affect Iraq adversely. Part of the incentive behind such an agreement would be to contain Iraq through the oil markets which Saudi Arabia and Iraq could control jointly. It would hurt Iraq more than Kuwait. I do not foresee in the near future that the Saudis or the Iranians will sign any kind of military pact. Neither one would be willing to come to the other's defense in the event of trouble; that kind of relationship will take much more time.

Q: Have you heard of a reported \$3 billion loan which Saudi's King Khalid offered the Shah?

A: Yes, King Khalid proposed to the Shah some time ago that he would extend a \$3 billion credit to Iran at low interest and long term, if Iran was hurt by the increase in Saudi oil production. Remember that almost all of the increased production in Saudi Arabia is heavy crude, which is also the majority of Iran's output. The \$3 billion is an assurance from the Saudis to the Iranians that the Saudis do not want to harm Iran's economy by stepping up their output. However, if the Saudis, say, were to raise production really drastically and suddenly, then this could enrage the Shah and cause trouble, seriously straining relations between the two states. Right now I would say that relations between the two countries are correct.

Warnke Threatens First Strike

Within the last week, the President of the United States and his advisors have issued a series of statements which provide conclusive evidence that the Trilateral Commission's Administration is committed to provoking a thermonuclear showdown with the Warsaw Pact.

In a manner strongly reminiscent of the captain of a suicide squadron on the eve of a battle, chief U.S. arms negotiator Paul Warnke announced to the press here May 8 that the United States is preparing a nuclear first strike if the upcoming Strategic Arms Limitation Talks do not conform to Washington's desires. "New developments in strategic weapons could increase the danger of nuclear war and might tempt one of the two superpowers to mount an unanswerable first strike against the other." This, he continued, "would be done because of the fear you won't be able to strike second."

Combined with his new "non-negotiable" demands for "on site verification" of arms agreements, Warnke's statements are a bald provocation to Moscow which have sent negotiators to Geneva despite the fact that the USSR had unconditionally rejected the Administration's original SALT package that called for the USSR to dismantle its Research and Development programs. Warnke's statements also come one week after Soviet breakthroughs in electron beams and laser technology were published in the U.S. and European press.

Speaking from this week's NATO meeting in London Warnke stated: "If permission (to inspect missile sites now visible by satellite — ed.) were refused, it would raise suspicions that the challenged nation was cheating...." The Soviets should comply *before* the U.S. Mark 12A nuclear warhead (a new wonderweapon alleged to be able to hit military installations and missile silos with greater accuracy) is deployed, Warnke continued, since this warhead "could be viewed by the Soviet Union as an attempt to acquire a first strike capability."

Carter's Strange Style

Jimmy Carter's speech before the NATO foreign ministers was equally belligerent. Carter accused the USSR of "seek(ing) to preserve the present conventional imbalance and to impose national force ceilings." He lied that "the Soviets have rejected every SALT and MBFR proposal the U.S. has made" since 1965 — a statement which blatantly exposes his view that the "U.S." is equivalent to Rockefeller family interests rather than the government which signed the 1974 Vladivostok accords. While calling for a major buildup of NATO conventional forces, Carter suggested that the Berlin

Wall, the East Germans' protection against massive subversion since the CIA-instigated riots of the 1950s, be removed. It is "a very dramatic indication of the hunger for freedom among people who live in East Germany. I don't know how to express any hope that it might be removed."

According to the London *Daily Telegraph*, Carter is making policy on the basis of an expected change in the Soviet leadership and against his own Western European allies who "are not certain in their own minds if they will still be in office next May."

At the NATO meeting, Carter also called on his allies to draw up special guidelines for countering domestic insurgency from Eurocommunists. Carter apparently warned, according to press accounts, that mass demonstrations could impede NATO mobilization in case of Soviet attack.

The tone of Mr. Carter's statements was sounded by Admiral Kidd, Supreme Allied Commander of the Atlantic, who called for "new initiatives" to improve sealift potentials for Europe by commandeering European merchant ships "as soon as they are needed," and not only after hostilities have begun.

U.S. Defense Secretary Harold Brown has struck a similar posture during his European trip. Brown declared to NATO members that the Soviets were on the verge of a conventional weapons "blitzkrieg" against the West, and demanded a vigorous conventional weapons buildup in Europe. The French press of May 10 revealed that Brown also envisages the deployment of the cruise missile (the now-banned tactical nuclear drone) throughout Western Europe, a deployment that would signal U.S. intent to initiate tactical nuclear warfare against the Soviet Union.

However, the Carter Administration has no intention of delivering on its promise for a first strike against the Soviet Union. Its provocative statements are meant to cow the Soviet leadership while the U.S. proceeds to win regional wars. The Soviet Union has made clear it will not tolerate such an approach. The Carter Administration, which cannot understand that any new war will be nuclear and total, is unable to see the relationship between its actions and their consequences, as Carter's stated commitment to limited nuclear warfare at NATO made clear: "The United States supports the existing strategy of flexible response and forward defense. We will maintain an effective strategic deterrent, we will keep diverse and modern theater nuclear forces in Europe and we will maintain and improve conventional forces based here."

Schmidt Leads European Rejection Of Carter War Plans

The Italian newspaper *Corriera della Sera* last week compared U.S. President Carter's crumbling international image and his calls for Dark Age energy austerity with one of Hieronymous Bosch's phantasmagoric little monsters. After a week of consultations with the fraudulent Mr. Carter, Western Europe's leaders have become convinced, to varying degrees, that the U.S. Administration is heading the world towards a nuclear holocaust more horrible than the nightmare depicted by Bosch.

The balance of the "Downing Street" summit, the "three powers" meeting on Berlin, the North Atlantic Council meeting, and numerous side meetings, is Europe's clear refusal to support the cornerstones of Carter's policies. There was no agreement on an inflationary bailout for the bankrupt international monetary system; Europe refused to halt its ambitious nuclear development and export programs; there was no effective consensus on Carter's "human rights" provocations; and a deep reluctance was manifested towards undertaking any military actions which the Soviet Union could interpret as preparation for war.

Over the week, West German Chancellor Helmut Schmidt emerged as the most respected and coherent spokesman for Western Europe's actual interests. Following the North Atlantic Council meeting, he dismissed Carter's calls for increased arms build-up with a few polite words, and proceeded to lambast "certain publishers and generals" for advocating knee-jerk military reactions to the Soviet Union's growing military-strategic superiority over NATO. "It would not be good for the feelings of 60 million Germans, if all their efforts at détente were in vain," he said. Schmidt repeated his determination to conclude a serious settlement at the Mutual Balanced Force Reduction talks in Vienna.

Schmidt's efforts at arms reductions have nothing at all to do with the fakery planned by U.S. negotiator Paul Warnke for the Vienna talks. This is demonstrated by an article appearing in *Wehrkunde*, an influential forum for conservative layers within the NATO command. The article accuses both the "doves" represented by Warnke, and the "hawks" of the Nitze variety, of being equally misguided. They have both been merely "discussing around nuances," without realizing that Soviet commitment to prepare for total war "is a foreign body in a system of balances." *Wehrkunde* concludes: "The fact that the Soviet Union, with its striving for military superiority, obviously does not accept the system of mutual deterrence, fundamentally means no more and no less than the total failure of America's security policy."

This is the light in which Schmidt and Italian Prime Minister Giulio Andreotti have time and again warned

Carter about his irresponsible and dangerous "human rights" provocations. In an interview with the Italian daily *La Stampa*, Schmidt directly attacked Carter for using the expanded "Radio Free Europe" and "Radio Liberty" operations to jam important radio transmissions from East bloc countries.

Not all European leaders, however, are as clear as Schmidt and Andreotti about the full extent of Carter's plunge towards war. Contrary to West Germany, the Rothschild-influenced government of Great Britain is giving unreserved support to U.S. proposals to bail out the International Monetary Fund with the infamous "Witteveen facility," and the British press has been full of praise for Prime Minister James Callaghan's "good working relationship" with Carter. As a gesture of goodwill, Callaghan has just sent his son-in-law, Peter Jay, to head up the British embassy in Washington.

"We've got a very good situation in NATO, a good perspective for increasing its strength which at present is evolving increasingly around the French. The French are working to build up their forces as a model of what other European countries should be up to militarily. You know everyone says that France is out of NATO but that's not true. They are only out of the military chain of command. They are participants at every other level however.

"The British are squeezed for economic reasons and the Germans are slightly less enthusiastic, but with France in there we can pull the Dutch, Belgium and Norway to support a real military growth program."

— Dr. Donald Brennan, Hudson Institute and Committee on the Present Danger May 12, 1977

The goodwill stops short, however, when it comes to the actual effects of such policies on the British economy. While Callaghan silently sat through Carter's warmongering speech on NATO, the domestic press was rejecting the idea of any increase in military spending. The *Financial Times* specifically warned against U.S. efforts at arms standardization, which is synonymous with U.S. attempts to squash Europe's own growing high-technology industries.

French President Valéry Giscard d'Estaing's role, on the other hand, was full, if low-keyed, support of Carter. Although France did block with the rest of Europe on the question of nuclear energy, the formal position of France outside of NATO allowed Giscard's insane Zaire intervention to get by with relatively little open discussion.

The Summit

Contrary to desperate contortions of the major U.S. press to portray the London summit meeting as a "victory" for the U.S. President, it is universally understood in Europe that Schmidt and the other heads of state merely "agreed to disagree" with Carter. On the crucial issues of the monetary system, inflation and unemployment there were fine words and no action, the outcome of which will be a further exacerbation of the Rockefeller banks' desperate situation. The same was true for the issue of protectionism.

But on the nuclear energy question this same "agreement to disagree" had the definite quality of a European victory. According to the *Washington Post*, Chancellor Schmidt has forced Carter to drop completely his attempts to sabotage West Germany's \$5 billion nuclear technology deal with Brazil. As one Carter aide defensively put it, "We never *really* intended to make the West Germans back off!" Now that the Soviet Union has reaffirmed its commitment to a breeder-based energy economy, no power in the world could shake Europe from their nuclear programs.

Hence, much of the sickly-sweet coverage of Carter in the European press is merely praising him for being a good loser, undergoing a "learning process," as the *Frankfurter Allgemeine Zeitung* has put it.

The spirit of the summit was continued in the communiqué on Berlin signed by Schmidt, Carter and Giscard. Although it had been advertised as a "harsh warning" to the Soviet Union with intimations about the Middle East and Africa, the actual communiqué is a jumbled compromise. Strict adherence to the existing Berlin agreements, it says, is "indispensable to the continued improvement of the situation and essential to the strengthening of détente, the maintenance of security and the development of cooperation throughout Europe."

But contradicting this Schmidt-inspired affirmation of the Helsinki accord, another clause provocatively says that the three Western powers will resist infringement "in all of Germany and in all four sectors of Berlin." Perhaps this jumble is what prompted Carter to mix up his programmed learning sequences and tell some astounded journalists that "We maintain, as you know, American, French, British and West German patrols in East Germany...."

The real reason why the U.S. felt compelled to issue a statement on Berlin, is the imminence of a significant breakthrough in East-West relations centering around the West Berlin question. Dietrich Stobb, the new Mayor of West Berlin, is a known supporter of Chancellor Schmidt, and has been moving rapidly to transform the local administration from an instrument of psychological warfare against the East bloc into an important confluence of East-West economic relations. The Soviet Union has given positive signals in return: Soviet ambassador to East Germany Falin recently praised Mayor Stobb for not being "burdened by the past," thus opening the doors to expanded cooperation.

Although less likely to produce a clear-cut victory for anti-Carter forces, the Helsinki follow-up conference in Belgrade is still the center of a number of important initiatives. At this week's meeting of the Western European Union, a European defense grouping within NATO, the Maltese delegation has proposed that the issue of Mediterranean security be included on the Belgrade agenda, thereby giving Europe and the East bloc countries a chance to put public pressure on the psychotic government of Israel and its U.S. controllers. The meeting also endorsed a strong pro-Helsinki resolution put forward by Italy's Andreotti government in collaboration with the Communist Party, which has a de facto alliance with Andreotti particularly on such foreign policy matters.

Ask Wartime Powers For Schlesinger's Energy Dept

Months before President Carter's energy policy address to the U.S. Congress, a team of policy makers headed by James R. Schlesinger had set forth their plans for implementing Carter's April 21 proposals.

To scrap U.S. scientific and technological capacities in a "predictable and certain" fashion, these Rockefeller-linked think tankers announced that they required a cabinet-level Department of Energy, chiefed by former Secretary of Defense Schlesinger, and invested with dictatorial war-time powers to set energy production levels and to determine fuel prices — with the aid of the U.S. armed forces if necessary.

The creation of such a national energy police bureau, demanded by Carter "without delay" on April 21, is the meat of the Energy Reorganization Act (Senate Bill 826, H.R. 4263), introduced by pro-Carter Senators Ribicoff (D-Conn.), Humphrey (D-Minn.), Nunn (D-Ga.), Percy (R-Ill.), and others in March and scheduled to be considered by Congress next month.

This legislation would institutionalize under Schlesinger's control an extra-constitutional branch of the U.S. government, exercising what British empiricist John Locke characterized as the "fourth, coercive power of government." An April 7 amendment to the bill by

Massachusetts Senator Ted Kennedy tells the whole story. The Kennedy amendment would authorize the Energy Department to create its own consumer affairs office responsible nationally for "every aspect of energy production, transportation, distribution, retailing, and even use." Moreover, Schlesinger's agency would be empowered to carry out any program of control it chose, completely bypassing the Congress in the process.

Cutting out the Congress

The Energy Reorganization Act "eliminates entirely the requirement for any further authorization," Rep. Walter Flowers (D-Ala.), charged at recent hearings on the bill before the House Government Operations Subcommittee on Legislation and National Security (see EIR, April 19, 1977; Vol. IV, No. 16). Flowers' aide, following the hearings, added that the bill gives Schlesinger a "blank check," while congressional oversight would be virtually eliminated."

According to the testimony of American Federation of Government Employees President Kenneth Braylock at the same hearings, the new Energy Department is modeled on the CIA's personnel structure. Braylock condemned provisions in the bill authorizing former CIA Di-

The Energy Reorganization Act

The following are excerpts from Senate Bill 826, the Energy Reorganization Act, which was introduced for the Administration on March 1 by Senators Ribicoff, (D-Conn.), Byrd (D-W.Va.), Chiles (D-Fla.), Cranston (D-Calif.), Glenn (D-Ohio), Heinz (R-Pa.), Humphrey (D-Minn.), Inouye (D-Haw.), Jackson (D-Wash.), Javits (R-N.Y.), Nunn (D-Ga.), Percy (R-Ill.), Randolph (D-W.Va.), Roth (R-Del.) and Stevenson (D-Ill.). A house version of the bill, H.R. 4263, has also been introduced.

The excerpts are limited to sections dealing with the creation of a "volunteer" force and bringing in other personnel outside of Civil Service accountability. The Energy Secretary's authorization to use the armed forces is also included:

Sec. 607 "...he (the Secretary) may appoint not more than six hundred of the scientific, engineering, professional, and administrative personnel of

the Department without regard to such (Civil Service) laws..."

Sec. 611 "... (a) The Secretary is authorized to recruit, train, accept, and utilize, without regard to the civil service and classification laws, rules, and regulations, the services of individuals without compensation as volunteers for or to the aid or facilitate the work of the Department...

(c) Except as otherwise provided in this section, a volunteer under this section shall not be deemed to be a Federal employee and shall not be subject to the provisions of laws relating to Federal employment..."

Sec. 612 "(a) The Secretary is authorized to provide for participation of Armed Forces personnel in carrying out his functions. Members of the Armed Forces may be detailed for service in the Department by the Secretary concerned...pursuant to cooperative agreements with the Secretary."

rector Schlesinger to "recruit, train, accept, and utilize, without regard to the civil service and classification laws, rules and regulations" an unlimited number of "volunteers" still on company or foundation pay rolls. A well informed Capitol Hill source described these powers as an "absolute prerequisite for enforcing Carter's energy program." Particularly important, he added, is the provision authorizing the use of the volunteers, which will bring "Nader's raiders" of every stripe directly into the Department. An assistant to Braylock pointed out in an interview that the Ford Foundation's zero-growth president, McGeorge Bundy, for example, could join the Department in a top position and "do as he damn pleases without being subject to conflict of interest regulations." The legislation also designates Schlesinger — not Congress — the task of defining the functions of five out of eight assistant secretaries in the new department.

At a March 1 White House press conference where the Energy Department legislation was first unveiled, Schlesinger tried to pass off the Administration's proposal as being "purely a reorganization statute... What we are talking about today, I should stress is not policy," Schlesinger said. "It is an instrument."

Yet following Schlesinger's briefing, one quick-witted reporter asked him why "the same agency would be setting home installations standards and producing nuclear weapons." Others chided him on leaked specifics of his energy package.

The Fourth Branch

Beginning as early as 1832 with the passage of the British Reform Act, government reorganization actions have characteristically been instituted to further the looting and plundering rights of monetarist actioneers. From the World War I era, the War Industries Board and similar extra-constitutional bodies created during Roosevelt's New Deal to the Hoover Commission restructuring of government during the Korean War, the fundamental premise of these bodies have been based on carrying out

Locke's "fourth coercive power of government."

The proposed Department of Energy most strikingly resembles President Woodrow Wilson's War Industries Board (WIB) created during World War I to conserve resources, set prices and determine priorities of production and distribution in industry — exactly the charges of Carter's Department of Energy. Implementation of the WIB's full war powers was rammed through Congress in an atmosphere of crisis following the severe 1917-18 winter when heavy snows blocking the railroads resulted in East Coast fuel shortages. WIB power was further enhanced when Wilsonites in Congress, like George E. Chamberlain (D-Ore.), charged that the war effort was collapsing because of "inefficiency in every bureau and in every department of the Government." This crisis-induced control of industry was repeated by President F.D. Roosevelt in the National Recovery Act and World War II's War Production Board. In fact, New York Times columnist C. L. Sulzberger has praised Schlesinger as a "more intellectual" reincarnation of FDR braintruster Harold Ickes.

GAO: Not Far Enough

On March 24 the Brookings Institution-founded General Accounting Office — the Administration's own Capitol Hill think tank — issued a report, "Energy Policy Decisionmaking, Organization, and National Energy Goals," which urged Congress to amend the legislation by giving the Secretary of Energy even greater powers! Specifically, the GAO report urged Congress to place "health and safety" regulations, a code term for environmental regulations, under Schlesinger's control since it is these regulations which will "more than anything else... pace nuclear development in the years ahead." The GAO also recommends that sections of the legislation be reversed to give the Energy Secretary veto power over the automobile fuel economy standards program" rather than the Secretary of Transportation who would be left with an advisory role.

GAO Urges Congress To Toughen Up Energy Dept. Bill

The General Accounting Office (GAO) issued a report on March 24 which characterizes the Carter Administration proposal to create a new Department of Energy with wartime powers over U.S. energy use as a "step in the right direction." The report, in fact, urges Congress to amend the legislation to give the Secretary of the new department even more power. The report, "Energy Policy Decisionmaking, Organization, And National Energy Goals," was written at the request of Senators Ribicoff (D-Conn.) and Percy (R-Ill.), chairman and ranking minority member of the Senate Committee on Governmental Affairs which has jurisdiction over the energy reorganization legislation.

In summary, the GAO report urges Congress to view the Administration's reorganization proposal as a first step towards enacting a more comprehensive Depart-

ment of Energy and Natural Resources (DENR) which would give the Secretary of Energy and Natural Resources control not only over energy functions but power over policy making now invested in the Department of Agriculture, the Army Corp of Engineers, the Water Resources Council, the Environmental Protection Agency, the bulk of the Department of the Interior and other agencies dealing with Natural Resources. The GAO — the government's Capitol Hill thinktank which has been under the control of Wall Street financial interests from the time it was formed by the Brookings Institution in 1921 — first proposed the DENR in 1974. On Jan. 15, 1975, a bill to create such a department was introduced into the 94th Congress as S. 27.

"Nothing in the (energy reorganization, ed.) legislation proposed by the Administration is inconsistent with

the movement toward the establishment of a Department of Energy and Natural Resources," the GAO report states. "We generally endorse its enactment." The GAO asks Congress, however, to consider "several residual issues" in enacting the legislation. These issues include:

Energy Conservation: The GAO report is concerned that the Secretary of the Department of Energy would have "only an advisory role in recommending goals for the automobile fuel economy standards program which would continue to be the responsibility of the Department of Transportation." The GAO recommends that this arrangement be reversed with the Department of Transportation having an advisory role. This recommendation is fully consistent with an amendment to the reorganization act introduced by Sen. Kennedy (D-Mass.) on April 7.

Energy Regulation: The report urges Congress to carefully examine the "implications of the inclusion of energy regulatory functions within an energy department." It specifically analyses the role of economic and health and safety related functions and recommends that these functions be handled jointly, while the policy and promotional aspects of energy are considered elsewhere in the department. The GAO attacks the Administration's proposal for placing economic regulation within the Department while leaving health and safety functions of both the Nuclear Regulatory Commission and

Department of the Interior within those agencies.

"We remain somewhat skeptical as to whether so-called 'health and safety' regulation can any longer be construed as truly 'noneconomic' in nature. Most, if not all, energy health and safety regulatory decisions affect the cost and timing of various forms of energy... More than anything else, the regulatory decisions of the Nuclear Regulatory Commission are likely to pace nuclear development in the years ahead."

Energy Coordination: The report urges the formation of a "high-level coordinating council" in the Executive Office of the President to be headed by the Secretary of the Department of Energy.

GAO Oversight: The GAO asks Congress to grant it the power to monitor the activities of the Department of Energy for Congress. "Because of the importance of energy as a national issue, the Congress may find it useful to reaffirm GAO's existing authority and statutorily assign GAO the responsibility to continuously monitor, evaluate, and report as it deems appropriate on the policies, plans, and programs of the Department of Energy with particular emphasis on the aspects needing close congressional scrutiny. As part of this reaffirmation, specific authority should be provided for access to all data and information within the possession or control of the Department."

Congress Snipes At Carter Energy Plans — But Won't Fight Whole Package

President Carter received a number of stinging setbacks to his most cherished legislative programs in the Congress last week, but won passive acceptance of fundamental institutional "reforms" which erode constitutional government. Thus, a House committee voted to maintain the Clinch River breeder reactor project which the Administration wants to shut down, but committees on both sides of the Hill passed the Dept. of Energy bill giving James Schlesinger police-state powers to impose the Carter energy austerity program.

The House Science and Technology Committee answered Carter's demand for an "indefinite delay" on the demonstration Clinch River (Tenn.) breeder reactor with a unanimous vote (37 to 0) to maintain the project. The committee action came after the Administration's proposed ban on plutonium (the fuel used in fast breeder reactors) technology was forcefully rejected at the International Atomic Energy Agency conference in Salzburg by the USSR, and the West Europeans and Japanese followed suit at the London summit.

Reflecting this international climate, the chairman of a fossil fuel and nuclear research subcommittee of the Science and Technology Committee Rep. Walter Flowers held a press conference after the vote and declared: "I'm convinced that every nation will have to go ahead with the breeder program... for economic development."

Asked by a reporter if he expected a call from Mr. Schlesinger, Flowers replied, "The administration is in the audience, and I don't think they're going to be very happy."

The Senate counterpart to the Flowers subcommittee, chaired by Frank Church, is expected to follow the House example and vote to restore Clinch River and the plutonium reprocessing at Barnwell, S.C. In a telephone interview with the Washington Post the day of the House vote, Church said, "I don't think there's anything to be gained by the U.S. renouncing the breeder and stopping developing the technology if the rest of the world is not going to follow suit."

At a recent speech at the Massachusetts Institute of Technology, Church doubted that Carter could convince even U.S. allies to forego reprocessing plants that produce plutonium and breeder plants that produce it. The breeder reactor is the "only technology which holds out the promise of relieving Europe and Japan of an unremitting dependence on foreign-held fuel supplies," Church said. "The flaw in the Administration's plan is that it fails to offer a satisfactory substitute for the world's diminishing supply of oil."

Despite brave talk, however, the House Committee voted the week before to retain Carter's 20 percent cuts in ERDA's nuclear energy budget, and even the Repre-

sentatives most vociferously opposed to the Carter energy plan have left this policy of destroying research and development unchallenged.

This callow disregard by congressmen for long-range consequences to the nation was most reflected in the fact that the Dept. of Energy, already widely identified as creating an extraconstitutional "fourth branch" of government, breezed through committee in both House and Senate May 9. Not one Senator on the Government Affairs Committee voted against the bill, and its House counterpart rubber-stamped the legislation 37 to 2. The only significant alteration to the Administration's bill was the addition of a "regulatory board," a body hand-picked by Carter to set natural gas prices and divert criticism away from Schlesinger. While the House version jabbed here and there at some of the bill's more outrageous features, such as the provision allowing Schlesinger to recruit an energy SS of "volunteers" outside any other government control, the core of Carter's extralegal apparatus remained untouched.

All sides are now predicting easy passage when the bill reaches the floor of both houses sometime within the next two to four weeks. Although some Congressmen are planning to wage a fight over specific aspects of the bill, particularly the role and organizational location of the Federal Power Commission, only a handful are ready to reject the legislation as a whole.

Similarly, the Energy Research and Development Administration's order to destroy 250,000 booklets on nuclear energy has gone uncontested in Congress. The rationale for the bookburning is that the booklets contained "errors" — they favorably describe the "efficient and

economical" energy potentials of plutonium reprocessing and the fast breeder reactor.

Edwin Stokely of ERDA's Office of Public Affairs explained the decision to destroy the booklets was made the week after Carter condemned the advanced nuclear technologies as "dangerous" and contrary to his no-growth energy plan. Asked why such preemptory action was taken while policy on reprocessing and the breeder is still being debated in Congress, Stokely answered, "I'm just a civil servant doing my job." The only publicized reaction to this lawless action to date appeared in the May 12 issue of the *Knoxville Oak Ridger* which called Schlesinger's suppression of the ERDA report "Hitlerian."

In related Congressional action and inaction, the House Appropriations Subcommittee on Public Works voted overwhelmingly May 10 to restore 17 of 18 water projects cut by Carter and to begin new construction on 12 additional projects.

The following day a House Health Subcommittee sniped at Health, Education, and Welfare Secretary Joseph Califano on the Administration's proposal to slash hospital costs by drastically cutting back health care. Reps. Rostenkowski (D-Ill), Pike (D-NY), and Gradison (R-Ohio) all expressed reservations, with Gradison observing, "We're being asked to buy a pig in a poke."

In two instances this week — votes on Carter's consumer agency legislation and Carter's on-site registration electoral reform bill — last-minute arm-twisting by Vice President Mondale in the early hours of the morning saved the Administration from "certain" defeat. Before Mondale's intervention, a congressional rebellion had been widely touted by the President's opponents.

Carter Vote Bill Debate: A New Watergate?

Voicing the growing sentiment on Capitol Hill that the Carter Administration is suppressing opposition to its program, Senator Mark Hatfield (R-Ore.) this week termed the Justice Department's handling of its testimony in favor of the Administration's Universal Voter Registration bill a "cover-up that has all the earmarks" of a new Watergate. Such claims by Hatfield and other Senate Rules Committee members led the White House to deploy Vice President Mondale to personally pressure committee members to support the faltering bill. The bill was subsequently reported out of committee on May 13 by a vote of 5-4.

Mondale is credited with having swung the vote of Sen. Claiborne Pell (D-R.I.) against a resolution presented by Sen. Hatfield and Sen. Griffin (R-Mich.) to cross-examine Attorney General Bell and other Justice Department officials on the cited cover-up of internal Justice Department memos warning against the bill. Pell admitted receiving "several phone calls" from Mondale,

resulting in his promise to help the bill leave the committee despite his claim that "I have no commitment to support it on the Senate floor." The arm-twisting of Pell resulted in a 5-4 vote against the Griffin-Hatfield resolution and the later favorable vote on the bill itself.

White House pressure tactics have angered committee members and other congressmen who have charged that the Administration has not acted in good faith. Soon after the Rules Committee voted on the bill, members of the Senate Judiciary Committee were discussing undertaking their own investigation of the cover-up charges. Griffin, Hatfield, and Sen. Allen (D-Ala.) have pledged to take the fight, including their evidence of material which was suppressed from the committee, onto the floor of the Senate.

One, Two, Many Memos

Despite White House claims to the contrary, at least three memos have circulated within the Justice Depart-

ment which warn against the potential for a massive increase in successful vote fraud attempts were the Carter bill to become law. The first memo (printed below), requested by Sen. Griffin, was initially withheld on grounds of "executive privilege" by Deputy Attorney General Flaherty, and subsequently released. The second memo was released to the Senate Rules Committee, where it was entered into the hearing record. That memo was written by Thomas Henderson, head of the Criminal Division's Public Integrity Section, in the form of a telegram to all U.S. attorneys. The third known memo, whose existence is denied by White House liaison in the Justice Department's public information office, Bob Havel, was written by the Civil Rights division. In an interview, Havel blustered "there may be more memos" but claimed that "we don't have to make public every internal memorandum that comes along." Sources on Capitol Hill reveal that Havel may be right about additional memos in the form of reports written from the field by U.S. District Attorneys warning against the bill.

The reasons for the Administration's reluctance to produce the memoranda publicly is clear; not only do they plainly contradict Administration assertions regarding the bill, but the question of vote fraud in the 1976 election is open, and if pursued intelligently would lead to im-

peachment and criminal proceedings against Carter, Mondale, and most of the Administration.

The "Griffin memo," published below, authored by Craig Donsanto, for the first time publicly links the indictment of 25 election workers in Louisiana to the new "easy registration" on the books there. The Administration beat a hasty retreat on the Louisiana case: illegally elected former Rep. Richard Tonry (D-La.), whose campaign staff led the Carter vote drive there, tendered his resignation from the Congress on the very day that the cited memorandum was released. A week later, on May 12, Tonry was indicted by a Federal grand jury for soliciting illegal campaign contributions and his subsequent attempts to "cover-up."

The fraud issue and Administration's cover-up of opposition to its bill has drawn fire from other quarters which have raised the 1976 election. Sen. Robert Dole (R-Kan.), Gerald Ford's running mate, spoke before a New Jersey GOP meeting and reported that vote fraud had been found on a large scale in Milwaukee, Wisconsin, a state where the on-sight registration is already in effect. Dole went on to charge that a "cover-up" had been made of such evidence by the new Administration in an effort to expedite its own legislation.

Justice Dept Memo Warns

Vote Bill Would Make Fraud Easy

The following is the full text of an internal Justice Department memorandum dated April 1 and commenting on the proposed testimony of Attorney General Bell on the subject of House bill H. R. 5400 on voter registration. Also reprinted here is a copy of the letter accompanying the memo which was sent by Deputy Attorney General Flaherty to Senator Robert Griffin of Michigan; similar letters were sent to Senator Howard Cannon, chairman of the Senate Rules Committee, and Rep. Frank Thompson, chairman of the House Administration Committee.

DATE: 4-1-77

TO: Raymond S. Calamaro, Acting Deputy Assistant Attorney General-OLA

FROM: John C. Kenney, Deputy Assistant Attorney General, Criminal Division

REMARKS: Attached are the comments you requested on H.R. 5400. While Mr. Civiletti has not personally read the memorandum, he is aware that it emphasizes the need for the Attorney General to be aware that enactment of this legislation will probably create substantial enforcement problems for the Criminal Division. It may be that the Attorney General will consider it appropriate to make some recognition of these potential enforcement problems during the course of his testimony. Accordingly, it is suggested that a copy of the attached memorandum be made available to the staff of the Attorney General in connection with any revision of the Attorney General's proposed testimony.

Raymond S. Calamaro

Acting Deputy Assistant Attorney General
Office of legislative Affairs

Benjamin R. Civiletti

Assistant Attorney General
Criminal Division

Comments on H.R. 5400 Testimony by Attorney General

At your request, we have reviewed the testimony which the White House has apparently suggested that the Attorney General give before the House Administration Committee on April 6 during hearings on H.R. 5400. This bill is the Administration's proposal to do away with pre-election registration requirements which the vast majority of the 50 states presently impose as a prerequisite to the exercise of the federal franchise, and substitute in their place a system permitting otherwise locally-eligible electors to register at the polls on the day of an election.

I. THE BILL

We emphasize at the outset that this Division has not had any input into this bill. We have not even seen a copy of the bill, and our comments thereon have never been sought.

The proposed legislation, from sources available to us, would appear to supercede state and local voter registration procedures with a uniform procedure applicable to all contests for Federal office. The Federal procedure under H.R. 5400 would permit an individual who is otherwise qualified to vote under the state law to register to vote at the polls on the day of an election. To prevent abuses of this relaxed registration procedure, H.R. 5400 would create a new Federal felony to punish those who willfully or fraudulently cast ballots under its provisions, add a level of administrative sanctions to be enforced by the Federal Election Commission, and permit local poll officials to require electors seeking the franchise by virtue of these relaxed provisions either to produce some identification before being permitted to vote, or to execute affidavits attesting to the fact that they meet local voting requirements.

If these preconditions are met, H.R. 5400 would require local voting officials to extend the federal franchise notwithstanding an elector's failure to comply with state registration laws.

II. THE PROPOSED TESTIMONY

The testimony which it is suggested the Attorney General give on this bill is highly commendatory of its purpose of facilitating the exercise of the franchise, critical of present state registration laws as "outmoded and unnecessary," and strongly in favor of H.R. 5400's enactment.

III. DISCUSSION

Personally, based on our enforcement experience in the election law field, I do not share these observations and conclusions. I oppose the concept embodied in H.R. 5400 as a dangerous relaxation of what precious few safeguards presently exist against abuse of the franchise. Most certainly, I would not recommend that the Attorney General support this legislation in the proposed glowing terms without expressing some caveats based on enforcement experience.

A. Function of Pre-registration

Voter registration statutes presently on the books of the vast majority of the states usually require that a prospective voter present himself at the appropriate registration office at least 30 days prior to the election in which he wishes to vote, and there provide pertinent data concerning himself and his residence in the election district. He is also customarily required to provide information about where he may have been registered to vote previously to enable the prior registration to be purged before the new one becomes effective, and to provide a sample of his signature which can be used at the polls during the election as a control to assure that the registrant and the person who seeks to vote in his name are the same person.

These requirements serve at least two critical functions in preserving the integrity of our elective system:

First, the fact that a prospective voter is required to appear in person and to provide pertinent information

about his qualification to vote at least 30 days before an election provides local election officials with ample time to check the veracity of his claim to the franchise to assure that previous registrations he may have had are voided before the election takes place. This in turn insures that a registrant is indeed qualified to vote in the place where he is seeking the franchise, and that he is permitted only to vote in that one place. Secondly, by providing for a "control" sample of the registrant's signature, registration laws enable many states to protect themselves against vote fraud by additionally requiring a voter to sign a roster at the polling station itself. The signature which the registrant executes on election day at the polls can easily be checked against the control on his permanent voter registration card, which in many places is the sole viable method of insuring that the person seeking to vote is indeed the same person whose registration the local election board has previously approved and accepted.

B. Effect of Repeal of Pre-registration Laws

Abolition of pre-election registration will, for all intents and purposes, prevent the states from protecting themselves against individuals who may seek to vote at several locations where they are known (a factor which becomes all the more critical with the continuing increase in the mobility of our population), as well as prevent them from assuring that a voter is indeed qualified to vote *before* he casts his ballot. At the same time, the elimination of the "control" signature which usually appears on a voter registration card will deprive precinct officials of an objective standard by which to judge the qualifications of persons presenting themselves to vote, while at the same time making proof of election fraud in a criminal case substantially more difficult.

In this latter regard, this Division has had substantial experience over the years in prosecuting election fraud cases under applicable Federal statutes presently on the books. This in turn has demonstrated to us graphically the importance of having a pre-registration and verified "control" signature against which to compare the signature of individuals presenting themselves to vote at the polls on election day. On the basis of such comparisons, 25 election officials have been indicted during the past few weeks in the Eastern District of Louisiana for forging the signatures of "no-shows" on the election day rosters which Louisiana law requires voters sign before they obtain a ballot. Similar comparisons between "controls" and the signatures appearing on election day rosters have long been used as the principal method of proving election fraud cases in Chicago, Illinois.

C. H.R. 5400's Alternative Safeguards

In the place of the protection which pre-election registration provides as a guard against election fraud, H.R. 5400 offers four purported safeguards. We feel that all are inadequate.

The requirement that persons seeking to vote without prior registration, produce some form of identification at the polls, or perhaps swear to the factual predicate for the franchise under local law, is essentially meaningless. Even with the pre-election registration

which most states require today, election fraud is widespread in both State and Federal elections. With the stakes as high as the power of the elective offices in dispute, it would not be unreasonable that those bent on corrupting the system would be able to find false identification, and would be willing to lie on whatever affidavits they are asked to sign. Moreover, once possessed with what we suggest is easily obtained false identification, a person could successfully wander from precinct to precinct and cast as many ballots as he dares on election day, with election officials being powerless to stop him provided he was willing to execute the required affidavit. Even assuming that subsequent inquiry was able to establish that such an individual used the relaxed procedures accorded by H.R. 5400 to defraud his fellow citizens of an election fairly conducted on the "one man-one vote" principle, the fraudulent vote would already have been cast and the *damage done*, to the detriment of the precious balance on which our democratic elective system is based.

The addition of a new Federal felony which specifically provides for fairly serious penalties for those persons who would seek to abuse the lenient provisions of H.R. 5400 are of little foreseeable help. Federal law presently contains numerous statutes, most of which are felonies, directed at protecting the system against voter fraud. Under 18 U.S.C. 241, it is a ten year felony to conspire to stuff ballot boxes or to commit other varieties of election frauds directed at depriving the public of a fair and impartial election, *U.S. v. Classic*, 313 U.S. 299 (1941). This section has recently been extended to include election frauds directed at corrupting only State or local elections, where the defendants involved are themselves election officials of some sort, *U.S. v. Anderson*, 481 F. 2d 685 (4th Cir., 1974). Under 18 U.S.C. 242 it is a misdemeanor to deprive the electorate of a fairly-conducted election under color of official right; under 42 U.S.C. 1973(i) (c), it is a 5 year felony to provide certain types of false information concerning one's residence to vote in an election where Federal candidates will be on the ballot; and under 42 U.S.C. 1973(i) (a), which was enacted last year, it is a 5 year felony to vote more than once in an election where there are Federal candidates on the ballot. This impressive stable of statutes has been the source of numerous prosecutions lately, especially in states like Illinois and Louisiana where State laws require voters not only to pre-register but also to sign rosters at the polls. At the present time, the Criminal Division has active investigations involving this sort of offense before grand juries in Tennessee, Illinois, Louisiana, and Virginia. Complaints involving isolated instances of fraudulent registrations and multiple votes have been so numerous since 42 U.S.C. 1973 (i) (c) and 1973(i) (a) were enacted that the Division has had to routinely defer such matters to the States, all of which to our knowledge have their own extensive and intricate network of criminal statutes which seek to protect against election irregularities. Clearly, if all of these statutes, many of which carry substantial penalties, have been unsuccessful in deterring those bent on corrupting the elective system through vote fraud, one more such statute will not help much. Quite the contrary, our not insubstantial experience in this area has demonstrated

THE DEPUTY ATTORNEY GENERAL
Washington, D.C. 20530

May 5, 1977

Honorable Robert P. Griffin
United States Senate
Washington, D.C. 20510

Dear Senator Griffin:

During my testimony yesterday on S. 1072, you requested a copy of an internal April 1 memorandum commenting on the proposed testimony of Attorney General Bell on the subject of the House bill on voter registration. I was unaware of the memorandum at the time of the hearing and requested an opportunity to read the memorandum and review it before making a decision on its release. The memorandum has been reviewed and a copy is attached.

I want to emphasize the strong support of the Carter Administration, the Attorney General and myself for the Voter Registration Bill, S. 1072. The attached memorandum reflects the views of one staff attorney in the Criminal Division. We do not believe that the potential for fraud in the proposed legislation is any greater than under existing laws. I believe that the greater turnout that will be encouraged by the bill and face-to-face registration safeguards built into the bill may actually reduce the amount of fraud in Federal General Elections.

The Attorney General and I strongly support the voter registration legislation and wish to emphasize the overwhelming importance of enfranchising minorities, the poor and others with more progressive voter registration procedures for Federal General Elections.

Very truly yours,
Peter F. Flaherty

that the type of person who is most apt to commit election fraud feels that he is "above" the system, that he will not be caught or punished, and is thus not deterred in the slightest by the presence on the books of facially awesome criminal statutes.

IV. THE FEDERAL ELECTION COMMISSION DOES NOT BELONG IN THE ENFORCEMENT MACHINERY OF LEGISLATION UNDER H.R. 5400

I feel that anyone who seeks to corrupt our democratic system in this manner should be subject to nothing short of criminal prosecution. Also, I have reservations as to whether the subject of ballot security and election fraud falls logically within the FEC's present mandate over the financial disclosure provisions of the Federal Election Campaign Act. Moreover, the FEC's small and underfinanced staff is singularly ill-equipped to take on the awesome responsibilities for the preservation of ballot security which H.R. 5400 contemplates for it. And finally, the parallel civil and criminal proceedings which are bound to arise from the efforts of FEC and this Division to si-

multaneously fulfill our respective enforcement mandates under the Act are bound to create conflicts which will prove detrimental to overall law enforcement in this critical area.

V. CONCLUSION

While we naturally support the fundamental objective of making it easier for citizens to exercise their federal franchise, we would have preferred that a method be devised which would minimize the opportunity for electoral fraud while at the same time maximizing the opportunity for citizen participation in the electoral process. If we had more opportunity for consideration of the general con-

cept and, particularly H.R. 5400, presumably we could make some more constructive comments. Having received this package yesterday afternoon without even a copy of the bill, we have done our best to indicate some of our concerns. I assume that the Administration as a matter of policy is going to support the concept embodied in H.R. 5400. However, if the Attorney General testifies on this bill, he should, in my judgment, qualify his support thereof with the caveat that despite the favorable experience in several states, the experience of the Criminal Division in enforcing the federal election laws indicates that there is a tremendous potential for fraud in H.R. 5400.

'One Person, One Vote'

Statement of Testimony by Thomas J. McCrary of Gainesville, Ga., National Chairman of Committee on Fair and Honest Elections, National Chairman of American Independents on Issues, before the Senate Rules Committee.

I appeared on May 6 before the Senate Rules Committee, which was conducting hearings in connection with the Carter Administration's proposals for new election laws. The proposed laws contain controls over state election laws by requiring registration of voters at the same time they vote. Other restrictive measures for controlling states' rights in the election process are also contained in the Carter proposal.

On the way to the Senate hearing, I read a first page article in the Washington Post stating that the House Administration Committee, which was holding hearings on the Federal Election laws, had hastily passed the Carter election bill, with all Democrats on the Committee voting in favor and all the Republicans opposed. This legislative action gave the appearance that the election bill was purposely designed to perpetuate political control of the United States government from now on by the Democratic Party machine.

That Democratic Party machine, which controls the House Committee, also made sure that the Department of Justice report, prepared by the election divisions of the Criminal Division in that Department was not presented to the House Committee before the vote. The Democrat Party Attorney General, Peter F. Flaherty, blocked the presentation deliberately. Since he declared executive privilege as the reason why he blocked it, undoubtedly the persuasion of that decision came from the White House. It is an unsavory, customary, tight political maneuver, which took place too often during the Carter governor administration in Georgia with which many of us who live in Georgia are very familiar.

Attorney General Griffin Bell, a close friend of Carter and his appointee, endorsed the Carter election bill, even though his own staff, after extensive research of massive evidence of fraud in past elections, particularly in the last general election in the states of New York and Ohio, made the statement "voting without prior registration is

meaningless, and can lead to potential or extensive fraud in the election process."

At the Senate hearing the press releases on the above were referred to by many witnesses. Also, portions of the copy of the Justice report were read by Sen. Griffin of Michigan which left a deep impression on all participants in the room. Obviously, the House panel Democrats had egg all over their faces.

It is imperative under the circumstances that such collusion between the Justice Department and the White House to keep critical evidence from particularly the House Committee should be investigated by the Congress. In light of the revelations within the Justice Department memorandum, the House Administration Committee should reconsider its hasty vote — an action which I would applaud.

As speaker for the National Committee on Fair and Honest Elections, I represented many national and state independent parties (those which are not manipulated or under financial control of various special interest or power centers), along with those independents in the Democrat and Republican parties, and just individual independents who have no party persuasion. I presented the following views on which most independents agree.

Foremost, voting rights are sacred to a democratic society and any violation thereof is akin to treason.

Secondly, the Federal Government should not interfere with states' rights as is stipulated clearly in the Constitution and the election process.

Thirdly, while liberalization of the election process is to be enacted and encouraged, it should be in the facilitating of registration. This can be done by dispersing registration locations using mobile units such as school buses and so forth, and issuing extensive information on these locations and other information concerning the election process.

Fourthly, along with the above-mentioned liberalization process, stronger safeguards are needed to ensure each voter a one-person, one-vote guaranteed in the Constitution. These safeguards should include registration to be held to permit a sufficient period of time to monitor the accuracy and integrity of the submission by the voters. And this should be done in a space

and time before the election. All voting districts should check on at least 15 percent of the voters before the elections. We generally oppose postcard registration. Under no circumstances should it be ordered for all states by the Federal government. The following information should be required of all voters by the Government: (1) full name and residence, (2) name of owner or renter under whose name the residence is recorded or leased, (3) name of closest relative or occupant living at the same residence if any, (4) social security number, (5) driver's license if any, and (6) signature and thumb prints which should be done before the registrar.

Fifthly, election officials should be selected by lot, from jury lists or grand jury lists, for each locale. Other advisors, personnel with election experience, can be used as election assistants. It is also believed that dispersing taxpayers' money through federal donations to can-

didates or parties should be discontinued for it helps those incumbents already in power more than the challenger.

The electoral college system should be retained.

Examples of extensive fraud in the last general election in New York and Ohio state, plus those in recent city elections in Madison, Wisconsin, are attached to this report. These investigations were performed by the U.S. Labor Party, submitted to the Justice Department, and have been used in legal suits now pending before the federal court.

In the final analysis, there is sufficient evidence to indicate that registration before elections is absolutely essential to prevent fraud. We believe that every measure should be taken to make it easier to vote, but, at the same time, to also provide the proper safeguards to insure the one-person, one-vote principle that our Supreme Court has ruled is intended by the United States Constitution.

Pennsylvania Republican Documents 1976 Vote Fraud

A Committee for Honest and Fair Elections spokesman called for a complete investigation by the Justice Department of allegations by Thomas O'Connor, a Republican committeeman from Spring City, Pa. that mental patients were herded to the polls to vote for Carter. O'Connor has documented "a conspiracy to commit election fraud" by voting Democrat-registered mental patients, inmates of Pennhurst Center, on Nov. 2, 1976. In a statement released May 3, O'Connor detailed how "patient voters were herded to the polling place ... in state-owned vehicles, driven by state employees, and attended by state-employed attendants ... their voting card calling for assistance."

This evidence was given to the Committee for Honest and Fair Elections on May 11.

Excerpts from the statement follow.

To the people who viewed this disgusting exposure of the Pennhurst patients, it was very evident that they were incapable of completing the necessary request card to become registered to vote. I have been accused of assuming my attitude toward Pennhurst voting because most of them registered with the Democrats. I can assure everyone that these Pennhurst voters did not, could not, and would not register in any way. I do not believe they could even express a desire to register or vote. Some person or persons filled out the necessary forms and mailed them. This is one of the evils of registration by mail.

The patient-voters were herded to the polling place on Election Day, in state-owned vehicles, driven by state employees, and attended by state-employed attendants. Their voting card called for assistance, and the following assistance was granted:

Assistance to Enter the Polling Place: Some were led, some on wheel chairs, and others on wheeled contrivances permitting the patients to lie flat.

Assistance to Know Why They Were There: Some asked where the ball game was, another when the boat ride started.

Assistance to Identify Themselves: Many had to be told to present the registration card to the election board, then only by word of the attendant was it possible to determine whether the name on the card and patient were one and the same.

Assistance to Sign or Make a Mark on Voting Card: Some could sign in some fashion, others could print if spelled for them, and in many it amounted to placing a pen in their hand and the assister taking their wrist and marking an "x".

Assistance to Accept Ballot: Many times when the ballot was presented by the judge of election, the patient voter stared dumbfoundedly and would not accept the ballot. The assister then took the ballot.

Assistance to Mark the Ballot: Arguments in the booths were easily heard. "No, don't put the X down there, put it up here." "Who do you want to vote for?" Silence. The question was repeated, more silence. The voting booths are designed for one person, standing, making it impossible for an assister and a patient on a wheeled device to enter at the same time, so the curtain hung nearly wide open. The election board, myself and many other East Vincent electors watched while the

assister picked up the paper ballot and marked it with no indication from the patient whatsoever. In one case the elector's head was never inside the voting booth, but the curtain was closed between the elector and the assister.

Assistance to Exit the Voting Booth: Put ballot in box. Exit polling place.

In some cases all of the above assistance was given, in other cases a lesser amount, but in no case was less than 50 percent of the named assistance granted. It appeared to the viewers that in order to gain an additional vote, it was necessary to mail a registration request, and deliver a warm body to the polling place.

The only conclusion one could reach after watching this performance unfold for most of the day, is that this was a scheme to gain votes, a conspiracy to commit election fraud. A recent news release from the City of Philadelphia stated that indictments were served for adding fictitious names to the voting list. In this case the crime was much more serious because innocent, unfortunate, suffering human beings were exploited to gain the ad-

ditional votes. One assister visited the voting booth 28 times, each time accompanied by a different Pennhurst patient.

I am fully aware of the seriousness of this charge, but the charge can very easily be substantiated. The entire election board could be questioned, along with a hundred or more other electors who waited in line and watched ... personally, I am not interested in the prosecution of any person. My only concern is to prevent this travesty upon our basic constitutional right to vote from happening again. As one who knows full well the high value of this right of free choice, I cannot again conscientiously bear witness to the complete devaluation of that right.

To the Republican voters of East Vincent Township, East Precinct, who elected me as their Committeeman to represent them in the county committee, please consider this my resignation.

Thomas W. O'Connor
619 Heckle Avenue
Spring City, Pennsylvania

Press Tears Carter On Energy And Election Act

Energy

Chicago Daily News, May 10, "An Energy Crisis? No Kidding," by Father Andrew Greeley, syndicated columnist:

Everyone is saying it: President Carter must persuade the American people there is an "energy shortage."

They're right...a large number of Americans don't believe there really is a shortage of energy.

Americans are skeptical...(about) the Carter "sky is falling" cries.

You tell (an American) we are five percent of the world's people and use 32 percent of its energy. He's not likely to feel bad. He knows that such figures are essentially meaningless — guilt tactics. If we stop using energy, it doesn't follow that others are going to be able to use it. Indeed, if your typical American knows anything about economics, he realizes that a drastic curtailment of American energy use would mean disaster for humankind — worldwide depression and famine. America may use 32 percent of the world's energy, but it produces 34 percent of the world's products and half its food. If American industry and agriculture should slow down, there would be fewer jobs, less energy, and less food for the rest of the world...

St. Louis Post-Dispatch, May 8, "New Disclosures on Laser Fusion Dispute," by Richard Dudman, chief Washington correspondent of the Post-Dispatch:

A confidential report has provided new details about a dispute within the Government over the development of laser fusion, a potential vast new source of energy.

The dispute is over the level of Government financial support of work by a private firm, KMS Fusion, Inc., (KMSF) of Ann Arbor, Mich., to develop commercial power through this method.

Behind the dispute over financing, some specialists in the field say, is a disagreement over whether the new technique should emphasize weapons applications or whether it should be directed more at achieving a clean, safe new source of energy for the 1980s and 1990s...

The report, obtained by the Post-Dispatch through a request under the Freedom of Information Act, was written last August by Chalmer G. Kirkbride, a consulting engineer who was science advisor to Robert C. Seamans Jr., then administrator of the Energy Research Development Administration.

Kirkbride, assigned by Seamans to appraise the KMS work under contracts with the agency and its national laboratories, confessed to a personal bias. Kirkbride strongly urged more generous Government financing of the KMS work.

"I cannot tolerate a game in which I think the deck of cards is 'stacked' or the 'dice are loaded,'" he wrote.

Kirkbride told Seamans of "pressures put on me, including the bugging of my telephone, and I believe also my office to pressure me to recommend no funding for the KMS proposal of January 1975."

Kirkbride told the Post-Dispatch that, "Although I never caught them red-handed, I am positive I was bugged."

"Every time I had a telephone call or a messenger delivered anything about this to my house, Jim McNally, the physicist in charge of laser fusion work at ERDA, showed up in my office and showed that he knew all about it."

In his report, dated Aug. 3, 1976, Kirkbride questioned particularly a recommendation of June 1976 by the agency's division of laser fusion to cut off all KMS financing, except for manufacture of the tiny Tritium-deuterium pellets that are the raw material for fission power production.

He wrote that this was "another disguised way to liquidate KMSF."

Unless ERDA can justify full funding, we should not fund at all; but, in my opinion, it would be a serious national mistake not to fund KMSF, he wrote.

"It stands out as the only real competitor the national laboratories have in laser fusion. It represents the private sector. It keeps the national laboratories honest."

Kirkbride objected to the handling of any contractual work by KMS Fusion through the federal Los Alamos National Laboratory. He said he had discovered that the national laboratories has a "deep resentment" against the private firm.

"I suspect that this stems from the fact that the national laboratories were embarrassed when KMSF was the first to achieve thermonuclear neutrons by laser implosion," he wrote.

This was when the small private company announced in an international scientific meeting in Tokyo that it had achieved this breakthrough.

Up to that time, the national laboratory at Livermore, Calif., had not conducted any laser-pellet work in the field, Kirkbride said. He said the laboratory's work, confined to mathematical theory, had been accepted as proof that fusion by lasers could not be achieved except at very high energy levels.

"So it was indeed an embarrassment to the national laboratories when the small insignificant KMSF private company showed the world how to do it without any cost to the United States Government," he wrote. "The KMSF achievement was recognized by the Russians and by many other prominent scientists throughout the world before the national laboratories finally were willing to admit that they were wrong and that KMSF indeed had achieved laser fusion."

Kirkbride said that the private firm had been kept in a "contractual straitjacket" by the agency's national laboratories and Division of Military affairs, which supervised its work.

He urged that the KMS program be shifted from the National Security wing of the agency and returned to the Advanced Energy Systems Division where it would be handled more sympathetically.

An agency spokesman said that \$ 10,000,000 had been earmarked for the private firm's work in the current fiscal year. He said the agency had asked Congress for \$ 7,000,000 for the same purpose for the fiscal year beginning next Oct. 1.

Senator Stuart Symington (Dem.) of Missouri, who retired last year, gave strong support to the private company's efforts. He urged in a speech in 1974 that the firm's private financing be supplemented with Government funds.

Symington said he hoped that the huge Livermore laboratory would get results sooner than the modestly financed KMS Fusion program, but he observed that "the Goliath does not always win."

St. Louis Globe-Democrat, May 7-8 (weekend edition) editorial, "Carter Breeder Decision Repudiated":

President Carter is attempting to gloss over the earthshaking impact his decision to put the fast breeder

nuclear technology in mothballs will have on the American people.

This was perhaps the biggest blow to nuclear technology since its discovery. (Emphasis in original - ed.)...

(Carter) said on April 7 that he was indefinitely postponing further work on the breeder nuclear reactor and on plutonium reprocessing plans because he feared nuclear proliferation and the danger of atomic blackmail.

Unfortunately for the nation this turns out to have been a political decision without any solid scientific basis. The scientists who have been working with the nuclear program for more than 30 years totally disagree with the president. They say that Mr. Carter has greatly exaggerated the potential dangers of reprocessing and handling plutonium. (Emphasis in original - ed.)

Those who have worked with nuclear reactors point out that it is nonsense to talk about terrorists coming into a nuclear plant to steal plutonium to make a bomb from it.

Nuclear fuel containing plutonium is highly radioactive when it is taken from the reactor. Highly expensive and sophisticated equipment are required to handle it. It also takes special, very costly equipment to separate the plutonium from the other materials. Even when this is done, the plutonium taken from a reactor still isn't refined to the degree necessary for making a bomb.

This view is confirmed by a 500-page report prepared for the Energy Research and Development Administration (ERDA) by the Savannah River Laboratory.

After a complete review of the potential hazards and existing safeguards, the report says: "...with full recognition of the need to provide adequate protection against theft or diversion of (special nuclear material) or sabotage of facilities involving nuclear materials, it is concluded that there is no safeguard-related reason to delay the development of (light water reactor) fuel cycle facilities to demonstrate reprocessing, including plutonium conversion and storage." (emphasis in original - ed.)

Thus President Carter may have committed the energy blunder of the century...

The above explains why top Democratic leaders have already begun to challenge the President's April 7 decision...

Columbia State, May 9 (report on a dinner held by the South Carolina Chamber of Commerce in honor of the state's congressional delegation):

...Sen. "Fritz" Hollings, although a southern Democrat, mentioned that he had been disappointed particularly by (Carter's) decision to ban plutonium reprocessing and the closing of funds for completion of the Russell Dam on the Georgia-South Carolina border...

With President Carter, (Hollings said) he felt like the man walking across a busy thoroughfare with a seeing-eye dog which almost got him killed in the middle of the street. When he finally stumbled to the other side and tried to give the dog a treat, Hollings joked, a man came up and said, "Don't reward that dog; he almost got you killed." The blind man responded, "I am not going to reward the dog. I'm just trying to find his head so I can

kick his ass." Hollings added, "That's how I feel About Carter.'...

Election Act

Youngstown Vindicator, *May 10, editorial:*

Secretary of State Ted Brown, whose experience in election matters is hard to match, has grave doubts about the idea and even the President's own Justice Department is not convinced that the recommendation is sound.

Knoxville Journal, *May 2, editorial, "Insidious Idea":*

Earlier this month the Jackson County (Missouri) Board of Election Commissioners adopted a heated resolution which cited the "dangers" of this insidious legislation (Carter's "Universal voter registration" package -ed.);

1) It would be conducive to fraud, since there would be no opportunity to check on the residence or eligibility of voter applicants.

2) It would allow felons, ghosts and aliens...to vote, since it would be easy to obtain the identification.

3) It would be confusing...since there would be no way to have applicants voting in their proper wards or in polling places with adequate space..."

More Americans ought to feel such a sense of duty to protest what amounts to a proposal to destroy honest elections.

Cleveland Press, *May 10, editorial, "Invitation to Fraud."*

The more we hear from the Carter administration on why voters should be able to register and vote on the same day, the more convinced we are that election day registration would be an invitation to fraud.

It develops in fact, that lawyers in the Justice Department who prosecute election fraud cases are not at all happy about the prospect of unregistered voters simply appearing at the polls on election day and demanding the right to vote.

They argue that advance registration is the best way to prevent fraud and that weeding out the phony or duplicate voters on election day itself would be difficult to do.

Yet the administration pushed right ahead with its election registration bill, blithely ignoring (and at first refusing to make public) the Justice Department's own internal memo on the subject.

Attorney General Griffin Bell contends that tough penalties in the bill discourage fraud, but there are tough penalties in existing law and fraud occurs just the same...

Allen argues that, "In the big cities they would clean out every skid row hotel, every street corner, every beer joint or loafing hangout, every x-rated movie house, every massage parlor, and march them down to the polls."

That may be an exaggeration, but it's no exaggeration to say that this is a very bad piece of legislation and should be rejected by Congress at the first available chance.

Chicago Defender, *May 5, "Warns Electoral College End Could Hurt Blacks":*

Quoted from a speech given by Frank Mankiewicz before the American Jewish Congress National Women's Division biennial convention. Frank Mankiewicz termed Carter's proposal to abolish the electoral college a "major threat to American democracy and the two-party system...Virtually any cause — no matter how disreputable — can get a million votes in America today. The only thing that prevents them from contaminating the national political system is the fact that we elect our presidents on the basis of the states they carry, not the popular vote.

"The proliferation of political groupings of every stripe and hue — including anti-black and anti-Jewish parties would be the inevitable result of any tampering with the electoral college. These parties — too weak to win but strong enough to prevent anyone else from winning — would be in a position to bargain politically in any run-off that may take place.

"That poses a major threat to American democracy and the two-party system.

"For all its faults, that system has served as the great healer of political and social conflict in America. It has contained the pressures of our society by preventing racial, religious and other tensions from being directed into political activity.

"These safeguards, which have served our country well for 188 years, would be eliminated in any effort to dump the electoral college...."

Chicago Defender, *May 5, "State Now Hits Carter Voting Bill":*

The article quoted a testimony given by Franklin Lunding Jr., Chairman of the Illinois State Board of Elections before the Senate Committee on Rules and Administration in Washington D.C. on May 4. Mr. Lunding stated that the universal voter registration Act. "if enacted, it will create a nightmare for state and local election officials, encourage more vote fraud and result in more election day problems than it hopes to solve."

Lunding told the committee that he was expressing the unanimous attitude of Illinois' board and county clerks whose jobs it is to conduct elections in the state.

"We surveyed all 102 Illinois county clerks and the 10 municipal boards of elections commissions and to date have not received one letter in support of this proposal..."

"We have found that people are much less apt to cheat if they think someone will scrutinize the voting rolls and challenge them before election day. Under the proposal multiple voting could easily be arranged by having but one piece of identification and using it repeatedly in the course of an election day — with the names and records being buried in an avalanche of paperwork during the day."

Chicago Daily News, *May 6, a Gilbreth-Schultz column, "The Vote Fraud Act of '77":*

A few weeks ago, Vice President Walter Mondale telephoned Quaker Oats executive Tom Roeser, Chairman of Project LEAP. The Vice President wanted to know if there was any way the Carter Administration might overcome the objections of Chicago election

reform leaders against the proposed universal voter registration act. Mondale implied that Carter might consent to slight modifications if they were necessary to make the bill more palatable.

Roeser chuckled, recalling the conversation. "At the time I had the bill on my desk. I told him there was no way we could support the bill I was reading that very minute. It's truly the Instant Vote Act of 1977."

"Congress ... will reopen the door to vote fraud, in Chicago and in every other area that has ever had an election day problem. You (Congress) are unwilling to spend the millions of dollars that will be required to police the polls and prosecute the new crimes that will be committed. You are dumping on us and every other area subject to similar problems the potential of wholesale vote theft. You will return us to a system where every close election will leave the victor with the stigma of having won in a corrupt election."

The only major organization supporting the bill is Operation PUSH. A spokesman for PUSH called a press conference Thursday to support the measure and

minimized its potential for increasing vote fraud. He contended that blacks make up about 400,000 of the city's 700,000 unregistered voters and that these people should not be disenfranchised because of "a few hundred or even a couple of thousand cheaters."

The weight of responsible local opinion, however, has sided with Hanley (Chairman of the Chicago Board of Election Commissioners) and Kusper (Cook County Clerk)...Unfortunately, there are signs that their protests will be futile...

...post-election analyses showed that Carter's unexpected margin (in Wisconsin) came from unregistered voters who, for the first time in Wisconsin, were allowed to register immediately prior to voting. More recently, conservative writer and scholar Kevin Phillips estimated that Carter would have won nine states that Ford carried, including Illinois, and California, if same-day on-site registration had been allowed there.

The bill's supporters, of course, contend that stiff penalties for violation should deter fraud, but the simpletons who mouth these idiocies can't be familiar with elections, Chicago style.

Dollar Credit Structure Begins To Crumble

BANKING

Following the failure of the Carter Administration to impose its economic policies at the London summit of Western heads of state, a generalized crisis of confidence has erupted in the dollar-based world financial markets. Carter's setback in London makes virtually certain that — barring a Carter-provoked thermonuclear conflagration by summer — there will be a collapse of the New York clearinghouse banks, presently faced with imminent defaults on about \$20 billion in principal repayments due from ailing Third World and European countries during the second and third quarters of 1977.

In London, Carter was rebuffed by Western European and Japanese governments in his efforts to achieve two objectives deemed absolutely essential for propping up about \$250 billion in speculative international loans held by the New York banks: first, the creation of a \$20 billion bail-out fund at the International Monetary Fund; and second, international acceptance of Carter's energy austerity deindustrialization program designed to channel every available drop of world liquidity into debt service payment.

As U.S. Labor Party chairman Lyndon H. LaRouche reemphasized this week, the inability of the Rockefeller-dominated New York banks to refinance this debt dictates a chaotic Eurodollar market collapse in which there can be "no middle ground — only winners and losers." Representatives of major European banks and industry, who choose to be on the "winning" side, are already considering subscriptions to the private-sector International Development Bank proposed by LaRouche last week.

Cries of Panic

While the hapless IMF Director Witteveen, whose failed months-long organizing effort to put together the \$20 billion bailout facility prefigured Carter's London fiasco, renewed public calls for a revaluation of the yen and deutschemark, private bankers last week began to emit cries of panic. *London Times* correspondent Vogl reported the bankers' growing anxiety this week in a dispatch from Washington, noting that these bankers now believe that current international official attempts to deal with financing the debt and balance of payments surpluses of the world are "insufficient," and are convinced that "critical international difficulties could arise before long" as a result. "The commercial banks have been bailing out the international monetary system for too long already, and can't do it for much longer," an unnamed chairman of one of the largest U.S. commercial banks told Vogl in a burst of "sour grapes."

Elsewhere, the Italian financial daily *Il Fiorino*

reported on a "smoke-filled room" of New York bankers pasting together yet another bailout scheme — this one a "consortium bank" to reschedule the currently unpayable debt of countries in difficulty into long-term debt on the basis of a \$10 billion fund, which can then be used to generate up to \$100 billion more credit!

Highlighting the increased muscle of the international pro-development forces that have so far stopped the bailout scheming dead in its tracks, Iraqi officials this week called on Arab governments and the Europeans alike to refuse *any kind* of IMF bailout. IMF officials and other New York bank representatives have continued a last gasp effort to press behind the scenes for some form of the stalled "Common Fund" swindle that topped the list of the bailout recipes several months ago.

Turkish Default

Heading up the list of near-term default candidates, now that the banks' bail-out has flopped, is Turkey. The Turkish newspaper *Cumhuriyet* reported this week that rumor is circulating among London financial circles that Turkey will not be able to repay its short-term debt and may be forced to declare a debt moratorium. Turkey's short-term debt — which takes the form of foreign-held "convertible Turkish lira deposits" — amounts to \$2.1 billion, with the bulk of this falling due in July. The Turkish foreign exchange reserves necessary to cover these debt obligations are shrinking fast, and at last count amounted to less than \$500 million — not enough to cover even one month's imports. According to *Cumhuriyet*, a panicked Citibank, one of the major holders of the Turkish lira deposits, is monitoring Turkey's reserves on an *hourly* basis.

Admitting that the country is on the verge of default, a New York Federal Reserve official revealed that the Fed has prepared a "confidential" internal report on the Turkish situation, outlining the steps which the Turkish government must take in order to "qualify" for bank rescheduling of the maturities of the short-term debts. These include a 50-75 percent currency devaluation, import austerity, and "other steps we are not at liberty to tell you about now." These are all measures which could not conceivably be implemented, no matter what the outcome of Turkish elections scheduled the first week of June — unless there is a military coup.

Egypt, with at least \$20 billion in total foreign debts, is also poised on the brink. According to the French financial daily *Les Echos*, an Egyptian debt moratorium may be discussed at this week's meeting in Paris of Egypt's creditors, including representatives of European and Arab governments, the World Bank, and IMF.

European Banks Also Threatened

As the deepening Swiss banking crisis and the failure of two major Norwegian tanker firms this week

illustrates, the failure of Western European governments so far to present any coherent alternative to Carter and Rockefeller is threatening to drag European banking and credit systems down into the whirlpool created by the New York banks' demise.

On May 10, three top executives of the Swiss Credit Bank — one of the three largest Swiss banks — resigned in the aftermath of revelations that its Chiasso branch had lost \$100 million as the result of highly suspicious Eurocurrency market speculations. Reflecting a panicky scramble for liquidity in the wake of the Swiss crisis, Euro-Swiss franc interest rates for three-month money have shot up from one to nearly 5 percent in the last week.

The *Journal of Commerce* in New York reported this week that a second wave of bankruptcies is underway in the world tanker industry, with \$35 billion in loans at stake, of which at least \$6 billion are held by the New York banks. The first wave involved several spectacular failures, including the dissolution of the huge Colocotronis shipping empire. The second wave began with the virtual bankruptcies of two Norwegian firms: one, Fearnley-Egger required major refinancing, while the chemical carrier Stolt-Nielsen was bought up by British Petroleum. According to the London *Daily Telegraph*, BP's purchase of Stolt-Nielsen was a straight "bail-out".

At the Norrshipping Conference in Oslo this week, panicked tanker bankers lashed out at government subsidization of shipbuilding. Otto Norrland, tanker manager at London's Hambros bank, threatened that if

the practice continued the banks will have to "reconsider their policy for shipbuilding and shipping finance" — a declaration of bankruptcy cloaked in bravado.

Dwarfing even the tanker crisis is the threatened bankruptcy of the French government. Despite a total foreign debt of \$30 billion, *Business Week* reports that French companies will attempt to borrow another \$15 billion on the international markets in 1977; a European IMF source recently predicted a French government default as early as this year. Following the unveiling of the government's "Barre Plan Two," entailing heavy new borrowing in France and abroad, the French stock market has headed into a major "crash," in the words of the West German daily *Die Welt*. On May 9 and 10, the French stock market fell 5.2 percent, having lost 22 percent since the beginning of this year.

U.S. Industrialists' Anomie

The summit failure, amidst growing concern that the U.S. is leading the world into another wild spree of double-digit price increases and double-digit interest rates, has also panicked Wall Street — sparking a 12 point drop in the New York stock exchange's Dow Jones industrial average May 13. The prevailing sense of anomie among U.S. business circles in the wake of the London summit was summed up well in a two-sentence *Wall Street Journal* editorial May 11: "Our leaders gathered in London over the weekend and pledged to cut unemployment while reducing inflation. Perhaps after their next summit they will tell us how."

Oil Fire, IMF Announcements Expose Uncertainty Of Currency Markets

FOREIGN EXCHANGE

Foreign exchange operations were quiet at the beginning of this week after the London summit, with a slow strengthening of the U.S. dollar in response to interest-rates rise and relief that action to revalue the mark and yen was not taken. But the underlying political uncertainty was suddenly exposed May 12, when the markets were destabilized in a few hours by the massive fire which broke out in Saudi Arabia's Abqaiq oil field the night before and a declaration made in the Netherlands by the managing director of the International Monetary Fund (IMF) saying that weak currencies should be devalued and strong currencies revalued.

Oil Weapon

The fire at Abqaiq caused a sudden dollar rush in the heaviest trading in more than three years on the Tokyo market. The dollar for overnight delivery closed the afternoon session of May 12 at 279.35 yen, a drastic increase from the 277.65 yen at the end of the day on May 11.

Exchange officials said that the turnover totaled \$ 469 million, and it was estimated that the Central Bank of Japan had to sell off between \$170 million and \$200 million mainly at the end of the afternoon, when the dollar rush threatened to get beyond control.

Toward the end of the day, there were rumors that the Arabian-American Oil Co. (Aramco) might be "forced" to halt the flow of more than half of the Abqaiq oil field's daily crude oil output capacity, a major source of energy for the whole Japanese economy. The Ministry of International Trade and Industry (MITI) reported that oil imports from Saudi Arabia account for 30.7 percent of the country's total annual imports.

Even if the fire is brought under control, as today's press announced, and the yen somewhat stabilized as a result, the blaze will seriously affect Saudi Arabia's oil supplies to Japan. Japanese businessmen and importers are already anticipating a considerable increase in oil prices throughout the world as a direct result.

Needless to say, the depreciation of the yen on the Tokyo market has nothing to do with the state of the Japanese economy per se. It is precisely and ironically on May 12 that the Japanese government has eased

remaining foreign exchange restrictions for travelers going abroad in view of the country's high reserve position of \$ 17 billion.

Witteveen Weapon

On the very day of the blaze, the managing director of the IMF, Johannes Witteveen, made a speech in the Netherlands — but released in Washington — spelling out another “soft” Rockefeller scenario in partial contradiction with the preceding one. He “suggested” that Britain, France and Italy might have to let their currencies depreciate “in order to maintain competitiveness.” At the same time, “in order to eliminate large international imbalances,” West Germany and Japan should “encourage adjustment through an appreciation of their currencies and increased flows of long term capital exports,” he said.

Although this “selective” policy is in contradiction with the destruction of every other currency except the dollar through the “oil weapon,” insofar as it wants to push the mark and the yen up, its final goal is no different. Along with the war-like deployments, it is the policy of the New York banks to keep the monetary developments in Europe under control. If the Witteveen plan were followed, European attempts to secure a common monetary front against the U.S. dollar would be effectively disrupted. The depreciation of the weak currencies and appreciation of the strong ones would make an integration of all the European currencies into the “snake” all the more difficult.

As a result of Witteveen's declaration, the mark and the Dutch guilder went up on May 12. But the other side of the operation — the depreciation of the British pound, Italian lira and French franc against the dollar — did not work. Despite the weak state of the British and French economies, the pound and the franc still stand firm against the dollar. In April, France's official gold and foreign reserves rose by the equivalent of \$126.8 million to \$18.74 billion — while the French stock market was going down at the pace of about 1 to 2 percent per day! As for Great Britain, despite a fall in the industrial output index, dealers said that the Bank of England had to buy a “moderate” amount of dollars to keep the pound from climbing above its target rate of \$1.72. This apparently paradoxical situation is due to indirect support given to the weak European currencies by the strong ones — mark and Swiss franc — under the form of high interest rates differentials, orienting capital outflows toward the French franc or British pound for better short term profit.

The recent unhappy developments in the Swiss banking community are in part an operation concocted in lower Manhattan to cut short their cooperative approach with other European central banks. A “confidence crisis” in the Swiss banks — after the Chiasso affair and the bankruptcy of the Leclerc bank — was engineered to provoke an outflow of money, but toward the New York banks and not France or Great Britain. To avoid problems for the Swiss franc, the Swiss authorities were expected to raise their interest rates, thus making investments in France or Britain less attractive. At the same time, the Eurobond market — a key source of money for the European corporations and governments — was targeted for destabilization.

The funds involved in the Chiasso scandal were fiduciary funds, or portfolios managed by the Credit Suisse (Swiss Credit Bank) on an off-balance sheet basis, in other words, part of that amorphous mass of money which is traditionally seen as providing more than half of the overall investment in Eurobonds. The question was whether the Chiasso affair would trigger a withdrawal of such funds from the Swiss banking system and thus pull the carpet from under the Eurobond market. Contrary to some speculations, nothing drastic happened, but the volume of issues on the Eurobond market had to be reduced, while the Euro-Swiss francs rates on three and six-month paper went up spectacularly.

It is still difficult to measure the consequences of such developments for the European countries. But as a result of the situation, Credit Suisse White Weld had to postpone a \$50 million six-year note for Hydro Quebec, the state-owned electricity monopoly in Quebec, which was to have been launched on the Eurobond market at a 7.75 percent interest rate.

The Canadian economy, very dependent on foreign borrowing — financial sources suggest that as much as \$2.5 billion has been borrowed overseas by Canadian entities so far this year — could be rapidly hurt by such a development. Traders predict a decline of the Canadian dollar as a result.

Finally, the rise in the U.S. prime rate announced by all the major New York banks on May 13 strengthened the U.S. dollar against all continental currencies — foreign investors seeking greater returns. But this move did not last more than a few hours. During the whole afternoon session, the dollar went progressively down again, on well-founded fears of inflation and general reinterpretation of the Witteveen declaration as indirect evidence of U.S. currency weakness.

U.S. Business Looks For 'Quick Cures'

BUSINESS OUTLOOK

The growing realization by U.S. businessmen that the U.S. economic recovery is not all that it was cracked up

to be is exacerbating the most dangerous tendencies among businessmen — calls for protectionism, price wars at home, and other forms of mutual throat slashing.

Indicative of the waning of the cohesive influence of the traditional business organizations, Jack Carlson, chief economist for the U.S. Chamber of Commerce, told NSIPS last week that the Chamber supports free trade,

but many of its members are now looking for "quick cures."

In spite of the usual platitudes contained in the final communique of the London summit — "We reject protectionism... We will give new impetus to the Tokyo round of multilateral trade negotiations..." — everyone knows that major U.S. steel companies are lobbying for the imposition of protectionist import quotas at the earliest possible date. In fact, the price increases announced by leading U.S. steelmakers last week — the "quick cure" sought by the industry to offset lagging world demand and the unprofitability of ancient plant and equipment — goes hand-in-glove with the steelmakers' outcry against low-priced Japanese imports. With even flat-rolled steel — the product used in autos and home appliances — selling at 1974, bottom-of-the-recession prices, the only way the U.S. steel industry can maintain those price increases and not suffer a further incursion into their markets is if they can put a lid on the inflow of Japanese steel exports.

The steel price war is not limited to U.S. versus foreign steel producers. On May 9 U.S. Steel announced price increases averaging 6 percent on sheet, strip, bar, and plate steel, thus undercutting the 6.8 to 8.8 percent increases posted by Republic and Youngstown Sheet and Tube several days earlier. There is plenty of speculation that U.S. Steel decided on 6 percent — underpricing two of its competitors — in return for tacit Administration backing for the company's protectionist demands. Edgar Speer, chairman of U.S. Steel, met with President Carter and top Administration economic officials in Washington on May 5, just prior to the latest spate of price increase announcements. On May 9, the *Journal of Commerce* reported, "It was learned that the Administration is considering opening negotiations with trading partners over steel price policies, such as the export subsidies of foreign governments..."

In rolling back its higher price increases in line with the Administration-endorsed 6 percent, Lykes said May 10 that the higher prices were nevertheless justified because its steel business is operating at a "substantial loss," and voted to omit the regular quarterly dividend. Lykes's chairman, J.T. Lykes, stressed the need for further price increases later this year. W.J. de Lancey, Republic's president, likewise told Republic's annual meeting on May 11 that 6 percent price increases are "inadequate," but it was necessary to reduce its previously announced price increases to stay competitive with U.S. Steel and other producers.

Last week the State Department's desk chief for Trade admitted, "The economic recovery has not proceeded as fast as we had hoped..." and, yes, this tended to exacerbate domestic demands for protectionist measures.

Consumer "Recovery" About to Fizzle

The pump-priming game that has unnaturally prolonged the life of the U.S. economy over the last two years is up. Not only has the consumer debt-based "recovery" in the U.S. resulted in a resurgence of inflation and an unprecedented and unsustainable U.S. trade deficit, the consumer himself is nearly "spent." A feature article in the May 12 *Wall Street Journal* on the imminent fizzling of consumer spending merely under-

lined what every businessman knows. The *Wall Street Journal* cited a survey of consumer confidence taken in April by the Conference Board, which revealed a marked deterioration of consumer confidence since the beginning of the year. The director of consumer research at the Conference Board commented with characteristic understatement, "The President's pointed energy message and recent retail price hikes have apparently accomplished what the fierce winter failed to do: They have made consumers less optimistic about the future." Ominously, overall retail sales were completely stagnant in April, while auto sales slumped 4.3 percent from March. Courtney Slater, the Commerce Department's new chief economist, explained, "The March sales were at such a high level, they had to be expected to level off."

The reasons for the inevitable "leveling off" are obvious: consumer debt rose by a record \$2.7 billion in March, bringing total consumer debt outstanding up to about 180 billion or 12 percent above a year ago. According to government estimates, 25 percent of consumers' after-tax earnings now go to servicing debt, compared with a level of 10 percent in the years after World War II. Given this steep debt burden and soaring food and fuel costs, it's no wonder the savings rate — the statistic businessmen look to to gauge how much more consumer spending can rise — sank to a low 5 percent in the first quarter of the year. T.J. Holt, the head of the pro-gold consulting firm bearing his name, calls the recent "ultra-rapid rise in consumer debt a clicking time-bomb that will soon put a sudden end to the on-going business recovery."

For those who are pinning their hopes on a sudden pick up in capital spending, Walter E. Hoadley, economist at Bank of America, warns that the U.S. could go through the current business cycle without an upturn in plant and equipment spending, "relentlessly chewing up capacity." At a recent press lunch reported by the *Journal of Commerce* last week Mr. Hoadley said that three out of every four corporations expect inflation to come "roaring back" and are therefore not making any major investment decisions.

Some industry economists are citing the fact that in the manufacturing sector productivity (output per manhour) has actually fallen for two consecutive quarters, while unit labor costs have soared, as indication that manufacturing corporations can no longer postpone expenditures to replace dilapidated equipment. There is no reason, however, why corporations can't go on "relentlessly chewing up capacity," as Hoadley put it. The only thing militating against continued scrapping of capacity as it becomes too unproductive is the loss of competitiveness. In the auto industry, for example, where foreign imports made up a record 20 percent of the market in March, auto makers have had to make equipment expenditures to switch over to smaller cars simply to stay in business. The rise in non-defense capital goods orders in March, in fact, primarily reflects auto industry retooling. However, the auto industry, buoyed up by the expansion of consumer debt, is about the only place in the economy where sales have been high enough to allow minimal capital expenditures.

Carter is Good for Business?

As U.S. corporations' inflated profits begin to give

way, the reaction of some has been to snap at the first "business opportunity" to come their way. The tendency for businessmen to act against their long-range interests is nowhere as evident as in the accommodation of certain sectors of industry to Carter's energy program.

Some weeks ago the president of Babcock and Wilcox, the only U.S. company to receive any orders for nuclear reactors last year, told his stockholders that the company could live just as well with coal-fired utilities as nuclear energy, and noted that the company stood to benefit from the program's coal-conversion provisions.

Months of scapegoating by Nader-connected "consumer" spokesmen of natural gas producers for withholding natural gas from the market last winter appears to have produced the desired result. Last week the American Gas Association took out newspaper advertisements to announce its sudden conversion — its new support for coal gasification.

At the midyear meeting of the American Petroleum Institute in Chicago last week, V.J. Kavlick of the Fluor Corporation, one of the nation's largest engineering and construction contractors, predicted that coal liquefaction can be underway by 1986 or 1987 if government aid is available to make the expensive process commercially viable. At the same meeting E.E. Kintner, director of the nuclear fusion division of ERDA, told the API members, "The need for an inexhaustible, nonfossil, base energy

source is clear... Fusion could be considered the enduring solution to energy problems."

Another spokesman for Fluor told NSIPS last week that the present credit system is unsalvageable...but then called for a "forty to fifty year depression" to realign monetary and real values. In the same breath he recommended that the U.S. develop — the "synthetic fuels used by the Germans in World War II to run their war machine" — coal liquefaction and gasification.

Carter, The Fiscal Conservative

The Carter Administration likewise appears to have U.S. businessmen duped on the monetary questions. As a result of Carter's timely decision to throw out his tax rebate program earlier this spring and Federal Reserve Chairman Burns's recent unimpeded moves to tighten interest rates, even some of the staunchest Republicans on Wall Street are enamored of the Administration's "fiscal conservative" pose. Burns and Administration economic officials have simply had to take up the anti-inflation banner in the face of resurgent U.S. inflation and the flat refusal of the West Germans and Japanese to hype their economies in tandem with the U.S. Burns' moves against inflation, however, will only hasten the demise of current "recovery" and aggravate the outburst of heteronomic impulses.

City Hall 'No Longer A Factor' In New York

SPECIAL REPORT

"The Democratic Party and City Hall are no longer a big factor and certainly won't be after the elections," commented a senior official of the Citizens Budget Commission last week. "What will happen to the next mayor shouldn't happen to a dog."

This sums up the New York City mayoralty campaign from the standpoint of a commercial banker. The banks have seen to it that no fewer than a dozen "major" candidates are all now vying for the right to preside over a crumbling Rockefeller-ruled city.

Roughly two years after the allied Rockefeller and New York Rothschild financier interests first saddled the city with their Municipal Assistance Corporation or "Big MAC," New York is in the worst financial shape ever. That not-accidental outcome of "Big MAC's" progressive, calculated erosion of the city's economic base — in terms of services, labor and business activity sacrificed to short-term debt refinancing — was the subject of a recent federal report on the city's finances, which concluded with a carefully-worded admission that New York City is perhaps ten years away from "turning the corner" financially. That half-truth — the city will go under in a financier's Schachtian holocaust of physical collapse, crime and pandemic disease much sooner — reflects a lawful accumulation of new debt roll-over im-

peratives for Lower Manhattan. This in turn requires a redoubled looting of the city at its base, the "public sector," something that Abe Beame and his Democrats "won't do," explained one source.

So last week Governor Hugh Carey announced that he would back his own candidate, Secretary of State Mario Cuomo, even if Cuomo failed to win the Democratic nomination. In this eventuality, Republican Roy Goodman, a Rockefeller liberal, would have his chances improved. If this scenario doesn't develop, however, the dogfights and dirt thrown around among the many Democratic contenders in the campaign could rupture the party and render impotent whoever occupies Gracie Mansion next year.

Amid the confusion, Wall Street has sponsored a daily barrage of attacks against key city service institutions, with the education and hospital systems particularly targeted. Because the relatively independent Board of Education has been resisting further cutbacks, Mayor Beame recently proposed its abolition, to be totally restructured and replaced by mayoral appointees. This is occurring according to a Russell Sage scenario, Beame exposing himself to charges of "bossism" on the eve of the elections. Within days after Beame's proposal announcement, Comptroller Harrison Goldin initiated an audit of the education system to investigate "waste," as State Senator Eckert moved in to destroy "expensive" faculty tenure. Four days later the *New York Post* ran banner headlines proclaiming, "\$ Millions Lost in School Waste — State Rips Loafing On Repairs."

The hospital situation is even worse. City Budget Director Donald Krummerfeld was placed directly in charge of the formerly independent Health and Hospitals Corporation and immediately enacted a three-month timetable designed to eliminate administrative personnel opposed to further cutbacks. Krummerfeld is putting into place a medicaid and general cost monitoring system to "reduce waste," as well as an "inspector-general unit," which will serve as an in-house policing arm. Concomitantly, the press is filled daily with cries of unreported malpractice, and the state is moving to pass legislation that would drive hundreds of doctors out of the hospitals. As mayoral hopeful Joel Harnett, head of Wall Street's City Club, points out, "A health czar is needed to knock everybody's heads together, and you can quote me on that."

All of this would be impossible without the complicity of the city's unions. "You know who the number one

banker of New York City is: Victor Gotbaum," gloated a Rockefeller source. "Gotbaum is one of the guys." He isn't kidding — Gotbaum can account billions in city pension funds as never-to-be-repaid credit to the city. Gotbaum, the recognized leader of the Municipal Labor Committee (MLC) and head of District Council 37 which controls most of the city hospital unions, proudly boasts that he now has labor-management productivity committees "in every city department and every hospital." Last weekend, Gotbaum led city union leaders through a two-day "educational session" dominated by Deputy Mayor John Zucotti, a Rand Corporation operative, and Felix Rohatyn, chairman of Big MAC, in which the necessity of pulling together to pay the debt was drummed in repeatedly. As the productivity coordinator of the MLC crowd, Gotbaum is restructuring the labor-management scene."

'What Will Happen To The Next Mayor Shouldn't Happen To A Dog'

The following interview with a senior official of the Citizens Budget Commission was recently made available to NSIPS:

Q: What do you think of the New York City mayoral race and what do you see as the primary tasks of the next mayor?

A: The primary job of the next mayor will be to convince everyone that there is equality in sacrifice, and that he has no desire to justify what has happened in the past. You got to watch Goodman, Cuomo, and Koch. All of them are reliable. Cuomo is the great compromiser and Carey's man, so he looks good, but Goodman could well take it in a Democratic Party split. Koch is steady and will do what he has to do. Bella Abzug is just a big mouth, she'll make a lot of noise but won't go anywhere.

Q: What about Mayor Beame?

A: The thing you got to understand is that Abe Beame ain't gonna be elected, and he probably won't even be nominated by the Democrats. The problem with Abe is that he can't see that far ahead. He can see only two to three years into the future, but he can't understand that there's got to be 10 to 20 years — at least — of rigid financial control over New York. Abe just don't want to face that. Abe thinks we're out of the woods — but this is the biggest goddam woods you ever saw!

Look, I like Abe, he's a nice guy, but let's face it, he's an old man. If Abe were smart, he should say, I've done all anyone could, I leave the city on an even keel — I even balanced the budget — though he really hasn't, but he can say this — and he should step down. He should take a slow boat to Florida. The problem is Abe's been climbing up a greasy pole for 25 years, and now he's on the top but he's losing his grip. It's a long way down that pole and on the bottom is a big pile of shit. That's what's gonna happen to Abe Beame if he runs, he's gonna land in the shit, he's already half in it. No one wants to get hit with all the shit like he's been hit. But when the *real* shit hits the fan, Mayor Beame is gone. What will happen to the next mayor shouldn't happen to a dog.

Q: What do you mean by that?

A: Look what our honorable next mayor is going to face. You think we got a balanced budget? Baloney? You got \$700 million in the capital expenditures part of the budget which is pure and simple operating expenses. That means Abe's got to hire a lot of people this year, but next year the mayor's got to dump them all. Think that'll be easy? On top of this, you can expect at least a \$400 million per year rate of *increase* in the deficit — at least — and that assumes no wage increases beyond a very low level — and that means you come up against the unions. In the short term, you are running up against a necessary \$600-700 million shortfall each year in debt service payments, and that money has got to be paid, and it can only come from one source: the public sector. Our number one priority is to guarantee the viability of our private sector and business which means creaming off the public sector through a state takeover. In New York City, we haven't faced up to how much we must cut the public sector, and Abe Beame won't do that.

Q: Isn't this actually what the monitoring and control system proposed by the banks last February is designed to do? Do you see this monitoring mechanism, which the Russell Sage Foundation and David Grossman of the Nova Institute are working on, as essentially running the city in time? It's already being set up to monitor medicaid, the hospitals, and city finances.

A: Ah, precisely, that's it. But they won't run New York City. The *state* will. The Office of the State Controller will run New York City. That's what Gov. Carey is doing up in Albany, cleaning out the dead wood and hacks and putting in people who can run things.

Q: What about the unions though?

A: Look, you know who the number one banker in New York City is? Victor Gotbaum (head of District Council 37 of AFSCME —ed.). Gotbaum is one of the guys. You know, he talks a lot, puts on a big front. You talk to him, if it's Monday, he'll say it's Tuesday, and within half an hour you'll believe him. The city and banks put him in a

very tough spot last fall, they leaned too heavily on him so that Vic and Lillian Roberts, New York's Joan of Arc, had to call a strike for a day or two. We got to watch that.

You see, the big factors in this city are the unions and the banks, and there has to be give and take. The Democrats and City Hall are no longer a big factor and certainly won't be after the elections.

Given time, we can do anything we have to, but the

problem is we have this damned six-month period because of the elections, and there's no guarantee the whole thing will all last that long. You got to have elected people unfortunately, and these people will wave the flag of bloody populism. This isn't Russia. You can't line up people against the wall and shoot them, so we got this mess on our hands.

Energy Independence Or Energy Disaster?

UTILITIES

The Carter Administration's energy policy, emphasizing a shift to domestically mined coal as the United States' major source of fuel is not, as Carter claims, a policy aimed at lowering the nation's bill for imported oil and protecting it from a possible Arab oil boycott.

Indeed, if this were the case, Carter's most rational policy pursuit would be to expedite licensing and construction of nuclear power plants.

In fact, the Administration's coal plans are part of the Rockefellers' grandiose "Project Independence" — a plan for a \$100 billion bailout of the New York banks through funding of large-scale, domestic slave labor projects and expensive projects involving coal and coal gasification — where the Rockefellers have already made heavy unrealized investments.

Far from "energy independence," this scheme spells "energy disaster" for the U.S. economy, and in particular threatens to destroy the U.S. electrical utilities industry, the U.S. industry which has historically been the most avid fighter for economic growth and technological progress.

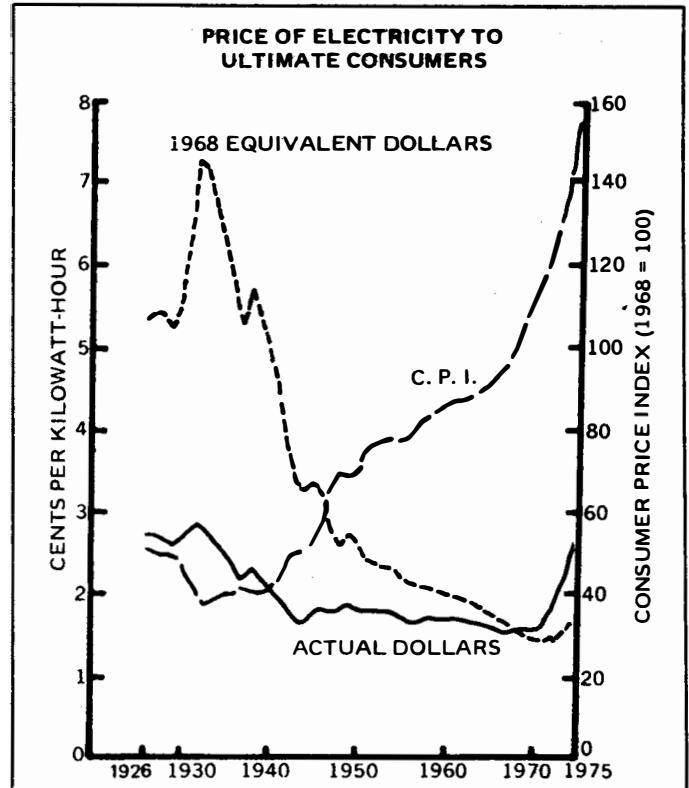
Ban Oil, Gas, and A-Energy

The Administration is proposing a ban on all construction of oil and gas burning generating plants and a heavy tax which will force the utilities to convert all existing oil and gas plants to coal by 1985. In addition, the Administration plans to allow nuclear plant construction starts to come to a half, and is canceling the fast breeder reactor development.

This forced conversion to coal will cost utilities \$71 billion, the Edison Electrical Institute estimates, and will affect 115,000 Megawatts of existing and planned oil and gas burning capacities, nearly one-fourth the total capacity of the industry today.

The increased coal requirements would be on the order of 350 million tons by 1985, and presently projected coal output would have to be augmented by 88 percent — necessitating the opening of 40 new surface mines and 75 underground mines.

Additional costs to the economy are for the purchase of thousands of new railroad cars and scores of locomotives to move the coal from the West to the Northeast and from the Southwest to the Pacific Coast.



Social costs of such a magnitude can only be justified by increased energy production. But under the Carter Administration plan, the monumental sums involved will be spent largely for conversion of existing and already planned capacity. Because of the poor financial health of the utilities, these costs would be borne *at the expense of energy expansion*.

As of December 1, 1976, the Federal Power Commission projected total capacity needs of the industry to be \$250 billion by 1985, if a slightly lower annual growth rate than the historic 6 to 7 percent were maintained — and not counting the \$71 billion coal conversion cost. Only 60 percent of that \$250 billion capital budget would be used for expanding generating capacity; the rest would be needed for improvements in transmission facilities.

Even these modest Federal Power Commission projections are made with great qualifications. As documented by this news service and admitted by all knowledgeable utility analysts, the industry is in grave financial condition. A huge and growing debt hangover, skyrocketing bond rates and a reversal of a cost

reduction market expansion strategy can all be traced to the halt of on-line technological improvement represented by nuclear power.

Nuclear energy is far cheaper to generate than any other source, and the industry's capital structure has been erected on the assumption that it could steadily increase electricity usage by cutting costs to consumers through such new technologies as nuclear power. (See "Carter Energy Program Would Bankrupt Public Utilities," *Executive Intelligence Review*, Vol. IV, No. 9 (Feb. 29, 1977), Economics Section pp. 9-11.)

In 1973 the industry appeared to be off to a healthy start in the nuclear business, with permits granted to construct 40,000 megawatts of new capacity. In 1974 this was halved; in 1975 the total was reduced 80 percent further and in 1976 no new permits were granted as a result of uncertainty due to a concerted attack by environmentalist groups.

That this legal onslaught is traceable to the same Rockefeller-Trilateral Commission sources that advise Carter reveals the Administration's real policy on nuclear power. Laurance Rockefeller's Natural Resources Defense Council is one leading anti-nuclear group.

The losses incurred by utilities as a result have left them strapped for funds. Their response has been to slash capital outlays 14 percent during the fourth quarter of 1976 and increase dividend payments, in the hope of raising funds internally through the sale of stock. Industry spokesmen contend that unless rate changes and regulatory reform increase their rate of return to 15 percent, they cannot fund the needed capital development.

Contemplating Carter's proposed \$71 billion increase in costs, the Edison Electrical Institute does not mince words, labeling the proposal "financially disastrous" and "impossible."

Scare Tactics

The Carter-Rockefeller forces are relying on "energy-shortage" scare tactics to bully their opponents into acquiescence.

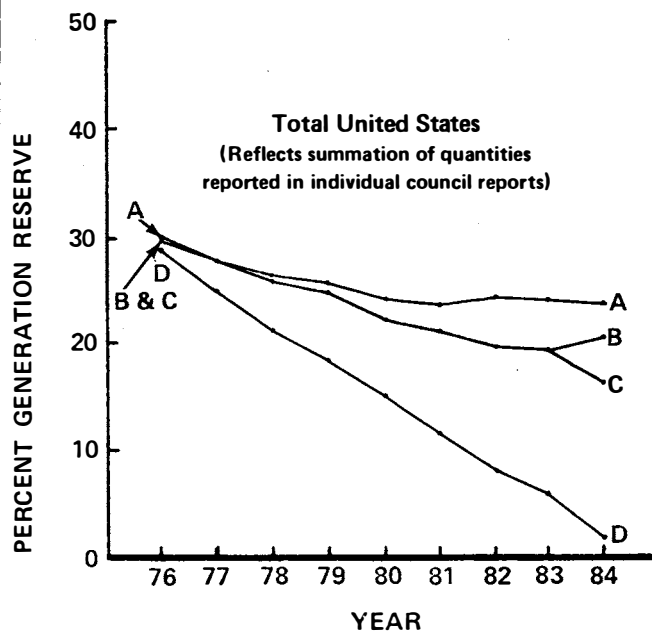
In a recent report, the Federal Power Commission forecasts that electrical generating reserves will be reduced from the present level of 28-30 percent to 17 percent by 1981 as a result of construction delays already incurred. This reduction will increase the occurrence of blackouts, power reduction and other forms of shortages a thousand-fold. Another group — Americans for Energy Independence — said in a letter to Carter Energy czar James Schlesinger that if the trend continues, the reserve would be under 8 percent by 1985, with 248 plants over 40 years old counted in. The percent of generating capacity out of usage in any given month for repair and maintenance is 15 to 20 percent.

In this crisis atmosphere — which official government sources now claim is unavoidable — giant price increases are only one of the results. The Carter-Rockefeller forces are hoping to push through the following plans:

1. Slave Labor

Regional financial corporations able to float government-backed bonds are now being set up to fund coal conversion — including the more expensive vastly more

PERCENT GENERATION RESERVE AT TIME OF SUMMER PEAK LOAD



LEGEND

- Curve A — Generation Reserve Margin as Forecast in 1976 Council Report To FPC
- Curve B — Generation Reserve Margin as Modified Following Survey of Current Construction Status in August 1976
- Curve C — Expected Generation Reserve Margin Should No Nuclear Construction Permits Be Issued After September 1, 1976
- Curve D — Expected Generation Reserve Margin Should No Nuclear Construction or Operating Permits Be Issued After September 1, 1976

inefficient coal gasification technology. Professor Louis Kaden, legal counsel for the Conference of Northeast Governors describes the purpose of CONEG's Northeast Energy and Economic Development Corporation (NEED): "Our purpose is to solve the Administration's energy program's most glaring shortcoming, insufficiency of capital instrumentation." Mr. Kaden also made it clear that funding a place for welfare victims in the NEED program for coal development was a major concern.

With most of the new coal coming from the West, mine operators are expected to use non-union workers in an area of the county where miners are largely unorganized.

The breaking up of the United Mine Workers Union is a necessary prerequisite to the mass labor relocation operation that would be necessary to get Rocky Mountain coal out of the ground. Though there is now a surplus of miners in the country, the Bureau of Labor Statistics says there are "dramatic shortages" of miners in Colorado, Utah, Wyoming and Montana, the area Carter expects to produce the most coal. The BLS is now debating how to relocate large numbers of Appalachian miners — the section of the workforce they characterize

as the most immobile in the country.

To quote UMW Secretary Treasurer Harry Patrick on the subject, "If we don't organize the West this union is finished."

II. Carterite Control of Industry

Because the Clean Air Act governing coal burning is a more stringent "environmental protection" law than anything the utilities are now fighting on the nuclear front, conversion to a coal economy would place utilities under the tight control of Energy Czar Schlesinger and Naderites ensconced in the Carter Administration.

A government spokesman estimates 40 percent of the coal now being burned creates pollution which violates the standards set by the act. In addition a case is now being fought in Ohio that could cut coal usage by one-third in the state on the basis of a computer program predicting ecological effects.

III. Decentralization

The Ford Foundation has outlined regulatory reform

that would organize regulatory commissions on the regional level, disbanding the state commissions which have historically been pro-industry.

The May 8 issue of the Baltimore Sun summed up the aim of Carter's coal program: "The administration sees the use of coal as a means of decentralizing energy production in the next two decades, analysts believe, with factories served by their coal gasification plants, with new electrical power demands being met by smaller plants . . . and with homes and businesses supplying larger portions of their own energy needs through solar power."

This precise issue was fought and won by Edison and Insull at the turn of the century in their battle against the Morgans' plan for production of small generators for each household. They established the most capital-intensive industry in the world. We have to protect it.

— James Rotonda

Private Banking Approach To A New Monetary System

By Lyndon Hermyle LaRouche, Jr.,
Chairman, United States Labor Party,
May 11, 1977

For obvious political reasons, the governments of the OECD capital-exporting nations lack the competence of perception and mobilized will to put the institutions of a new monetary system into place until after the collapse of the existing monetary system has occurred. The only practicable solution to this predicament is action by bankers and industrialists to establish the seed-crystal of a new world monetary system now, as a private banking venture.

Since world and national banking have been predominantly private banking ventures throughout the past seven centuries of European history, the feasibility and propriety of such an approach is clearly established. The problems to be considered are the following: (1) The strategic approach for transforming a private bank into a world central bank under present conditions of monetary crisis, (2) The distinctive policy requirements of such a bank, in contrast to most preceding national and world banking system ventures, (3) The policies governing global and national-sector financial reorganization. Those are the topics of this memorandum.

Initial Steps

The basic procedure is elementary. A private bank is launched as the seed-crystal for a new world central bank. This private bank incorporates all the "genetic" policy and related features of the needed world central bank. It launches its operation as a new private bank specializing in hard-currency credit in international trade.

The bank is formed in the standard way. A stock subscription is issued, with purchasers advancing a prescribed portion of the total value of their stock purchase, and covering the remainder of the purchase price with collateral. A portion of the capital advanced is used to purchase gold reserves.

The bank begins private banking operations by matching hard-commodity export and import delivery and production contracts for an initial group of client industrial and other suitable firms of the OECD countries. The immediate objective is to extend this into the area of multilateral hard-commodity production, trade and investment.

The more basic objective of the bank is to advance

from private banking to serve as a de facto common central bank for national banks and similar national and regional hard-commodity banking institutions.

There are three most notable features of this private-banking approach to the current monetary problem. First, *why this tactic is required*. Second, *why one particular venture of this type should succeed*. Third, *how this proposed private banking venture differs qualitatively from other banking alternatives* which might tend to arise almost spontaneously under conditions of monetary collapse.

On the first of these counts: It might be argued by some that the preferred course for establishing a new world banking facility is an initiative taken in conjunction with at least some governments. It is granted that such a course would be preferred if any appropriate such governments were prepared to act *in time*. Relevant OECD governments have demonstrated that all of them lack the combination of perception and effective political will to act in time. Therefore, *the private banking "seed-crystal" approach is the only practicable and urgent remedy*.

On the second of these three points: A significant number of bankers and industrialists are perceptive of the merits of a private-banking alternative, and will participate in operations of the first *competently grounded* such institution to be launched for this purpose. If 5-10 percent of the new hard-commodity export-import traffic of one or two OECD countries flows through such a bank, such a development would be more than sufficient to establish that bank as the seed-crystal for a new international central bank under present conditions of advanced collapse of the old monetary system.

On the third of these three points: Any well-informed banker would agree that the onset of a major monetary collapse compels well-advised bankers and industrialists to freeze large blocks of outstanding financial holdings and to pool hard-commodity credit resources for the purpose of stabilizing production and trade at a level sufficient for subsequent recovery efforts to begin. Insofar as the proposed private-banking measure incorporates such strategy, what is proposed is merely a matter of general professional knowledge.

The distinctive feature of the proposed private bank, unlike other alternatives, is that its credit policies are based on economic principles which eliminate the fundamental dysfunctional features of the old sterling and Bretton Woods system.

Despite such notable exceptions as Gresham, Colbert, and Hamilton, for seven centuries world banking has been dominated by *pre-capitalist policies* which have not

changed in essentials since the Bardi and Peruzzi of the thirteenth and fourteenth centuries. Although modern world banking has, in part, financed industrial and agricultural development, this productive use of credit has been accompanied by perpetuation of medieval practices of creating debt on the basis of the capitalization of ground-rent and pure speculations which are themselves ultimately the capitalization of anticipated ground-rent income. In fact, the medieval aspect was the dominant feature of both the old nineteenth and early twentieth century sterling system and the Bretton Woods system.

The distinctive feature of the economic policies of the proposed private bank is that the new world monetary system outlaws the use of national and world credit for capitalization of ground-rent and equivalent fictitious forms of wealth. *The credit and monetary policies of the bank require that the rate of growth of debt-service be slower than the expansion of national and global absolute profit in terms of tangible commodity outputs.*

This economic policy has a twofold consequence. First, it permits the unlimited safe expansion of credit to the upper limits determined by national and global productive potentialities. Second, once this principle is broadly understood, it provides the requisite subjective preconditions for the appropriate measures of credit-creation by governments.

The only subsumed, further limit on credit-issuance is, first, ordinary considerations of the technical competence of the investment and managerial competence of the borrower, and, second, the allowance of an actuarial factor of risk for failed productive performances and catastrophes.

Therefore, respecting the third of the three cited points, although the expected general banking reaction of a monetary collapse, as indicated, would be beneficial for the near-term, such measures, by themselves, would lead to a resumption of the same crippling defect of the bankrupted sterling and Bretton Woods systems. For that reason, the visible alternatives to the proposed action would contribute only limited benefits during the near term and would fail to solve the basic problem over the immediate and long term.

A Hamiltonian Credit Policy

It is advisable to specify the economic policies of the bank as *Hamiltonian*.

During his term as U.S. Secretary of the Treasury under President George Washington, Alexander Hamilton submitted two most notable reports to the U.S. Congress which became the fundamental monetary and economic policy of the U.S. republic until the 1828 election of Andrew Jackson. These are Hamilton's 1790 *Report on a National Bank*; and his 1791 *Report on Manufactures*.

The reasons for proposing the name, "Hamiltonian," for the proposed policies are principally as follows:

1. Hamilton's economic and related banking policies are correct for that time, and correct in principle — if inadequate in elaboration — for the present global situation.
2. Although British agents of influence (notably Martin

van Buren and August Belmont during the 1828 period) directed U.S. policy away from an industrial-capitalist, or Federalist-Whig policy from 1828 onward, the majority of the U.S. electorate is essentially characterized by American-Whig impulses, and will be most receptive to a proposed return to the American republic's industrial-capitalist traditions under conditions of monetary collapse.

3. The U.S. republic of the Federalist period, until 1828, is the only case of a nation consciously and effectively based on capitalist principles.
4. *The application of Hamiltonian policies in the OECD sector is the only basis for durable agreements of economic and monetary cooperation with the CMEA and developing nations.*

Although the Erasmian (neo-platonic humanist) conceptions characterizing U.S. Federalist and Whig political and economic policies are also characteristic of Gresham, and the French *politiques*, Milton, and Colbert, Alexander Hamilton was the first thinker to solve the problem of rigorously defining the notion of wealth. Not only is that Hamilton's most singular accomplishment, but this conception of wealth, incorporated in an official 1791 transaction of the U.S. government, was the policy of the republic's government until 1828, and continued as the policy of the Whigs and the 1856-1865 Republican Party and Lincoln government.

It is unnecessary to restate Hamilton's fundamental discovery here, since that is available is his *Report on Manufactures*, which ought to be studied by every concerned person for reasons already stated. It is sufficient to identify the crucial feature of his proof concerning the nature of wealth, and to restate the argument in those modern, thermodynamical terms most relevant to the crucial feature of contemporary global economic and credit policies: high-energy technology development.

Hamilton defines the conception of wealth by attacking the pro-feudalist English and French versions of the Physiocratic doctrine. Using the number of individuals supported by an economy as his metric, Hamilton disproves completely both the doctrine of "natural wealth" and the associated doctrines of ground-rent. By the same argument he proves that the use of technological progress to increase the *productive power* of labor is uniquely the primary source of *absolute profit*, and hence of wealth.

Today, we can restate Hamilton's argument in more powerful terms. (cf. Levitt, Bardwell, Lerner, in *Fusion Energy Foundation Newsletter*, Vol.II, Nos. I-IV)

The development of the human species, since the Pleistocene, and, most notably, the emergence of neolithic cultures, is characterized by a secular trend of exponential increase in per capita energy-flux in both production and household consumption. The succession of technological modes of production associated with this progress is also characterized, in respect of the high points of development of each culture, by an increase in the ratio of effective free energy in total production. Hence, the process of human development is characteristically *negentropic*.

This progress has the following principal features.

Progress is effected in a two-fold way. The possibility of progress (*potential progress*) is *mediated* through individuals' *creative synthesis* of new technological discoveries. The question whether such discoveries become advances in production is a matter of the transmission and assimilation of such discoveries for general social practice. On this latter account, the development of social institutions and customs appropriate to the assimilation of discoveries for practice, and fostering of such discoveries is indispensable. On this account, social and political innovations are complementary to and interdependently related to technological discoveries.

Properly established national and world central banks are institutions through which technological progress is mediated.

The crucial test of what represents technological progress is the effect a class of technological innovations has on the *negentropic* increases in per capita energy-flux of societies. A simple increase in energy-flux might be merely an increase in effective costs; it is increases in per capita energy-flux and associated potentially higher rates of absolute profit of societies (increased free-energy rations) which uniquely satisfies the requirement of technological progress.

Thus, those scientific and related discoveries which represent the potential for such technological progress have the *physical quality* of negentropy.

In the first approximation, the assimilation of technological advances for social practice (technologically advanced productive skills, employment of such skills appropriately in production) represent increased *productive powers* of labor. (Hamilton's discovery in first approximation.)

The capability of population for generating and assimilating for practice a continuous advance in technology is the productive power of labor in its most general sense.

This capability of a population, which is the notion of *freedom* (as distinct from *toleration*) in the neo-Platonic outlook, is bounded by *necessity* in the following way.

Every technological mode of production defines a pre-existing spectrum of natural and man-made conditions as *resources*. This spectrum of resources is inherently *relatively* finite. Either it is a type of resource which is limited in absolute, accessible amount, or its depletion is reflected in terms of rising social cost of use *in terms of the existing technology*.

There is no possibility for the indefinite continuation of a society in a fixed technological mode. Attempting to slow population growth, or even reducing populations would, at hypothetical best, merely delay the problem. In actuality, all zero-growth methods necessarily worsen the problem, rather than postponing it.

The only solution is an increase in the "reducing power" of the society — higher per capita energy-flux in production and household consumption.

That by itself will not succeed. The average technology of society is raised in level by expansion of the mode of production, emphasizing relatively more-advanced technology in the allocations to expansion. Hence, the possibility of raising the average level of technology of society depends upon the free-energy ratio, the equivalent for that society of the rate of absolute profit. In terms of

capitalist and socialist industrial economies, the measure is the ratio of new productive capital formation to existing capital. Therefore, the only solution is to realize technological advances as higher rates in negentropy.

The result of this is to redefine the spectrum of required resources.

The problem is properly represented in terms of comparative rates. There is at each point a certain implicit rate of technological progress required to keep prime costs of production constant. That is the reference-rate. The actual negentropy effected through real capital formation in industry, extraction, and agriculture must be significantly higher than the reference rate — to the effect that the rate of absolute profit is rising.

By inversion of these relationships, we arrive at the following two crucial judgments:

1. The amount of tangible wealth output is not in itself a measure of wealth. It is the rate of absolute profit in total tangible commodity output that defines a total product as representing wealth.
2. It is the technological increase in the realized productive power of labor which is uniquely the source of wealth.

These judgments ought to be obvious, especially as wealth is studied in respect of proper policies for the long-term debt-generation of national and world central banking. The very fact of debt-service accumulations on long-term debt obliges us to consider current output as subordinate to the issue of the growth or the mass and ratio of absolute profit five, ten, twenty-five years hence. *It is the wealth-regenerative quality of the consumption of currently-produced tangible industrial and agricultural output which determines future ability to pay.*

Nominalists may choose to attach the word "wealth" to anything they choose in any manner in which they choose. There is, despite the opinion of such nominalists, only one definition of wealth which has any proper practical significance for the standpoint of the central banker viewing problems of long term investment. That required definition is the one given immediately above.

The Function of Credit

It is unnecessary to develop the case here for the essential role of banking in consolidating a diverse mass of short-term bills of exchange as indispensable to national and world production and trade on current account. Our task here is to develop a *non-monetarist* approach to intermediate-term and long-term credit.

The function of intermediate- and long-term credit ought to be too obvious to require qualification here; unfortunately, so much nonsense has been circulated by monetarist doctrines on this account that we must presume that some readers may have been affected by the dogma.

The problem solved by banking is what certain monetarists perceive to be the "buy-back" problem. Taking world industrial and agricultural production as a whole, the margin of commodities corresponding to net absolute profit (potentially investable margins) is intrinsically in excess of the purchasing power placed in circulation by

payment of prime and indirect costs against this commodity production. On this account, certain monetarists and others have argued that there is not sufficient purchasing power put into circulation by production to accomplish the circulation of that net absolute profit margin of commodity output.

This pseudo-problem is solved by the issuance of credit to seller and purchaser. The credit is issued against the value represented by the produced commodities and also against the regeneration of wealth accomplished by appropriate forms of consumption. In the final analysis, the credit is issued against the increased absolute profit of future production based on the consumption of that wealth.

As long as investment is governed by the principle of technological progress in the expansion of production, there is no other limit to the credit which can be created for this purpose. As long as the credit issued is limited to purchases for profitable production, including direct and indirect production payrolls, and to services organically integral to maintenance of production and labor, the expansion of credit can not be inflationary. On the contrary, under conditions of sustained general technological progress, credit expansion governed by these restrictions is deflationary.

The problems of credit are twofold: *economic* and *institutional*.

Intermediate-term credit can be generated in part out of allocations from depreciation accounts. In the general and total case, intermediate-term and long-term credit must derive, in national-account and international balances from absolute profit portions of total tangible commodity production, *or against idled or near-term expandable productive capacities which correspond to such an absolute profit margin.*

For regulating the economic side of the generation of intermediate-term and long-term credit, a tangible-output measure of national income accounts must be employed. Non-tangible "output" must be treated as indirect production costs, *not as net output*: e.g., services. After deducting the prime costs of national and global output (materials, capital maintenance, labor force costs), and deducting indirect costs apart from government, so we define a *net absolute profit*. This must be allocated in three sub-segments: (a) *government costs*, (b) *national capital formation*, (c) *capital export*.

The net of national and international intermediate-term and long-term credit issuance must be derived from the corresponding portions of net absolute profit of national economies.

Up to this point of our consideration of the matter, it makes no difference in principle whether the flows of absolute profit for capital formation flow into national and world banking through governments or private investors. It is the *institutional* side of the credit problem, rather than the economic side, which poses significant distinctions between public and private sources of capital.

Although private banking can develop the "seed-crystal" forms of general banking needs, the only general source of credit on the required scale is the creation of national banks, into which the public debt and revenues of national governments are deposited. In this

way, the fiscal activities of the national government create the reserve-basis for national monetary requirements. The correspondent relationship of other banks to such national banks provides the monetary system in fact.

Such national banks may be directly institutions of government, or may be private banks chartered by governments for this function.

The same principles apply, in an adjusted form, to international central banking institutions.

The proposed private bank may perform all the characteristic functions of a world central bank. It has a potentially unlimited capacity, limited only by its current payments and gold reserves, for discounting and rediscounting current bills of exchange. Its principal limitation in fact is that no syndicate of private resources can at this juncture muster sufficient capital for more than a relatively modest quantity of intermediate-term and long-term credit.

It is estimated that near-term net long-term capital flows from the combined OECD, CMEA and other capital-exporting nations to net-capital-importing developing nations will reach the range of an annual equivalent of between 100 and 200 billions 1976 dollars. The possibility of reaching such levels, of intermediate- and long-term net capital flows clearly depends upon both the appropriate developing of national banking in exporting and recipient nations, and of bringing levels of tangible output in the net-capital-exporting countries up to corresponding levels of net absolute profit.

The initially required levels of production in the net-capital-exporting nations can be reached by treating idled and near-term expandable productive capacities in industry, extraction and agriculture as the basis for issuance of government-endorsed credit, through national-banking methods.

Pending actions by governments, the private bank acting as a future international central bank should act in concert with bankers and manufacturers of the OECD nations, to the following effect: (1) *Create a pool of hard-commodity bills of exchange and existing hard-commodity capital credit in trade among OECD nations and with CMEA, OPEC and developing nations.* (2) *Work to develop relationships with suitable national-banking institutions in nations, and aid in creating the economic and credit climate favorable to the development of such national banking.* (3) *Take joint action to secure the operating integrity of new credit issued from appropriation on account of carried-forward financial indebtedness of nations.*

Also, a *hard-commodity-only credit issuance policy*. No new credit issued is to be granted or used for any other purpose than production and trade in tangible commodities, real capital formation in industry, extraction, energy production, agriculture and engineering services directly related to capital formation and production. No new credit issued is to be directly or indirectly applied to the payment of or refinancing of carried-forward financial indebtedness.

For the conditions of collapse of the Eurodollar market, and dysfunctioning of the International Monetary Fund, World Bank, or major national-sectoral financial institutions, it shall be the policy of the bankers

and others associated with the new bank to force financial reorganization of illiquid financial entities. The general policy for this purpose shall be "freezing" of most financial holdings not immediately relevant to either (a) public debt of national governments of net-capital exporting nations, (b) current hard-commodity production, trade, and capital formation.

For purposes of financial policy, the following general analysis of the problems created by monetary collapse is sufficient here.

1. It is understood that the monetary collapse will sort financial institutions into "winners" and "losers." This distinction will be determined *objectively* in favor of those financial institutions which have a relatively strong position in high-technology manufacturing, trade, energy production, public debt of national governments of OECD nations, and gold. Those institutions with large proportions of their holdings in speculative real-estate, the Eurodollar market, and debts of developing sector nations are objectively relatively unsalvageable. Among those financial institutions which are objectively defensible, the distinction between "winners" and "losers" will be determined *subjectively*. Those that adopt a posture of developing a new monetary system will survive, while those who oppose this will not.

This distinction between "winners" and "losers" is crucial. Hundreds of billions of current book values will be eliminated before the present monetary collapse is sorted out. It is essential — and to a large degree automatic — that the greatest burden will fall on some, the "losers," to strengthen the position of the survivors.

2. The public debt of national governments of net-capital exporting nations must be defended.
3. Viable industries and farms must be secured against liquidation, and must, as necessary, obtain necessary credit for materials, payrolls, services, maintenance, and capital formation under conditions of financial reorganization.
4. Although the ownership of a bank may be bankrupt, the service function performed by a bank as an institution of credit and deposit for industry, agriculture, commerce, and private households must be considered. Those service functions of essential institutions must be maintained, by making such facilities correspondents of national banks or emergency syndicates of viable banks under conditions of financial reorganization.
5. Householders' savings must be protected up to a reasonable ceiling amount of old deposits and *all new deposits fully protected*.
6. Essential public services must be maintained, whether publicly or privately owned.
7. All financial assets not meeting such requirements should be "frozen" or abandoned to the free market to find their own discounted level.

For example: equity in industry may fall to any price over the short or intermediate term, awaiting the effects of full-scale economic recovery. Under such known conditions, equities will tend to be frozen by holders,

pending favorable market conditions. This will be reinforced by a hard-commodity credit-issuance policy, which dries up funds for secondary markets of all types. The secondary markets will become distress-sale markets, through which free-market acts eliminate a substantial portion of presently inflated total book financial values.

For example: speculative real-estate and analogous holdings will be massively discounted in consequence of the sizeable portion of such holdings in the possession of "losers."

Overall, the required approach is one of "controlled panic." The productive sector and the current incomes and services of the general population must operate *in a protected area*, deflecting the weight of the collapse to those areas and institutions which are not essential to economic and monetary recovery.

National Currency Values

The value of a national currency is determined *in first approximation* by an interrelationship between two distinct measurements: *as a medium of commodity purchases for consumption, and the prevailing rate of profit on investment-purchases in that national currency sector.*

During the post-1966 period, most notably, the proper relationship between those two valuations has been increasingly obscured by the growing rate of financial transactions with respect to commodity transactions. The most commonplace illustration of this problem is the dismal practice of manipulating interest-rates as a way of creating artificial, short-term shifts in financial market currency valuations.

At this point, and under conditions of the developing monetary collapse, we are properly obliged to cut through all ordinary financial-market determination of national-currency values, and to foster negotiation of stable, fixed relative currency values based on economic, rather than short-term and intermediate-term financial considerations. This should be viewed as essential to putting the world economy on a firm gold reserve basis.

The basis for valuing currencies should be the weighted comparative value of the hard-commodity purchasing power of the currency over the most recent ten years. Under the conditions in which new national and international capital flows are dominated by hard-commodity credit-policies, the prevailing rate of profit on new capital formations in terms of such credit-policies should then become the gold-reserve basis for adjusting relative values of currencies.

During the intervening period, the actual international capital flows will be regulated on the basis of relative merits of individual investments in purchases from nations and capital formations within nations. Hence, the process of transition from one form of measurement to the other over the intermediate term of financial reorganization will become automatic toward the close of that term.

This applies most emphatically to the net-capital exporting nations.

The net-capital importing nations will operate on the basis of internationally-negotiated development pro-

grams. These negotiated development programs, plus case-by-case considerations of economic merit for each investment, will determine development-capital flows. Otherwise, since most of these nations are presently operating at a national absolute-profit deficit, and will continue to do so until development programs take some degree of effect, parity of world-commodity prices is the only equitable and effective means of immediately valuing the currencies of such nations.

An International Development Bank

The proposed bank must function as an international development bank. For the next quarter-century, the flow of long-term credit will be in net high-technology exports from the OECD and CMEA nations into the developing sector. Of this, 30 to 50 percent of long-term credit into the developing sector will be investments directly associated with fission, fusion and other MHD energy projects. The residue will be principally divided between agriculture and industrial development projects, including transition to high-technology extraction methods.

The bank must function as both the principal institution through which comprehensive regional and national development programs are negotiated, and must emphasize a major role by the bank's own staff of professionals in assisting in the development of projects and evaluating credit applications.

The failure of North-South negotiations to date is that under existing monetary order, none of the aspirations of the developing nations could have been satisfied in fact, even had the OECD nations agreed to those proposals. Since the policies of the dominant monetary institutions, the International Monetary Fund, the World Bank, the managers of the Eurodollar market, and the key New York City banks, have been operating on the basis of policies absolutely opposed to the most vital interests of all developing nations, since the OECD governments would not abandon those institutions, and since the developing-sector governments lacked, generally, the courage to challenge those institutions, North-South discussions have been a pathetic, impotent charade, with the net function of keeping the "little brownskinned friends" diverted in Paris and Geneva.

In the final analysis, the policies involved must be settled by governments. However, governments can not, one at a time, develop the required policies. A common meeting-place of the nations involved is required. Since the issue is long-term credit and related matters, the institution which functions as the international central bank is the proper meeting-ground and coordinating agency for developing the policy-alternatives submitted to governments for adoption.

There is no competent disagreement with the bank's required policies on this account.

The basis for industrial development is cheap and abundant nutrition. This means today, the reduction of the proportion of the labor-force engaged in agriculture toward between three to five percent of the total population, through application of modern energy-intensive agronomy and mechanization, converging upon U.S. and other modern nations' proven performance in this respect. The surplus generated by expansion of per-capita

and per-hectare agricultural productivities through modern technology provides the basis for shifting portions of the rural populations into urban industrial occupations.

Apart from a general potentiality for improvement of developing-sector agriculture, there are four most notable development projects to be targeted for large-scale concentration of development capital. The first is the Rio de la Plata region of South America. There, the development of the agricultural labor force and soil and related conditions assure a massively increased contribution to world food supplies in the intermediate term. This region is also a major region for industrial development. The second area is the Ganges-Brahmaputra and adjoining regions, for which the potentialities are already well-defined through several major and numerous supplementary studies. Here, as in the subcontinent of Asia as a whole, Japan could contribute a major development role. The third area is the Sahel, the potential grain-belt of Africa. The fourth is the Middle-East Fertile-Crescent restoration.

These and other agricultural projects should be defined for programmed credit-allocations.

Other urban and potential-urban centers within the developing sector represent potential for industrialization projects.

A mapping of the developing-sector nations and regions in these terms pinpoints the proper locations for developing fission-fusion-based new cities.

During the years immediately ahead, fission and fusion energy facilities must be projected in the gigawatt and higher ranges. Although existing and projected grids might hint at smaller unit-output capacities, such opinion is mistaken on several counts:

1. It is not necessary to operate a facility immediately at full capacity.
2. Loads can be distributed between peak electric-power-generation requirements and other applications.
3. In addition to the direct base capital costs of such facilities, irrespective of capacity, these installations involve regiments of technology. Thus, the proper approach is to make major power installations a new urban center, with universities, technical schools, and compatible industrial and research facilities. Such urban centers around fission-fusion facilities then serve as mediators of higher technological competence into the population as a whole.

At the other end of the high-technology pipeline, in the net-capital-exporting countries, the progress of high-technology development must be maintained.

Technological progress is effected through capital formation which spreads the most-advanced developed productive and related technologies. In this way the average level of technology of production is raised in successive, outflowing waves. This process is maintained by basic scientific research — most emphatically, physics, chemistry and biology — which, in turn, feeds large-scale production. At that point, a new technology is fully developed and can be generalized throughout the world.

The bank's scientific staff, through cooperation with

governments, industries, national banking institutions and others, must constantly shape proposals pertinent to the fostering of both basic scientific research and development of productive capabilities.

The general thrust of the bank's long-term credit policies must be to channel credit into a selected, hence relatively manageable few major projects and types of products, through which to generate the development of key industrial and agricultural projects in such a way as to produce by-product capital within national sectors through which other forms of development occur.

Socialist-Capitalist Interface

The OECD capital-exporting nations face the circumstance that the socialist countries preclude foreign investment-holdings in their national economies. Similarly, the developing-sector nations tend to discourage such investment forms, or prefer that such investments continue in that form for only a fixed term.

The proper function of an international central bank is to provide a suitable, equitable interface between the OECD capital-exporting and socialist and developing nations. The capital advanced to the socialist or developing nation takes the form of a contractual obligation of the recipient nation to the bank, usually through the recipient nation's national bank or a special banking agency created for that purpose. This obligation becomes, in turn, the bank's obligation to the capital-exporter, with recourse provided through national governments providing an "insurance fund" against defaults.

The mechanism for this is preferably as follows. National governments create a special category of national public debt (or use regular forms of national debt for this purpose), which creates long-term export credit for their nationals. This portion of debt is serviced out of tax revenues. That procedure conforms to the fact that added export earnings are taxable additions to national real incomes. The size of such portions of national debt obviously must be within the limits of the allocable portion of net absolute surplus.

This debt is matched by a combination of debts incurred to the international bank by recipient nations and payments from those nations. The accounts of the participating creditor and debtor nations are balanced for all nations as a whole through the international bank.

From the time of the establishment of the bank as the international central bank, financial and related operations involve two classes of financial holdings. The first class is financial accounts established under the new bank's operations. The second is financial accounts established outside the new bank's operations, chiefly 1977 and earlier-dated financial transactions. This distinction governs the procedure applicable to future nationalizations and related matters.

In the case of financial obligations incurred through the bank and its client firms and national banks, in the case of nationalization or similar action taken unilaterally by a nation, the nationalization or similar action shall be effected by converting the unpaid balance of the investment involved into debt to the international bank to the account of the national bank of the nation of the investor. In other cases, the value of the unpaid balance shall be negotiated between the parties, and the agreed amount may be then deposited as debt with the

international bank if the bank and the parties all agree to the terms and amount.

National Banking

Under the conditions determined by the present process of monetary collapse, no OECD or net-capital-importing developing nation will be able to escape from an internal economic depression without internal financial reorganization and a resort to national banking along Hamiltonian lines. It is not necessary for any power outside those nations to order such reorganization; internal economic misery will persist until the perception and political will to make such steps are mustered. It is however the proper duty of the bank and its associated community of bankers, industrialists and professionals to proffer helpful observations to its current and prospective clients on such matters.

The economic measures and related credit-policies broadly required are of the principled form already specified above. One further important — and somewhat painful — matter must be underlined.

The OECD nations, the United States most emphatically, are cursed with an accumulated imbalance in their actual and potential labor forces. Although the ratios vary from case to case, the ratio of the industrial and related operatives and farmers in the labor force is too low; there is an excess of administrative and so-called service employments, as well as accounted and hidden unemployment. The same principled problem exists although usually for a different overall combination of historical reasons in the developing nations.

The productive labor-force should be accounted as industrial and related operatives, farmers using modern technology, and scientists, engineers and related professionals of productive technology and related research. The object is to maximize this productive labor force as a percentile of the labor force and a whole.

Within that percentile, high technology should be applied toward the objective of bringing the agricultural labor force within five percent of the total labor force. (This may require a generation or slightly longer, depending upon the cultural level of the population.) Labor-intensive employment should be replaced by technologically advanced employed of higher energy-flux. The ratio of scientists, engineers and technicians per 1,000 industrial and related operatives should grow in proportion to emerging requirements of technological progress.

In the OECD countries, most notably the United States, the combination of official and hidden unemployment and excessive ratios of clerical and service workers represents both a major reservoir for increasing industrial employment, and a means for thus affecting a qualitative leap in the overall social productivity of the labor force. This is most urgent in the OECD nations, because of the vastly higher average productive powers of labor in those nations, signifying an increment per capita in global product significantly above that generally available per capita in the developing sector.

Such improvements in the social productivity of the labor force in the OECD nations represent a major potential source of the intermediate-term qualitative increases in net absolute profit wanted for global development.

While it should not be understood as intending to devalue the importance of properly developed liberal-arts instruction, it is most strongly recommended that OECD countries curtail the heretofore-existing emphasis on promoting university liberal arts instruction, in favor of emphasis on physics and biology and their complementary fields. An excessive emphasis on administration and social work-related professions has emerged in the OECD nations, especially since the early-1960s promotion of the destructive "post-industrial society" nonsense. This bias of the recent decade-and-a-half must be counteracted not only in careers-orientation, but to the purpose of stressing the importance of basic scientific progress and its applicable derivatives as the hallmark of an achieving identity.

Feasibility of Bank

Establishing a new world monetary system should be viewed as comparable to winning a major war. Both require a special competence of strategic command. It is for this reason that the writer proposed himself as heading up a team of bankers, industrialists and others to bring the proposed private bank into being.

Among the strata of bankers, industrialists and political figures closely studied for related purposes, especially during the recent three years, there exists a general capability of understanding and experience to build a force capable of carrying through this action. However, the special qualities of perception and will required to lead to that result are broadly wanting.

In the foregoing sections, and in the appended section summarizing the history of monetarism, together with other relevant materials written by the writer and his collaborators, there is summarized all that is necessary for defining a policy. However, that by itself is not sufficient. Pre-war strategic plans do not win wars — adequate forces under qualified strategists actually win the wars. The plan is necessary, as a way of shaping the development of the capabilities to be deployed. No plan can fully replace the responsibilities of command itself.

The Art of War — which, not accidentally, has precise equivalents in strategic political and related undertakings — consists in discovering the crucial flanks of the adversary's deployment. Neither in war nor in other dimensions of strategy are flanks defined in a way which can be portrayed on blackboards. A flank is any dimension of technology and deployment capabilities in which dimension one enjoys a decisive margin of advantage over the adversary. In general, all flanking maneuvers involve an element of strategic and tactical surprise to the adversary. They represent deploying one's forces in a way which the adversary either did not think feasible or whose implications he underrated.

The bank as projected can succeed, because the existing correlation of forces defines a "war-winning capability" for a qualified initiating force suitably led.

The adversary is the Rockefeller and related interest. This is an opponent which this writer knows very well, and against which he has tested and proven his war-winning potential over some years working at the greatest disadvantage in respect of physical resources. This Rockefeller machine is an adversary this writer can defeat given a significant force for that purpose.

At the same time, viewing other forces, none have shown a comparable war-winning capability of leadership in terms of perception, of political will, and resourcefulness in grasping and acting upon a discovered flanking opportunity.

Without the writer's involvement in the leadership of the effort, the private bank effort might succeed. With the writer's key role, it would almost certainly succeed.

Appendix:

MEMORANDUM ON MONETARISM

Contrary to the usual opinion, monetarism is a pre-capitalist conception and policy dating from approximately the thirteenth century, with the dominance of the Bardi and Peruzzi. The same distinctive monetarist policies of the Bardi were replicated by the Fuggers and their contemporaries, by the Amsterdam bankers, by the post-1688 City of London, the Barings and Rothschilds — especially the latter, and most recently, since Versailles and Bretton Woods, by the Rockefeller-dominated lower Manhattan financial circles.

This is not merely an historical fact, but an urgent practical consideration. The old sterling system and the Bretton Woods system collapsed in the same way — for the same essential reasons of policy error — as the Bardi and Fuggers, and the monetarist banking interests responsible for that mismanagement are today proposing the exact-same tragically-discredited methods employed by the Bardi, the Fuggers, and Hjalmar Schacht and his Nazi successors.

After seven centuries of such repeated experiences, it is past the time when that error was recognized and repudiated.

Using English history, to simplify the account, the breakdown of the feudal order is associated with the late-thirteenth century Edwardian reforms and their sequelae. It is not accidental that the enactment of those reforms coincided with the suppression of the Jews and the influx of "Lombard bankers" to London. The crucial point is the establishment of alienable ground-rent, and the capitalization of such alienable ground-rent payment to emerging governments as the basis for debts to Lombard and other international bankers.

The irony of this development is the fact that the roots of Italian and other banking houses of that period were the urban and related primitive manufacturing development fostered under the Hohenstaufens and other enlightened early Renaissance regimes. With the defeat of the Hohenstaufens and related events such as the Albigensian Crusade, the Guelph and allied bankers attached themselves to the cause of the pro-feudal faction against the humanist factions, and fostered a system of capitalized ground rent indebtedness leading directly and causally into the conditions of depletion of populations and agricultural production causing the mid-fourteenth century Black Death.

The inquisition against the Franciscan scientist Roger Bacon is exemplary and relevant. The humanist or Averroean or Avicennian current, to which the Hohenstaufens were attached in the main, emphasized

technological and related development and urban development. This faction's crushing through the Albigensian Crusade, the Guelph victory, and so forth, was accompanied by a wave of cannibalistic feudal adventures, financed by debts against alienated feudal ground rent.

The notorious case of the English debt exemplifies the procedure. The Bardi granted the English throne a debt to finance a dynastic military enterprise involving the throne of Naples. The initial security was the crown's wool income. This was refinanced on the basis of adding the sheep, as well as the wool as security, and refinanced again on the basis of adding the pastures as well as the sheep and the wool. This process continued to the point of the English debt-repudiation and the chain-reaction leading to the fall of the house of Bardi and Peruzzi.

In general the methods used in the efforts to secure debt-service payment against unpayable debt-balances incurring against capitalized ground rent were identical with the policies presently proposed by Messers. Witteveen, McNamara, David Rockefeller and the Brookings Institution. The existing relations of production on estates were savaged by labor-intensive methods to increase the ground-rent. This led to extensive displacement of serfs to estates and to a depletion of the maintenance of agricultural capital. The combination of the two sufficed to deplete the feudal populations to the point that those populations represented a forcing-medium for pandemics.

The measures of Hjalmar Schacht and his successors are identical.

The Bardi and their associates repeated the same procedures, especially during the sixteenth century. The French Jacqueries and the early sixteenth century Peasant War in southern Germany were direct results of the same austerity measures of attempted debt-service of pyramided refinanced debt employed by the Bardi, Peruzzi et al., and proposed by Witteveen et al. presently. This plague, continued by the Amsterdam bankers after the fall of the Fuggers, Antwerp et al., made the sixteenth and seventeenth centuries of almost uninterrupted war and social breakdown.

Then, beginning with the Amsterdam banking and its City of London offshoot (after 1688), the same business was continued on the same principles, but in an adjusted form. From 1828 onward, the same practices became increasingly influential in the United States, were consolidated in the establishment of the Federal Reserve System on a monetarist basis, and were institutionalized as an engine of a new horror at Versailles. Bretton Woods continued the miserable tradition.

The ground-rent conception focuses on the assumption that, first, profit is a matter of "buying cheap and selling dear," and that the margin for this exists in terms of existing modalities of technology. In effect, the pro-feudal English and French Physiocratic notions of ground-rent, or "natural wealth" as the objective source of profit is the inherent tendency of all nominalist (i.e., monetarist) conceptions of wealth.

Monetarism is typified by secondary investment markets of speculation in real estates, secondary

speculative markets in equities, bonds, government debt, and so forth, and also the refinancing of previously-issued debt.

By creating a speculative capitalist interest in existing production, etc., the deflationary effects of technological progress in productive technology are viewed as a source of danger to established investment. This bias towards dampening technological progress gives monetarism a reinforced bias towards fixing the range of technology, to much the same effect in tendency as the Charlemagne inventory of the realm or Norman Domesday Book. Thus, monetarism tends toward a feudal outlook on economy, a tendency which coheres with its tendency to equate profit with ground-rent in all major features of its financial practice.

The function of credit and capitalist credit in an industrial capitalist economy — and industrial-capitalist economic relations with socialist economies — is to generate debt-service against a significantly larger increase in the absolute profit of the borrower. This, as Hamilton was the first to discover in rigorous terms, depends upon increasing the productive powers of labor through raising the average level of technology of production in the debtor-economy.

From an industrial-banking standpoint, if such investments wipe out old assets, so much the better, since the debtors ability to pay has been increased in that way.

The monetarist, philosophically a nominalist, locates wealth not in real wealth, not in the debtor's increased ability to pay in terms of increased real absolute profit margins, but in the nominal wealth itself, the mere nominal form of wealth.

For this reason, financial interests in the continuing nominalist-monetarist tradition of the Bardi, Fuggers, old Amsterdam, the nineteenth century Rothschilds, the Rockefellers, are anti-technology in bias and in fact anti-capitalist. This apparent paradox is solved by the historic fact that those banking traditions are a pre-capitalist relic from the anti-humanist bowels of the thirteenth century, a relic which has persisted because it has managed to dominate hegemonic international banking systems from the thirteenth century to the present. It has accomplished this not by maintaining a single banking interest, but by reproducing its tradition in other nations. So the Bardi and Peruzzi created, indirectly, the Fuggers, who created Antwerp and the Amsterdam bankers, their successors, who created their London successors, which created their lower Manhattan successors.

It is time to break that chain. The alternative is either to prop up David Rockefeller, Witteveen, McNamara and so forth — by repeating the genocidal austerity policies of the mid-fourteenth and sixteenth through early seventeenth centuries, the policies of Schacht and his Nazi successors, on a global or nearly-global scale, or to permit general monetary and economic collapse. This time we must seize the opportunity represented by the collapse of David Rockefeller's financial position to create for the first time an industrialist banking system on a global scale.

USSR Tells Carter He's 'Playing With Fire' In Mideast

The Soviet Union has blown the whistle on the Carter Administration's hottest regional war scenario, an Israeli military strike against Saudi Arabia or another Persian Gulf nation. Through the government daily *Izvestia* May 7, Moscow precisely described the plan — which European and Arab circles have called an operative U.S. National Security Council "breakaway ally" option — and warned it was "a game with fire." The "breakaway" pretense has no credibility: a move of this sort by Israel, or by South Africa against Angola, will be taken as a direct U.S. assault on Soviet security, sufficient to trigger World War III.

This and other statements from Moscow confirm that since Cyrus Vance's Strategic Arms Limitation Talks (SALT) mission there just over one month ago, the Soviet military and other leaders calling the shots in the Kremlin have adopted an angry posture of war readiness. They make plain how foolish are any presumptions by Secretary of State Vance and arms negotiator Paul Warnke that they will be able to bludgeon concessions from the Soviets at talks in Geneva this month, the same approach that flopped during Vance's trip. The Soviet policy declarations augur an angry response to the U.S. administration's latest dangerous provocations, Carter's appeal to "raze" the Berlin Wall and Warnke's threat of a U.S. nuclear first strike.

Soviet Strategic Interest In Middle East

Excerpted from the article "From a Position of Realism" by M.H. Heykal, former editor in chief of *Al-Ahram*, the Egyptian paper. It appeared in *Pravda*, May 8.

I will briefly lay out the geographical and historical factors, and consequently the political ones, determining the significance of the Soviet role in the Middle East crisis. This is worth recalling.

The Soviet Union has geographical borders with the Middle East, and therefore cannot fail to have an interest in what occurs in this nearby region. And the USSR does not need our permission for this. The Soviet Union is a great power, which can turn its attention to something to the extent that this is required by its interests and the interests of its security.

Persian Gulf Scenario Exposed

Excerpts from *Izvestia*, May 7 article:

But one thing is clear: the oil concerns of the U.S. will force ahead further penetration into the Middle East through all channels — economic, political, military; and in this regard they will act hand in hand with the

USA Institute Personnel Let Loose For Deception's Sake

In apparent defiance of the staunch Soviet refusal to budge on the Carter Administration's SALT package already rejected last month, officials of Moscow's USA Institute have leaked a compromise package as their "personal opinion." Interviewed by William Beecher for the *Boston Globe*, the Institute's Section Heads for defense technology and arms control, G. Svyatov and Y. Streltsev, proposed SALT agreements on:

- 1) a ten percent reduction of the ceiling on intercontinental ballistic missiles;
- 2) "some limitation" of the Soviet Backfire bomber (Moscow has adamantly refused to classify this plane as a strategic weapon);
- 3) a ban on some but not all U.S. cruise missiles, leaving the air-based ones at a limit to be negotiated;
- 4) unspecified nuclear weapons test limitations.

Beecher, whose article relating the interview appeared in the *International Herald Tribune* as

well as the *Globe*, observed that these suggestions were miles closer to the Carter package than anything else to come out of Moscow.

Paul Warnke, headed for Geneva to confer with the Soviet arms negotiator V. Semyonov, grasped at the proffered straw. Mr. Warnke "said he was cheered by (the) interview ... in which Georgii Svyatov ... suggested a possible SALT compromise," reported the *Tribune*, "I thought it was quite a positive article. If it does in fact represent the Soviet position it would be a very favorable development."

Mr. Warnke is not the only one being treated to promises, leaks and come-ons that Mr. Georgii Arbatov's USA Institute can no longer deliver on. Think-tank circles in the U.S. report a veritable torrent of USA specialists has rushed to this country during and after Mr. Arbatov's recent tour here. Moscow, when it doesn't trust its experts, is amenable to letting them run loose for deception's sake.

American authorities. Already now, the U.S. is trying to create in this region entire 'strategic belts'. Their outpost is Israel and a number of conservative Arab countries. The former, in 'critical situations' (the possibility of a new oil embargo) can turn into a military bridgehead for inflicting a strike on 'recalcitrant oil states'.

The Americans' own presence in the area is being stepped up. The Pentagon admits that by 1980, there will be up to 150,000 Americans, including a substantial number of servicemen, in the Gulf littoral states. This, translated into the language of the military, means the placement of whole units on foreign territory.

'American military personnel have already penetrated the Middle East. They are practically exercising control over the majority of armed forces in the Gulf region,' wrote *Le Monde Diplomatique*. 'White collar mercenaries' are replacing khaki, the oil El Dorado region is held by American armed forces in 'classical cells' — surrounded by U.S. fleets and a chain of military bases. The Pentagon has already worked out a plan for 'rapid deployment' in the Gulf with landing forces.

But this is an extreme measure: it is understood in the U.S., how dangerous playing with fire is near the oil sources of Arabia. Military force is used as an 'intimidation factor' against the exporters of 'black gold'. The strategic goal of the U.S. is now the creation and preservation in the oil countries of 'political regimes, corresponding to its interests.' They are being supplied with arms and there are attempts to bind them to the Western economic system. The U.S. would like some Arab conservative regimes to fulfill the function of a 'regional police force', and not only in the Middle East, but Africa as well.

SALT Package Denounced

From the 3000 word editorial in Pravda, May 7 — "Real Disarmament Measures: Whose Move?"

...It must not be ignored that the enemies of detente, circles connected with the military-industrial monopolies, have activated their efforts recently to prevent measures limiting the arms race and ensuring a tran-

sition to real disarmament. A slanderous uproar about the "Soviet military threat" is being used for this goal, and mendacious military doctrines are being invented, for example, on the possibility of "limited" nuclear war. In this situation, as never before, vigilance of the peace-loving forces is important, and mobilization of their energy for stepping up the struggle for disarmament.

From Minister Marshal D.F. Ustinov's article in Pravda May 9:

...Imperialism was and remains the source of military danger. Such is its class nature. The ruling circles of the capitalist states are now forced to take account of the hopelessness and senselessness of counting on a military victory over socialism. Nevertheless, aggressive imperialist forces are whipping up the arms race... The recent talks in Moscow with the U.S. Secretary of State on strategic arms limitation showed that on the American side, despite the agreement reached earlier in Vladivostok, there has appeared a one-sided approach, aimed at gaining advantages for the USA and harming the security of the Soviet Union. The western countries are also taking a clearly unrealistic position at the Vienna talks on reduction of armed forces and weapons in Central Europe...Unfortunately, "our constructive proposals," as L.I. Brezhnev said, "frequently meet with deaf resistance, or even outright opposition."

From Chief of Staff of the Soviet Armed Forces, General N. Ogarkov's article in Izvestia May 9:

...Thanks to the constant concern of the Communist Party, the growing potentials of the socialist economy, the achievements of our fatherland's science and technology the selfless labor of the people, our glorious Army and Navy today possess the most modern military technology and have everything that is necessary to fulfill the tasks before them...

Deputy Defense Minister of the Soviet Union K. Moskalenko, Krasnaya Zvezda May 9:

...The achievements of the Soviet economy, science and technology ensure the possibility of making in the briefest period any type of weapon whatsoever, if necessary. However the Soviet Union constantly proposes not taking the route of developing new types of weapons...

Carter Cabinet In Coverup Of U.S. Intelligence Failures

Recent disclosures in *Aviation Week* magazine concerning Soviet particle beam weapons have exposed two devastating problems with the current U.S. intelligence capability. Firstly, the Central Intelligence Agency's complete inability to foresee that highly publicized Soviet breakthroughs in particle beam physics would quickly give rise to new Soviet strategic military capabilities points up, with renewed force, the long-known overall incompetence of that agency. Secondly and more importantly, the strenuous Administration denials of the *Aviation Week* material confirm that the Administration and its new CIA Director are purposely squelching competent intelligence estimates in favor of those which support the preconceived policies of the Administration and the Trilateral Commission.

In fact, in order to aid the transformation of the nation's intelligence services into a rubber stamp, the Administration has, according to sources in the intelligence community, begun a purge of several agencies to ensure no opposition to such pre-programmed estimates.

Last week's *Aviation Week* article was based on reports by Maj. General George Keegan, which confirmed that the Soviet Union had achieved several significant breakthroughs in related areas of plasma physics which gave it the potential for deploying an ion beam anti-ballistic missile system by sometime in 1978 at the earliest (see EIR Vol. IV, No. 19, for excerpts of the article). For the past five years, General Keegan had taken his Air Force Intelligence group outside the bounds of the normal intelligence estimate process; and had pursued some highly advanced scientific application work modelled on intelligence they were receiving about the Soviet scientific work. Keegan came up with the most accurate appraisal, outside of the work done by the U.S. Labor Party, of Soviet capabilities in this field. He offered the evaluation to the CIA; it was ignored.

In the May 16 issue of *U.S. News and World Report*, CIA Director Stansfield Turner, without taking up any of the facts put forward by Keegan or *Aviation Week* stated that "the Central Intelligence Agency does not believe the Soviet Union has achieved a breakthrough which could lead to a charged-particle beam weapon capable of neutralizing a ballistic missile." In the same week, President Carter stated that "we have no evidence that the Soviet Union has achieved a breakthrough..." He called the *Aviation Week* article "a report that is based on some inaccuracies," and said that it "has been exaggerated." The Defense Department revealed that "Senior officials in the Defense Department do not believe that the Soviet Union has achieved a breakthrough in research which could soon provide a directed energy beam

weapon capable of neutralizing ballistic missile weapons..."

This official Administration response was printed out despite the fact that *the Aviation Week manuscript had been submitted to the Defense Department for strict clearance weeks earlier and had been completely approved for accuracy of its contents*. This is because most of scientific "revelations" in the Keegan piece are already in the public domain — in Soviet lectures in this country as well as scientific and technical journals — and were consistent with other recent sweeping breakthroughs in Soviet science. *Aviation Week* has since challenged Carter to cite chapter and verse on his claim of "inaccuracies."

Aviation Week editor Robert Hotz makes a serious mistake in assuming that President Carter and Admiral Turner are simply ill-informed by an incompetent "intelligence bureaucracy" which surrounds them. Carter and Turner are very conscious, along with the rest of the Administration at Cabinet level, of the nature of the coverup and the withholding of this vital national security information. The black propaganda of phony intelligence is what the Administration needs to maintain their "aura of power" confrontations for "limited" war in the Mideast and Africa. This does not exclude the fact that members of the intelligence bureaucracy make rotten political and strategic evaluations — their incompetence presently blends right in with the prevarication which the Administration deems necessary to support its policies.

Admiral Turner revealed the basic nature of that incompetence in the same *U.S. News and World Report* interview cited previously. Commenting on the difference between Soviet and U.S. strategic thinking, Turner said: "The Soviets in their planning start with Cold War and think the process through all the way to strategic nuclear war — and even to post-war recovery. We, on the other hand, tend to think Cold War to deterrence. There's less emphasis in our thinking on what happens after the nuclear weapons start going off..." Turner is admitting that the Administration is incapable of thinking through the implications of its policies of bluff and confrontation — a full-scale Soviet thermonuclear first strike at the point the USSR determines its strategic interests are intolerably threatened.

The recent estimates made by the CIA of oil and gas reserves in the United States and the Soviet Union is equally telling on the CIA's reputation. It has now been proved beyond a reasonable doubt, by a variety of sources ranging from the U.N. to Exxon, that these estimates are completely fabricated to support Carter's energy legislation. Harold Brown, James Schlesinger

and Admiral Turner then used the false information to go before a House committee reviewing the legislation to demand that the legislation be passed for reasons of "national security," because the dwindling supply reported on by the CIA would come under increased competition in the near future.

False evaluation is not a new phenomenon for the CIA. As a matter of fact it has been a time honored tradition in the intelligence section of the CIA since its inception in 1947. Only after the fact did the CIA's regular intelligence professionals correctly analyze the first Soviet atomic test, the first Soviet hydrogen bomb blast, and the Soviet Sputnik launching.

As of this writing, it is fair to say that the only professionally competent strategic evaluations to be found in the government, aside from the remains of General Keegan's unit, are from the Defense Intelligence Agency (DIA). But even the DIA is squeezed into agreeing with the time honored CIA "brownie point" known as the National Intelligence Estimate.

A recent interview with a DIA official is indicative of the factional grumblings hidden in the unit. He called Generals Keegan and Graham (ex chief of the DIA who retired one year ago) and other DIA personnel "traitors to the Administration and the country for leaking classified information."

The Coverup

As we go to press there are piecemeal efforts underway in the Congress to lift the veil off elements of the Carter coverup. Arizona Senator Barry Goldwater has entered the entirety of the *Aviation Week* article into the Congressional Record. The House Armed Services Committee is holding closed hearings on the matter of Soviet ion-beam work and the Senate Intelligence Committee, according to well informed sources, is considering hold-

ing open hearings on the discrepancy between the Keegan and "official" intelligence estimates of the CIA. But the Administration is deepening the coverup.

Turner, Harold Brown, and Zbigniew Brzezinski have all launched coverup campaigns within their respective sections of the intelligence to screen new disclosures from surfacing in an unsanitized form. This past week the *New York Times* printed a "leaked" memorandum which was circulated to heads of the DIA, the National Security Agency, and the three service chiefs, by Secretary of Defense Harold Brown, which amounted to an edict which would prevent "leaks" from reaching the Congress and the press.

In addition Brown has strengthened the role of the Defense Inspector General, a former Watergate assistant special prosecutor. The Inspector General has been authorized to investigate any "unlawful" operations within the Defense Department "regardless of location of security classification." Brown has forbidden the agencies from passing on intelligence estimates to other agencies or Congress without first having those estimates filtered through his own "experts." The *Christian Science Monitor* has editorially praised the Brown moves as bringing "military spies" under control.

Simultaneously Admiral Turner, who has mistakenly been cast as a traditionalist military man by several leading conservatives, has made it clear that he is enforcing the same type of coverup measures within the CIA. Turner has already fired two ranking employees; his own words from a prominently displayed exclusive *Washington Post* interview with Watergater Bob Woodward — "I do not feel that strict control of this agency can be maintained had they been permitted to remain" — indicate the real reasons for the firings. Reliable sources have indicated that both the Turner and Brown moves are for purely political and factional reasons.

European Press Finds Carter 'Almost Human'

West Germany

Frankfurter Allgemeine Zeitung, May 10, "The Victor of London," by Harry Hamm:

Carter was put to the test, and Schmidt did extraordinarily well. The idealist and moralist Carter has shown that in political praxis he can become a pragmatist who is able to bow to reality.... The Germans' line dominated the final communique.... (It was) not only a success for Schmidt in view of his internal political situation, but because the summit also gives Bonn additional responsibilities. Bonn has emerged as one of the world's first-ranking powers. The old thesis that the Federal Republic is great economically but is a political dwarf, is no longer true. The London summit was a turning point for Bonn, not only in its relations to the industrial nations, but much more in connection with the developing countries. The controversy over Brazil turned into a testing-grounds.... The Federal Republic now finds itself in the role of spokesman for the interests of the Third World. This has its consequences. We need a new foreign policy adequate to this new situation.... Can we allow the German Foreign Minister to be torn between two posts, that of Foreign Minister and that of a party head (Free Democratic Party—ed.)? The Federal Republic and its new role require new ideas and more initiatives.

Frankfurter Allgemeine Zeitung, May 11, "We Need Carter," by Adalbert Weinstein:

Carter did not disappoint the Europeans. The evening before (the North Atlantic Council meeting), Mr. Luns painted a black picture of NATO.... But Carter: NATO is great... NATO has regained its "countenance."... We are not envious; neither do we fear that we may lose the friendship of the U.S. But it would be favorable to proceed more according to Carter's peculiarities... We need him.

Die Welt, May 10, "A Troop of 150 Journalists Looks for a Victor," by Horst Siebert:

Carter certainly isn't (the winner). If there was one at all, it is Bonn's chancellor.... The seeds planted in Washington simply would not grow in the Thames. This is not Carter's fault; rather is the result of the exaggerated expectations built up by the American media.... On the international front, reality is different.... The U.S. is grasping for the Common Fund like a straw, in order to block Third World demands for debt moratoria.... Today we know that worldwide inflation is really a result of U.S. financing of the Vietnam War.... Carter must be embittered about some of his advisers. Their names are Schultze, Bergsten and Cooper, and they are driving him in the wrong direction. But what counts, and what will

probably go down in history, is the new spirit of cooperation. With this result, Carter and his entourage of journalists can be pleased.

Italy

Il Sole 24 Ore, May 8:

It was the kind of pressure (which Andreotti has been putting on Carter) over his unilateral human rights initiatives, which forced Carter to give assurances that he will inform the London Summit group about any new initiatives he makes on dissidents.

Paese Sera, May 10:

The Italian delegation and its leader Andreotti showed an unexpected freedom of initiative at the Summit.... Andreotti himself noted that there was a difference between this meeting and the Puerto Rico meeting. At the Puerto Rico meeting Kissinger had spoken of the possibility of a new 1948 in Italy. 'This has not happened in Italy,' Andreotti said. 'The government has strengthened itself... and this is a demonstration that the Italians are able to solve their problems on their own.'

Corriere della Sera, May 10:

Carter is doing everything possible to appear human.... He said: 'Gentlemen, we saw the boom when we sent men to the moon; now the collapse begins.' Carter says we must save electricity, and thus, we must see two billion people brain-damaged due to lack of food. We will see — Carter announced — a Herod-like massacre.... And when we see Carter's face with all his teeth falling out, we will know that he has become a sickened, medieval person carrying an hourglass, and on his picture we will see the signature: (Hieronymus) Bosch.

France

Le Figaro, May 9, "No Winners or Losers" :

Anything that could have separated the partners was set aside.... Thus the rebuff was avoided which the U.S. would have suffered if it had wanted to impose its views upon the Federal Republic of Germany or upon France. This agreement on the absence of agreement had already been decided upon Friday night by Carter and Schmidt.... How far we are from Pax Americana desired by some, feared by others! Aware that he could not be conductor of a Western concert, Carter displayed moderation and wisdom by withdrawing amiably on positions prepared beforehand...

Le Monde, May 10:

For the first time ever at a conference of this kind, one prime minister, Mr. Fukuda, asked the question: are not the difficulties facing the Common Market countries

without exception, even more grave than those which confronted them in 1930, considering how North-South problems and East-West competition have added to economic and financial chaos? It is quite understandable why the head of the Japanese government has such a pessimistic attitude: his country is the first one to be affected by the Americans' and Europeans' protectionist measures. But the specter of a collapse of a system familiar to them was enough to make the great men assembled in London shiver with fear.

Britain

Financial Times, May 9:

The outstanding characteristic of the London summit which ended yesterday was the visible determination of all the participants to represent the meeting as a success.... The communiqué concludes with an expressing of confidence in the 'continuing strength of our societies and the proven democratic principles that give them vitality.' With reasonable luck, this confidence will prove to be well-founded. But the fact that seven governments chose explicitly to spell it out is an implicit recognition of the strains facing our societies and their proven democratic principles.

London Times, May 9:

The world has not been changed by the summit.... But

Britain's Future:

Military Or Trade Union Solution?

BRITAIN

Last week's elections in Great Britain, in which the Conservative party gained local political control over 95 percent of the country's population, have provided a rallying cry for Conservative Opposition leader Margaret Thatcher who called the results a mandate for Tory policies and demanded the immediate resignation of Prime Minister James Callaghan.

While the government's future was technically not affected by the election results, the Liberal Party, the other major election loser, has warned Callaghan that it will demand major policy concessions in exchange for its continued support in Parliament. The government has already withdrawn one major item from the voting calendar after Liberal threats to side with the Tories against Labour.

As even some leading Tory politicians have admitted, the elections results indicate a strong dissatisfaction — particularly among Labour's trade-union base — with the government's ability to carry through on its industrial program, rather than a straight backing for a Tory government. The crux of the government's failure is its determination to hold onto the shreds of its strategy

there is both a boldness and a realism about the spirit of the communiqué that encourages hope. It bears the unmistakable stamp of Mr. Carter's personality. What the world has for a long time needed more than instant mechanistic solutions to deep-seated social and attitudinal problems is the kind of leadership which men follow because they believe that way lies success. That need has at last begun to be met, thanks to Mr. Carter's summit.

Financial Times, May 10:

There is some apprehension among Europeans about the President's expected call for visible action on weapons standardization.... An American call for action now could therefore be deeply embarrassing and might upset the relationship gradually being built with the French in this field.

London Times, May 10:

(Concerning the dissident Bukovsky and the human rights question) "The question is mainly one of means rather than ends. The sterile confrontation in Europe and the oppression of Eastern Europe cannot be changed by war and was not noticeably changed for the better during the extreme confrontations of the cold war, when moral absolutism was at its height on both sides. Improvement has only come since the level of enmity has diminished and the willingness to talk, trade and to negotiate has increased."

of export-led industrial growth, while world trade continues to drop precipitously. As a result, the government is now caught in the impossible bind of trying to simultaneously meet the restrictive loan conditions laid down by the International Monetary Fund, and the warnings of trade-union leaders that significant economic recovery must be evident before they will agree to further restrictions on wage increases.

The Latin American Solution

Brian Crozier, director of the known CIA-linked Institute for the Study of Conflict, and friend and colleague of Thatcher's foreign policy speechwriter Robert Moss, issued an undisguised call for a fascist solution to Britain's economic crisis in an article in the *Daily Telegraph* of May 3. Reporting on his "heartening, and even exhilarating" visit to the military dictatorships of Chile, Uruguay, and Argentina, Crozier admonished his readers not to be sucked into an attitude of "synthetic indignation" over the crimes of the military juntas of these three countries since the military had saved "the people from a fate infinitely worse than anything that is now happening." Drawing a direct parallel between Britain's current government and the pre-junta government in Argentina, Crozier claimed that the present military government in Argentina "has laid the pre-conditions for an economic miracle. Whether the miracle

comes to pass will depend on whether the Government has the will and skill to rid itself of the twin burdens of trade unionism and a swollen state sector."

In less explicit terms, leading financial and industrial circles have joined Crozier's attack on the Callaghan government, effectively sabotaging government attempts to unite the trade unions and industry behind a joint industrial growth strategy. The Confederation of British Industry (CBI), the leading employers' group, has mobilized against the controversial Bullock Report on worker participation, which recommended equal representation of trade-union and stockholder representatives on company boards of directors. The CBI demands instead a system of shop-floor co-participation through which productivity, grievances, and other issues could be discussed, but not the company's investment program, one of the key tenets of the Bullock Report. The CBI has also elaborated on a general strategy enunciated by Thatcher on television several weeks ago, which calls for the virtual elimination of the national trade-union movement, substituting instead a tripartite body to determine overall wage increases for a given year which would then be negotiated at the company level.

TUC: Stand Fast

The Trades Union Congress, has been urging the government to stick with its industrial strategy, even if it

means, as TUC general secretary Len Murray said, the creation of a "new international monetary system" The Congress has called for the creation of a £1 billion industrial investment fund to channel investment into manufacturing industries, as determined by the priorities of the government's industrial strategy. The fund, to be financed primarily from North Sea oil and gas revenues along with private sources, would provide much needed investment for industry, which the TUC charges has not been forthcoming through private channels.

Ironically, the same Labour voters whose abstentions last week paved the way for the Tory victory in the local elections, have made it abundantly clear that the government would receive their support if it followed such a strategy. Labour MP Bryan Gould, whose views the *London Times* of May 13 described as part of "a growing criticism within the Parliamentary Labour Party of the Government's submission to IMF direction," warned the government that it faced certain electoral disaster if it stays in office "simply to meet Treasury forecasts of rising unemployment and depressed living standards." Voicing the criticism made by numerous trade-union leaders throughout the country, the financial secretary of the influential South Wales miners union warned the government that its future depends on renouncing its policy of collaboration with the IMF and international bankers.

Ulster Protestant Strike Falters

The general strike launched by Protestant extremists beginning midnight May 2 and aimed at halting all but essential services in Northern Ireland has failed to gain the support of Protestant workers and it looks like the strike will collapse before it can do major damage to Callaghan's strategy for industrial recovery in the province. However, the very fact that the strike is faltering has raised the potential for a "violent backlash," says one spokesman for the security forces.

Workers at a power-generating plant decided against walking off their jobs yesterday, after a long meeting, a significant setback to hardline Protestants in the umbrella Ulster Unionist Action Council. The Council organized the strike to press for a return to direct British rule in Ulster and a security crackdown against the Irish Republican Army. According to all reports, at least 90 percent of the Protestant workforce — who were expected to down their tools in support of the economic shutdown — returned to their jobs after a short time. Shops and businesses have reopened, despite widespread intimidation by Protestant paramilitary groups. Both trade unionists and industrialists have denounced the strike action as jeopardizing the fragile progress which has been made to date in

restoring economic stability to the province.

The British Government's effort to keep industry and commerce going by deploying extra security forces to the province has crippled the strike's effectiveness. However, incidents of violence have continued, as members of the Ulster Defence Association, a Protestant private army enforcing the strike, attacked policemen and troops who moved in to clear roadblocks. Several persons were reportedly injured as the paramilitary thugs roamed the streets, hurling stones at buses and hijacking vehicles.

Although it is too early to predict the outcome of the strike, it is significant that the leader of the hardline Protestants and chief organizer of the economic sabotage, Rev. Ian Paisley, has been expelled by his colleagues in the Union of United Ulster Conservatives (U.U.U.C.) group of Members of Parliament. U.U.U.C. spokesman James Molyneaux warned publicly that Paisley was involved in what amounted to a "putsch" attempt, aimed at illegally declaring a provisional government run by Protestant hardliners in Northern Ireland. Molyneaux's identification of this "Rhodesian" scenario will certainly take the steam out of such plans, and probably bring about an early end to the industrial disruption.

Mitterrand Anointed As Official Opposition To Giscard

FRANCE

François Mitterrand, the head of France's Socialist Party and perennial presidential candidate of the Union of the Left slate shared by the French Communist Party, has been catapulted in recent weeks into the limelight as the only viable and "legitimate" leader of the opposition to President Giscard d'Estaing's regime. Behind this campaign, of which a May 12 televised debate between Mitterrand and Giscard's Premier Raymond Barre is merely the highlight, is the New York Council on Foreign Relations, which has long been promoting Mitterrand's fortunes. Over the past two weeks the campaign has included:

**Mitterrand's warm reception in Brussels by the head of the European Economic Community Commission, Roy Jenkins, the first time that an "opposition" leader from any European country has been thus recognized;

**A statement by Baron Guy de Rothschild at a Washington D.C. press conference early last week, emphasizing that Mitterrand is one social-democrat the Rockefeller and Rothschilds can deal with;

**Mitterrand's meeting last week with André Bergeron, the "apolitical" head of the anti-communist trade union Force Ouvrière; Mitterrand affirmed afterwards that FO is "my kind of union";

**The statement by Jacques Chirac, the president of the Gaullist party (RPR), that he deems "legitimate" an arrangement in which Giscard would remain President while Mitterrand would become Prime Minister following a Union of the Left victory in legislative elections; the statement was a 180-degree about-face for Chirac, who praised Mitterrand's "intelligence and talent."

Entrapped Gaullists

The campaign to legitimize Mitterrand has been possible only because of the political paralysis of France's Gaullists, who, shackled by their own political

shortcomings and cowed by political threats from Giscard, have failed to mobilize around a clear alternative.

In a national television address April 29, Giscard declared that parliamentary bills "whose passage the government considers of particular importance" will be adopted as law with a rubber-stamp vote by the Parliament. Should the Assembly want to oppose such a bill, it would have to take up a censure motion which, if passed, would bring down the Barre government. Giscard based this maneuver on a special provision in Article 49 of the Constitution, originally drafted by Charles de Gaulle for his post-war fight against Atlanticism.

Typical of "particularly important" bills that Giscard has in mind is the reform of the International Monetary Fund's statutes to conform with the Jamaica accords, which give the IMF greater coercive power against its debtors and to raise money from its members. This reform, opposed by both the Gaullists and most of the left, is scheduled for debate in parliament before this summer.

Giscard's threat to the Gaullists, who form the largest component of the ruling majority, could not be clearer: "Toe the line or there will be early legislative elections" — an event which, given the Gaullists' present state of vacillation, would virtually guarantee a victory for the Mitterrand-led Union of the Left.

Chirac has been careful to focus Gaullist attention against the "threat of collectivism" represented by the French Communist Party, a ruse to sever the Gaullists from potential working-class allies. French media are replete with reports of a raging battle between Giscard and Chirac over whether Chirac or Barre should lead the majority against the left in the elections.

In an editorial on May 7, French Communist daily *L'Humanité* denounced Chirac for spitting on real Gaullism, the Gaullism of the Liberation period, when de Gaulle brought the Communists into the government. This was a time, the editorial noted, when some of France's most important social and economic reforms were enacted.

'Steps Toward Financial Health'

The following are excerpts of an article by Jacques Rueff printed in the May 10 issue of Le Monde. Mr. Rueff was formerly President de Gaulle's special advisor on economic and monetary matters and Vice-President of the 1960s "French Committee for the Suppression of Obstacles to Economic Expansion." He was the author of de Gaulle's plan for a gold-based monetary system.

Contrary to a very widespread idea, inflation is the cause, not the effect of all the disorders from which the West suffers...If one wants to efficiently fight inflation, it

is indispensable to bring out its cause or causes; and to make a diagnosis so solid that it will be capable of rallying a broad national and international consensus...One is certain to be mistaken if one seeks in national or in local situations the cause of universal inflation. This cause, if it is generalized, can only be of a monetary nature. It is the mechanism of Euro-currencies and singularly the Eurodollar, which is presently the generator everywhere in the world, of "inflationary surpluses." Unfortunately, this mechanism is hardly known, even among specialists.

Many still see it as a process of monetary transformation, dressing up American dollars in European uniforms, whereas it is, for the most part of the resources which are issued from it, a mechanism of monetary creation...

In the world which we have blindly allowed to be created, any pressure for expenditure engenders the monetary creation which ensures its financing. I affirm that inflation through Eurocurrencies can be eliminated without damage to the national economies. There is, in effect, no reason for a bank to open up credits in a currency other than that of the monetary zone to which it belongs... In general, the internal financing of deficits is tightly controlled, notably in France, by dispositions which limit monetary creation, whereas it (financing of deficits) can be assured, almost without restriction, by borrowing on the Eurocurrency markets... The government must declare that in the future, in matters of wages, it will prohibit all 'incomes policies' but will have a religious respect for the procedure of collective negotiations. This will give workers the assurance that they will benefit fully from productivity increases...

Everything that has been said about price controls goes as well for credit policy... There is only one legitimate credit policy: that which tends to give firms the anticipation of future receipts, within the limits fixed by the statutes of the issuing institution. Such a requirement

renders indispensable and urgent the revision of the mechanisms of monetary creation as they were established in France in June 1969 (when de Gaulle left office-ed.)... No economic expansion is possible or conceivable with long term interest rates on the order of those which presently exist...

(There is:)

1. Necessity for a simultaneous global action... Prices will not be stabilized if the uncontrolled creation of Eurocurrencies has not been stopped, the pressure of social demands will not be escaped if prices have not been stabilized, the indispensable reabsorption of unemployment will not be obtained if the massive repatriation of capital has not been obtained, provoking a profound drop in long-term interest rates... Such a program can be established in a few weeks. We must put a small committee — 10 to 12 people — in charge of proceeding with the necessary audits and writing up a concrete plan of action. This committee should assign to an ad hoc sub-committee the task of making recommendations on the Euro-dollar problem. The committee to be created must, as much as possible, be composed of experts of different political alliances and economic beliefs...

2. Necessity for 'full powers.' ... The steps towards (financial) health require a 'delegation of powers,' in other words attribution to the government of the faculty to legislate by decree, during a short period...

Italian Weekly: Rockefeller's Agnelli, IPS Push 'Fascism With A Human Face' Through Terror

ITALY

In an escalation of a campaign by forces in the Italian government and factions in the leading Italian political parties to shut down Rockefeller-controlled terrorism in Europe, the Italian weekly *Giorni Vie Nuove* on May 13 published the third in a series of unprecedented exposés naming the names behind terror in Italy. The latest article identifies the Rockefeller family, its close Italian ally FIAT magnate Gianni Agnelli, and the Washington, D.C.-based Institute for Policy Studies among a series of Rockefeller think-tanks in the USA and Italy as responsible both for "left" terrorism and right-wing coup attempts.

Today's *Giorni Vie Nuove* article follows by one day the assault on Saudi Arabian oil fields by Rockefeller terror networks and signals the growing determination of the Italians to expose the depravity of the terror controllers.

Journalist Guido DeLuca writes: "From CIA sources, we are informed that the respectable bourgeois Gianni Agnelli... is pushing 'fascism with a human face' in Italy... To this end in mid-1966 he founded the Agnelli Foundation; funded by Wall Street, with the aim above all of covering the Sogno coup." (The reference is to a

notorious right-wing coup conspiracy of the 1960s headed by Agnelli retainer Egdardo Sogno.)

The exposé continues: "According to leads from a section of the CIA which is linked to Nixon, the Rockefeller Foundation, the Ford Foundation, Atlantic Institute, Rand Corporation, Institute for Strategic Studies, MITRE, Institute for Policy Studies and Telos magazine, a paper founded in 1969 (sic) by a guerrilla expert in the service of Rockefeller were all organized to exalt terrorism in Europe. Catholic University, founded in 1919 by Father Gemelli, was set up for the purpose of brainwashing students as an assault on the working class. The Sociology Department at Trento University from which sprang the Red Brigades was formed in 1962 by Aldo Moro, but slipped from Moro's direct control after the so-called 'psychological' writers had spawned 'gangsters' like Renato Curcio, Semeria and others.

"It is clear that the Nixon people in the CIA are trying to prove that terrorism is financed by the Agnelli family. Agnelli... like the 'head of the snakes' deploys the Red Brigades and directs the strategy of tension in Turin. It is further reported that the Lawyer (Gianni Agnelli —ed.) is the main secret shareholder in papers such as *Quotidiano dei Lavoratori* and *Lotta Continua* (two Maoist dailies —ed.) and other subversive groups, exclusively oriented to the left... It is not accidental that more and more the name 'Agnelli' is occurring on the police blotters of carabinieri generals (investigating

terrorism —ed.)... Mr. FIAT, according to some factions of the secret services, must be surveilled..."

Following the *Giorni Vie Nuove* exposés, sections of the Italian Socialist Party were reported up in arms about the invitations to the co-director of the Institute for Policy Studies Richard Barnet to address a party affiliated think-tank in Rome on "Carter's Options" on May

13. In addition, it is reported that the Communist Party and Christian Democrats, currently negotiating the entry of a Communist contingent into the Italian government, are in agreement that the destabilization campaign against Italy is caused by foreign imperialist intervention.

The Squeeze 'Is On In Southern Europe

Although Turkey and Portugal, in particular, are now in financial emergencies, it is as a whole that the six Mediterranean countries of southern Europe, including Spain, Greece, France, and Italy, face a desperate economic situation marked by trade contraction and balance of payments deficits. To enforce debt payment from these economically weak nations, destabilization operations have been launched from New York and Washington, D.C. against the individual governments and the whole area, by the more desperate element in the New York banking community whom an insider has identified as "David Rockefeller's court at Chase Manhattan."

Despite the sizable differences in these nations' levels of development, resource bases, political institutions, and so forth, they count as a potential bloc of no small significance for the projected new world economic order. This is reflected in their own notion of a "Mediterranean peace and development zone," and in the related common specific orientation of their governments toward closer Arab cooperation for bilateral and trilateral trade-based development programs.

By the same token, an abortion of this collective potentiality is a necessity for David Rockefeller's definition of the area to hold good: "NATO's southern flank."

It is no secret on Wall Street that as early as the end of this spring, currency devaluations ranging from 75 percent (Turkey) to 20 percent (Portugal) are to be imposed on these countries by those extensions of Rockefeller private networks known as the World Bank and International Monetary Fund (IMF). This intended new round of looting is put at such an extreme level that part of lower Manhattan and most European bankers are already publicly attacking the "excesses" of their colleagues. Their standpoint, as expressed by a French banker associated with a leading Wall Street institution, is "that if you want to milk a cow, you better try not to kill the poor beast."

What is at stake is very much the economic survival of the Mediterranean countries, which depends upon the development of their public sectors, the vital engine of their industry whole. It is precisely the state enterprises that both the World Bank and the IMF are now attacking, describing all capital-intensive projects as "industrial waste," and all management as "uneconomic" and "burdened by social goals." Politically, the targets of this offensive are the civil servants and related layers which inherently constitute "resistance" to the operations of the IMF and World Bank because of their sense of an overall national interest and its identification with industrial progress.

The Developing Mediterranean Nations

Turkey, Portugal, Spain and Greece are each caught in the same type of downward spiral, except that they are

each at different phases of collapse. In the process of relative industrial development normal to these countries, they each traditionally run a trade deficit — their imports of capital goods exceeding their exports of agricultural products and raw materials — somewhat offset by a surplus of "invisibles," mainly tourism and money sent back to their home-countries by guestworkers in Western Europe. With the collapse of their markets in Western Europe, not only have their exports fallen in the last six months, but an important portion of their "exported" labor force lost its jobs. Those guestworkers must return home or significantly cut their remittances. At the same time, with the drop in the living standards in Western Europe, tourist expenditures abroad have been significantly reduced, contributing to the financial deterioration of these Mediterranean countries.

The result has been an accelerating degradation of the trade balances and balance of payments deficits of these countries, with the World Bank and IMF calling for drastic cuts in imports to "compensate" for the losses in exports and "invisibles." Such import-cuts would mean the elimination of much needed industrial supplies, the final result being accelerated deindustrialization and a corresponding phasal financial collapse.

Turkey

Turkey is an immediate case in point. Its trade deficit reached about \$3 billion for 1976, and it was close to \$1 billion for the first quarter of 1977. Export earnings are down 38 percent, while reserves plunged last week to an all-time low of \$490 million, with only \$192 million remaining in liquid holdings — not even enough for two weeks worth of imports. Turkey's foreign debt is over \$4 billion, with \$2 billion more representing short-term debt obligations from "quick cash" convertible lira deposits extended to the Turks over the past two years and now falling due.

Under such desperate circumstances, the IMF and the World Bank want to impose an austerity package mainly embodied in a 75 percent devaluation of the Turkish lira and a halt to all imports. This would be equivalent to the end of Turkey as a nation, since its development strategy is based upon rapid state sector industrialization linked to capital goods imports.

The Turkish government having rejected the infamous clause, the World Bank and the IMF decided to cut off all funding for projects in Turkey; the New York banks have done the same. General elections scheduled in the country for June 5 are under the immediate threat of a fascist military coup, accelerated by such provocations as the May 1 riots and massacre in Istanbul.

Portugal

The situation of *Portugal* is similar to that of Turkey.

Portuguese Prime Minister Mario Soares recently came to the U.S. to beg for a \$1.5 billion consortium loan necessary to keep his country financially afloat. Having met with a refusal, he delivered a dramatic speech last week in Strassburg (France), saying that without the \$1.5 billion the "Portuguese democracy would not survive." The European press commented that the "parliamentarian" government of Soares would not be able to enforce the "levels of austerity" required if fresh money in "substantial amounts" is not allowed into Portugal.

According to semi-official U.S. sources, the loan fell through due to Japanese and West German reluctance to participate in a consortium put together by American financial institutions. *Reuters* reported that Deputy Secretary of State for Economic and Commercial Affairs Paul Boeker "exposed" the Japanese and West Germans' negative approach at a House of Representatives International Relations Sub-Committee hearing. But according to Citibank, *Reuters*' report is not correct. In fact, the West German government was willing to go along with the loan, "to avoid a right-wing destabilization in Portugal" which could trigger a set of "right-left" confrontations throughout Europe (and put an end to Chancellor Schmidt's plans for a pro-development Socialist-Christian Democrat coalition). Citibank revealed that "other" financial institutions — Chase Manhattan — killed the loan: "We would invest in Portugal according to our economic rules, but other U.S. interests see the situation from a different angle."

The true "negative" element in the attitude of the Europeans is that they don't want to be a part of a consortium led by Chase Manhattan. The EEC Foreign Affairs Ministers meeting decided to reject a participation in the \$1.5 billion consortium and instead emphasized the need to maintain EEC-Portugal relations at a "bilateral level" — "without U.S. interference."

Various sources in Washington connect the U.S. visit of Portuguese right-wing politician Sa Carneiro, leader of the Popular Democratic Party (PPD), to Chase Manhattan-led interests refusal of the Soares loan. An over 20 percent devaluation of the Portuguese escudo is now demanded as a precondition, over and above the 15 percent devaluation which occurred some weeks ago. It is well-known that such levels of "austerity" can only be enforced under "military pressures."

Greece

The short-term situation of *Greece* is better than the Portuguese: this country's \$4 to \$5 billion foreign debt is quite solid (medium 5 to 7 year commercial credit) and its currency reserves have stabilized since 1974 at around \$800 million. Given the relatively stable political situation, one New York banker goes as far as to describe Greece as an "attractive lending prospect."

But the figures, if financially correct, are misleading. Greece's industrialization is based upon labor-intensive investments in the foodstuff and textile sectors; a major part of investment is pure real estate speculation. To build up a sounder, capital-intensive oriented heavy industry, the country must rapidly expand its imports of capital goods. Hence, a \$3 billion trade deficit in 1976. But with the drastic fall in exports of "Mediterranean

products" to Western Europe and a collapse of "invisibles" — again, guestworkers' receipts, tourism and shipping — Greece is near a potential squeeze. Its balance of payments' deficit reached about \$1 billion in 1976 and is progressively worsening. This heads the Karamanlis government toward a situation comparable to that of Turkey within a relatively short period of time.

Spain

Spain has a much stronger economic base than the preceding three countries, backed up by a pro-development banking-industrial sector controlled by the state. Spain's total debt as of December 1976 is around \$10 billion, while its foreign reserves reach about \$5 billion (including \$600 million in gold still valued at a \$42 per ounce). But here again, the financial picture is misleading.

Precisely because Spain has reached a higher industrial level, it needs to import more capital goods for its new development projects. Its balance of payments is therefore well in the red: the 1976 deficit was over \$4.5 billion, and the inflation rate is now around 20 percent, a figure close to that for Portugal (30 percent).

The New York bankers estimate short-term Spanish borrowing needs at \$1 billion, to be negotiated after the June 15 elections. The Suarez government seems in control of the situation, and its Finance Minister, Satrustequi, has declared that more austerity is unacceptable, a "devaluation being out of the question, at least for the time being." But the British *Guardian* makes the point of the international bankers in its May 3 issue: "Unless there is a substantial recovery in the trade balances, the Spanish government will have to go to the IMF for a — and submit itself to IMF conditions. The Belgian daily *Le Soir* May 3, after describing Spain as in a "crippled economic situation," makes explicit for the first time the demands of the international banks: a 20 to 40 percent devaluation of the peseta.

The strategy of the Suarez government is to resist the IMF-World Bank-Chase Manhattan demands, looking for European and Arab support. Suarez is determined to integrate the Spanish economy into the European Economic Community that he sees as a "shelter," and to obtain the financial support of the Saudis. The Saudis, who have already made a \$150 million loan to Spain are expected to intervene with more substantial amounts — \$2 billion is rumored in Madrid — if Suarez manages to control the political situation after the elections. It is also said in the Spanish press that the West German nuclear reactors to be built in Spain could be financed with Arab money.

Italy

The case of the relatively more advanced *French* and *Italian* economies is still not so different. Both have a sound industrial base backed up by a powerful public sector and state-controlled credit issuance (see European Economic Survey, Executive Intelligence Review, April 5, 1977; Vol. IV, No 14). Their basic problem is that their industrial development is no more possible within the framework of the present international monetary system than that of the Third World. Both are now evolving under either self-imposed

(France) or IMF-imposed (Italy) austerity conditions.

True, according to the latest financial figures, *Italy* seems to be in a relatively stable situation: during the last month, currency-reserves increased, the foreign trade deficit declined and Treasury bonds sold well. But this is the calm before the storm. The effect of the IMF austerity conditions is not yet reflected in the available figures, and according to a Citibank estimation, Italy's medium and long term foreign debt is around \$20 billion. According to other banking sources, if the short-term debt were to be added to the figures, the result would be a \$40 billion total foreign debt.

On top of this, Italy's financial needs will be "enormous" this year if the government wants to maintain investments at a satisfactory level, develop nuclear energy according to plans and yet pay its foreign debt. Chase Manhattan and Citibank refuse to give precise figures, but they say that the Italians are trying to replace the money they have pledged not to print by various foreign loans for their public sector.

According to Citibank, the nuclear program of the Italians represents an additional \$15 billion over the next few years. Sources in Washington mention \$10 billion as the Italian need for foreign financial resources this year. Citibank commented that "this figure seems to make a lot of sense" if you add debt payments, maintenance of public and private investment and Italy's nuclear program.

But within the present monetary order, the snowball effect of all these expenses cannot be maintained indefinitely. As Chase Manhattan put it, "something has to go." Of course, Chase and the IMF target the public sector, Italy's base for industrial development, as the portion to be triaged, and gloat about its "inefficiency,

inadequate social goals," and so forth. Their weapon is the destabilization operation unleashed against the Andreotti government to pit the pro-development forces in the Christian Democracy and those of the Italian Communist Party linked to the public sector against each other.

France

France's economic situation is "objectively" not so bad. This country's foreign debt is estimated by New York at around \$15 billion, a relatively "tolerable" amount compared to the total French foreign reserves of about \$18 billion (\$4 billion in foreign currencies and \$14 billion in gold at market value).

But the French situation looks much worse in terms of recent indebtedness: the French foreign debt increased at three times the pace of its foreign reserves during the last available six-month period according to the last report published by the Banque de France. That's twice as fast as during the same period last year. Citibank estimates that France is borrowing much more on various off-shore markets than appears in official statistics, and that this country is not far from the situation of Italy. Basically, the Barre government is feeding the public sector with foreign loans and thus trying to maintain the economy afloat, but the limits of such a policy are "about to be reached," according to a French banker in New York.

Politically, the Barre-Giscard regime is not in control of the situation, and France seems ripe for a "Union of the Left" confrontation with Giscard's "presidential majority", provoked by the New York banks. French bankers expect a "run against the franc" and capital outflow in preparation for this "left-right" confrontation.

Algerian Economy Recovering From Hudson Institute Plan

ALGERIA

The failure of the Algerian economy to feed its growing population of 16 million people is the direct result of incompetent planning by the Hudson Institute. The decision to embark upon an ambitious industrialization program without integrating agriculture into the overall schema has led to increased indebtedness, a critical shortage of labor power and the traditional bottlenecks in services and distribution due to overcrowded cities and high rates of unemployment. Lacking in 1970, the beginning of the first development plan, was a national policy toward agriculture which would provide the necessary credits and technological incentives for the integration of the traditional or peasant sector into the state sector.

Instead, Algeria took the advice of Hudson Institute "advisers" and implemented a short-sighted crash plan

for heavy industry, including unusable amounts of capital goods imports, without agricultural back-up. This stratification in the economy has begun to take its toll on the pursestrings of the government. Declining productivity in the late 1960s and early 1970s led to the disastrous crop failure in 1975, when a full \$1.5 billion or 33 percent of oil revenues were eaten up in wheat imports. Although 1976 produced a record crop of 2.2 million metric tons, this year's wheat importation will exceed 1975 figures mainly because of the nutritional needs of an expanding and increasingly youthful population, and secondarily because of the deleterious although secondary effects of the current drought. Wheat imports for 1977-78 will reach approx. 2.0 million metric tons.

The Algerian government, acutely aware of this dichotomy has taken measures to eradicate stagnation by launching the Agrarian Revolution. Although initiated in 1971, its take-off only began late last year. At last, agriculture will be one of the main areas of concentration in the upcoming four year plan of 1978-81. The recent gov-

Table 1

	Agricultural Production (THOUSAND METRIC TONS)					
	1961-65 (AVERAGE)	1971	1972	1973	1974	1975
WHEAT	1.25	1.4	1.9	.920	1.2	1.0
FERTILIZER PRODUCTION NITROGENOUS AND PHOSPHATE		38.0	55.0	88.0	125.0	
FERTILIZER CONSUMPTION NITROGENOUS AND PHOSPHATE	34.3	86.0	142.0	161.0	177.0	
TRACTORS IN USE (THOUSANDS)	27.6	31.7	32.0	32.6		

SOURCE: USDA AND UII

ernment reorganization also betrays the importance of solving the agricultural crisis. The Ministry of Agriculture and the Agrarian Revolution will be strengthened with two newly created subsectors, one for animal and the other for vegetable production. Also, the department of irrigation has been given ministerial status and will include land development and the environment.

State of Agriculture

Approximately 60 to 70 percent of the population derives a livelihood from the land. Out of a total labor force of 2.35 million people, about 60 percent or 1.3 million are directly salaried in the agricultural sector. Of this latter figure, only 150,000 are employed in the modern or state sector of nationalized farms. This sector, comprising a total of 2.3 million hectares, supports 1.14 million people. The traditional or private sector, on the other hand, supports approximately 5 million people and comprises 11.25 million hectares. Not all of the land is suited to farming, 5.2 million hectares is pastureland and 200,000 and 230,000 hectares are allocated to orchards and vineyards respectively.

The modern or state sector is an example of planning problems. Benefiting from the most fertile land, and a competent system of irrigation, this area is mainly devoted to the export of grapes for wine, citrus fruits and market produce. A total of 70 percent of the land is cash crop oriented while 30 percent of the land is allocated for wheat production. The state sector grain lands are, however, highly efficient due to their scale and use the bulk of Algeria's 32,000 tractors. An effort is being made to de-emphasize the wine industry particularly after the French government declared a ban on Algerian wine imports in 1970 in retaliation for the nationalization of French-owned oil companies. But because the modern state sector cereal lands are only a fraction of Algeria's total grains land, domestic production supplies less than two-thirds of Algeria's needs.

The "traditional" peasant sector consists of two activities: livestock breeding and subsistence farming. It is in

this area that the bulk of the population lives, hindered by the poor quality of the soil and the lack of irrigation and modern techniques. The major problem to be resolved in this area is the atomization of the peasant. In 1967, there were 587,000 landowners in the private sector; of these, 423,000 owned less than 10 hectares! Durum (hard) wheat and barley are the main subsistence crops; soft wheat and oats are produced for the market.

If the agricultural sector is to become productive, it is these subsistence farmers and the nomadic herdsmen who roam the 5.2 million hectares of desert land who must be introduced to the modernization techniques of the state sector.

Result of Poor Planning

The two consecutive plans of the Algerian economy (1970-1973 and 1974-77) have allocated only 15 and 11 percent respectively to agriculture. In the first plan only Algerian Dinars (AD) 4.2 billion (4 dinars equals \$1.00) out of the total budget of AD 27.7 billion was allocated to agriculture. The 1974-77 plan similarly earmarked just 16,600 million Algerian Dinars out of the total of AD 110 billion, although it increased emphasis somewhat on the development of irrigation and capital-intensive equipment.

This neglect of agriculture has led to a stagnation in the use of tractors and a net decline in the production of wheat. In 1968, there were 30,500 tractors in use. In 1975, this number had increased to only 32,600, only a one percent a year increase! The drop in wheat production shows the wretched state of agricultural production. Production fell from 1.245 million metric tons in 1961-65 to 1 million in 1975. The situation in fertilizer production manifests the other deficiency in the economy — mismanagement. Consumption of nitrogenous fertilizers jumped from 14.3 million metric tons in 1961-65 to 93.5 million metric tons in 1974. Phosphates climbed from 21 (1961-65 to 84 million metric tons in 1974. The agricultural index for 1975 was a meager 93 as compared with 105 in 1970. Per capita agricultural

and food production has declined on the index from 86 in 1970 to 64 in 1975 (see Table I).

The success of the Agrarian Revolution's new urgency depends on the willingness of the state to approach the traditional sector with a competent national policy for integrating the peasant population into a modern economy. Credits must be allocated for capital intensive development, mass education and the raising of labor power, the most important investment to assure productivity. The atomized peasant and nomadic herdsman must be integrated into the fully modern state sector.

The Algerian government has begun to address these question in the three phases of the program. In the first stage, begun in 1971, redistribution of government-owned land and the vast estates left by departing French colonials as well as the breaking up of privately-owned latifundia was enacted. A system of cooperatives was introduced to encourage the use of modern farming techniques, including fertilizers and machinery. The second phase, launched in 1972, set in motion the construction of 1,000 socialist villages. Each village will comprise not more than 400 housing units and will provide the necessary social services to the inhabitants: school, dispensary and market center. By 1974, one tenth of all cultivable land in Algeria was under the cooperative system in-

volving 50,000 farmers. The number of socialist villages completed was 200.

The third phase of the program is designed to raise the productivity of livestock breeding in the steppe area. Nomads will be settled in urban areas, pastures will be nationalized and large herds reduced in size. Twenty million hectares will be reclaimed for 170,000 herdsmen. Under this third phase, 110 service cooperatives, including veterinary medicine and 675 production cooperatives will be set up. The most ambitious program of the Agrarian Revolution is the plan of the desert. A barrier of trees 1500 kilometers long will be planted from the Moroccan to the Tunisian border, measuring five to twenty kilometers wide. Students, young people in national service and other volunteers are expected to complete 200 kilometers of this project by 1980.

The Charter of the Agrarian Revolution states explicitly that the peasant will be introduced to a technologically based system of agriculture. To assure a competent understanding of these advanced techniques, educational facilities will be greatly expanded along with the development of urban areas of resettlement. It is this commitment to the realization of increased levels of labor power which will assure the success of the industrial program.

NATO Prepares Turkey Coup To Quash Moratorium Option

TURKEY

A Greek diplomat predicted last week that "in the not too distant future" the military will seize power in Turkey and proceed to enforce an International Monetary Fund austerity package that Prime Minister Suleyman Demirel has been unwilling to carry out. The diplomat noted: "The scenario is really very similar to the 1967 NATO-planned military takeover in Greece."

A NATO-backed military regime in Ankara would send political tremors throughout the eastern Mediterranean region, in particular Greece and Cyprus, whose leaders have been taking decisive steps over the past several weeks to distance themselves from the Carter Administration. One worried Greek newspaper reporter expressed fear that a military government in Turkey would not be cautious and ignite "a flash war in the Aegean" between Greece and Turkey. "Greece," he added, "is in serious trouble if there is a military coup in Turkey."

Turks Consider Debt Moratorium

For the IMF, a military solution for Turkey has some urgency. According to the Turkish daily *Cumhuriyet*, rumors are circulating in London financial circles that Turkey is considering declaring a debt moratorium rather than accept IMF loan conditions. In July, the bulk of Turkey's \$2.3 billion in short-term debt — in foreign-held currency deposits — falls due. With less than \$500 million in foreign reserves, Turkey faces almost certain default unless the foreign banks that have extended the loans to Ankara agree to roll over the debt. One Chicago banker reports that most banks demand that the Turks accede to IMF recommendations as the condition for re-scheduling. Those recommendations include a major tax increase, a slowdown of Turkey's national growth rate from 8 percent to 5 percent, a devaluation of the Turkish lira by 75 percent, and an across-the-board slashing of imports which would paralyze Turkey's public and private industrial sectors. Already, as a result of the reserves crisis, imports have been sharply curtailed.

A panicked Citibank is monitoring Turkey's reserve situation on an hourly basis, *Cumhuriyet* reports, and both the New York Federal Reserve and the Central Intelligence Agency have prepared confidential internal reports on Turkey's political situation.

There is precedent in Turkey for the declaration of debt moratoria just as there is precedent for the IMF's efforts to prevent it. In 1958, Prime Minister Adnan Menderes, burdened by a large debt and trade deficit and

on the brink of default, looked toward a debt moratorium and closer economic ties with the Soviet Union as a possible solution to Turkey's economic crisis. In 1960, Menderes was overthrown in a military takeover, tried, and hanged.

Again, in 1965, Prime Minister Ismet Inonu, a founder of the Turkish Republic in the 1920s, announced his intentions to the OECD to declare a moratorium on Turkey's debt. Within three weeks, he was removed from power. Two years later, Demirel became Prime Minister as the IMF's hand-picked candidate for carrying out its policies.

Despite long-time functioning on behalf of Rockefeller financial interests, Demirel is under intense pressure from pro-development business and industrial forces not to capitulate to the IMF demands which would mean the destruction of the Turkish economy. After a meeting last week with Demirel in London, President Carter admitted that the talks did not go well and that "we have a long way to go." Some analysts feel that Demirel's bucking of the IMF is due to his reluctance to embrace austerity measures so close to the June elections. Most observers, however, concur that Demirel's resistance will likely continue after the elections largely because he will once again be forced to form a coalition government that will not have the strength or mandate to carry out the IMF's recommendations.

While a victory by opposition leader Bulent Ecevit

"NATO has more than one Operation Prometheus plan in its arsenal. Turkey is next in line."

—Greek Diplomat, May 9, 1977

may lead to the formation of a more stable government, the pro-socialist base of his Republican Peoples Party will likewise prevent Ecevit from implementing austerity. Last week, Ecevit warned the Carter Administration against involving itself, either directly or indirectly, in the internal affairs of Turkey, specifically in inciting the unrest and violence breaking out throughout the country.

Interpol's May Day Massacre

The worst outbreak of violence occurred May 1 in Istanbul. Hundreds of thousands of members and sup-

porters of the pro-socialist trade union confederation DISK were fired upon by extremists linked to the neo-fascist paramilitary forces of Deputy Prime Minister Alparslan Turkes. Thirty-nine people were killed, and hundreds wounded or arrested. The operation was an invitation to the military to intervene and "restore order."

Interpol, Rockefeller's international policy apparatus, coordinated the massacre through the Interpol-controlled Turkish police. Oktay Engin, chief of the security department of the national police department in Turkey, was responsible for providing security during the May Day celebrations. In 1955, Engin, then a security officer, threw a bomb into the birthplace of Kemal Ataturk, founder of the Turkish Republic. The incident was blamed on the left, and several leftists were accused and tried. In addition, Mehmet Akzambak, former deputy director of the police force and current security chief at Istanbul's Intercontinental Hotel, is also implicated in the May 1 massacre. Several gunmen who fired on the crowd that day were stationed in the Intercontinental Hotel.

—Nancy Parsons

A Chicago Banker On Turkish Crisis:

The Turks will simply have to bite the bullet. The problem with the Turks is that they are too nationalistic, too oriented to growth and that ideology of Ataturk that calls for development. If Demirel comes out and says forget about growth, he will lose the elections. We are keeping our fingers crossed that after the elections there will be a strong enough government to enforce the IMF reforms. If not, a military takeover is highly possible. The atmosphere in Ankara is highly charged these days...The worst scenario possible would be if the Turks requested a rollover without agreeing to impose the IMF reforms. This would be unacceptable.

Fidel, USSR Seek To Counter French-U.S. Aggression Tactics

Ethiopian Head of State Mengistu Haile Mariam and Soviet leaders discussed a comprehensive plan for settling tensions on the Horn of northeast Africa, during a visit to Moscow by the Ethiopian leader. Ethiopia and the Soviet Union also signed an "agreement of friendship" during Mengistu's visit.

In opening an initiative to cool hot-spots in Africa, the Soviet Union is warning the Carter Administration and its French adjunct under President Giscard d'Estaing that the continuous destabilization of Africa in search of a showdown with the Soviet Union will not be tolerated.

In an interview in the French magazine *Afrique-Asie*, to appear May 13, Cuban President Fidel Castro denounced U.S. and French-sponsored plans underway in Zaire for aggression against Angola. Dr. Castro maintained that if these aggressive forces try to attack Angola, under whatever pretext, they will "receive a lesson which they will never forget."

Podgorny Hits Divide and Conquer

In a May 4 speech during Mengistu's visit, Soviet President Nikolai Podgorny charged that "imperialism is heating up national hatred, provocations and blackmail and setting countries against each other to divide and conquer. But this is playing with fire. It leads to dangerous conflicts and is therefore a serious threat to peace and security." He called the creation of hot spots "one of the links in general imperialist strategy to strangle the African people's aspirations to unity and social and economic progress."

Podgorny specifically denounced the deliberate exacerbation of that problem of the secessionist movement in Ethiopia's coastal province of Eritrea: the national question is "a complex problem which the enemies of Ethiopia want to use for their purposes..." Podgorny charged that "the imperialists are using certain Arab countries — notably Saudi Arabia," to heat up the already bloody war in Eritrea making a negotiated solution impossible, and to create a "closed military-political bloc in the Red Sea."

Podgorny's charge was repeated in the London *Observer* May 8, which noted that the Sudan, Saudi Arabia and Egypt are openly backing the Eritrean secessionists, "possibly backed by the NATO countries."

The Soviet President also denounced the "conduct of naval maneuvers near the Ethiopian coast..." referring to the presence of the French aircraft carrier *Clemenceau* accompanied, according to some reports, by 18 other French warships. This fleet, and 6,000 extra troops, were dispatched recently to the French colony-naval base of Djibouti, at the mouth of the Red Sea between Ethiopia and Somalia, by French president Giscard d'Estaing.

France's gunboat diplomacy can only increase the tensions between Ethiopia and Somalia surrounding the

June 27 independence of the colony. The Ethiopians fear that Somalia will annex Djibouti because of the large number of ethnic Somalis living there. Somalia fears the same from Ethiopia because the latter country's only railroad line to the sea runs through Djibouti.

Both countries, however, have long foresworn annexation. The French military presence is in line with France's intervention in Zaire last month and Giscard's proposal for the creation of an anti-communist "intervention force" made up of units from various African right-wing states and backed by France.

Ethiopia's Peace Plan

In his discussions with the Soviets, according to the British newspapers the *Observer* and the *Sunday Times* May 8, Mengistu offered sovereignty to the province of Eritrea, provided they maintain specified federal links with Ethiopia and guaranteed access to the sea. He also asked for Soviet backing to open negotiations with the Eritrean liberation movements. The Ethiopian leader offered to conduct a referendum in the Ogaden desert provinces between Ethiopia and Somalia, over which both countries claim sovereignty, although it is juridically part of Ethiopia, and offered further guarantees to respect the independence of Djibouti.

The successful resolution of these initiatives would wipe out differences between Somalia and Ethiopia, both pro-socialist countries with good relations with the Soviet Union, opening the way for economic cooperation between the two and strengthening the progressive bloc in Africa.

It is likely that in pursuing this strategy, Ethiopia, Somalia and the Soviets will appeal to African and other non-aligned countries for help in the settlement, particularly Tanzania and Yugoslavia, both of which have already made efforts to solve the Somali-Ethiopian tensions. Yugoslavian President Tito met with the Yugoslav Praesidium last week to discuss Africa in general after the return of a deputy foreign minister from Ethiopia. Tito issued a statement afterward attacking "foreign influences... directed toward breaking up the unity of the African nations and the non-aligned movement as a whole," according to the Yugoslav daily *Vjesnik* May 6.

Fidel: We Will Defend Angola With All Our Means

Following are excerpts of an interview with Cuban President Fidel Castro with the Paris-based magazine Afrique-Asie. The excerpts were released by the Cuban news agency Prensa Latina.

Paris, May 6 (PL) — Any aggression against Angola will

receive an energetic response, warned the President of the Council of State of Cuba, Fidel Castro, in a long interview given to the review *Afrique-Asie*.

The Cuban leader said that he is not ignorant of the fact that plans exist for aggression against Angola under the pretext of the so-called "right of pursuit."

"If these aggressive forces dare to attack Angola, under whatever pretext they use, they will learn a lesson they will never forget. We will defend Angola with all the means at our disposal," he said.

"We understand perfectly," said Castro, "that Mobutu repeats that Cubans are participating in these confrontations because his regime is faced with a desperate political, economic and social situation. He is forced to do this in order to justify his appeal for aid from the imperialists.

"The struggle developing in Zaire," the Cuban President reaffirmed, "constitutes a purely internal question of that country. We do not practice the politics of lies, duplicity and deceit.

"The strict and rigorous truth," said Fidel Castro, "is

that we have not participated neither in the training nor in the organization of cadre of the revolutionary forces which started the struggle in Shaba..."

Referring to the general situation in Africa, Fidel Castro said that excellent opportunities exist to be able to pass from tribalism to socialism.

He said he considered it necessary and indispensable to create an anti-imperialist front in the continent, which would group the most progressive governments....

"We also feel," he said, "that the success and consolidation of the Ethiopian revolution have an enormous importance for Africa...."

Speaking of the present contradictions between capitalism and socialism, Fidel Castro specified that these conflicts could not be resolved by way of war.

"We don't live in the era of the bow and arrow," he said, "but in a nuclear era, when a war could wipe out the entire world.

"In one way or another, the regimes with different social systems must learn to coexist," declared the President of the Council of State of Cuba.

Mondale And Young Play Amos 'n Andy In Africa

U.S. Ambassador to the United Nations and Trilateral Commission member Andrew Young arrived in Abidjan, Ivory Coast this week on the first stop of an African tour in which Young will peddle from one country to the next the Carter Administration "soft line" to Africa. Young's particular target is Nigeria, the most powerful African state.

With support work from the U.S. East Coast press which claims that the Administration is still figuring out its African policy, Young asserted in Abidjan: "As we attempt to put together an African policy, the State Department felt it was important for the policy not only to come from Washington but to come from Africa itself."

Young has further earned his "soft" credentials by the impolite threats from the Republic of South Africa government that he may not be permitted to visit there. Young wants to meet with black leaders in South Africa. The UN Ambassador had been invited to South Africa by Wall Street-associated mining magnate Harry Oppenheimer. Prior to his arrival, Young will attend a conference in Mozambique which will also be attended by southern African liberation movements.

While Young appears as Jimmy Carter's nice guy, the hawkish looking Walter Mondale, also a member of the Trilateral Commission, has declared that he is "enraged" over Young's activities in Africa. Mondale claims that Young's actions will make it more difficult for Mondale to get South Africa to make concessions and support a Rhodesia settlement, implying that if Young keeps it up South Africa's war party will go out of control. Mondale will meet with South African Prime Minister Vorster in Vienna May 19.

The Carter Administration hopes that the frontline African states will splinter in the face of the threat of

military invasion from South Africa on the one hand (Mondale), and friendly protection from the U.S. on the other (Young). The pro-Soviet MPLA government of Angola would thus be isolated and primed for attack.

The South Africans have not hesitated to foster the idea that they are fully prepared for war.

South African Foreign Minister Roelof Botha declared this week: "I am prepared to die for our right to exist," and urged the population to stop bickering about apartheid rules and face up to the threat of a race war. "If American demands from us majority rule in South Africa, then in my opinion it is misleading itself. We are not Mississippi, Georgia or Alabama. We can make changes to eliminate racial friction, but not in a hundred years will we negotiate our own destruction." Threatening to break away from the West, he said if majority rule is demanded by the U.S., "then there is no hope of success in our negotiations with them — we go it alone and we will stand alone."

Further indication of South African intentions to seemingly break with the West and go to war are reliable reports that there have been high level talks between South Africa and the People's Republic of China. Linked by their common anti-Moscow paranoia, a turn toward Peking is considered to be a desperation move in anticipation of an imminent break with the west.

Anglo-American Plan for Rhodesia Announced

British Foreign Secretary David Owen announced on May 11 the Anglo-American plan for achieving a settlement in Rhodesia, going out of his way to emphasize that he and U.S. Secretary of State Cyrus Vance were in

full agreement on this initiative. The U.S. and Britain will each establish representatives, most probably in Lusaka, Zambia or Dar es Salaam, Tanzania to begin a phase of intensive consultations with the parties seeking majority rule, as well as with the Rhodesian Smith government itself. Their ostensible goal is some form of majority rule by Sept. 1978, and the plan foresees and undefined British presence in Rhodesia during the interim period.

Patriotic Front leader Joshua Nkomo has strongly denounced, both before and after meeting with Vance last week, the Carter intervention into what Nkomo has termed a problem to be resolved between Britain, the

colonial power, and the population of Rhodesia. Nkomo's denunciation of U.S. participation was considered a serious setback to the Owen plan, according to the *London Times*. While African countries not directly involved in the crisis, such as the potentially influential Nigeria, have taken no steps to denounce the meddling by Carter, Zambian Foreign Minister Mwale stated Nkomo's rejection of the Owen plan was "a step in the right direction." Mwale saw no sense in the proposed Anglo-American sponsored conference. He said Zambia supports the Patriotic Front stand, and would continue to support them as the only fighting force in Rhodesia.

—Douglas DeGroot

EXCLUSIVE

Desai Faces Modern India

INDIA

This writer has recently returned from a two-week visit to India, arriving shortly after the election and installation of the government of Prime Minister Morarji Desai. The Desai government, in office now for little over a month, has received considerable attention from the Western press who are eager to depict his regime as a new friend of the United States, committed to a reversal of the basic tenets of Indian foreign and economic policy as they have been established over the past 30 years of Congress Party rule.

This depiction of the Desai government is not only inaccurate but reflects a false understanding of the realities of Indian economic and political life. While it is true that Desai, and many of his colleagues in the ruling Janata party, personally favor a policy of "ruralism" and Gandhian "self-sufficiency" (austerity), Desai cannot, at the risk of making his regime extremely short-lived, go against what are the accepted national self interests of India today. This reality is already the source of numerous tensions within the Janata regime between elements who are acting in some relation to national interest and the hardcore fascist and communalist types who are ardently preaching a dismantling of the structure of heavy industry, an end to the emphasis on science and technology and the modernization of agriculture which has been established as basic Indian economic policy over past decades.

The Desai regime is already facing a severe economic crisis, characterized by an intense inflationary and speculative outburst since its assumption of power. Demands from industrial workers for the release of funds held by the government under its "Compulsory Deposit Scheme," which the Janata is committed to, are bringing further pressure on the government. The IMF, which views Desai as a longtime friend, will be adding further pressure by demanding that the government draw down its foreign exchange holdings and seek less help from the World Bank, and implement the World Bank's version of Gandhian austerity.

Desai's reluctance to go along fully with the Carter-IMF designs for India has been evidenced in his handling of foreign policy over the past weeks. The relatively friendly reception given Soviet Foreign Minister Gromyko was one good sign, one which reflects the fact that Indian economic ties to the Soviet Union and Comecon are so substantial that no Indian government

can *easily* dismiss that relationship. Another indicator is the Desai refusal to curb India's nuclear energy program or to sign the nuclear non-proliferation treaty, which the U.S. has been pressuring the government to do.

This is not to say that Morarji Desai or his government is merely a continuation of the previous regime — that is evidently not the case. But Desai is an Indian and his government must reflect Indian realities. A substantial portion of those realities, as a short visit to India made clear, is the broad commitment to modernization, which exists throughout the country regionally and in different layers of the population. What follows is a glimpse of that commitment — and what happens when Desai and friends come up against modern India.

In The Countryside: A Modern Farmer Of The Punjab

Desai and his followers are fond of talking about how India must return to its rural roots and give agriculture the major emphasis in the economy — usually a code-word for labor intensive agriculture, handicrafts industry, and a zero-growth approach to industrialization and energy consumption. This formula, which the World Bank is so fond of promoting, does not work and the actual experience of India in modernizing its farm sector with capital inputs provides plentiful proof that the opposite approach is what is needed.

One small scale example of the modernization of Indian agriculture is Karam Chand, a farmer residing in the village of Khanpur in the rich agricultural heartland of the state of Punjab, in the northwest of India — India's wheatbasket. Chand comes from a farming family which owned land in the section of the Punjab that is now Pakistan. A Hindu, Chand fled to India at the time of the partition of the Indian subcontinent in 1947 and under a government program was given land to farm.

Karam Chand is a model farmer and as he explained in a conversation with this writer and two officials of the Punjab Agriculture Ministry, his farm is visited by farmers from the region who come to see the results of his various efforts to modernize his production and develop new crops. The accompanying Ministry officials were also quite eager to praise Chand as an example of a farmer who is not afraid to try new crops, new fertilizers, and new seed varieties. Chand is most proud of his pioneering role in introducing the cultivation of grapes in the Punjab, a crop which, although it is difficult to grow, yields far higher revenues than the crops of wheat and potatoes usually grown in the area. Chand patiently explained the history of his farm and his efforts to modernize it. Chand's total acreage is 25, a small farm

by American standards but far higher than the average land-holding in India. When he first got the land, the farm produced only wheat and groundnuts and suffered from sandy dry soil, and depended on rainfall for water supply. In the Punjab this often means suffering periods of severe drought, the characteristic problem of an extreme dry season in the winter and spring, and heavy rains in the summer monsoon.

The water supply problem was the first which Chand attacked. In 1955 he installed a tube well, constructed with the aid of a loan from the government Block Development Agency. In 1960 he purchased an electric pump for his well and since has added two more tube wells on his land.

Mechanization is also a part of modern farming in this area of the Punjab. Chand got his first tractor in 1967, a Czech model manufactured in India. In his village, which has a total of about 1000 acres under cultivation, there are 15 tractors, a respectable ratio. Chand rents his tractor out to other farmers in the village and the state government also has a program of renting tractors. Fertilizers are also extensively used — all chemical fertilizers such as calcium ammonium nitrate, super phosphate, potash, and ammonium hydrous gas. Chand purchases these from the government run Fertilizer Corporation of India through a cooperative of some 60 farmers in the area.

Despite the small size of his farm, Chand is always looking for ways to expand and diversify his production. His crops include wheat, the main crop grown in the winter-spring, potatoes, grown on the wheat area in the alternate season, sugar cane, fruit, vegetables, and grapes. Almost all his crops are grown with a government price support program which sets a minimum price for purchase. Wheat is purchased by the government grain agency at a set price of 105 rupees (approx. \$12) per quintal, a program which protects the farmer from speculative shifts in grain prices and also provides the government with grain stocks for sale in government shops in the cities and in states, not Punjab, which are in grain deficit.

Chand took the opportunity of the presence of some local agricultural officials to sound off about his complaints about government policy. The basic theme was the rising price of agricultural inputs — such as tractors, which now cost three times as much as they did three years ago — and against the government wheat purchase price which has remained the same for the past four years.

The special quality of this Punjabi farmer was his absolute commitment to scientific farming. Not only does Chand dare to try any new method that the Agricultural Ministry workers choose to bring him but he explained that he sees his willingness to do this as important to convincing less adventurous farmers in the area to try these methods — after they have seen them at work on his farm. Twice a year Chand visits the Punjab Agricultural University to brush up on the latest developments and to talk to students there about his farming, students who often visit his farm to see those methods at work.

Chand's views on farming extend to his social and political life. He has sent one son through university

already and his daughter is now attending university — quite an unusual event in rural India. The subject of his daughter led Chand to tell of his strong feelings about the dowry system in India. He told the story of how his daughter wanted to marry a university graduate whose father insisted on a payment of 60,000 rupees dowry in exchange for his well-degreed son! Chand refused and explained to this writer that he makes a point of refusing to participate in such backward customs, which has won him some fame in the village.

It being shortly after the elections, the question of Chand's views on the fall of the Gandhi regime naturally came up. Chand explained that the big issue in his area which swung the election against the Congress was the forced sterilization campaign. Although it did not occur in his immediate area, the rumors of its implementation in the neighboring state of Harayana spread far and wide. Who did Chand vote for — “the Congress, of course” — and when asked why he didn't vote for the now ruling Janata party, Chand replied that if he had done that he would be known as a “Jan Sanghi,” meaning a supporter of the Hindu chauvinist Jan Sangh party which is the main element of the Janata. And he added, “I am not Jan Sanghi, I am Hindustani” (meaning an Indian), Chand's way of explaining that his identity was not narrow and chauvinist and that the Congress party for him is the party of India as a whole. For Karam Chand, a “progressive farmer” as he was described by the accompanying officials, being an “Indian” and striving to bring the modern world to his village and his farm are one and the same thing.

The Bhakra Dam: Electrification and Irrigation

The real secret of Amand Chand and the agricultural successes in the Punjab is not the much-touted “green revolution,” which claims this region of India as an example of its work. While the Green Revolution is responsible for Chand's use of “miracle” high yielding grains and fertilizers, the source of the transformation of the Punjab region (including the neighboring state of Harayana) is capital investment. The biggest single investment and one which has paid itself off many times over is the huge hydroelectric complex of Bhakra-Nangal, which includes the Bhakra Dam, one of the largest concrete gravity dams in the world, and smaller power stations in Nangal, downstream, and elsewhere along the flow of the river Sutlej, from the Himalayas into the mighty Indus river.

The Bhakra dam complex, which is situated partly in the Punjab and extends north into the state of Himachal Pradesh, is largely responsible for the transformation of the Punjab region from a dry semi-desert area to the breadbasket it is today.

The key to that is energy — Punjab has the distinction of being the only state in India in which every village is electrified. It is electricity which runs the pumps on the tube wells that irrigate the land; it is electricity from the dam which supplies power to a large fertilizer plant constructed near the dam sight; it is electricity which supplies power to industrial sites that have sprung up in the last 10-15 years in the Punjab and elsewhere, manufacturing a variety of goods including tractors.

The Bhakra dam complex not only supplies power but also performs the function of water control and irrigation. Some 10 million plus acres are irrigated by the dam and its huge reservoir, with huge irrigation canals spreading from the dam down into the Punjab and Harayan and into the state of Rajasthan to the south. More canals are under construction, and additions to the power output of the complex through the construction of upstream power stations are underway. Water from another branch of the river system to the north is being diverted by means of canals and tunnels through mountains to the main reservoir behind the Bhakra dam, allowing for further power generation upstream and providing a greater and more constant water flow into the main dam; this increases the power generation that now suffers from a lower capacity during the dry season.

The Bhakra dam was first started in the late 1940's shortly after independence, and became the symbol of Indian modernization and development during the 1950's. The main portion was completed by 1963 with additions since then. American engineers did the initial design and survey, with Soviet participation later on in the area of power station construction. The construction of the dam was a training site which ultimately produced over 2,000 highly trained Indian engineers who have since gone on to practice their trade elsewhere in the nation and around the world.

The Bhakra dam unfortunately has yet to be replicated on the same scale elsewhere in India although hydroelectric potential is being tapped to a great extent in other regions of the country. But the control and use of the mighty Ganges-Brahmaputra river basin is largely undone, partly because of problems with neighboring states of Nepal and Bangladesh in agreeing on water control projects which must involve both countries. The implementation of such projects, many of them ready to go from a survey and design point of view, is essential to the further modernization and development of rural India. Without that, India will continue to be entirely subject to the vagaries of the weather, and backwardness will remain unbroken as the standard of life in these areas. But with it, India will be able to easily feed itself and eventually export agricultural goods, increasingly freeing its rural population for participation in industrial production.

Indian Industrial Policy

India possesses the most sophisticated industrial sector of any developing country, especially when measured in terms of the breadth of production. Indian industry, both the public and private sectors, is now engaged in an extremely wide range of activities — from sophisticated electronics and atomic energy to steel, machine tool and other basic heavy industry. The depth of production differs widely and in many cases the scale of production is very small; however, it is government policy to reach for self-sufficiency in almost all areas of basic industrial production as rapidly as possible.

This writer reviewed various aspects of Indian industrial policy with the Joint Secretary of the Industries Ministry, Mr. A.F. Couto. Over the past few years, the

striking aspect of Indian industrial development has been the increasing component of manufactured goods in Indian exports and the participation of Indian industry, public and private, in third-country projects, especially in the Middle East and other areas of the Third World. Examples of this abound — the Indian public steel industry has won contracts to build entire integrated steel plants in Nigeria and Libya; a housing project in Kuwait; an electric power grid in the southern Philippines.

Couto pointed out several reasons for the new trend toward triangular cooperation projects, involving Indian participation often with industrial nations of both the West and Comecon in third-country projects. The first and most obvious, he said, is geographical proximity, and the freight advantage that accompanies that. The second is that the heavy industry sector in India has spare capacity and must rely increasingly on external demand to build up capacity utilization. Another factor is the competitive capability of Indian industry due to lower labor costs and cheaper availability of some raw material inputs. One last point which is often overlooked is the vast pool of skilled manpower India has — the third largest number of professionals in the world after the U.S. and the Soviet Union. This manpower pool has been responsible for the spread of Indian engineers all over the world and an increasing role for Indian consultant projects in the Middle East and elsewhere in the developing sector.

While the Indian expansion of industrial exports has certain encouraging features in terms of international cooperation and markets for their production, it also reveals a continued weakness of the domestic market which has yet to generate sufficient demand for even the existing levels of industrial output. For example India now produces more tractors (and has the installed capacity to produce even more), than it can sell internally. Certainly, given the need for upgrading Indian agriculture, this should not be the case.

The failure of the Indian economy to absorb its present level of capacity for industrial production is largely the result of the capital-poor state of the broader economy. The Ministry official's explanation for this situation avoided this question — instead he explained that capital goods factories were built on a postulated demand with a built-in excess. The expectation, he explained, is that once the sector is built up, they can then wait for the end user to come up to the capacity level. While that sounds reasonable enough, one can merely ask where the apparent lack of "end users" for such articles as tractors comes from?

The cost of tractors to the farmer, as our Punjabi friend explained, is largely a result of the massive excise taxes placed by the government on the tractor at several points in the production process, to the point where almost half its retail cost is taxes. The government revenue collecting is therefore squeezing out the ability of farmers to expand the productive agricultural base of the economy, while simultaneously the credit policies of the government are insufficient to promote the expansion of production. Any attempt to generate sufficient surplus capital out of the internal economy, especially given the World Bank's continued drain on the economy

in the form of debt repayment, will fail. Without large-scale capital input from the advanced sector the economy will stagnate. That is where the question of foreign investment, a controversial issue, comes into play.... Up to the present government policy has been to place rather severe restrictions on both the scale and nature of foreign capital participation, reserving certain sectors of the economy for indigenous producers and protecting that industry with a high tariff structure.

When asked what kind of help and participation they would want from American industrialists, Couto had some precise answers at hand. In general he said they are looking for specific inputs into already functioning industry rather than turn-key type investment or wholly owned foreign ventures. Those inputs he described as "balancing, marginal and additional," using as an example the auto industry, a fledgling affair in India, where the need for aid from the outside is felt in areas like forging and casting technology, and parts like brakes and engines. In other areas like chemicals and drugs, the ministry official noted they need specific process technology.

Couto complained about the unwillingness of most foreign investors to provide sophisticated technologies. In this regard he praised the West Germans who he said "are more keen on spreading the image of German technology rather than commercial terms."

The Indian government encourages joint ventures with Indian public and private sector industry in certain sectors. They aim at getting the investor in and out within 10 years, leaving the Indian partner in final control of the production facility and technology. There are countless examples of this — Siemens, a German firm, is building 20 oil rigs in India with half of those to go to India and Siemens taking the other 10. In another case Siemens cooperates with Bharat Heavy Electricals, the massive public sector electrical firm, in producing thermal power sets, with the Indian side enjoying both a portion of the output and a guarantee to buy back any portion of the remaining production.

The new Desai government is not known to favor large scale industrial production and has been attacked for wanting to dismantle India's huge and productive public sector, built in large part with aid from the Soviet Union. Instead they propose a shift to small-scale rural based industry — cottage industries — which supposedly will provide employment in the countryside. Couto, without commenting directly on the new government's direction, provided a clear argument for why such a policy is absurd.

As the former director of the ministry's Small Industries Division Couto is a proponent of small and medium scale industry. But he pointed out: "Small scale industry can only develop out of the capital goods industry," noting that any productive industry on a small scale relies on technological spinoffs from the capital goods sector. He cited the Japanese experience as a model, where the small scale sector is thriving on the basis of an ancillary relationship to large scale industry.

The Industry Ministry does want to encourage an extension of industry into the rural areas, to introduce industrial practices into the rural population. As part of this program the ministry operates Craft Institutes,

which presently involve about 1.5 million people, rural craftsmen who are being trained to upgrade their skills to handle machinery.

India's Petroleum Industry: Aiming At Self Reliance

India's goal in its growing petroleum industry is complete self-reliance from both the crude production and refining ends of the process. The present state of the industry was described to this writer by B.B. Vohra, the Petroleum Secretary of the Ministry of Petroleum and Chemicals. Vohra put the policy of the government in this area briefly as: cut consumption and expand exploration for new sources. The first point is an undesirable result of the rise in petroleum prices and the lack of available foreign exchange to expand purchases of petroleum. Up until 1973 Indian petroleum consumption was rising at a rate of 9-12 percent a year. In 1974-75 consumption fell by 1.3 percent and only rose 1.6 percent in the following year. Present yearly consumption is 25 million tons, of which less than 10 million is supplied from domestic production and the rest purchased either directly from the national oil companies in the Middle East or through the multinationals (4 million tons from Exxon). While Vohra admitted that the cut in consumption is hardly desirable, in somewhat typical Indian "self-reliant" fashion, he railed about "wasteful consumption" of petroleum in the U.S., by which he suddenly transformed the Indian lack of energy into a virtue of Oriental austerity.

While the consumption picture is dismal, the production side is encouraging. The discovery of the large new offshore field - Bombay High - in the Arabian Sea off Western India has greatly increased domestic production. For years while the Indian oil industry was under the control of the major oil companies no significant exploration took place. As Vohra put it, "the multinationals are not interested in production at all". The discovery and exploitation of the field did not take place until Soviet technical assistance was called in — they did the surveys and encouraged the first drillings. In 1974, oil was struck.

Bombay High is now a purely Indian project under the control of the public sector Oil and Natural Gas Corporation (ONGC). There are eight wells presently in production with levels expected to reach 11.3 million barrels a day by April of this year. In the next three-four years an additional 10-12 million barrels per day is expected to come into production. The cost of production however is high — \$6 per barrel compared to less than a \$1 per barrel in the Middle East.

Indian control now extends downstream as well, with the government takeover of the refining and distribution networks previously controlled by Caltex, Exxon, and Burmah Shell. The government plans to expand refining capacity, centered in Bombay.

This does not mean that foreign cooperation is completely out — only the majors have exited. In several areas exploration is being carried out by foreign independents under production-sharing contracts whereby, if any oil is found, the production will be split 70-30, the Indians getting the larger portion and an option to buy the rest at the market price. The advantage here is that the oil companies take all the risk and absorb the

cost of exploration. In Western India, offshore, the Reading and Bitz company is operating under this formula while in the Bay of Bengal on the east, Carlsbury (a subsidiary of Natomas) and Asamara are exploring.

Despite all this, by the most favorable projections, India will still be importing a major portion of oil from outside, especially if there is growth in the Indian economy. Imported oil and expansion of other energy

production in India — nuclear, thermal and hydroelectric — is the only basis for future growth.

It is revealing to note that the Desai government has pledged to continue India's petroleum policy despite the vision of Gandhian spinning wheel "self-sufficiency" being promoted in some circles of the government today.

—Daniel Sneider

Press, Unions Back Bhutto's Assault On Carter

PAKISTAN

Prime Minister Zulfikar Ali Bhutto's April 28 report that the Carter Administration is actively involved in efforts to remove him from power has resulted in a mass expression of support for Bhutto inside Pakistan. Predictions made by the New York Times a week ago that Bhutto, "days are numbered," that the military is ready to take over to resolve the seven-week civilian crisis over alleged vote irregularities in the March 7 elections, have been proven false.

May Day demonstrations by various sections of the trade union movement brought thousands of workers to the streets, fully backing Bhutto. Left-wing parties, in the opposition Pakistan National Alliance (PNA) and outside it, have acknowledged Bhutto's continued mass support and demanded that he follow through on his charges against the Carter Administration by declaring a moratorium on debt payments to U.S. banks, pull out of

the Central Treaty Organization (CENTO), and establish full economic and political relations with the non-aligned group of nations and the socialist nations.

The reason for this backlash against the attempt by U.S.-linked interests to oust Bhutto from power is quite clear; despite Bhutto's many errors in judging and dealing with popular dissatisfaction with his government's economic and political policies, he remains in the minds of most of the country's population the single symbol of unity, development, and civilian government. The workers of the trade union movement and the peasants, both sections that have stood behind Bhutto, remember too well the brutality of the Cold War military dictatorships that ruled the country to now allow these forces or their stooges in the PNA to return, unopposed, to power.

Reprinted below are sections of a Pakistan Times editorial of May 1, building a case for Bhutto's charges against the Carter Administration with global implications. Such articles have appeared in the Pakistani press since the beginning of May, but no western daily has chosen to pick up the news of the real support for Bhutto.

'The World Policeman Again'

by H.K. Burki

ISLAMABAD: The United States Government has denied Premier Bhutto's charge of conspiracy against Pakistan. Quite naturally so. The spokesman of the Pakistani collaborators, and all the PNA factions may not have been really in the picture, has done the same. (sic) Equally natural. After all, they are not going to confess their guilt. Even our great "independent" newspapers have cast doubts about the charges of the Prime Minister of the country. But then, having assisted the conspiracy so vigorously in their columns by publishing every rumour, canard and incitement to violence regardless of consequences to the nation, their stand comes as no surprise.

Rumour Factories

Now some more recent telltale signs. The American Embassy in Islamabad and the consulates at Lahore and Karachi have been the principal rumour factories, in daily production, synchronised and computer program-

med, throughout the election campaign and more particularly since the violent agitation. There have been grumblings by the minority of non-CIA decent diplomats who have felt the United States should not do this to an old ally like Pakistan. But the majority, including some of the senior-most Americans, have made no secret of what they were doing. With an arrogance that would shame the herrenvolk, they have been telling the rest of the diplomatic corps quite openly that they were going to have this troublesome man out.

To cap it all and to establish the CIA link with the Opposition, one must recall the statements of men like Mr. Asghar Khan during the election campaign. When they came to power, they had said, they would scrap the re-processing plant, there would be no Third World Summit, and the Karakoram Highway would be closed. And where do defectors like Air Marshal Rahim and the counsellor from Paris go? Why, Washington, of course. And Gul Hasan? First stop, BBC Headquarters in London.

Recalling what has been going on for the past two years, one can safely conclude that the Carter Administration had inherited the CIA operation, and made it its

own. For Mr. Jimmy Carter who had declared in the course of his campaign that as a Christian it was his duty to help Israel, would not view with sympathy a Pakistan Government which backs the Arabs to the hilt. Similarly, the Third World Summit proposal and the agreement on the reprocessing plant are also two nasty thorns. What better way of removing them than to replace this tough and adroit, independent-minded leader with one of their own creation who would do as he is told?

Let us be clear about one thing, however. It is a much larger conspiracy, designed to roll back the rising crescendo of demand for economic justice by the Third World. Pakistan is the first victim of this assault because Premier Bhutto has been the leading activist and besides, he insists on acquiring latest technologies for the creation of a self-reliant base for Pakistan. The catchphrase given to this assault by the new world policeman is "human rights" of which both "Nawa-i-Waqt" and "Jung" have sung, significantly enough, loud praises.

The Red Indians

The point is that if the peanut evangelist were really serious about "human rights," then there exists in the United States itself a great deal of scope for this good work. How about giving some meaningful rights to the one million Red Indians who have somehow managed to survive the wholesale massacres of their forefathers by the European colonialists? How about finally liberating the descendants of the negro slaves who, with their sweat and blood, made a major contribution to the making of the United States? Why not make Puerto Ricans and the Spaniards of the Western coast and Texas, at long last, first-class American citizens?

The crowning insult offered by this fraud of "human rights" is the stridency of its morality. A country whose governments have dropped nuclear bombs on cities and have conducted with the most lethal weapons modern times' most barbaric and unjust war, is now lecturing the world on "human rights."

In order to grasp the real import of this "human rights" tamasha one has to recall the Dullesian era of the Fifties. Then the catch-phrase was "free world" in whose defence the imperialist and neo-colonial powers, led by the United States, had carried on a holy crusade. What was this "free world?" It included Salazar's most ruthless dictatorship in Portugal and its African colonies kept in bondage with NATO weapons, Franco's Spain, racist South Africa and other European colonies, and the worst type of military dictatorships in Latin America.

This was the "free world" which the United States and its allies were defending. Under a fine-sounding phrase, the imperialist powers were, in other words, taking care of their narrow and wholly immoral neo-colonial interests. It was a policy which led the United States finally to the biggest disaster of its history in Vietnam, a disaster

for which it is still paying.

One would have thought that the United States would have learnt its lesson in Vietnam. But no: the Carter Administration, picking up the old thread, seems bent upon "reforming" the world to suit its own book, and launching foreign adventures. It is trying to do this even when the United States political influence and economic power is nowhere near as great as it was in the early Sixties. It is over-reaching itself at a time when, as a consequence of the Vietnam disaster, the United States is being corroded from within. Despite all the rosy forecasts of the past two years, its economy shows no sign of real recovery and has, in fact, reached such a dead-end that without a radical restructuring it just cannot recoup, and may well collapse.

The central issue today is that the poor nations are becoming poorer while the demand for a better deal by the people of these countries is becoming more insistent. The people want bread and butter, shelter, education for their children. The Carter Administration says: "No, you must make do with human rights." And if you shout too much for bread, we would send unto you such a thunderbolt that you heathens would destroy your own hearths and homes, tear one another apart and lose even the few chappatis you manage to knock together now. The damage caused by the conspiracy to Pakistan's economy in the past six weeks, for example is far higher than the total U.S. loans advanced to it in the whole of the past decade.

The United States can subvert and undermine developing countries like Pakistan largely because much of their own ruling elites take, in the internal context, the same kind of plundering approach that the neo-colonial powers have towards the poor states. The Carter Administration, trapped by its own moral certitude, could in a frenzy even destroy the entire world with all that stockpile of nuclear missiles, and chemical and biological weapons. But it cannot act the God Almighty and rule the roost.

Rapid Decline of U.S.

Quite apart from the fact that there are other equally mighty powers in the world, even miserable little entities like Pakistan are too numerous and unmanageable to be manipulated into a global pattern conceived by some nut in Washington. But there is mounting evidence that the Carter administration, trapped by its own evangelical zeal, is not likely to help resolve the growing confrontation between the haves and have-nots. It is more likely to precipitate a head-on clash.

It is of course up to the American people to put anyone they like in the White House and in Congress. Pakistan is too small a fry to talk of rigging or deliver any lectures. But since what happens in Washington is relevant to the rest of the world, one dares to voice one small squeak of regret.

Brzezinski's South American 'Holy Alliance' Against Cuba

Introduction

Within the space of one week, the Foreign Minister of El Salvador has been assassinated, the Foreign Minister of Argentina critically wounded, the former President of Argentina arrested and the current President of Venezuela threatened with a military coup by a former head of state. These seemingly disparate events are not the product of a sudden upsurge in the supposedly traditional "volatility" of Latin American politics. They are the bloody and convulsive symptoms of a drastic realignment in the continent's geopolitical balance — a realignment being imposed by the foreign policy strategists of the Carter Administration.

The determining reality of the week's turmoil is a determined push by the U.S. government and the political networks of the Rockefeller financial interests to utilize the fascist military governments of the Southern Cone of Latin America to wage a "surrogate war" against Cuban military and political influence in Africa. Such a proxy intervention across the Atlantic would be conducted under the umbrella of some official or semi-official South Atlantic Treaty Organization (SATO) formed by the fascist military governments of Argentina, Brazil, Chile and perhaps Uruguay, in alliance with the government of South Africa. That objective is one of the agenda items of the current trip of U.S. Undersecretary of State for Latin America Terence Todman to Colombia, Venezuela, Argentina, Brazil, and Bolivia. It is described in State Department releases as planned discussions of "Cuban foreign policy as it relates to Africa."

Beneath the diplomatic organizing, however, Carter's National Security Advisor Zbigniew Brzezinski is supervising the use of the Rockefeller's private intelligence networks in carrying out the requisite murders and related black operations to smooth the way for SATO. At the center of these gutter activities is the international police organization, Interpol. On the surface an ineffectual international posse, Interpol functions in fact as worldwide hitman for the Rockefeller brothers and their associates.

Interpol is presently at the center of the three components of Brzezinski's quest for a workable SATO arrangement: the promotion of an alliance between Brazil and Argentina on the basis of a shared anti-Cuban foreign policy; the obstruction of a potential alternate Argentine foreign policy oriented to an anti-Brazil alliance with Venezuela; and the use of several provoked wars in the Central American isthmus to foment a political and probable military confrontation with the Cubans in the Caribbean region. The Central American operation includes an attempt to force the Cubans to

divide their military forces between Africa and a fresh provoked war on the isthmus.

The SATO Policy

The latest issue of *Foreign Policy* magazine, a quarterly edited by Zbigniew Brzezinski, features a lengthy article spelling out the public justification for the formation of a SATO. The tract, entitled "South America Looks at Detente (Skeptically)", is authored by Argentinian Mariano Grondona. Grondona's claim is that there is a fundamental divergence between the search for détente by the major Western powers and the conception of relations with the Soviets and Cubans held by the militaries of the Southern Cone. He writes: "In the Southern Triangle there exists what we would call a Holy Alliance... whose objection to communism is solved not at the negotiation tables... but in actual confrontations, at times bloody..."

Throughout the piece, Grondona attempts to pretend that Carter's "human rights" attacks on those militaries signifies a fundamental rift between the U.S. and the fascist governments: "To western liberalism... it seems that the Southern Triangle is overstepping the bounds of international legality and consequently, its rulers take on Nuremberg features..."

In fact, the moral pronouncements of the Carter Administration are designed precisely to encourage those "Nuremberg features" through a calculated backlash while simultaneously providing the U.S. government a thin veil for its own complicity in the fascist undertakings. Grondona cannot help but make that obvious when he zeroes in on the question of Africa: "The fact that international confrontation has reached the southern part of Africa turns the Southern Atlantic into a potential theater of operations. Brazil and Argentina intend to capitalize on their strategic positions in order to be admitted as full or associate members of NATO."

The development of a SATO, or South Atlantic extension of NATO, has been a project of David Rockefeller and the Trilateral Commission since at least the fall of 1975 when the pro-Soviet MPLA led by Agostinho Neto, with Cuban military support, defeated the NATO-backed mercenary armies in the Angolan civil war. It was a personal goal of former Secretary of State Henry Kissinger and has been a standing public dream of the Vorster government of South Africa.

From both a political and military perspective the strategy — to send Latin American naval or army contingents into Zaire or Africa alongside the already numerous other pro-U.S. military units — is complete, idiocy. The combined force of the French, Moroccan,

Ugandan, Egyptian, and pygmy "army", even with Brazilian or Argentine reinforcements, would be a poor match for the battle-tested, and politically steered Angolans and Cubans who are armed with the most modern weapons. The only condition in which Brzezinski's desired international brigades could triumph would be with sizeable support from NATO's navies and regular armies. Under those circumstances, the planned Vietnam in Africa would immediately escalate into a thermonuclear showdown between the U.S. and the U.S.S.R. As forcefully expressed by Cuban President

Fidel Castro this week, neither the Cubans nor the Soviets are prepared to watch the rollback of socialism in Africa. Brzezinski and his Administration associates, therefore, are either preparing themselves for a serious strategic setback on the African continent or they are blindly careening down the road to global nuclear war.

Argentina: Toward Brazil or Venezuela?

Zbigniew Brzezinski's central problem in pursuit of SATO is overcoming significant resistance in both the

The Interpol Enforcers

It is no accident that Interpol was the agency that arrested Julio Broner in Caracas last week nor incidental that it is Interpol that is searching the same city for the whereabouts of former Argentine Economics Minister Gelbard. Those functions are merely the "nice" aspects of the Interpol involvement in the campaign throughout South America to clear the decks of all actual or potential opponents of Brezezinski's and Carter's anti-Cuban confrontation strategy.

The importance of Interpol to the Latin American activities of the present U.S. government is its existence since the end of World War II as an integrated arm of the Rockefellers' private intelligence network. The agency was formally established in 1922 and approximately a decade thereafter was taken over in its entirety by the Third Reich. After the defeat of the Nazis, through the activities of Allen Dulles and others, Interpol — maintaining its top-level Nazi staffing — was adopted whole by the Rockefellers. This has been particularly important for the post-war history of Latin America since it was Nelson Rockefeller personally, through his post at the head of the Office of Inter-American Affairs who supervised the wholesale transport of leading Nazis and their terror apparatus to Latin America, particularly Argentina, Chile and Paraguay, in the late 1940s. There, like other Interpol staffers and selected law enforcement officials who comprise Interpol's official membership, the Nazi refugees supervised both official and underground terror activities and ran extensive drug-running operations. In the current effort to bring SATO into being, Interpol surfaces at several key crossroads.

First, the factions inside the Argentine Armed Forces most open to an anti-communist alliance with Brazil are those factions that overlap most extensively with the hardcore Nazi machine inside the country, the transplanted networks of Nazi intelligence officer Otto Skorzeny known as Die Spinne. The choice of Graiver, son of a Polish Jew, as their scandal target is not entirely accidental. Furthermore, it is this same Interpol apparatus inside the country that runs the notorious death

squads, responsible for hundreds of murders in the last year alone, and, more recently, the terror against Videla's factional allies.

Second, the key governmental figures on the continent who have the capability for neutralizing or defeating the Brezezinski SATO strategy have all been the victims of public Interpol death threats. These have come primarily through the second generation of fascist terrorists, the Cuban exile commandos. Orlando Bosch, the most well known of these hit men, told *New Times* magazine last week that he was declaring "open war" on Venezuelan President Carlos Andres Perez because Perez began a crackdown on the Cuban exile terrorists in Caracas after the October, 1976 sabotage of a Cuban plane off Barbados that took 73 lives. Former Mexican President Luis Echeverria, still a very formidable figure in Mexican politics, is the intended victim of a special squad of Cuban exiles, according to information passed last week from the U.S. State Department to the Mexican Ambassador to the U.S. and subsequently leaked to the Mexican press. And both Omar Torrijos and López Portillo narrowly escaped injury and possible death when a bomb exploded at a military checkpoint very close to the site of their summit last week in Cancún, Mexico.

Finally, Interpol is active in the Belize scenario. Guatemalan Vice-President Sandoval Alarcón is an international organizer of terror squads, most directly of his home-grown Mano Blanca which has carried out a campaign of terror and assassination against leftists and peasant organizers inside Guatemala. He maintains direct ties into the Argentine and Cuban exile networks through his active affiliation with the fascist umbrella group, World Anti-Communist League. The Latin American branch of this international confederation held a high-level meeting in Paraguay two months ago. The Chilean government was represented at the meeting by junta member Air Force Commander Gustavo Leigh. Alarcón was unable to personally attend but sent representatives and a special message of greetings. Among the recipients of his salute was a special guest delegation from the CIA-sponsored Angolan FNLA.

Brazilian and Argentine militaries toward such a suicidal enterprise. In Brazil, the last half year has seen a steady encirclement of President Ernesto Geisel by the extreme fascist wing of the armed forces grouped around former President Garrastazu Medici. Spokesmen for this faction are growing increasingly bold in their calls for a shift in Brazil's policy toward Africa — away from recognition and trade with the Neto government of Angola and toward support for one of the anti-Neto mercenary contingents. The public presence of representatives of the CIA-sponsored Angolan FNLA in Brazil over the last month is one indication of this pressure. The widespread rumors of the impending ouster of Foreign Minister Azeredo da Silveira, the architect of the policy recognizing the MPLA, is another. The daily military pronouncements, called Orders of the Day, have recently been dominated by warlike hyperbole on the link between the battles against communism at home and abroad. Student protests across the country, manipulated by members of the opposition MDB with ties to the Carter Administration, are strengthening the hand of the hard-liners.

In Argentina, the factional warfare within the armed forces has been much more fierce, more public and more bloody. Although there are multiple factions within the Argentine military, there is one broad division that defines two foreign policy groupings. The fundamental issue is whether the country is going to join with Brazil in Brzezinski's trans-Atlantic anti-communist crusade or whether it will build a web of geopolitical alliances in Latin America that will allow continued independence from Brazil. The key to the latter policy is an accord with Venezuela, a country which shares the fears of most Argentines that the economic collapse and territorial appetites of the Brazilian military may well propel them outward and northward in the near future.

Argentina's President, General Jorge Videla, is the captive spokesman of the military and civilian factions which fear subjugation to Brazil most strongly. He is due to leave within the week for summit talks in Caracas with Venezuelan President Carlos Andres Perez. Press in the two countries have pointed to openness on both sides for an agreement, and the Venezuelans have pointed in particular toward joint projects for the development of nuclear energy.

Argentina has the most advanced nuclear energy program on the continent and has stated its interest in entering into collaboration with the countries of the Andean Pact, including deals for the export of nuclear technology. The Venezuelan Ambassador to Argentina, speaking last week about the upcoming Videla trip, stressed the necessity for all of Latin America to arrive at a common position on nuclear power to present to the Carter Administration. But even as these optimistic openers were being exchanged, both Videla and Perez were being hit with serious challenges to their continued rule.

The Graiver Case

For over a month, as his planned trip to Venezuela approached, General Videla's military rule has been wracked by the so-called Graiver case. The scandal involves an ever-widening web of accusations centered

on the financial dealings of David Graiver, an Argentine-based banker who was reported to have died in a plane crash in Mexico last year. Aside from speculation on whether Graiver is in fact dead, the scandal has focused on his alleged money laundering for several political factions in the country, including the Montoneros armed resistance movement.

It is into this alleged "subversive" connection that the ultra-fascist factions in the Army and Navy have dipped their brushes in order to smear all of their factional opponents traceable to Graiver. The spirit of the investigation is captured in the recent declaration of one of the top scandal-mongers, Army General St. Jean: "First we kill all the subversives; then we kill their collaborators; then...their sympathizers; then...those who remain indifferent; and finally, we kill those who are timid."

This week, over the previous objections of Videla, General Alejandro Lanusse and his three closest associates were arrested in Buenos Aires on charges stemming from corruption in the state-owned ALUAR aluminum company, a spinoff scandal of the Graiver affair. Lanusse headed the military government in Argentina from 1971 to 1973 and is one of the top leaders of the constitutionalist faction within the Army. During his presidency, he pioneered closer ties with Venezuela, and members of his faction have reportedly authored a refutation of Grondona's *Foreign Policy* article.

The day after Lanusse's arrest, May 5, agents of Interpol arrested Julio Broner, head of the Peronist industrialist federation, the CGE, in Caracas. Interpol simultaneously announced that they were combing Caracas for another catch — José Gelbard, former Economics Minister of Argentina in 1973-4 and the initiator of expanded trade with the socialist countries. Then, on May 7, two days before he was scheduled to fly to Caracas to prepare Videla's trip, current Foreign Minister Augusto Guzzetti was critically wounded in a kidnap attempt. There have been charges that the attack was the work of the Montoneros but its execution matches the modus operandi of Interpol's unofficial representatives in Argentina, the fascist death squads. Grondona apparently spoke with some knowledge when he wrote in *Foreign Policy*: "Ideological coexistence between a liberal north (of Latin America — ed.) and a conservative south is becoming more and more difficult in this region."

Since the attack on Guzzetti, there have been some indications that the pace of the Graiver scandal is being slowed, at least temporarily. This may indicate a backlash in the military over the prospect of further splintering and is probably a reflection as well of the fact that the Graiver scandal is a Pandora's box that could eventually burn even its present prosecutors. The government has announced that they are treating the Graiver investigation and the ALUAR charges as two independent cases and that prosecution in the Graiver case will proceed only on the 16 persons already in custody. The Navy simultaneously charged that the attack on Guzzetti was timed to obstruct Videla's mission to Caracas. Videla announced that he will leave on May 11 as scheduled.

Videla's opponents in Argentina, however, have able allies in Venezuela as well. The Argentine daily *La*

Nación took note of this in an editorial May 8 when it pointed to forces inside Venezuela working to wreck the summit. It identified this "aggressive policy" with "the veteran leader Romulo Betancourt." Betancourt, former president of Venezuela and Perez's leading factional enemy inside the Acción Democrática (AD) party, has been a proponent of the Rockefeller family endeavors in Venezuela for nearly 30 years. He has just recently returned from a stay in the U.S., and upon his arrival in Caracas kicked off a campaign to bring down the Perez government.

His two announced targets were corruption and Cuba. Over the course of the week, he has threatened to split the AD over plans for an AD youth delegation to travel to a conference in Cuba in 1978. Accompanying this red scare campaign, Betancourt has put charges of government misuse of funds on the front pages on the country's press. He is explicit about his objective, pointing to the recent forced resignation of Israeli Prime Minister Yitzhak Rabin: "(Rabin) resigned, lost power, lost his position...Now that's a decent democracy. That is the democracy that we are going to implant in Venezuela." Betancourt added, "I also think of the military pinnacle...The arms that Venezuela put in their hands are to guarantee our land, sea and air borders, and to back up the Venezuelan democratic regime."

The Second Front

The elimination of Cuban influence in the Caribbean and Central America and the destruction of the Castro government itself has been an obsession of Rockefeller policy planners for 17 years. In the context of the planned military adventure into Africa, a showdown against Cuba on the U.S. side of the Atlantic is perceived by Brzezinski and accomplices as an imperative. Since Jamaica and Guyana began forging closer ties to the socialist island, they have been subjected to threats, blackmail, and classic methods of destabilization. These were particularly intense to the extent that the Caribbean nations cooperated with the Cubans by providing stop-over facilities for flights to Africa. This pressure has been maintained in a more or less constant fashion in recent months, but has been augmented by U.S. interventions into the Central American isthmus.

The region is rife with potential outbreaks of war, and both direct and covert efforts originating in the U.S. have been made to exacerbate these tensions to the breaking point. The assassination of Salvadorean Foreign Minister Borgonovo by a right-wing terror squad claiming to be a left-wing guerrilla organization has significantly damaged progress toward a peace agreement between El Salvador and Honduras. The entirely hypocritical "human rights" campaign of the Carter Administration has further fueled the aggressive nationalist tendencies of the region's military governments. And the flow of arms into the isthmus, largely from Israel and Brazil, has easily compensated for Carter's fraudulent arms and military aid cutoffs, readying the potential combatants for war.

For the purposes of challenging the Cuban government, however, Brzezinski has chosen three prime tar-

gets: Belize, Panama, and Costa Rica. Those are the three countries of the area that have maintained the most open relations with the Cubans, each of them governed by administrations favorable to the pro-development policies of the non-aligned movement.

Belize, formerly British Honduras, is a self-governing British colony due to be granted independence within the near future. Guatemala, however — its neighbor to the south — is committed to invading the small country as soon as it gains its independence. The Cubans are committed to defending Belize's sovereignty.

In the last two weeks increased pressure for a promise to invade has been exerted on Guatemalan President Laugerud, particularly from military factions tied to his Vice-President Sandoval Alarcón, and the war rumblings have grown louder. The war-mongers in Guatemala have been given the verbal support of their co-thinkers in neighboring Mexico as evidenced by a column this week in the Mexican daily *Novedades*. Right-wing columnist Kawage Ramia, reflecting the views of the pro-U.S. Monterrey Group of businessmen inside Mexico, railed that Cuba is preparing to "transform Belize into a Russian beachhead." Officials of the Belizean government of Prime Minister George Price themselves have pointed to the danger represented by the Guatemalan threat, and have warned that "Belize could be another Angola...We may have to ask Cuba for help."

As the level of tensions increases, however, Mexican President López Portillo and Panamanian head of state General Omar Torrijos appear to be moving to cut off the war scenario before it can build any further. Torrijos met with López at the end of last week and then made a surprise visit to talk with Prime Minister Price. During his stay he publicly told Price that "it would not be convenient at this time" for Belize to ask the Cubans for support. He further announced that, in order to obviate that necessity, he will call upon the governments of Colombia, Venezuela, Costa Rica, and Bolivia to join Panama in guaranteeing Belize sovereignty after it becomes independent.

Torrijos himself, however, continues to be a target of the same regional anti-Cuban Carter strategy. In the middle of last week, General Dennis McAuliffe, commander of the U.S. Southern Command headquartered in the Canal Zone, declared to reporters that he had 10,000 troops in the Zone ready to act in the event that the Panamanians tried to make a grab for exclusive control over the Panama Canal. Such a provoked clash, which would bring the Cubans to the aid of Panama, is featured as a likely scenario in the recently published Latin American report of Nelson Rockefeller's Commission on Critical Choices.

McAuliffe's remarks drew harsh denunciations from the Torrijos government which ordered a mobilization of its National Guard across the country to demonstrate a willingness to defend the country and canal from any U.S. military adventures. Importantly, the government made a special point of denouncing McAuliffe's apparent outburst as being totally at variance with the positions previously enunciated by head of the U.S. Joint Chiefs of Staff, General George Brown. This disparity points to a general feature of the African strategy of the Carter

Administration and its Latin American accompaniment — it is being conducted outside the normal chain of command through those sections of the Carter Administration under control of the Trilateral Commission with the assistance of the Rockefellers' private intelligence apparatus.

The case of Costa Rica exemplifies this point in the push for SATO and confrontation with the Cubans. The Costa Rican government of Daniel Oduber has aligned itself with that faction of the Social Democracy or Second International that has drawn sharply away from Atlanticism. The pro-Atlanticist wing of the Social Democracy, headed up internationally by Willy Brandt, is represented within Costa Rica by former President

José "Pepe" Figueres, a publicly proud collaborator of the CIA and defender of the CIA-organized coup d'état in Chile. In an interview with *New Republic* magazine last month, Figueres, a close personal associate of the Rockefellers, accused Oduber of accepting money from U.S. businessman Robert Vesco to finance his 1974 election campaign. The resulting furor inside the country has been such that the government has "invited" Vesco to leave the country. Vesco's name has recently appeared in recent weeks in the Latin American press in another sensational context — as a financial associate of Argentine banker David Graiver.

—Dan Wasserman

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