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TABLE OF CONTENTS

INTERNATIONAL

- 1 British Wreck Ponto Plan For Arab Investment, Unleash Chaos
- 3 Shame On The London Times
- 4 BRD Press Links Brandt To Terror
- 6 Italian Press Exposes Wall Street Funding Of Anti-Nuclear 'Ecology' Campaigns
- 7 Call To Investigate Weathermen

NATIONAL

- 1 Rocky, Rohatyn Push For Energy Fascism
- 3 Nelson Rockefeller: \$100 Billion For Starters
- 5 ENCONO Bill Splits, Balkinizes U.S.
- 5 ENCONO: 'Missing Link In Carter Energy Program'
- 9 Schlesinger Has Carte Blanche to Run Energy Dictatorship
- 10 Lazard Staging Lancegate In Grab For Federal Monies
- 11 Lance Fights Back
- 12 Press Admits Lance Won First Round
- 13 Lazard Press Goes After Rocky
- 14 FBI Drops Investigation Of USLP

ECONOMICS

- 1 Business Outlook — New Trade Collapse
- 2 Banking — Third World Loans Go To Debt Payment
- 4 World Trade — French Trade Deals
- 5 Agriculture — Carter Malthusianism Exposed In French Press

ENERGY

- 1 What's Behind The Oil Glut?
- 2 Schlesinger Sets Stage For Replay Of Natural Gas Emergency

SOVIETS

- 1 Open Memorandum To The Soviet Politburo
- 7 Lazard Launces Assassins Against USSR Military Personnel

EUROPE

- 1 France, Poland Reinforce Ties To Oppose Fascism And War
- 2 France — Union Of The Left On The Rocks
- 3 Britain — Heath-Thatcher Deal To Boost Tories?
- 4 Fabian Journalist Sets Up Callaghan For Fall

MIDDLE EAST

- 1 'Our Crowd' Banks Move To Install Dayan In Power In Israel
- 2 — Press Response To Dayan Plan For West Bank
- 4 Israel, Final Obstacle To Lebanon Peace Accord
- 5 New Move To Unite Tunisia With Libya

AFRICA

- 1 Sudan — Cabinet Reshuffle

ASIA

- 1 The Struggle For Indian Freedom: A New Program Part I

LATIN AMERICA

- 1 Panama Canal Treaty Controversy: Chance For Anti-Monetarist Foreign Policy
- 3 Excerpts From Panama Canal Treaties

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IN THIS WEEK'S ISSUE —

More than a week after the terrorist kidnapping of leading West German industrialist Schleyer ... most of Western Europe is in the psychological grip of a British-run terror and destabilization wave ... at a peak in West Germany and Italy ... at stake the future existence of the dollar monetary system ... see **International Report**.

* * *

Allied with the British and co-responsible for the terror ... Lazard Freres and other British-connected New York investment houses are using the lack of financial leadership following the murder of Dresdner Bank's Ponto to make London the new world financial capital... suck American and European banks into a hyperinflationary spending spree which can only hasten a chaotic international monetary collapse ... see...**International Report**.

* * *

What the Lazard-British crowd has in store for the USA is blueprinted in this week's **National Report** ... which features an in-depth package on two alternative economic proposals ... Lazard-man Felix Rohatyn's regional fascist apparatus for administering a no-energy society ... the return of Nelson

Rockefeller's \$100 billion Project Independence energy plan. Interviews with Rohatyn, Rostow ... excerpts from Rockefeller and Rohatyn policy proposals and articles are featured.

* * *

The inside story behind the Bert Lance hearings ... Lance has been blocking aspects of the Mondale-Rohatyn crowd's hyperinflation strategy from his post as OMB Director ... the real reason for the New York Times-Washington Post campaign to force his ouster... and clean out the "Atlanta Mafia" connections inside and outside the Administration which appear to have been backing him up. Lance turned the tables on his critics with his dramatic Senate testimony last week ... Meanwhile Mondale and friends appear almost as anxious to do in the Rockefellers as to get rid of Lance ... see **National Report**.

* * *

Behind the so-called oil glut ... and economic warfare strategy against the OPEC nations. See **Energy** for a news analysis... Plus a timely feature on the "deregulation solution" to energy problems now a subject of debate in the U.S. Congress...

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

The **Dayan Plan** for permanent **Israeli military occupation** of the **West Bank** is already heating up the situation in the Middle East ... as the **Mondale-Rohatyn** forces in the **Carter Administration** push the **Israeli Foreign Minister** to **replace Prime Minister Begin**. Our **Middle East** survey features **press reactions** to the **Dayan Plan** ... a report on the new outbreak of heavy **fighting in Lebanon** ... and news of a new effort to **unite Tunisia and Libya**...

A **Cabinet shakeup in the Sudan** ... and **President Numeiry's reconciliation** with his conservative and communist opposition ... signals his **move out of the Carter orbit** ... and increases the **chance for peace** in the Middle East and the Horn of Africa ... See **Africa** .

* * *

After **months of rising tension** ... the uneasy alliance of Communist and Socialist parties in **France**, the so-called **Union of the Left** ... is **on the rocks**. In **Britain** ... new signs of a **shift** in both the Labour and Conservative camps ... see **Europe**.

* * *

After six months of **Janata party government** ... many in **India** feel that the **worst excesses** of the **Ghandi emergency govern-**

ment have been **equaled** if not surpassed. Part I of a **U.S. Labor Party program** to restore this former leading Third World nation to the path of **political and economic development** in the **Nehru** tradition...now circulating in Indian political and business circles ... is featured in this issue.

* * *

Former U.S. Republican presidential contender **Ronald Reagan**... commenting on the **Panama Canal treaties** ... has **charged Chase Manhattan** and other Rockefeller-linked banks with **looting the Panamanian economy** ... called for a new **development policy** for **Latin America**. This week's report discusses the **pro's and con's** of **Reagan's** approach ... includes his statement and those of **Carter** and **Panama's Torrijos** as they initialed the treaties, and **excerpts from the treaties** themselves...

* * *

In this week's **Economics** report ... a complete rundown on bankers' **"spending spree"** in international loans ... a report on the **Carter Administration's "food weapon"** programs and a **bitter reaction** to them from the **French press** ... a **new phase of depression** in **West Europe** that promises to dwarf the **1974-75 production collapse** ...

British Wreck Ponto Plan For Arab Investment, Unleash Chaos

British financial circles, under the policy direction of the New York Lazard Freres merchant bank, have undermined the plans of the late West German banker Jürgen Ponto to channel Arab funds into industrial investment. The British maneuver targets France, West Germany, and Italy, and coincides with a campaign to unsettle politics on the European continent on the part of the Roy Jenkins-Denis Healey group in Britain.

Slain by the Interpol-controlled Baader-Meinhof gang July 29, Dresdner Bank chairman Ponto was the leader of French, West German, and Italian efforts to create a European monetary system based on gold, and channel the \$40 billion annual surplus of the oil-producing countries into industrial investments. Ponto's collaborators included financiers in the U.S. Southwest.

But Ponto's murder left an opening for the Lazard crew to make another grab for Saudi funds, the "big potato" of world banking. The result is that the Saudi plan for "diversification" of their reserves into industrial investments in Europe, the United States, and the Third World, is on the skids. The main beneficiaries of Arab money are now the British, who are having the time of their speculative lives on London money markets — and a handful of American banks, who are using short-term Arab deposits to fund a drunken-sailor spree of international lending.

The Lazard-British strategy consists of two admittedly irreconcilable elements subsumed under the code words "limited growth." On one hand this crew wants to use the Saudi funds to fuel a hyperinflationary policy for the USA and Western Europe, coupled with a variety of schemes for imposing topdown fascist economic controls. On the other hand, they intend to force a sharp deflationary collapse in the Third World which will have immediate genocidal consequences. Major American and European banking institutions are now being sucked in behind this strategy despite previous cooperation with Ponto on a course for global industrial growth.

Spending Spree

In the past week, banking groups have lent \$1.4 billion to Mexico, close to \$1 billion to Brazil, and over \$1.5 billion to other major borrowers — the biggest burst of lending since the Eurodollar market began. Today's financial press alone contains announcements of \$782 million in new loans. Although virtually all the leading international banks have joined the charge, the leaders of the pack are New York's Morgan Guaranty Trust and San Francisco's Bank of America.

Meanwhile, the flow of Arab funds into Britain continues to astonish financial observers. The market for British government debt is awash with new money. London's stock market, for years the most depressed in the world, last week surpassed the heights achieved during the last record year, 1972. Inflows of foreign money have swollen the Bank of England's currency reserves from \$6 billion at the beginning of the year to \$15 billion during August. Last year the reserves were so low the country applied to the International Monetary Fund (IMF) for a loan under strict conditions.

Lazard collaborator and British Finance Minister Denis Healey will reportedly tell the IMF annual meeting at the end of September that Britain intends to become a major lending nation — after years of subsisting at the edge of bankruptcy. British banking sources expect a rush of international loans in pounds sterling — just recently the laughing-stock of major currencies — to emerge after the British monetary authorities remove controls on international lending sometime this month.

Only weeks ago, bankers would have laughed up their sleeves at the notion of the British pound returning to the world markets as a lending currency. Indeed, any objective measure of Britain's economic performance shows that sterling is fundamentally weak: inflation is still at 17.5 percent, four times the average of industrial countries, and industrial production stagnates at the level it reached seven years ago. What the Lazard group has achieved is a political coup in the Mideast, wrecking the Franco-German plans to direct the flow of petrodollars into industrial investments, and setting the world up for speculative chaos on the international markets.

Italy

Italy, the weakest of the continental European countries, has been worst hit by the British wrecking operation. In early August, Italian Prime Minister Giulio Andreotti flew to Riyadh for discussions with the Saudi Royal Family on major Saudi investments in Italy, and on the question of the future of the monetary system as a whole. Despite reported preliminary agreement on a number of joint projects, including a contract in Saudi Arabia for the Italian construction firm Condotte d'Acqua, nothing has materialized. Financial sources close to Andreotti report that Italy will get little, if any, of the Saudi money, estimating that 90 percent of the Arab surplus is still going to London and New York.

As a result, Italy is so financially pressed that it cannot provide export credits for major contracts in hand.

According to press reports, Italy may have to scrap a mammoth \$3.8 billion deal to construct industrial plants in Algeria because an export credit of that size would crowd out other vital areas of export financing, including trade with the Soviet Union and other Eastern European countries.

Italy's financial weakness has enabled Lazard allies in Italy, led by Mediobanca chairman Enrico Cuccia, to threaten Andreotti with a collapse of the Italian currency on the foreign exchange markets if he steps out of line. Italian political circles attribute the Prime Minister's recent vacillation partly to Cuccia's threat against the lira.

Bankers' War

Instead of Jürgen Ponto's attempt to achieve a smooth transition from the present monetary shambles to a gold-backed monetary system, including the oil producers and the socialist countries, the British maneuver has set up world finance for a free-for-all of gang warfare. Morgan and Bank of America, whose names appear at the head of most of the new loan announcements, have plunged into the delusion that they can put the crisis off until 1978 or 1979, by refinancing some of the most dangerous Third World debtors. Brazil and Mexico, with close to \$12 billion to repay between them this year, have suddenly received new loans at double the rate bankers expected earlier. In the first half of 1977, Brazil received a bare \$2 billion in new foreign credits; the Third World's biggest debtor will probably get \$5 billion during the second half of the year. Mexico may get up to \$8 or \$9 billion in loans, informed banking sources report, or more than double what had been expected only a month ago.

In fact, the Lazard-British group have little in common with the big American banks, and are already at each others' throats in a number of key strategic areas. Both sides agree about Chase Manhattan, the basket case of Wall Street finance, and have shut David Rockefeller's bank out of most of the new loans, Morgan and Bank of America have only one object: to shovel enough money into the Third World to put off the crisis until some point in the future.

On the contrary, Lazards' stated objectives are to use the collapse to leverage its tiny financial resources into a political coup, and gain control of the U.S. and other governments. Lazard inspired the scandals surrounding Office of Management and Budget Director Bert Lance, aimed at wiping out Administration resistance to their "regional development" program for the United States, and seizing control of the Federal Budgetary apparatus. Ultimately, Lazard wants to see a collapse of Third World lending, a senior official of the bank explained: the Third World has borrowed more than it should on the basis of high commodity prices, the official said. Now that commodity prices have collapsed, the Third World cannot go on borrowing much more, which is precisely what Lazard wants.

In fact, international lending has created "artificially high levels of development," going "beyond indigenous capabilities," writes Agency for International Development official Roger Darling in the Sept. 17 *Washington*

Post. Additional loan money, from the IMF or elsewhere "will only delay the inevitable collapse of the Third World debt pyramid," the Lazard-owned newspaper concludes.

Banking sources say that the Lazard policy is to undercut all the commercial banks, Chase Manhattan included, and use the Third World debt scramble to force Congress to accept exclusive Federal control of the banking system. Lazard's control of the Carter Administration through such agents as Walter Mondale, the bank thinks, will give them the pull to come out on top on Wall Street.

Citibank Option Fizzles

Citibank, the largest New York bank, begun tentative cooperation with the Europeans in a number of areas, especially Africa, including a deal with the French and Belgians to build up bankrupt Zaire. Early in the summer, Citibank had moved into position to become the American leg of an agreement with the Europeans to resume industrial investment on a broad scale, including the "diversification" of the big Saudi surplus. However, the caution and incompetence of the Citibank management led to major problems. Citibank's side of the Zaire deal was to raise \$250 million in new money for the bankrupt African country, enabling French and Belgian business to resume operations there. However, Citibank could not put the loan together — negotiations for the loan will drag on for additional weeks — and lost credibility both in Western Europe and inside Zaire. Authoritative Belgian sources blame the New York giant's incompetence for the recent arrest of Zaire's central banker, an ally of European interests. Since the great Zaire foulup, Citibank has retreated from its earlier leading role in world banking policy. From number one in international loan management last year, Citibank has dropped back to number nine. Instead, New York financial policy is being set according to the gross short-term perceptions of self-interest at Bank of America and Morgan Guaranty.

Economic Breakdown

Even the nominalist British financiers, however, recognize that none of these operations will bear fruit if the world economic breakdown continues. The current drop in world trade, which has already slashed prices on the commodity markets by 20 percent, will destroy the entire international debt mess if it continues. All the mutual hatred and stupidities of the rival financier factions emerge in the fight over what to do about the real world economy that their paper ultimately depends on.

Lazard agents are pushing for massive reflation of the U.S. economy, through the medium of Lazard partner Felix Rohatyn's "regional development" program. British Finance Minister Denis Healey will reportedly make this the theme of his presentation to the upcoming IMF meeting. Fabian economists like Gar Alperovitz of the Exploratory Center for Economic Alternatives are demanding a \$40 billion injection of funds into the U.S. economy. In private discussions, senior Lazard partners are pushing this view strongly.

However, the Morgan, Bank of America, and Citibank view is dead set against an inflationary policy for the U.S. and Morgan representatives in the Administration are supporting Budget Director Lance's opposition to the Lazard program. However, they have no program of their own, outside of their opposition to the Rohatyn and related economic schemes. Ironically, their ally, Federal Reserve Chairman Arthur Burns has been creating banking reserves at the rate of ten percent per year, in a desperate effort to buy time for the U.S. economy.

The most important feature of the situation is that

there is no more time to be bought. Yesterday, the Federal Reserve announced that U.S. industrial production had fallen, for the first time in seven months. Even the West German Bundesbank admitted, for the first time, that the West German economy is in crisis, in a report published last week. The net effect of the current round of British-initiated financial warfare and speculation on the grand scale is a chaotic descent into collapse.

— David Goldman

Shame On The London Times

The following statement was released on Sept. 17, 1977 by Lyndon H. LaRouche, chairman and presidential candidate of the U.S. Labor Party.

This past week, while British intelligence-coordinated terrorists attempted to destabilize the West German government, the shameless London *Times* hypocritically proposed that the German nation painfully reexamine itself to discover its national collective guilt in that same connection.

Gentlemen of the *Times*, you stand exposed in your monstrous hypocrisy. Do you imagine that we do not know which nation's intelligence services deploy the Corsican and Basque terrorists in France, or which nation's intelligence services directed the terrorist-assassination attempt on the life of the Shah's sister? RAF: to us in West Germany those initials stand interchangeably for the bombers of the Royal Air Force and the bombers of the Red Army Fraction. Granted, certain financial gentlemen from Manhattan may be behind your policies in this matter, but it is the British Official Secrets Act which cloaks the details of your special operations against the government and people of West Germany, France, and Italy.

Gentlemen of the *Times*, do the names "Wormswood prison" and MI-6" connote anything of significance to you in these terrorist matters? Then, where is your sense of honor, of shame? You instruct Germans to examine themselves; is that because what you find in yourselves is too hideous to be seen?

Cui bono? — Who benefits? — someone in West Germany asked this week. They proposed that the Soviets were behind this matter; we shall turn to that matter just below. However, who did benefit from the assassination of Jürgen Ponto? Let us compare operations being run through the manic-euphoric City of London market with the opposite policies which Jürgen Ponto was on the verge of consolidating before his death. Who benefited from Jürgen Ponto's murder? The City of London did!

Who created the RAF — both the Royal Air Force and the Red Army Fraction? Was not the Socialist Patients Collective of Heidelberg based on a project-series of the London Tavistock Institute? Why is the British occupation city of Hamburg so significant in RAF operations? Who was the British agent killed accidentally during the

early phase of the RAF terrorist operations? Your instrument murdered Ponto and your City of London benefited from the murder.

Now, let us look most closely at the Soviet taint in terrorist operations. We know that there is a Soviet taint, a certain misplaced Soviet satisfaction in the fact that certain Anglo-American intelligence factions are now doing to Italy and West Germany what was done to many of their comrades during "Splinter Factor" and the succeeding "Rollback" paramilitary operations in Eastern Europe. We are informed that the well-known Mr. Kim Philby is involved in this enterprise.

If the report of Mr. Kim Philby's role is true, and we have the information from excellent sources, this is a most intriguing angle. For, as you ought to know and as we definitely know; Mr. Philby is to this present day a *British agent*. Hence, it is not remarkable, if Mr. Philby is indeed working on the Soviet side of these operations, that Soviet policy toward West Germany should so precisely dovetail with British intelligence special operations policy.

You see, gentlemen of the London Times, we know that Mr. Kim Philby possesses one vital piece of past information which, if he were a genuine Soviet agent, he would have long ago confided to his present nominal patrons. He has many pieces of such information, including facts concerning the Communist Party USA and similar affairs; however, the specific fact to which we allude is summed up in one name: *Canaris*.

Mr. William Stevenson may write as many semi-fictional cover-story best-sellers like *A Man Called Intrepid* as his publishers will tolerate, but his efforts to attribute to the British intelligence cracking of the "enigma code" the actual role of British agent Admiral Canaris don't work. You see, we know that Canaris was a British agent from no later than the time British intelligence rescued him from Chilean internment early during World War I and that Canaris was subsequently a special protege of the Versailles Allied Control Commission, which placed Canaris in his key position within Weimar German intelligence.

Now, if Kim Philby had ever ceased to be a British agent at bottom, he would have spilled to the Soviets the full story concerning Canaris and some related matters. This would have aided the Soviets in finally comprehend-

ing the fact that Hitler was not a German national creation, but a then-waning protege of Hjalmar Schacht imposed upon 1933 Germany on orders from the same financial circles of New York City and London who are, in fact, presently behind the wave of terror being launched against not only West Germany, but many other nations and targets within nations.

In return for your immoral insults against the people of West Germany, gentlemen of the London *Times*, we blow your MI-6's key Soviet agent, Mr. Kim Philby. With that, we recommend that you reexamine yourselves and contemplate the growing mood in France to decorate the front pages of *Le Figaro* and other periodicals with the time-tested slogan, "*Perfide Albion!*"

BRD Press Links Brandt To Terror

Friday, Sept. 9

Handelsblatt, West Germany's leading commercial daily, editorializes that "Many conversations held on Tuesday (Sept. 6) reflect the certainty that murder and threats of murder are not a promising lever to be applied to the economy. Whatever gap the terrorists might forcibly create, there is no dearth of men who in the national interest are ready time and again to close the phalanx of defense readiness. And there will continue to be journalists who — without special security protection — will remain determined to lash out against and fight terrorism, whatever the dangers may seem to be."

Sunday, Sept. 11

In an interview in the mass circulation Sunday paper, *Bild am Sonntag*, Carl-Dieter Spranger, Bundestag member from the opposition Christian Social Union and a leading member of Bundestag Interior Committee, attacked the various legal reforms in West Germany that have made it easier for terrorists to operate. Spranger said that "liberalizing" lawyers' access rights to prisoners is an attack against the police who are doing their duty. In addition, computer fetishists like Horst Herold, the director of the Federal Criminal Office, the main proponent of computerizing intelligence while he was still police president of Nuremberg, are responsible for all the mistakes. "Nothing has come out of the computer."

Bild am Sonntag reporter Hans Habe continued this attack by switching the target to periodicals that condone terrorism." *Stern* magazine and the weekly *Die Zeit* are recalling the good old days of the extra-parliamentary opposition (APO) through the person of Michael Juergs, former APO member and now...a leading writer in *Stern* magazine's cultural section...Countess Dömhoff, the editor of *Die Zeit*, says that all the reforms and emancipation would not have happened if there were no wave of protests in the sixties...a fine reform it is that needs Molotov cocktails and the destruction of printing houses for its realization...Why in 1968, *Stern* reporter Juergs was writing that Herbert Marcuse hoped Willy Brandt would transform his ideas into practice. And whenever Rudi Dutschke (the West German equivalent of Mark Rudd - ed.) needed money, he got it from such established people as *Der Spiegel* publisher Rudolf Augstein and Gerd Bucerius.

"There is no justification for the APO. Terrorism is nothing but the illegal offspring of the old APO, and do not tell it otherwise."

Bild am Sonntag editor Peter Boehnisch commented that even though West Germans were angry about the French government's refusal or inability to extradite Klaus Croissant, a terrorist lawyer involved in the assassination of banker Jürgen Ponto, "we should not forget that it was people like Heinrich Böll and Gunther Grass, ministers and writers who supplied the ideological backgrounds for terrorism...These are the killers, and not the communists."

Monday, Sept. 12

W. Hertz-Eichenrode writes in *Die Welt*: "It took Böll, Scharf, Albertz and Gollwitzer five days after the kidnapping of Hanns-Martin Schleyer to find words for an appeal to the terrorists...It must nevertheless be asked if this is really a turnaround on the part of prominent public figures, and if this is their rejection of their own role as sympathizers. When Böll and the three theologians remind the kidnapers of their aims, this might possibly pass as an attempt to address the terrorists psychologically. But this is followed by the statement that more killing 'will have unforeseeable consequences for our entire country.' What is this supposed to mean?"

"It can be read on public record — in an article in *Die Zeit* by Willy Brandt in December, 1974. Already at that time he was writing about a pogrom mood and insanity, about a psychosis which will have its accomplices and useful helpers. To get down to essentials, a campaign was to be launched to deny the existence of any political lines of connection between Baader-Meinhof and 'critical-rational thinkers,' so therefore there must be some 'secret cooperation' between 'leftist camouflaged terrorism and right radical aberrations.' In other words, terror does not come from the left, it is only 'camouflaged as leftist,' the real danger is the right-wing radicals, and the major concern is that our country will turn into a police state..."

"This idiotic diversionary maneuver in favor of the real sympathizers could be ignored if it did not also correspond with the lines along which Willy Brandt and apparently Böll and the three theologians are thinking. The fate of the Weimar Republic has not been forgotten. It is true that left-wing extremism can provoke right-wing extremism. But that does not make left extremism more harmless, but rather even more dangerous..."

"It can be perceived that long-time sympathizers of the terrorist scene are constructing a big lie in the dangerous form of a stab-in-the-back legend. This is a

dishonest way to dispute about terrorism, which must be counteracted. Otherwise the killing will never come to an end.”

Tuesday, Sept. 13

Hans Bartsch comments in the conservative regional daily *Münchener Merkur* on the suspicious circumstances around Klaus Croissant's recent television appearance: "When Croissant indicates that he is moving freely in Paris, undisturbed by the police search, this can also be interpreted as a deliberate provocation, just as was his choice of France as his place of hiding, in order consciously to disturb French-German relations. Also, when the kidnapers of Schleyer chose the French press agency *Agence France Presse* to broadcast their demands, this can only point in the same direction..."

"The Paris government could certainly have forbidden the transmission of the interview or at least could have attempted to stop it. Admittedly, the French television network is in principle independent from the government. But there have been frequent exceptions to this rule in the past, especially in questions of domestic news reporting. Was the government sleeping on the job in this case, or did it intentionally close its eyes? This question remains unanswered."

Die Welt attacks two aspects of Willy Brandt's campaign to paint West Germany as an "emerging police state." In one article, Franz Löwenstein writes that the anarchist author Heinrich Böll "already endorsed the destruction of the West German governmental system in 1966, 1967, and 1968,...and Willy Brandt's first decision as Chancellor was to give Böll his official blessings. Brandt has tried to manipulate the population's guilt feelings deriving from the Nazi experience...The major problem is that the citizens of this country did not act against this, otherwise the mess would not be as great as it is today. We will need some time to repair the damage he has done to society." Another article emphasizes the stupidity of Brandt's "ugly German" regarding the escape of former SS officer Kappler from an Italian prison hospital to West Germany: "Italy should realize that they — as well as France — all sit in the same boat as the Federal Republic...Take note that during the war Jean Genet was praising the Nazis. He's not what you would consider a real resistance fighter."

Thursday, Sept. 15

Heinz Lathe, Moscow correspondent for a number of regional West German newspapers, writes in the industrialists' daily *Kieler Nachrichten* that "intellectuals" in the Soviet Union are in favor of severe measures by the West German government against terrorist networks. First, an author whose books "are read by millions in the west" says that "all parties in your country are clear that these terrorists have declared war on the state. A state can only answer a declaration of war with their own declaration of war. There must be enacted a temporary emergency law, aimed at fighting terrorism and kidnappings...That means short trials, and then shoot them."

Second, a Soviet journalist "who speaks excellent German" comments that he cannot understand why the West German police let terrorists get away. There are

two possible explanations for this: either the terrorists have informers in the police who warn them beforehand, or else "your police, because of the soft prosecution conducted during the past years, because of the premature release of terrorists, and because the police are attacked for their use of weapons to shoot to kill, are frustrated because, in their fight against terrorism, they feel they have been left in the lurch by the government and by considerable parts of public opinion."

Mentioning the danger of an increasing chaos in the country as a result of terrorist acts, the journalist concludes that "In Moscow today there would be general understanding if the federal government, together with the opposition, adopted harsher countermeasures against terrorism. The overall mood of the Soviet side makes it clear that there is concern in Moscow that the federal government, with whom very positive relations have developed, could be weakened because of a lack of success in fighting terrorism."

The Brandt Line of Defense

Coming under strenuous attack for their defense of the murderers of banker Jürgen Ponto, Willy Brandt and his fellows in the Second International "left" which operates out of Britain have switched their line, now calling the Baader-Meinhof and the other gangs "Hitler's children," deployed from the "right." The catch is that the Brandt networks then point a finger to what they conceive as the greatest danger, the threat of right-wing repressive reaction, allegedly to be carried out by precisely those conservative and related industrialist forces who have been targeted by the Anglo-American terror networks for murders and kidnappings. The following is one of the best examples of the new Brandt line which appeared particularly in the British and West German press.

Paul Oestreicher, chairman of the British section of Amnesty International, Sept. 12 warns in an editorial page feature in the *London Times* that the West German government must stand up to the threats of the Baader-Meinhof group since they pose a threat to society equal to Hitler. "There may appear to be no direct line from Adolf Hitler to Andreas Baader...Their left and right-wing labels, however, are less relevant to understanding them than their messianic dreams. The real link is a deeply romantic idealism that will stop at nothing to prove itself."

Labelling their "deep hatred" and "perverted idealistic passion" like Hitler's, Oestreicher warns that they have no claim on actual 'revolutionary' politics," in fact, "they are not revolutionaries at all." He continues, "For the German political left it is a tragedy. And for German liberalism. The effect of the terror is to strengthen substantially every reactionary tendency in German society. The Baader-Meinhof hard-core are, I believe, so totally isolated by now from social reality, so *weltfremd*, (alien from reality—ed.) that I doubt if they even recognize the paradoxical degree of their own success...The deep question to West Germany and to western society as a whole is whether such threats to law and order can be faced calmly and self-critically rather

than with fear and bitterness...Ultimately, the roots of alienation in modern society, be it capitalist or socialist, will not be eradicated by police with automatic weapons and computers. They lie deeper in us all."

In an accompanying editorial, the *London Times* offers its "help" to the beleaguered West Germans for the kind of "introspection" they must now undergo because of the terrorist challenge. In a scarcely veiled threat, the *London Times* brings up Walther Rathenau, signer of the Soviet-German Rappallo pact, who was murdered in 1922. "Unlike Herr Schleyer his enemies were mainly right-wing nationalists. But the uproar after he was killed brought in the Law for the Defense of the Republic

which was used largely against the left and played some role in facilitating the rise of the right..."

The editorial continues that West Germany now needs to look for the social motivation behind the Baader-Meinhof terrorism: "...what they want is nothing less than the destruction of the society which produced them. With such enemies, society hardly dares ask whether it is in some way responsible for producing them. The temptation is to try to see the threat as somehow external. The necessary introspection is then avoided...If there is one thing West Germany needs just now it is a little bit of help from its friends. Without this there is a danger that its internal politics could drift gradually away from the central common ground which holds Europe together."

Italian Press Exposes Wall Street Funding Of Anti-Nuclear 'Ecology' Campaigns

Printed below is the full translation of an article which appeared in the Sept. 14 issue of Il Settimanale, an Italian conservative news weekly close to the Andreotti government. The article is signed "M.B." The title in Italian, "Rockefeller and Pannella Arm-in-Arm on Energy," refers to the odd Marco Pannella, who as head of Italy's minuscule Radical Party has become prominent as the spokesman for "gay rights" and the anti-nuclear power movement.

The fact is strange, and is worth being recounted for the behind-the-scenes situation it reveals. Protagonist: the *Washington Post*, one of the most prestigious American newspapers, noted for having conducted the famous anti-Nixon campaign to the bitter end. On Aug. 16 the U.S. daily publishes a prominent, formidable attack against a tiny party of the American extreme left, the U.S. Labor Party, which has a few thousand members in the United States. "The Left Joins the Right," is the headline of the piece: in it the Labor Party is accused of collaboration with the right-wing American groups.

The Labor Party is a pro-Soviet formation (its newspaper regularly publishes articles of the agency *Novosti*), without any apparent weight in the American political scene: its leader Lyndon B. (sic) LaRouche, who ran for the last presidential election, received — according to official returns — fewer than forty thousand votes, a pittance in a country of 200 million inhabitants. While it is already strange that a paper like the *Washington Post* should dedicate so much space to speaking of a formation so small, even stranger is what comes next: the *Washington Post* article, kept quiet (because of insignificance) by all the main European papers, is punctually picked up in Italy by *Quotidiano die Lavoratori* of Aug. 24 and by *Avanguardia Operaia*, (two ultra-left dailies —ed.), and in Germany by *Arbeitspresse*, an extremist rag which

Cheerleads for the Baader-Meinhof gang. Why?

It is not the first time that the European ultra-left seem to take their cue from the radical-chic circles who identify with the *Washington Post*. "In fact," explains the Italian section of the U.S. Labor Party, which counts about thirty members, "the Italian extremists have it in for us because we have unmasked them as fake communists: we have accused them of getting money from Wall Street financier-petroleum networks, with the aim of orchestrating 'ecological' campaigns against nuclear power plants." The first to seriously launch this accusation, last August 8, was the French *Bulletin de l'industrie pétrolière*, according to which even "the outrage against Marcel Boiteux, director of Electricité de France and supporter of nuclear plants, the assassination of Jurgen (sic) Ponto, manager of the Dresdner Bank, linked to German builders of power plants," would be "intimately linked" to the "energy policy of President Carter:" who, as is well known, advocates a policy of oil austerity and giving up using plutonium as an energy substitute for oil.

It is obvious that the oil "Seven Sisters" don't like the coming to fore of uranium as an energy resource: all the more since, thanks to nuclear power, "Germany," the French *Bulletin* goes on to write, "is beginning to play a role too independent from Washington." In short, does Rockefeller finance Pannella? This is a possibility which *Bulletin* does not discard. "For certain very influential USA political circles, supporting left movements is second nature."

These are very grave accusations against the Carter administration. In reality, the affair is situated in the knives-drawn fight between American industrial and financial groups. Ambition has unleashed against each other factions which are headed by Rockefeller and Kissinger (unified around the heavily indebted Chase Manhattan Bank), and by Walter Mondale with Senator

Humphrey, supported by Jewish Wall Street banking institutions. The struggle is no holes barred: recently, journalists of the *New York Times*, linked to Mondale, accused Rockefeller of deploying terrorists (such as the Irish Provisionals) and running drugs.

Taking advantage of these fights in the liberal and progressive American wing are, in fact, the conservatives, tied to solid agricultural-industrial circles, who hate the financiers ("radical-chic and usurers") of Washington.

Among other things, the American right wing proposes abandoning the dollar as a reserve currency and returning to a "gold base" in international exchange, a program which would put a brake on inflation or devalue

the dollar ("slashing" the immense dollar debts contracted by Third World countries), but it would beyond any doubt leave high and dry the big American banks (such as Chase) which, precisely, are the biggest creditors of the developing countries.

The danger, for Rockefeller and the financiers in general, is immense: that is why the struggle does not exclude low blows, from the orchestration of riots against the nuclear plants down to — some say — assassinations (using ultraleft killers) of persons hostile to Wall Street. "The *Washington Post* is a signal for the terrorists," asserts the members of the U.S. Labor Party. "After Ponto, they will try to kill some of us, probably our chairman LaRouche, who is currently in Germany."

Call To Investigate Weathermen

The U.S. Labor Party has strongly condemned the release this week of Weatherman terrorist Mark Rudd.

Informed that Rudd, a founder of the terrorist organization, had been charged with only misdemeanors and had had only minimal bail set, U.S. Labor Party Chairman Lyndon H. LaRouche stated from West Germany: "I am doubly outraged over the release of Rudd. Firstly, because this travesty of letting terrorists go free occurs while blood is flowing across Europe from terrorist attacks. Secondly, because the American people would tolerate this. If this situation is tolerated any further, the United States is finished."

At the same time, the National Committee of the U.S. Labor Party in New York called for a new Congressional investigation into the continuing international terrorist activities of the Weathermen networks.

In announcing the call, a National Committee spokesman commented, "We know who Mark Rudd is. Rudd and his friends were the first left-CIA group to attempt physical assault on the Labor Committees, when they tried to disrupt a support meeting for the New York Teachers Strike in 1968.

"The press is now calling Rudd the leader of the 1968 Columbia Student Strike; in actuality, Rudd operated during the strike as a paid agent of Ford Foundation networks, receiving funds conducted through Herbert Marcuse.

"The purpose in bringing back terrorist agents like Rudd, is clear. By 'rehabilitating' Rudd and others, it is hoped to also rehabilitate the student movement, but behind fascist policies, particularly in the ecology movement. It is clear from the movements of the Weathermen over the last two years that the plan is for them to lead the left-wing of a fascist movement, comparable to the Nazi Party's Strasserite wing.

"The creation of such a new student movement will be difficult since the U.S. Labor Party has brought the ideas of technological progress, expansion and fusion power to the campuses, with increasing effect. The campuses of this country are not a likely spawning ground for such a fascist movement.

"A congressional investigation should also include an inquiry into why Griffin Bell's Justice Department and the FBI are not pursuing Federal Grand Jury indictments handed down in 1969 and 1970 in Chicago and Detroit by the Nixon Administration against 20 Weathermen terrorists. Weathermen spokesmen had announced last year that negotiations with the Democratic Party began even before Jimmy Carter was installed in the White House and that a deal had been struck to drop any Federal prosecutions of the organization."

From Whence Mark Rudd

Before the formation of the Weathermen, Rudd was a "leader" of Students for a Democratic Society, which was set up by the left-CIA League for Industrial Democracy to initiate a Maoist counterculture youth movement. Shortly after the Columbia Student Strike, a "radical" shift was required to begin terrorist operations, at which time the Weathermen was founded with Rudd at the helm. The Weathermen's first act was to expel the pro-working class two-thirds of the SDS membership and take the remainder into a terrorist-rampage with the "Days of Rage" riots in Chicago in 1969.

After five years underground, the Weathermen's first foray back into the 'mass movement' was the organizing of the "Hard Times Conference" in Chicago in 1975. Another counter-gang revealed the fact that the Law Enforcement Assistance Administration, a Federal government agency, funded the conference.

This was followed by the change of the name to July Fourth Coalition, and Philadelphia-Washington, D.C. demonstrations on July 4, 1976. The demo was preceded by an elaborate media build-up predicting nuclear terrorism on the same date. After the demonstration, which was defused by the U.S. Labor Party exposé, the July Fourth was again renamed the National Peoples Alliance, which is now a constituent member of the Mobilization for Survival.

The Mobilization for Survival is pledged to continue protests against nuclear power plants initiated by the

Clamshell Coalition, which helped to set up the Mobilization. These protesters have repeatedly prophesied terrorist acts at nuclear plant sites or terrorist use of nuclear weapons if all development of nuclear technology and power is not halted.

The same organizations responsible for violent demonstrations in France and West Germany at power plants are linked with the Mobilization, and the terrorists in West Germany responsible for murdering a number of European anti-Wall Street business and government figures in the past three months, function under the cover of the "environmentalist" movement in Europe. The organizational parallel to the West German "Baader-Meinhof Gang" and the Italian Red Brigades is Rudd's Weathermen group, which openly fraternizes with the so-called Symbionese Liberation Army, the New World Liberation Front, the George Jackson Brigade in Seattle, the cop-killing Black Liberation Army, and the Puerto Rican FALN bombers. These underground cells all originated from within the Weathermen and then split away under various pretexts.

These groups and their European counterparts are represented by the same group of attorneys, based in William Kunstler's Center for Constitutional Rights in New York City. Center for Constitutional Rights, which includes former U.S. Attorney General Ramsey Clark, is subsidized by foundations, including the Rockefeller Foundation, the Ford Foundation, and New York Community Trust which is a consortium of the commercial banks of lower Manhattan.

New terrorist action will be focused on Kent State University and the anti-nuclear power campaign of the Institute for Policy Studies' Mobilization for Survival coalition. The Institute for Policy Studies (IPS) is at the hub of most terrorism, with its "fellows" forming interlocking networks with terrorist groupings. Leading the action at Kent is Tim Butz, one of the original founders of IPS's CounterSpy, in cooperation with Midge Costanza of the Carter White House staff. Marcus Raskin, an IPS board member and leading international terrorist controller, will be speaking at Kent on Oct. 1 and 2.

Rocky, Rohatyn Push For Energy Fascism

Nelson Rockefeller this week returned to political center stage to demand that the American population contribute \$100 billion for a slightly reworked version of his "Project Independence" boondoggle to save his family's collapsing financial empire. Speaking before an "intrigued" but "skeptical" Senate Finance Committee, Rockefeller outlined plans for a national energy development corporation to issue more than a \$1 trillion in Federally guaranteed credit instruments for "private sector"-managed energy development projects. Some form of the proposal is reported being marked up for action by the Committee sometime next week.

As Rockefeller spoke, representatives of the equally bankrupt Lazard Freres investment bank led by New York Gov. Hugh Carey were holed up with members of the White House staff including domestic policy honcho Stu Eisenstadt, Treasury Secretary Werner M. Blumenthal and Senators Scoop Jackson (D-Wash) and Daniel Moynihan (D-NY) to map a strategy for quick passage of a proposal to establish a \$32 billion Energy Corporation for the Northeast (ENCONO). The scheme godfathered by Felix Rohatyn, Lazard's modern day version of Nazi Finance Minister Hjalmar Schacht, is the opening wedge of a Lazard effort to break the U.S. Republic up into de-industrialized regions and seize control of what is left of U.S. industry. Rohatyn's troops, according to reliable sources, have decided to have Sen. Jackson introduce the Federal bill to create ENCONO into Congress next week. Similar bills will be submitted to nine Northeast legislatures next month.

"Obviously we are competing," said an aide to Rohatyn buried in Gov. Carey's office, referring to ENCONO and the Rockefeller program. "We are coming from two different directions."

Behind the Battle

Behind the battle between Wall Street's two powerful monetarist factions is the impending bankruptcy of *both* the Rockefeller interests and Lazard and its allies. They are now slugging it out in a classic example of "lifeboat economics," to determine which end of the sinking financial ship in which they both ride will go down first.

"Let's face it," said the Rohatyn aide. "I don't trust Nelson Rockefeller and I don't want him and his people running an energy development program." Such feelings have prompted Lazard-linked press, including the *New York Post*, to take pot shots at the ample target represented by Nelson and his brother David, who runs Chase Manhattan bank.

Fascism Either Way

The two "programs" — Rockefeller's EDC and Rohatyn's ENCONO — are two ways to achieve the same end: the imposition of Schachtian economy on the U.S. Both schemes would leverage equity capital garnered (mostly, in the case of the Rohatyn plan or entirely in the case of the EDC) from public funds into fantastic sums. This would be accomplished through the debt recycling methods employed by Schacht in his Mefo bill swindle and more recently used by Rohatyn in his "MAC" operation.

Both the Rockefeller and Rohatyn investment programs for energy development are incompetent. In Rohatyn's case, he is not really investing in energy "development" but primarily in regressive "energy conservation" technologies. The situation is more unclear in Rockefeller's case. On one hand, Rockefeller noted in his Senate testimony that his plan would include competent, capital-intensive energy technologies including nuclear power expansion. However, this is combined with an emphasis on investment in labor-intensive "energy pyramids" such as Nazi-modeled coal gasification or liquifaction projects or oil shale development. Such investments are inherently non-productive when compared to a sane, capital-intensive investment policy geared to fusion power development.

As was the case with Schacht's Mefo bills, the value of Rohatyn's and Rockefeller's "kited" debt instruments must be secured by the imposition of fascist austerity on the American population. Such investments are, in fact, *premised* on the ability to mobilize and use slave labor on a scale not before considered possible or desirable in the U.S. The policies represented by *both* Rohatyn's and Rockefeller's plans are the complement of the "full employment" labor recycling schemes of Eli Ginzberg, the Carter Administration manpower guru and self-professed admirer of Hitler's economics.

Both the Rockefeller and Rohatyn schemes are thus ultimately based on the cannibalization of the labor power of the U.S. working class. For that reason, both factions are supporting efforts to gear up some form of national productivity drive. An aide to Sen. Jacob Javits (R-NY), who is leading efforts to pass a so-called Human Resources Development Act which would provide funds for the establishment of tens of thousands "labor management productivity committees," said this week: "We require a radical solution to raise productivity if we are going to create a market for high-risk investment (such as) an energy development effort... it would be too

damn costly otherwise." He reported that Javits had told the White House to "shit or get off the pot" and to make a decision to throw their weight behind the Javits bill, co-sponsored by Rep. Stanley Lundine (D-NY) in the House.

To secure the billions of dollars to service the Rohatyn or Rockefeller debt instruments however would require reduction in existing wage levels beyond what the Javits aide called "first phase productivity improvements." A spokesman for the Rohatyn crew, clarifying statements made by Rohatyn in a recent *New York Times* op-ed, said, "We are talking about people working for less than union scale wages to get these things going... they (the unions) have to make some sacrifices. After all we're asking people to risk investment..."

Differences

Aside from the aforementioned differences between Rockefeller and the Lazard crew over who should call the shots, there are other important differences between the two schemes.

Rockefeller, who hopes to snare private-sector interests to which he nominally connected through his commercial banking ties and his Republican Party networks, has proffered a proposal that at least appears to be private-sector oriented and pro-energy production. It is one enormous porkbarrel, a handout to his family's oil and coal companies and to others — within limit — who agree to play ball.

"I don't believe those numbers in Rocky's proposal," said one awed Rohatyn-linked source. "A trillion dollars! That makes him the biggest bank 'window' in history..."

Rohatyn's ENCONO would instead set up a 1984-style corporatist structure aimed at total control over private as well as public investment policy. Rohatyn's organizers, linked to the Lazard-controlled Conference of Northeast Governors (CONEG), are already preparing to set up "thousands of mini-MAC operations" in the Northeast to conduit ENCONO's funds. In addition, ENCONO is quite explicit about its intent to use "equity positions" gained through its investment policies to impose its "views" on the private sector, in particular, its "views" about Malthusian energy conservation measures.

Secondly, the Rockefeller plan is national in scope. It is aimed at appealing to broad crosssections of political, financial, and industrial interests *simultaneously* while proposing to make use of the federal bureaucracy to carry out its goals.

ENCONO is expressly being organized "regionally" to break the U.S. republic into fiefdoms that Lazard can easily dominate from its New York power base. The coupon clippers of Lazard are the most prominent modern representatives of 200 years of British agency aimed at carving up the American republic. Rohatyn and his ally Walter Mondale are today's most prominent subversive agents.

Finally, Rockefeller's plan does not depend on the looting of the Arab oil-producing nations' huge monetary reserves, the linchpin to all bailout strategies heretofore. If Rocky could manage to get his desired \$100 billion — which, he has publicly stated, he would kite to over \$1 trillion! — that would technically tide his family's interests over for the immediate period. Rohatyn's cruder

plan would ram down fascism on the U.S. and then call for — ultimately, force — oil producer investment in his slave-labor energy projects. Rohatyn has himself stated that his scheme is only the superstructure and that looted foreign capital will be necessary.

Appeal By Comparison

The anti-production, pro-conservation Carter energy program, has assisted Rockefeller in attracting conservatives and industry spokesmen — especially from the south and southwest — to his EDC proposal. In fact, it appears at this moment that the possibility of Congressional action on the EDC rests primarily on the ability of some Rockefeller flunkies in the Senate and House parlaying the proposal into some kind of "compliment" or "missing link" to amend the Carter program.

Conservative Senate Finance Committee members Carl Curtis (R-Neb.) and Harry Byrd (Ind.-Va.) have already said they found the proposal "interesting." Sen. Russel Long (D-La.) Committee's powerful chairman who is reported having the EDC marked up into legislative form, is playing a "calculated gambit," according to one well-placed source. Long reportedly "isn't really serious" about the Rockefeller plant itself, but, in the words of the source, is "using Nelson as a vehicle to change the thrust of the Carter program." Long reportedly wants massive investment in energy development.

Rohatyn-linked Congressmen, meanwhile, have lambasted the Rockefeller scheme as a handout and a "proven failure."

Rohatyn's gameplan is get ENCONO into Congress and then argue, according to a source close to the Lazard Freres general partner, "that it is no threat to anyone else — provided all the other regions form their own corporations." How far that line of organizing will carry the proposal remains to be seen. "We know we are in for a fight," said a CONEG source, "especially now that Rocky has entered the scene."

Rockefeller intends to use former Kennedy and Johnson Administrations Vietnam war planner Walt Rostow to nibble away at what little support Rohatyn has for his scheme. Rostow, who a few weeks ago described himself as a "twin crusader with Rohatyn," but "coming from a different (i.e., Rockefeller) direction," is now going to push hard for the EDC among Southwest and Southern layers. Rostow has spent the last month touring the country and attending regional governors' conferences promoting labor-intensive (i.e., slave labor) oilshale and coal gasification schemes.

Rostow has stated that he finds the ENCONO and the EDC "compatible," almost complementary. But other sources in both factions disagree. The massive Rockefeller plan, with its orientation toward energy production boondoggles would "destroy the whole purpose behind ENCONO," according to one source. "It would redirect it (investment) toward production and away from conservation and conservation-based production... the EDC is so damned large... it would crush everything in its wake..."

Spokesmen for both factions claimed that "their scheme" held gainsway with the Administration. While the Mondale faction most certainly supports ENCONO, one source close to this week's White House-CONEG

meeting confided that the rest of the Administration is "at best luke warm to the idea... they are not against it (ENCONO), but it doesn't appear that they will support it openly." Energy czar James Schlesinger, who reportedly gave Rohatyn and Co. assurances two weeks ago that he would come out and back their plan, has, according to at least one source, backed off from that commitment. Schlesinger is reported now to be "leaning toward Rockefeller's plan... he always was more favorable to Nelson's ideas about national planning..."

There is no indication that the overwhelming majority

of the American population — including businessmen — want anything to do with either Rockefeller's EDC or Rohatyn's regional road to fascism.

"It is all a big trick, like someone trying hocus pocus," said one Rohatyn-linked spokesman referring to Rockefeller's scheme. "He is trying to fool people into thinking that he's got something new when all he has is the same old failure, one that bombed out before. Do you really think that people are that stupid..." He might as well be speaking about Rohatyn's "dipsy doodle" as well.

Nelson Rockefeller: \$100 Billion For Starters

Nelson A. Rockefeller, speaking "as a private citizen," appeared before the Senate Finance Committee on Sept. 13, 1977. Excerpts of his testimony are printed below.

...When your Committee's invitation to testify arrived, I responded with enthusiasm because we are in a serious energy crisis—a crisis such as we have never before faced as a nation.

President Carter in his dramatic talk to the nation and in his message to the Congress set forth the energy perils that beset us. He sent up a program for enactment, emphasizing the essentiality of conservation. President Ford before him warned the country of the critical situation confronting us and offered an "energy independence" program calling for both conservation and increased domestic energy production. But a recent public opinion poll finds that the majority of Americans still do not believe there is a crisis.

Nevertheless, the danger is very real. Like so much danger, it is not self-proclaiming. It does not buzz when we drive our car. It does not sound an alarm when we flip the light switch or turn on the television.

But it is there—making us depend on foreign oil for fifty percent of our needs—and thus more vulnerable to another boycott, which under these circumstances would paralyze our economy. It is there in the inadequate supplies of natural gas that stopped factories and chilled homes last winter. It is there feeding inflation, depreciating our dollar and complicating our return to economic recovery and fuller employment.

My own insights into the energy problem were sharpened by my experience as Governor of the state of New York and by my chairmanship of the Commission on Critical Choices for Americans. The Commission, composed of forty-two leading citizens of both parties, and from various walks of life, established its first panel on energy. In the course of the panel's deliberations and the studies it developed, it became clear that America faced an unprecedented and steadily-growing vulnerability in energy.

This vulnerability is at the heart of our crisis—a crisis that can alter, indeed even destroy, our way of life and the promise of America for a better life for all its people, unless we meet it wisely and in time.

It has become evident, also, that to deal with the continuing emergency, conservation of energy is vitally

important but that conservation alone could not do the job. America must produce far more energy within its own borders if it is to have a growing economy. America must produce far more energy if it is to keep its present employment and job opportunities. America must produce far more energy if it is to provide increased income for thousands who are striving to improve their standard of living for themselves and their families. America must produce far more domestic energy to ensure its national security as well as its economic strength.

More energy, rather than less, is essential to clean up our waters, to restore our lands, to purify our air and to ensure the health and well-being of Americans.

To accomplish this, it is essential that encouragement be given our present energy enterprises to utilize their resources and ingenuity. It is essential to give the energy industry incentives and confidence to put capital into new technology, to advance the state of the art of existing technology, and to move on a large enough scale to assure results in production, processing and distribution of energy.

There are more than the usual risks involved. First, new technologies are untried and unproven. Second, advanced processes, developed in laboratories and pilot projects, must be employed on a mass production basis. Third, costs must be determined and prices established. To do these things requires major risks. Accordingly, for the energy industry to undertake them, some sort of governmental stimulus and assistance is necessary.

The big questions are these: How do we have government help but not dominate? How do we get the government in to help and then get the government out when its help would no longer be needed? We have an excellent model in the Reconstruction Finance Corporation. That agency—under the able direction of Jesse Jones—did a tremendous job for the nation in the depression and war years. And when its job was done—and done well—it closed up shop.

I'm here today to recommend a similar agency to help get the energy production the nation very much needs. I believe that an Energy Development Corporation should be one of the essential features of the national energy legislative program your Committee presents to the Senate.

We have in this country a unique situation—Vast

energy resources, and extraordinary scientific, technical and managerial skills in a multitude of enterprises in the private sector—some corporate and some individual. Because of the uncertainty of government policy and regulating; because of the high cost of new production of domestic energy; and because of uncertainty as to future prices of energy; we find ourselves in a situation in which this creative talent is not mobilized.

This has put the whole energy industry in a quandary. It cannot tell whether the investment in a new energy project has any reasonable chance of success. So it's simpler just to buy foreign oil at OPEC prices. I therefore recommend the creation of an independent, Government-owned RFC-type corporation to share in the risks of financing the essential domestic production, processing and transportation of energy in all its different forms.

The proposed corporation would have a limited life span of ten years, and would be overseen by an independent, non-political five-member Board of Directors appointed by the President, none of whom would be government officials. Management authority would be vested in the Chairman of the Board who would be the Chief Executive Officer of the Corporation. The corporation would have resources of \$100 billion to provide loans, loan guarantees, price guarantees, equity investments, or other financial assistance to the private sector for promising energy projects unable to obtain financing in the private market. Such financial assistance would be provided only when private capital is not available to carry a project along, and when a project is vital to achieving our national energy goals from domestic sources. The loans, guarantees, or other commitments would be recovered by the Government, and would be used in conjunction with private sector financing whenever possible....

By achieving the necessary rate of domestic energy production much of the \$40 billion now going abroad each year for oil could be spent instead in the U.S.—resulting in one million to two million more jobs for American workers.

How to achieve this increased domestic production

While our domestic production of oil and natural gas have been declining, the U.S. has large untapped reserves of gas and oil and huge reserves of coal and oil-bearing shale, with many times the energy potential of all the proven reserves of oil in the Middle East. We also have great potential for increased nuclear power generation.

With appropriate economic incentives, these sources of energy can be developed and utilized to increase our domestic production of energy while protecting our environment and thus achieve energy self-reliance.

Why government participation is necessary

It is estimated that well over a trillion dollars of capital investment will be required during the next ten years in order to meet our energy needs. Private financing for some of the most promising new sources of energy has been extremely difficult if not impossible to obtain. Projects, such as uranium enrichment plants, energy parks, shale oil extraction, or synthetic fuel plants have been too large or technologically risky to secure adequate private financing.

Regulatory and technical uncertainties add to the present risks which deter private investment. Without Government participation, many projects which would produce substantial amounts of energy will not be undertaken.

But the mere fact that a project involves risks which exceed those the private sector can take does not mean that the project is certain, or even likely, to lose money. Some investments are too large for the private sector to handle alone. Others, while inherently sound, may involve long lead times or regulatory delays which discourage private sector investment....

What kinds of projects EDC could help finance

It is contemplated that the proposed corporation would concentrate on the following types of new projects:

- Commercialization of new technologies, not now in widespread domestic commercial use, to produce, transport, or conserve energy (e.g., synthetic fuels);

- Commercial development of technologies essential to the production of nuclear power (e.g., uranium enrichment);

- Production and transmission of electric power generated by non-oil and non-gas sources (possibly floating nuclear plants, geothermal plants);

- Expansion of conventional modes of energy production or transportation, where the undertakings are of such size or scope that they would not otherwise be financed by the private sector, or where the projects involve institutional or regulatory arrangements which are not in widespread use (e.g., coal slurry lines);

- Commercial application of environmental protection technologies necessary in connection with the types of activities described above.

EDC is not Government takeover of the energy industry

Above all, it must be emphasized that the Energy Development Corporation is designed to help increase energy production by the energy industry, not to take it over. The Corporation's activities would be strictly limited to a financing role, and it would not be permitted to own or operate energy facilities for more than limited periods. In addition, EDC would be required to liquidate its investments and so go out of business in 10 years, thus ending Government's role even in financing.

ENCONO Bill Splits, Balkanizes U.S.

The following are excerpts from Felix Rohatyn's draft for a "Regional Energy Development Act of 1977," which was released June 27, 1977:

Congressional Findings and Declaration of Purposes

Sec. 2. (a) The Congress hereby determines that:

(i) energy shortages and the high cost of energy have created economic dislocations and hardships, including loss of jobs, closing of factories and businesses and general economic stagnation or deterioration in the nation and certain regions thereof;

(ii) such hardships and dislocations constitute a threat to the general welfare and can be dealt with efficiently and effectively through an approach in which such regions cooperate with the United States;

(iii) it is in the interest of the nation and such regions to provide the means for such cooperation to facilitate increased energy supply and to encourage energy conservation within their regions through an entity capable of financing and otherwise promoting such goals;

(iv) fulfillment of such goals requires large initial investments of capital and prolonged periods before such investments can be returned, and entities capable of financing and otherwise promoting such goals, are, as a consequence, likely to encounter difficulties in obtaining adequate financing at reasonable costs;

(v) financial assistance, including guarantees by the United States of the obligations of such entities, is necessary to encourage the formation of such entities.

(vi) energy shortages and the high cost of energy have created particular economic dislocations and hardships in the Northeastern States, which would especially benefit from regional cooperation with the United States through an entity capable of financing and otherwise promoting increased energy supply and energy conservation.

(b) The purposes of the Act shall be:

(i) to create the Corporation to evaluate, on a regional basis, the factors affecting the production, distribution, storage and conservation of energy in the Northeastern States, and the impact of public policies thereon;

(ii) to create the Corporation to stimulate and finance Projects and Programs (each as defined in Section 3 of

the Act) related to the production, distribution, storage and conservation of energy;

(iii) to create the Corporation to stimulate and finance efforts to create, within the Northeastern States, new industries and technologies related to the production, distribution, storage and conservation of energy;

(iv) to guarantee the obligations of the Corporation and otherwise to give financial assistance to the Corporation in order to promote increased energy production, distribution, storage and conservation capabilities; and

(v) to promote long-term cooperation among the Northeastern States on their shared problems of energy development and conservation, and to encourage other States of the United States to cooperate, on a regional basis, on shared problems of production, distribution, storage and conservation of energy.

To this end, a corporation shall be created pursuant to the Act, and such corporation shall be known as the "Energy Corporation of the Northeast."

Sec. 3 (Definitions) ...

"Project" means a specific activity undertaken or financed by the Corporation to carry out any one or more of the Corporation's purposes and that is designed or expected to produce revenues; provided, however, that an activity that is expected to be devoted principally to research, development or experimentation shall not be considered a Project for the purposes of the Act as long as such activity remains principally so devoted. For example, Projects may include, but shall not be limited to, activities intended to stimulate or finance (i) the increased development of coal and petroleum for energy and coal gasification, (ii) the development of an efficient transportation and delivery system to move coal from mine to consumer, (iii) the development and production of new energy conservation and storage products, facilities or technologies, (iv) the development of on-shore facilities and distribution systems for off-shore oil and gas reserves, (v) the renovation and rehabilitation of existing power plants and hydroelectric facilities and (vi) the development of new power plants. These examples shall not be construed to limit the rights of the Board pursuant to section 15(e) of the Act.

ENCONO Is 'Missing Link In Carter Energy Program'

The following are excerpts from "Role of the Energy Corporation of the Northeast in Implementing the National Energy Plan," a document released by Felix Rohatyn's CONEG in July 1977:

The National Energy Program — A Missing Link

...The President has proposed a far-ranging National Energy Program to meet the new era of energy scarcity and begin a transition to a post-petroleum based economy, relying more heavily upon coal and alternate energy sources....

While comprehensive in scope, the National Energy Program appears to have a "missing link" critical to program implementation. A regional energy corporation, such as ENCONO, can supply the missing element by serving as a:

* mechanism for forging a public-private partnership on a regional basis.

* mechanism for marshalling regional resources, talent and support in a timely manner.

* means for effectively addressing unique regional needs on an ongoing basis.

While critics of the national energy program acknowledge the program's success in moving national debate from discussion of the need for to the specifics of a national energy policy, these critics question whether the program provides sufficient financial incentives on the supply side for increased production, resource shifting — conversion to coal and other alternate sources, and alternate resource development.

Should Congress decide further financial incentives are appropriate, a regional energy corporation, such as ENCONO, would provide a unique means for targeting such financial resources to specific projects....

The corporation would serve as a model for similar regional instrumentalities to meet the special needs of other regions of the country. The corporation would be empowered to engage in projects funded, in part, by other sources (private investments, federal, state and public authority funds, etc.). The corporation would participate in joint projects with other similar regional corporations and could serve in the capacity of a regional subsidiary on projects sponsored jointly by any national development corporation which might be created....

* * *

Rohatyn: 'Rockefeller's Plan Is Inept'

Felix Rohatyn, chairman of New York City's Municipal Assistance Corporation ("Big MAC") was interviewed this week.

Q: What do you think of Nelson Rockefeller's proposal to create a Energy Development Corporation?

A: We do need some special, federally-based financial institution for high-risk projects like oil shale and coal gasification, but I am suspicious of the idea of setting up a federal bureaucracy. Rockefeller's plan is inept for that reason. Four or five years ago I thought the solution was a Reconstruction Finance Corporation like what Rockefeller suggests. Then I was a dreamer. About two year ago I became more cautious, realizing that this country is heading toward the development of regional institutions. The idea of a national corporation like the RFC would be a step backwards. I also don't see the country in its present mood simply voting up \$100 billion. I would rather see four or five regional corporations with \$5-10 billion each.

Q: What is the current status of ENCONO?

A: The support is growing rapidly on a daily basis. It will be introduced in Congress by Sen. Jackson next week.

Q: What are its chances of passage?

A: I think very good because we are only asking Congress for the authority to develop a chartered corporation and the authority to get federally guaranteed loans. Since the revenue comes from the states and

private investments, we are not asking for any federal funds.

Q: What type of support do you have within the Administration?

A: I think the Administration is quite sympathetic. Carter met with me a while ago. Mondale likes it. White House aide Eisenstadt is a key supporter. You probably know that a delegation of Northeast governors — led by Gov. Carey and Gov. Grasso met with Blumenthal, O'Leary and Watson on Tuesday. They found it an interesting idea and are seriously considering it. I've met with Schlesinger two or three times and he seems to like it but I'm not sure if he would prefer the national corporation idea. I'm a great admirer of Schlesinger and his illumious mind. The development of a Department of Energy was a great idea.

Q: What about Bert Lance? I hear that he's been against these ideas.

A: I don't know about Lance.

Q: What kind of local and regional support do you have?

A: Well, you know we have all seven Northeast governors behind it. The trade unions, like AFSCME, also support it. One thing you should consider is its ability to sway local politicians in a positive direction. If you have a big investment project dangling over their head, politicians will be much more willing to do what you want. You can tell them if you don't like their actions, their territory may not get the investment.

Q: What about the rest of the banking community? Does Chase Manhattan, for example, support the regional bank?

A: I had a meeting with David Rockefeller, Citibank's Wriston and Pat Patterson a few months ago. They had no objections and will support it.

Q: From what you have said the investments for ENCONO will come largely from state revenues and private investments. What about OPEC's role?

A: I would like to see OPEC control about 20 percent of the equity capital, sit on the Board of Directors, share in the risks as well as in the profits.

Q: How would the full employment goals of ENCONO be reached? Do you support the Humphrey-Hawkins bill? Urban banks?

A: I see ENCONO as a stimulative in lieu of public works programs. I don't like Humphrey-Hawkins at all. I realize that as a transition we will need some public jobs, but if we have to expand the jobs, let's expand the existing programs like CETA. I'd rather not see Urban Banks developed because I would hate to see a proliferation of bureaucracies. If they come to be, they could be incorporated into ENCONO but I would hate to see it. The important thing is to develop jobs through the private sector. Only private sector jobs will remove the hopelessness of the population and restore dignity.

Rohatyn Plan Needs OPEC Funds

A feature by Felix Rohatyn titled "A Self-Help Program for the Northeast," excerpted below, appeared in the Long Island Newsday April 25, 1977.

...It is not in the national interest to have a region as large as the Northeast becoming an underdeveloped country, to have 40 million people becoming an economic drain rather than a source of growth and increased revenues....

Just as post-war Europe organized the *Coal and Steel Community* to estimate its resources, plan their use and implement a development program, so now the Northeast needs to assess its resources and formulate a plan to guide its economic recovery. A detailed survey of the region's resources should lead to a development plan, laying out energy and transportation alternatives and aimed, inter alia, at establishing energy cost parity with other regions....

Examples of possible projects are many. The corporation should play a role in stimulating increased development of Appalachian coal...

If successful, it would produce jobs and thereby reduce welfare and unemployment costs, a burden to the entire country. By reducing Northeastern energy costs, it would reduce the levels of imports and the balance of payments outflow that plagues the United States. It could be a conduit for the recycling of OPEC funds presently looking for investments. It might be a partial answer to the intractable long-term unemployment problems in northeastern cities.

* * *

Rohatyn: "Indeed The 'Moral Equivalent' Of War"

Felix Rohatyn's editorial page feature, excerpted below, appeared in the New York Times, Aug. 21, 1977.

Two crises of significant dimensions are currently facing this country.

One, the energy crisis, threatens our economic structure and the stability of our currency. The second, the urban crisis, threatens our social and political structure by creating a permanent, volatile underclass...

A Federal Urban Development Bank with the authority to make loans directly or to guarantee certain types of municipal obligations is needed. Naturally, such loans should only be made in conjunction with the recipient municipalities taking appropriate steps to reform themselves by budgetary disciplines and by such legislative actions as may be required...

We have seen, over the years, that Federal programs

aimed at eliminating poverty do not work. We have also seen that standard economic stimuli do not seem to get at these apparently intractable problems on a long-term basis. Education, vocational training and *private* employment have to be combined with physical reconstruction of the core cities. This could be done as part of an accelerated, Federally-guided energy program, marrying Federal financing to private employment....

In the Northeast, we have been arguing for a Regional Energy Development Corporation, with Federally guaranteed bonds, to accelerate conversion from imported oil to domestic coal. The activities of such a corporation, either regionally or nationally, could dovetail with an urban program...

Manufacturing facilities financed by the Development Corporation but operated by private corporations should be set up in industrial parks created for the purpose in cleared, now vacant ghetto areas. The private companies operating those facilities would get economic incentives (tax credits, priorities in Government contracts, etc.) to train and employ people from the surrounding communities. The labor unions would have to agree to less restrictive hiring practices and, possibly, at the training stage, to less-than-minimum wage scales. The Development Corporation would have the power to negotiate case-by-case package deals to get the maximum social impact with differing conditions.

In the long run, only private employment generated by such planned economic methods, combined with Federally assisted housing reconstruction, can bring the core-city population into society's mainstream.

For some considerable time, I have believed in the need to create a 1970's version of the Reconstruction Finance Corporation of the 1930's to stimulate and target not only the domestic energy program but urban revitalization as well. Such an organization could combine the functions of the Urban Development Bank with those of the Regional Energy Development Corporation on a national scale. It would, in effect, be a National Development Bank (or a series of Regional Development Banks), coordinating both an urban revitalization policy and a greatly accelerated domestic energy program.

The oil-producing countries should be the main source of financing for such a Development Bank by purchasing its long-term, Federally guaranteed bonds, thus recycling part of their large petrodollar surplus that is currently unsettling the monetary system.

Hence the opportunity of targeting at least part of the private employment and economic stimulus coming out of such an energy program to those urban centers needing it most and financing the program with moneys from the Organization of Petroleum Exporting Countries through a National Development Bank.

The Government alone cannot solve these problems since its management of programs is mostly inept. The private sector alone cannot do it since the financing requirements and the risks are beyond its means. A partnership between Government finance and private-sector management might work. We have little to lose by trying...

Rohatyn: 'I Am A Financial Surgeon'

The following are excerpts of a June 3 speech of Felix Rohatyn to the Toledo Area Governmental Research Association in Toledo, Ohio.

I am delighted to be here, I am flattered, I am slightly melancholy at the reason for it. I'm pleased obviously because I am delighted at the opportunity to speak to you; and I am a little bit depressed because you're an urban organization, and I'm really not an urban expert. I am a financial surgeon and what I am trying to do is to put the pieces back together without leaving too many scars and without spilling too much blood and I think it is probably symptomatic of the tenor of the times and of the urban problems of the day that somebody of my discipline is here speaking to you as opposed to somebody who

is truly an urban expert.

I became involved in the affairs of the City of New York because I live there, because I like big cities. That isn't a feeling that is shared nationally....

...the idea that *efficiency* is the antithesis of *humanism* has now been exposed for the total cop out that it is. When there is no money for the luxury of feather bedding, of amateurism, and of political cronyism, then efficiency is the only weapon available to produce those savings required to permit the maintenance of vital services....

...To recover in New York we have to have long-term policies at the level of the city, the state, the region and the Federal Government. The city of New York is probably no longer a viable economic unit. It was never an appropriate instrument for income redistribution. The retention and the creation of private jobs has to be the primary goal of a development policy by the city and the state....

Rostow: 'Weave Private-Public Enterprise Together'

University of Texas Professor W. W. Rostow's editorial feature, "A Fusion Solution," appeared in the New York Times on Sept. 13. Excerpts are reprinted below.

Since their meeting last November, the Northeastern governors have been pressing forward the concept of a Northeast Regional Energy and Development Corporation. It may be useful to put that concept into a national perspective.

On Aug. 8, the Midwestern Governors Conference passed a resolution supporting such public-private investment institutions for all the regions.

The governors all suggested extending the scope of such regional banks beyond energy-related investment to "modernization of the transportation system, water resource development, land rehabilitation, rural development, and other tasks."...

The acceleration of energy-related investment requires intimate public and private collaboration, which the regional banks could foster.

Second, with the slowdown of the national economy, it is increasingly apparent that we shall not achieve full employment by the conventional devices of fiscal and monetary policy operating alone.

Full employment in the 1970's and 1980's will have to be triggered and sustained by the enlarged investment required to solve the resource problems that have moved in recent years to the center of the stage — that is, investment in the directions listed by the Midwestern governors, to which I would add the control of air and water pollution and enlarged outlays for research and development.

It is an important fact that practical men and working

politicians are making a connection that has not yet penetrated the redoubts of academic or bureaucratic economists — namely, the solution to our resource problems is also the solution to our problem of excessive unemployment and slow growth.

Third, sustained full employment and rapid growth is the only context within which we are likely to make a dent in the hard-core problem of central-city unemployment and render viable the kind of reforms in the national welfare system that President Carter has proposed....

If we get the hang of how to weave public-private enterprise together by regional banks and other devices, we shall not only enjoy full employment but also have to face up squarely to the problem of inflation. The current steady, corrosive rise in unit labor costs is likely to accelerate if we move to full employment.

Business, labor and government would, therefore, have to come together to design an equitable system that would accommodate wage increases to the average increase in the nation's productivity in ways that do not bring about an excessive shift to profits.

* * *

Rostow: Need Both Rocky And Rohatyn Plans

Walt Whitman Rostow, currently Professor of Economics and History, University of Texas at Austin, has spent the last few months mobilizing support for both Nelson Rockefeller's Energy Development Corporation and Felix Rohatyn's Energy Corporation of the Northeast. Rostow, who served as President Kennedy's Vietnam War planner and President Johnson's National Security Adviser, has particularly concentrated on organizing Southern and Southwestern conservative

governors to support the energy corporation concept. Over the past month, he has given keynote addresses at the Midwestern and Southern Governors' Conferences and the Northwestern Lieutenant Governors' Conference.

The following are excerpts of a recent interview made available to EIR this week.

Q: What do you think of Nelson Rockefeller's proposal to form an Energy Development Corporation?

A: I think highly of Nelson Rockefeller. I testified at his Project Independence Commission and fully support his Energy Independence program.

Q: Then you see no conflict between Rockefeller's plan

for EDC and Felix Rohatyn's proposal for a regional corporation?

A: No. They are both necessary. A national corporation, like Rockefeller's is necessary if we are to develop large high-risk projects like oil shale and coal gasification. It is the only way to commercialize these high-risk resources. But regional banks can do the job in areas — like the Northeast or Midwest — with large financial centers and conventional energy resources to develop. Even in the Rocky Mountain states—where the oil shale is—you would want a regional corporation to develop infrastructure, like transportation systems, and other projects like water projects. The important thing is that you need both.

Schlesinger Has Carte Blanche To Run Energy Dictatorship

The Department of Energy Organization Act of 1977 which was rammed through Congress earlier this summer, gives energy czar James Schlesinger a carte blanche to wage energy warfare on the U.S. population.

As the sections of the bill excerpted below indicate, Schlesinger has been given dictatorial power over the nation's energy supplies unchecked by Congress. When the act takes effect October 1, Schlesinger will command an army of more than 20,000 plus a regional administration of thousands more, and have the power to raise a volunteer army and even to press into service on his behalf and under his orders, the U.S. Army. In general his powers will be anything he deems fit that is not expressly barred him by law. "You could say that we have been told to go out and do a job and they are going to let us do anything that we want for a while to see what can get done," one Schlesinger aide said yesterday. "Read the act yourself and you will see that we can do almost anything we want."

Schlesinger's aides have already "taken up their mission to protect the nation's energy supplies" and drawn up "the most extensive energy emergency plan in history," in the words of one aide, the so-called Project WEEP—the Winter Energy Emergency Plan. "We will not wait flatfooted for an emergency to strike like last year," the aide said. "We will begin to take command and shut down the country's industry before the situation gets out of hand... we are expecting a long cold winter."

* * *

Excerpts from the Department of Energy Organization Act of 1977

...Sec. 101. The purposes of this Act are (1) to establish a permanent Department of Energy in the executive branch, (2) to vest in the Secretary of Energy such functions as are vested in or transferred to him by this Act, (3) to achieve, through the Department, effective management, and (4) to provide the mechanism through

which a coordinated National energy policy can be formulated and implemented to deal with the short-, mid-, and long-term energy problems of the nation...

...Sec. 205. There shall be within the Department an Economic Regulatory Administration to be headed by an Administrator, who shall be appointed by the President by and with the advice and consent of the Senate.

(b) The Secretary shall utilize the Economic Regulatory Administration to administer... such other functions as the Secretary may consider appropriate...

Sec. 501 (d) ...The Secretary or any officer authorized to issue rules, regulations, or orders under the Emergency Petroleum Allocation Act of 1973, the Energy Supply and Environmental Coordination Act of 1974, or the Energy Policy and Conservation Act shall provide for the making of such adjustments, consistent with other purposes of the relevant Act, as may be necessary to prevent special hardship, inequity, or unfair distribution of burdens and shall, by rule, establish procedures which are available to any person for the purpose of seeking an interpretation, modification, rescission of, exception to, or exemption from, such rule, regulation or order...

Sec. 603. The Secretary is authorized to prescribe such policies, standards, criteria, procedures, rules, and regulations as he may deem to be necessary or appropriate to carry out functions now or hereafter vested in him.

Sec. 604. (a) *Except as otherwise expressly prohibited by law*, the Secretary may delegate any of his functions to such officers and employees of the Department as he may designate, and may authorize such successive redelegations of such functions as he may deem to be necessary or appropriate.

(b) *Except as otherwise expressly prohibited by law*, the Secretary may, with the consent of the head of the department or agency concerned, delegate any function vested in him to the head of such other department or agency, and may authorize such successive redelegation thereof as he may deem to be necessary or appropriate....

...Sec. 605. The Secretary is authorized to establish, alter, consolidate or discontinue and to maintain such State, regional, district, local or other field offices as he may deem to be necessary to carry out functions now or hereafter vested in him.

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 aid or facilitate the work of the Department.

(b) The Secretary is authorized to provide for incidental expenses, including but not limited to, transportation, uniforms, lodging, and subsistence for such volunteers...

...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 (as said term is defined in 10 U.S.C. 101) pursuant to cooperative agreements with the Secretary...A member so detailed shall not be subject to direction or control by his Armed Force or any officer thereof directly or indirectly with respect to the responsibilities exercised in the position to which detailed.

Sec. 613. (a) With their consent, the Secretary may, with or without reimbursement, use the services, equipment, personnel, and facilities of persons or public and private nonprofit agencies and organizations, including any agency or instrumentality of the United States or of any State, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States, or of any political subdivision thereof, or of any foreign government in carrying out any function now or hereafter vested in him.

(b) The Secretary may, with or without reimbursement, provide service, equipment, personnel, and facilities to public and private nonprofit agencies and organizations, including any agency or instrumentality of the United States or any State, territory, the Commonwealth of Puerto Rico, the District of Columbia, or political subdivision thereof, or to any foreign government whenever he deems such action to be necessary and appropriate to the performance of functions now or hereafter vested in him...

Sec. 614. The Secretary is authorized to enter into and perform such contracts, leases, grants, cooperative agreements or other similar transactions with public agencies and private organizations and persons and to make such payments (in lump sum or installments, and by way of advance or reimbursement, and, in cases of grants, with necessary adjustment on account of overpayments and underpayments) as he may deem to be necessary or *appropriate to carry out functions now or hereafter vested in the Secretary...*

...Sec. 622. The Secretary is authorized to establish a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of such common administrative services as he shall find to be desirable in the interest of the economy and efficiency...

...Sec. 625. The Secretary, when authorized in an appropriation act, in any fiscal year, may transfer funds from one appropriation to another within the Department provided, that no appropriation shall be either increased or decreased pursuant to this section more than five percent of the appropriation for such fiscal year.

Sec. 646. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Lazard Staging Lancegate In Grab For Federal Monies

Office of Management and Budget Director Bert Lance came under fire because he blocked the Lazard Freres fascist economic program, not because of his record in Georgia banking.

This is the understanding of business lobbyists in Washington, conservative financiers in New York, and Lance's friends in the "Atlanta Mafia" — who are supporting the beleaguered Budget Director in a fight to hold onto his office. Support from these business and political circles accounts for the sudden hard-hitting counter-attack on his accusers which Lance himself launched in last week's hearings before the Senate governmental Affairs Committee — a counter-attack initially so successful that even the *Washington Post* and the *New York Times*, the leading "Lancegate" media outlets, were forced to report the first day's hearings as a clearout victory for the OMB Director and a series of embarrass-

ments for his principal inquisitors on the committee, Senators Ribicoff and Percy.

Many congressional conservatives, and Lance's conservative Democratic friends, have no doubt who is behind the Ribicoff-Percy media assault on Lance. "We know who owns the *Washington Post*," an American Bankers Association official said bitterly, referring to its connections to the New York investment banking firm Lazard Freres, home-base of Felix Rohatyn. "They are trying to use the Lance scandal to push pieces of legislation like Humphrey Hawkins that have been languishing in Congress."

The first wave of "Lancegate" articles broke July 12, days after Lance confronted Fabian Senator Proxmire over a provision to stop so-called "redlining" that Proxmire had attached to a Housing bill. In an open letter to Congress, Lance called for a Presidential veto of

the legislation, attacking the attempt to sneak through a provision that would compel commercial banks and savings institutions to invest a legally fixed portion of their assets in urban areas they had avoided lending to, or "redlined."

Little noticed at the time, the Proxmire-Lance confrontation was a key test of strength. Proxmire has bragged of plans to put through the elements of a Schachtian economic program — low-wage government jobs financed with Federal money — by packaging it into a plethora of different bills. Lance's rebuttal not only stopped the Proxmire scheme, but made clear that the Office of Management and Budget, which controls Federal outlays, would block Proxmire and Humphrey in the Senate, and Walter Mondale in the White House, at every step.

With Congressional opposition stacked up against the Humphrey-Hawkins slave labor bill and related legislation, the Fabians planned to use existing "jobs" programs and piecemeal passage of new plans and funding. This way, Proxmire and Humphrey believed, they could push through virtually the entire program that Lazard's Felix Rohatyn presented to the Nov. 1976 Conference of Northeast Governors (CONEG) in Saratoga Springs, N.Y., before year-end. But this required control over OMB — and Lance was blocking them.

Friends of Lance in Atlanta banking say there is real hatred between the "Georgia" and the "New York" crowd in the White House, and overwhelming opposition to Rohatyn's forced-labor schemes. Lance's opposition to Proxmire and Company, like his opposition to the Administration's proposed tax rebate earlier in the year, stemmed from Sunbelt fiscal conservatism.

Fight For Control

The prize in this fight is control over the Federal pursestrings, with budgetary control so ill-defined that existing Executive powers could be used to ram through most of the Rohatyn program. "Enough machinery exists around town to get these kinds of programs through," said a House Banking Committee staffer. "At this point it's a political question. What's going on now is a fight for control of the budget process."

For example, the obscure Federal Financing Bank, which has lent \$30 billion to Federal agencies and will reach a \$48 billion total by the end of fiscal year 1978, can borrow money on the public market with a Federal guarantee. All that is required to set it into motion is Congressional go-ahead, and it can raise virtually limitless funds for a program — provided that the Office of Management and Budget, the central checkpoint, lets that happen.

In an effort to shut the barn door before the horse gets out, several Congressmen, including Rep. William Moorhead (D.-Pa.) have introduced legislation to include all of the Federal Financing Bank and similar activities on the official Federal budget. At present they operate "off-budget," and have little regulation outside the discretion of the executive. Moorhead, who is associated with the Mellon industrial group, is taking indirect aim at the Humphrey-Hawkins bill, the vaunted Urban Bank, and similar schemes, according to Congressional sources.

Possessed of a weapon like the Federal Financing Bank, the Fabians could turn the U.S. economy upside down within months. But as things stand, they cannot even use their existing resources. National Commission on Manpower Policy chairman Eli Ginzburg, a professed admirer of Hitler's economics, complained in a recent interview, "We already have billions of dollars out in manpower programs, but we can't do anything with them." Local city machines, who use Federal funds to rehire laid-off teachers and firemen, and their friends in the Federal bureaucracy, are sabotaging the Humphrey-Mondale attempt to force through a slave-labor regime, Ginzburg said. "If I were running things, I would know exactly what to do, and I would start by pushing some people around at the White House," he threatened. *New York Times* editor A.H. Raskin, a leading publicist for Humphrey-Hawkins, made the same point more cautiously in an article this morning, warning that the "spectre" of Lyndon Johnson's Great Society failure daunted current efforts to rope youth into make-work jobs.

Lance's Office of Management and Budget is the bottleneck which all Administration proposals, by law, must pass through before going on to Congress. President Carter's task force on the Urban Bank — a Rohatyn conception designed to fund low-wage jobs in city ghettos — will in all likelihood be written by Fabians HUD Secretary Patricia Harris and Labor Secretary F. Ray Marshall. But it will spend three months at the OMB before it goes to Congress at the end of the year. Mondale and his allies have discovered that the Georgia group inside the Administration, which swallowed the Schlesinger energy program, the Califano "workfare" program, and a dozen other atrocities, has drawn the line at the Lazard plan to turn the U.S. economy into a top down-controlled replica of Germany in the 1930s. As Carter's best friend inside the White House, Lance represented an obstacle to their schemes. They are frantically trying to get rid of him.

Lance Fights Back

Although Office of Management and Budget Director Bert Lance may yet be forced out of office, the first days of the new Senate hearings on the Lance affair last week indicated a dramatic political shakeup is underway in Washington which could increase the opportunities for concerted political action to derail the drive to impose a Schachtian economy on the United States.

First of all, Lance himself turned the tables on his principal Senatorial accusers with his testimony Sept. 15. In what was generally conceded in the press as an effective point-by-point refutation of the allegations against him, all stemming from his management of two Georgia banks before assuming the OMB post under Carter, Lance directly challenged "Lancegate" as a trial by innuendo and an attack on his and his family's human rights, and announced he was fighting for "the American system" exemplified by his own career as a successful businessman. Lance also asserted that Senate Aides had been made aware of every allegation of banking irre-

gularities which has subsequently surfaced in the press by Jan. 13, 1977 prior to the Senate hearings on his confirmation as Budget Director.

Senators Ribicoff (D-Conn.) and Percy (R-Ill.), majority and minority leaders of the Senate Governmental Affairs Committee who had assumed the role of chief prosecutors of Lance, were rocked back on their heels. As the *Washington Star* headlined, "Lance Fights Back, Ribicoff and Percy Destabilized." Indeed Percy was forced into a public apology for his previous insinuation to the press that Lance had backdated checks to avoid income tax payments.

The *New York Times*, a leader in the "Lancegate" media offensive, retreated temporarily into front page complaints about "partisan bickering" and "feudal" committee proceedings as Sen. Thomas Eagleton (D-Mo.) rallied to Lance's defense with a strong attack on fellow Senator Percy for seeking to oust Lance with "guilt by accumulation" of unproved charges. Sens. Nunn (D-Ga.), Sasser (D-Tenn.), Chiles (Fla.) and others repeatedly challenged the Ribicoff-Percy attempted orchestration of the hearings as a "knockout blow" to the Budget Director.

When Percy demanded that the Comptroller of the Currency's office, responsible for the initial investigation of Lance, be asked to check every point of Lance's testimony before the committee to determine if it was truthful, Sen. Nunn demanded a full investigation of the flood of leaks to the media from the Comptroller's office which was the main source of the allegations against Lance in the weeks immediately prior to the hearings. "We might as well get everybody investigating everybody in this town," Nunn declared.

Should this kind of fight lead to public debate on the economic issues behind the "Lancegate" campaign the consequences for the Felix Rohatyn "Our Crowd" investment banks behind the Lancegate drive could be extremely unpleasant. Already there are signs, in two columns by Washington columnists Eliot Janeway and Charles Bartlett, that Treasury Secretary Werner Blumenthal whom they reported was the "inside man" in the operation against Lance, would be targeted by fiscal conservatives for his hyperinflationary "weak dollar" policies.

The Lancegaters though caught off-balance, have by no means given up their campaign, as evidenced by continued demands for Lance's resignation on the grounds that "guilty or not," his effectiveness as OMB Director has been irrevocably compromised and his usefulness to Carter is at an end. Press attacks on Carter press secretary Jody Powell, another charter member of the Atlanta crowd, accusing him of "Nixon tactics" for a "counter-leak" aimed at Senator Percy before the hearings last week, point to a continuing effort to clean out any "sunbelt" industrialist channels of influence into the White House capable of resisting Rohatyn-style low-energy slave labor schemes.

However, given the strength of resistance shown by last week's Lance hearings, it seems unlikely that the OMB office will pass from conservative control, even if Lance himself is forced out.

Press Admits Lance Won First Round

The following are excerpted from the national news media following OMB director Bert Lance's testimony before the Senate Governmental Affairs committee:

Washington Post, Sept. 16, article by Haynes Johnson, "Squabbling Senators, Artfully Crafted Defense":

They thought they had B'r'er Rabbit in the briar patch, but in the end it was the senators who were stuck in the tar.

New York Daily News, Sept. 16, "Lance Comes Out Punching — Upsets the Senators With His Defense":

Bert Lance dramatically took the offensive against his toughest congressional critics yesterday, accusing the Senate Governmental Affairs Committee of trampling on his rights and his reputation...

New York Daily News, Sept. 16, article by James Wieghart, "Bert Might Go Out With a Bang — Not a Whimper":

Whether it ultimately saves his federal job, Budget Director Bert Lance's gutsy attack on his Senate critics certainly put to rest repeated reports that he is ready to resign quietly, to save President Carter any further embarrassment.

New York Times, Sept. 16, news analysis:

....By contrast with his disorganized committee critics, who interrupted each other or rambled ineffectually, Mr. Lance had the only coherent, forceful presentation of the day, an advantage that could conceivably tip the balance for him, if it persists.

Washington Star, Sept. 15, article by John J. Fialka, "Lance Defends Himself by Counterattacking":

It was supposed to be a public execution, the end of a media festival that had gone on throughout the dog days of summer.

...Here was no humble prisoner waiting for the mercy stroke, the final blow from his enemies. Here was the manager of the largest budget in the Western Hemisphere, maneuvering to deliver a full broadside at his attackers, flaying them for trying him with innuendos and leaked stories to the press.

The fury of Lance's charges was so intense that the committee members spent a full hour after his opening statement backpedaling and bickering among themselves.

New York Times, Sept. 16, column by James Reston, "Lance Wins Round One":

Bert Lance clearly won the first round of his battle with the United States Senate, but in politics, there are some battles you can't afford to win. Mr. Lance chose to put the Senate committee on the defensive, to attack his attackers, but it is fairly clear that he was trying to save

himself and not his job.

...There is no way, after Mr. Lance's battles with the Senate, that he can be anything but a problem for his friend, Jimmy Carter, in the Congress and with the budget. His problem now is how to go home again to Georgia and somehow try to re-establish the old confidence and the old life among his friends.

Lazard Press Goes After Rocky

One day after Nelson Rockefeller testified before the Senate Finance Committee on his proposal for a new Project Independence, the *New York Post* and other outlets associated with the Lazard Freres investment banking house suddenly came alive with disclosures of the crimes of Nelson Rockefeller and his brother David.

The brothers are being smeared with an initial finding of the two-year old New York State Assembly investigation into the use of state police during Rockefeller's term as governor and leaks from the Security Exchange Commission's report on Chase Manhattan's role in dumping \$158 million in New York City notes in 1974-75.

No competent person would argue with the allegations and in fact, this news service was the first to break the story on Nelson Rockefeller's illegal state police files as early as 1975. The important point is the timing of the attacks: evidently the financiers gathered around Lazard are angry that Nelson Rockefeller's fascist boondoggle scheme may disrupt their own, the energy Corporation of the Northeast.

Morris Abrams, a partner in Paul, Weiss, Rifkin, Wharton, and Garrison law firm, which prepared Felix Rohatyn's energy proposal, indicated that the press attacks are just the beginning. Abrams said that if either Ed Koch or Mario Cuomo win the New York mayoralty, he will request a commission to investigate Rockefeller's activities as governor.

Below we print a sampling of the informative press attacks so far:

Village Voice: "Exclusive" On David Rockefeller's "Mafia" Tactics

(article by Jack Newfield)

"This week I read the still secret executive session testimony of David Rockefeller before the SEC....

"Reading and rereading these hundreds of pages of evasive and inarticulate testimony, it struck me how similar the management of Chase bank is to the management of the Mafia...

"David Rockefeller and his vice-presidents conduct business just about the same way Carmine Galante and his underbosses do...

"In late 1974 Chase bank created a "management committee" to meet on a regular basis and make decisions regarding New York City's fiscal crisis, its debt and borrowing practices... The SEC staff lawyers, who questioned Rockefeller on July 28, 1975, asked the Godfather of finance to provide the SEC with the minutes

of these crucial meetings at which the city's fiscal fate was determined. Rockefeller testified: "We don't keep minutes of the management meetings."

"... Rockefeller has perfected the method of insulating himself from potentially criminal conspiracies. He has mastered the technique of the cover-up. He has learned the great Mafia secret that it doesn't matter what the public thinks, only what the courts can prove. He understands the imperative of not producing one incriminating piece of paper..."

New York Post: Rocky's State Cop Spying

The New York Post on Sept. 14 ran a page-one headline "State Cops Spied on Thousands"

"The state police during the Rockefeller Administration investigated thousands of citizens by impersonating reporters, logging mail, taking pictures from helicopters, studying telephone and credit records and questioning neighbors, a State Assembly probe has found.

"The assembly investigation found 'several violations of state law', but 'no pattern of illegal acts'...

"Police investigated the formation of at least two underground newspapers and the first black-owned, black-operated radio station upstate. They started files on all authors and letter-writers mentioned in certain issues of *The Nation* magazine...

"The task force intends to hold hearings this fall on a series of recommendations that includes setting up an outside review board of state police activities."

Rocky Accused Of "Lying" In Nursing Home Scandal

Earlier this month, the Soho Weekly ran an article accusing Nelson Rockefeller as having committed perjury before the Moreland Act Commission hearings on New York nursing homes:

"Abram asked the Vice President about a meeting he had on May 4, 1973 with Samuel Hausman, a longtime friend and political associate. What Abrams wanted to know was whether Rockefeller's one-hour meeting with Hausman that day was spent on nursing home czar Bernard Bergman's problems with the state health department.

"... If Rockefeller's recollection is correct, then

Hausman was lying to the Moreland State Commission.
"If Hausman was telling the truth, then Rockefeller was lying.

"... The worst thing about all this is it sounds very much like Richard Nixon and Watergate. It seems that

everyone in the Rockefeller Administration was meeting with Bernard Bergman... That does not sound like the man who ran the tightest governmental ship in state history. Too bad the Governor didn't bug his offices."

FBI Drops Investigation Of USLP

The following press release was issued on Sept. 15 by the U.S. Labor Party and the National Caucus of Labor Committees.

This afternoon Michael Kelly, special assistant to U.S. attorney General Griffin Bell, informed Warren Hamerman, of the National Caucus of Labor Committees Executive Committee, that the Federal Bureau of Investigation has formally closed its nine-year investigation of the NCLC and U.S. Labor Party. "The file is closed," Kelly stated. "The FBI is no longer investigating you."

Kelly said, "The Justice Department and Attorney General are now reviewing the FBI decision. The likelihood is overwhelming that the file will remain closed. In fact, it seems inconceivable to me that the Attorney General will order the investigation to be reopened. The primary purpose of the Attorney General's review is to look into the reasons why the FBI initiated and then came to this decision to end the investigation."

The FBI investigation has functioned as part of a much larger, long-term effort to contain Labor Party and NCLC influence through harassment and intimidation of supporters, financial warfare, illegal intelligence operations, and a vast assortment of dirty tricks. The

containment effort involves the documented collaboration of private organizations, like the United Auto Workers, with the FBI and other government agencies.

In 1975, seven years after the FBI began its investigation, the USLP uncovered FBI informant-provocateur Vernon Higgins, who had infiltrated into the organization in Michigan. Immediately following the exposure of Higgins, the FBI and Justice Department claimed that the NCLC merited ongoing investigation because it was a "violence-prone" organization--despite the fact that not one case of "violence" had been successfully prosecuted against NCLC members.

Journalist Carl Stern, who independently investigated the "violence-prone" charge, reported on NBC network TV news in 1977 that he had found no evidence to substantiate it. Now, after years of the FBI informing Congressmen, other public officials, potential Labor Party and NCLC supporters and contributors and others that the NCLC is a "violence-prone" organization, the Bureau has decided its "investigation" of the NCLC should end.

The FBI's decision clears the way for an investigation of the real instigators of continuing financial warfare, harassment, intimidation, and dirty tricks against the NCLC and USLP.

Debt Plunges Western Europe Into New Trade Collapse

Since the first quarter of 1977, the economies of Western Europe have entered a new phase of the depression that promises to dwarf even the 1974-75 production collapse. Despite Carter Administration efforts to force West Germany and Japan to reflate, domestic pump-priming is useless — if not wildly inflationary — in the face of a depression caused by the international debt crisis and the resulting drop-off in advanced sector exports.

In the West German Federal Republic (BRD), the government's industrial order index peaked at 178.6 in March, then plunged 15 percent to only 151.8 in June.

BUSINESS OUTLOOK

BRD industrial output in June was down two and one-half percent from the March level, and represented a mere 1 percent over June 1976. Unemployment has persisted at the 1 million person level all year, despite the original government target of 850,000. In France, production has stagnated since the final quarter of 1976, while unemployment has soared to over 1.2 million in August — the highest level since World War II. In Britain, where unemployment is also at a post-war peak of 1.4 million, industrial production fell 3.7 percent between May and June alone — from an index figure of 104.6 to 100.7, or barely above 1970 levels. In Italy, industrial output fell nearly 3 percent between March and May, and more than 1.4 million persons are out of work.

Both the West German and French governments have recently introduced "anti-depression" pump-priming programs, injecting an additional 24 billion deutsche-marks (\$10.4 billion) and 8.9 billion francs (\$1.8 billion) into their respective economies. Similar measures are under debate in Britain. French Prime Minister Barre has budgeted the first *planned* government deficit in years, amounting to a 12.5 percent increase in overall spending.

The 1978 French budget is a "mixed bag" of tax concessions for lower-income groups, investment incentives for small firms and individuals, and modest hikes in public investment (plus 16.6 percent) and military (plus 16.5 percent) programs. The West German "stimulus" package similarly breaks down into 7.4 billion deutsche-marks in tax cuts and a 10.1 percent (17.3 billion deutsche-mark) increase in government spending. West Germany's program, however, has nothing to do with the Carter Administration's "recovery" program, except in the sense of political kowtowing. This is broadly

recognized at the Brookings Institution and other boosters of the "triple reflation" idea. What the West Germans are concerned about is keeping their domestic capital markets on an even keel, and are willing to loosen the money markets to compensate for the end of the inflows of speculative funds. The Federal government and states have a 47 billion DM borrowing requirement this year, according to the most recent official estimates. Virtually none of the so-called stimulus package will affect the real economy.

The actual cause of the depression crisis is the crippling build-up of international debts — including approximately \$250 billion owed by non-oil producing Third World countries, \$50 billion by the East bloc socialist nations, and \$100 billion by Western Europe itself — and the severe "adjustment" by programs which the International Monetary Fund (IMF) has imposed. Although a speculation-induced run-up in world commodity prices of about 15 percent, immediately following Jimmy Carter's election, temporarily propped up the Third World sector allowing most of these countries to meet their heavy first half of 1977 debt service schedules, this "tax" on the advanced sector's industry and population could not be sustained. By April, declining industrial orders and mounting inventories of unsold goods forced the advanced sector to curtail its orders for Third World primary products. Commodity prices promptly fell 25 percent, necessitating a further curtailment of Third World purchases of capital goods needed for development — the depression was on.

Debt Hits BRD Exports

Although West Germany's economy is ideally situated to be the capital goods supplier for the world, the nominal value of BRD exports has actually steadily declined since September-October 1976, with only a slight upward blip in March-April 1977. As the table shows, exports to the socialist and Third World sectors and to the BRD's major EEC trading partners were hardest hit. A country-by-country analysis, however, reveals the true extent of the disaster. BRD exports to the Soviet Union during the first half of the year plunged 12.5 percent from last year's level, as the failure to develop a transfer ruble-based credit system took its toll. West German exports to Denmark fell 8.5 percent from a year ago; the rise of 2.1 and 3.1 percent to France and Italy, is really a decline when inflation is considered. Although West Germany properly ought to be running a gigantic trade *surplus* with the Third World, to achieve the level of capital goods input necessary for industrializing this sector, it actually ran 2.2 billion DM *deficit* with non-European, non-OPEC less-developed countries during the first half of 1977.

A one-shot order related to the West German-Brazil nuclear deal indicates what could have happened. The BRD government's index of foreign capital goods orders hit 379.6 in July 1976 — nearly four times the 1970 base level. The index never regained that level and was down to 197.3 as of June 1977.

West German corporate profits have already shrunk, due to the production drop and the necessity of keeping prices down to remain competitive under conditions of a rising deutschemark. According to a Reynolds Securities report, the drifting West German stockmarket "reflects increasing disquiet about the trend of profits. In previous reports, we estimated that these rose by 20 percent in 1976 and that they would probably rise by some 8 percent or so in 1977, but this latter estimate must now be reduced to somewhere in the region of zero to plus 5 percent, averaging 2.5 percent."

Rather than investing in new plant and equipment, BRD corporations have been purchasing fixed-interest BRD government securities instead. The "excess liquidity" conditions have resulted in the lowest federal government bond rates since 1964, but this bond market "boom" only covers over the contraction in productive economic activity.

France: "Hard" Franc Policy Guts Consumption

In France, the Barre plan, a domestic austerity program to maintain a stable franc and reduce inflation, has "succeeded" in touching off a 5.8 percent drop in domestic demand. The internal consumption cuts, combined with sluggish export markets, have already produced an upward surge of inventories and production cutbacks. French industrialists, however, have few illusions that Barre's new stimulus plan will have any effect. "Much is made of internal economic problems such as unemployment," stated a spokesman for Usinor, France's steel giant, "but those problems could be

quickly solved. The main difficulty is the slowdown of other key world economies. Without a pickup outside France we can't begin to solve our problems."

Although the French trade deficit has gradually narrowed since the third quarter of 1976, this has merely tended to reflect decreased economic activity. In July, both imports and exports fell by 7 percent and 1.5 percent respectively.

The world's financial press stupidly gloats that insolvent Italy is "recovering" since the country ran a trade surplus for two months—running, including a \$322.5 million surplus in July. In reality, a sharp production decline has allowed the country to reduce imports of raw materials. The production cutbacks would have been even deeper if it were not for the fact that Italian banks have accumulated a short-term foreign indebtedness of \$7.9 billion.

According to a recent survey taken by the Turin Industrialist's Union, representing mainly small businesses, 40 percent of Turin businesses expect a drop in orders and only 15 percent predict increases. Meanwhile, whole chunks of Italy's public sector industry have gone bankrupt and are being placed on the auction block for sale to Lazard Frères-associated banking networks. The government steel and metals company (EGAM) was recently liquidated and the giant holding company (IRI) has requested a \$1.3 billion group bailout.

In August, Britain recorded its first trade surplus since 1972 and its largest since July 1970 (\$551 million). Although this news was the cause of more speculative euphoria on the British stock market — taking the *Financial Times* 30-stock index beyond its previous May 1972 peak — the sad truth is that imports plunged 12 percent while exports dropped slightly, hardly a sign of industrial recovery. Britain's industrial production index is now precisely where it was seven years ago.

—Alice Roth

Flow Of Third World Loans Go To Debt Payment As Economic Crises Worsens

BANKING

Contrary to statements made by West German, Japanese, and U.S. bankers at the Bank of America-organized Tokyo conference of the American Bankers Association last May, the new series of significant loans granted now to leading Third World countries such as Mexico, the Ivory Coast, and Brazil do not follow a coherent strategy for industrial investment. The loans are being deliberately made to permit further debt repayment. This intervention of international banks, which reverses the pattern of an LDC decrease in

borrowing during the first half of 1977, is not a response to the urgent needs of the Third World. Instead bankers are seeking a way to increase their volume of operations so as to artificially compensate for their half dead lending markets in the advanced sector, dried up by the lack of capital formation.

The fact that most of the loans are nominally tied to development projects does not hide the actual debt repayment which is to proceed.

First, all available national resources are now allocated by the planning agencies of the Third World countries to debt repayment. Investments eventually generated by project loans, if any, are not used to create further productive capacities but to replace national investments triaged in favor of debt repayment. This is

exactly what Carlos Villares, President of the Brazilian Association of Manufacturers (ABIB), was referring to when he told the press after his speech to the Escola Superior da Guerra last week: "Our basic industry is now denationalized, Brazil must develop its own technology."

Second, in most cases the funds generated by project loans are themselves used for debt repayment. Project loans are granted for activities that will not begin for two or more years, and in the interim they are oriented toward debt repayment. The best example is the \$250 million loan for the Brazilian electricity company Electrobras, for which the lead banks are Bank of America and West Germany's Dresdner Bank. It is the largest loan ever to a Brazilian company which is not tied to exports, and it is announced for "immediate disbursement." The president of Electrobras admitted that the loan is of financial character and unlinked to any purchase of equipment, but scheduled to be used for "ongoing projects." The precise list of projects is unavailable, a key sign to those in the know that the funds are diverted toward debt repayment.

Countries such as Mexico and Brazil will borrow formidable amounts this year, despite the apparent decrease in the figures publicly announced for the first half of the year, amounts which roughly correspond to the total of their current account deficit and debt service requirements on both short and long-term debt.

Mexico, with its recent \$1.2 billion loan, has now reached its \$3 billion borrowing quota imposed by the International Monetary Fund (IMF). But this amount was not enough to keep the national economy afloat and at the same time pay the \$4-5 billion debt coming due this year. The Mexican government is now "solving" the dilemma with money obtained under the table. Officials at the World Bank estimate that Mexico may receive about \$2.5 billion by the year-end from non-public sources, part of it from "private placing" — mainly the purchase of government securities by U.S. insurance companies such as Prudential Life Insurance, and the rest from unreported direct loans granted by U.S. banks — both in flagrant violation of the IMF lending limits. Bankers therefore estimate that Mexico will borrow a gross total of \$7-8 billion this year, furthering the weight of its debt burden for the coming period.

Brazil, beyond the \$250 million obtained by Electrobras, is getting a \$320 million loan from a consortium headed by Bank of America, Morgan Guaranty, and Manufacturers Hanover, and a \$210 million loan for the future Rio de Janeiro subway. If the country has "only" borrowed \$2 billion in loans during the first half of this year — significantly under the corresponding figures for 1976 — in the second half it will take \$4-5 billion, the required amount to pay its current account deficit and debt service and run up its foreign reserves by about \$1 billion.

Third World Scramble

This new bank intervention into the Third World is only made possible by the production collapse in the U.S. and in the industrial sector of Western Europe, which frees up liquidities. There is in fact a drunken-sailor lending spree on in the Third World. According to a First Boston official, Bank of America has looked at its deposit base,

and then at the collapse of loan demand in the U.S. economy, and decided to move into international lending.

It is both the relatively less exposed banks and those over-exposed which are the most active in the markets, for entirely different reasons.

On one side, Bank of America, Morgan Guaranty, the British clearing houses and the West German banks are going after volume to try to control the whole market, using their relatively limited exposure as leverage. It is this group of banks who took most of the recent loans to Mexico and Brazil. As a result of their pressure to lend, bank profitability is rapidly falling, as reflected in the decrease of the "spread" over Libor (London Interbank interest rate) — the difference between the cost of borrowing money for a bank and its rate of lending. The spread is now barely over 1 percent for average Third World countries, and under 1 percent for all oil-producing countries, including Venezuela and Nigeria. Bank of America even granted a \$150 million loan to the Bolivian oil company at a low 1.5 percent over Libor given the problems of the country, a bet on future oil production in the Santa Cruz region and an effort to underbid everybody in a grab for markets.

Under such circumstances, over exposed banks in bad financial shape, for example Chase Manhattan and Chemical Bank, are being squeezed. They need volume to make up their spread losses and compensate for their increasing losses on bad loans, but the more they intervene, the more they add their own weight to that of Bank of America and others to send the spread rates down. At every new lending round they need more volume, but it is now doubtful how long they will be able to continue given the progressive cutoff of their sources of new Arab funds. Such qualified analysts as Salomon Brothers and Kidder Peabody predict a disaster for profitability, which will trigger a massive withdrawal of Arab deposits — an unavoidable situation of bankruptcy.

Citibank, caught in the middle of the storm with a relatively solid financial structure but high exposure in Third World lending, is holding back, hoping that the loans of other banks will help the payment of their own past debts. Its position has fallen from number 1 to number 9 in Eurodollar syndications, although their volume of international lending is still massive, especially to Algeria and the Ivory Coast. But their strategy of "wait, consolidate and see" is extremely dangerous for their own interests, as shown by the fact that their Zaire loan is still up in the air, with a destabilized situation in the country after the arrest of Foreign Minister Nguza Karl-I-Bond, and purge of the Central Bank head. This failure can immediately harm the plans made by Citibank's Senior Vice-President Irving Friedman to stabilize the debt situation of such countries as Peru, Turkey or Zaire. The declaration made by a Citibank official to the *Neue Zürcher Zeitung* according to which "the portfolios of U.S. banks are strong enough to take a massive consolidation of Third World debt" should be seen more as a show of confidence made for the Swiss banking community than as a proof of deep financial solidity.

The general destabilization of the markets is best shown by the case of Brazil. Brazil is now offering a high interest rate spread (at around 2 percent) which induces

the banks to lend heavily. The Brazilian government is doing nothing to pressure the banks to lower the rates, with the result that the country accumulates funds at a very high cost. But the competition to go into Brazil's debt is such among the banks that the "widespread feeling" is that spreads for the next Brazil loan will be much slimmer. In terms of actual economic sanity, we have therefore the following: the more Brazil indebts itself at a high cost, the more banks lend, and as a result, the cost diminishes and the profitability of the banks falls. At the end of the process, if nothing stops it, such countries will be unable to pay their debts and the banks will be, as a whole, ruined over a mountain of paper!

Economic Insanity

This Third World scramble by the chief international banks, this internecine warfare in the banking community, does not take into account the actual situation of the world economy.

With respect to Brazil, two figures are enough to indicate what is really happening. Capital good imports are down 7.2 percent in the first half of this year from the same period last year in dollar value. Meanwhile, the government has to *import* 330,000 sacks of coffee for domestic use, because the proper region for coffee cultivation has seen its soils exhausted for lack of fertilizers and adequate care, with the result that now coffee is planted too far to the South and has suffered a major winter freeze.

Confronted with such examples of worldscale breakdown in economic processes, Arab money is still typically reacting in monetarist terms: instead of going into long term, capital-intensive investments susceptible to prepare the conditions for an economic recovery, it becomes more and more liquid and runs after higher and higher short-term return on investments, thus contributing to further aggravation of the crisis.

The Saudis keep putting over 90 percent of their funds into London and New York, well under a 36-month basis. According to a top Italian banker, they won't make direct loans to the Third World without international agencies' guarantees, and they are even very reticent to invest in Italy. Generally, they are still sticking to Treasury notes and bank deposits and fear to use their financial power according to a coherent political strategy.

The West European money coming to the U.S. suffers from a very similar problem. Sources close to the European-American bank revealed that their "strategy" is similar to that of the Arabs — "make money" through "good short-term paper," whatever its use. A West German banking source informed NSIPS that West German and other European banks had been offered an opportunity to buy Bert Lance's National Bank of Georgia, which would have given to Europe a decisive strategic position in the U.S. Sunbelt to be used to counter the New York banks, with the support of the London clearing houses and Swiss banks traditionally strong in the Atlanta region. But after the murder of Dresdner Bank Chairman Jürgen Ponto, West German bankers drew back from the political implications of the purchase and dropped the project. They "did not want to intervene in U.S. politics," as if the U.S. were not intervening every day in West German and European politics.

Given the blindness of all financial decision-makers, the present situation can only be maintained by pumping into the artificial flow of liquidity coming on the market due to the lack of actual investment opportunities. But the coming deflation threatens precisely to rapidly wipe out the excess liquidity that makes the lending spree possible, most probably sometime during the fourth quarter of this year. Such a breakdown deflation can in turn be avoided within the present dollar monetary system only through a sharp "reflation" (money-printing) which would transform the markets into gambling casinos heading for a collapse.

France Signs Deals With Iran, East Bloc

WORLD TRADE

A huge nuclear energy deal was finalized last week between Iran and France. Contrary to expectations, the final amount will be much more than originally planned: 15 billion francs (\$3 billion) instead of 10 billion francs. The contract not only involves infrastructure development and nuclear fuel production, but also the training of Iranian personnel in some of the French State Electricity Company (EDF) plants. The French corporations concerned are Creusot-Loire-Framatome (core of the reactors), Alsthom-Atlantique (turbo-alternators), Spie Batignolles (infrastructure and engineering), Cogema (a subsidiary of the state Atomic Energy Commission — CEA) will provide the uranium fuel.

Three billion francs (\$600 million) worth of contracts

were discussed at the Leipzig, East Germany trade fair between the French Foreign Trade Minister André Rossi and his East German counterpart. Three big contracts are under negotiation and should be finalized by the end of the year (the three billion franc credit line involved represents twice the amount of French exports to East Germany last year). The financial conditions offered by the French COFACE are reported to be better than usual, given the support extended to the deals by a consortium of banks led by the Belgian Baron Empain-Schneider.

The first deal involves the construction of a chemical plant in East Germany by Rhone-Poulenc; part of its output would be re-exported to France. The second contract under negotiation bears upon the export of 6,000 boxcars to East Germany. Last, the French automaker Citroen would build a plant producing special auto parts in East Germany. Later, the firm would assemble part of its production there.

A few more contracts were announced in Paris at the closing of the Giscard-Gierek meeting this week. A general agreement was signed between the two countries aimed at fostering the exports of the French medium- and small-size companies to Poland. France committed herself to exporting 600 million tons of grains in 1978-1979 (a 300 million franc credit line was opened to that effect). Next, a coal deal, agreed upon last July, was finalized. In

total, France will import 1.5 million tons of coal yearly over the 1978-1979 period and thus contribute to reduce Poland's trade deficit which already amounted to 200 million francs at the end of the first quarter 1977. Lastly, French imports of Polish copper (32,000 tons over the 1978-1981 period) could reach 100,000 tons if the current negotiations come through.

Carter Malthusianism Exposed In French Press

"The whole basis of Jimmy Carter's foreign policy appears to be the formulation of a worldwide policy of hunger," the conservative Paris daily *Le Figaro* charged early this week, as the Carter Omnibus Farm Bill moved toward the final stages of Congressional deliberation in the U.S.

Carter's bill calls for a 20 percent cutback in production of U.S. wheat and other feed grains and the setting up of an "international" wheat reserve, using the U.S.'s current grain surplus.

According to the Sept. 9 *Le Figaro*, the U.S. has been preparing such a "food weapon" against its foreign opponents since as early as 1974, when Secretary of State Henry Kissinger publicly threatened its use.

AGRICULTURE

A planner at a think-tank closely associated with the Brookings Institution reports that the international wheat position achieved under the Administration's grain-reduction and grain-reserve bill will be used to "encourage" food-short countries in the underdeveloped sector to relocate their peasantry into labor-intensive agriculture and jungle projects. Funding will be provided through U.S. government-held local currencies in the various targeted underdeveloped countries — funds now held there under "PL-480," a food "aid" bill that grew out of the Marshall Plan and its subsequent modifications by Senators Humphrey (D-Minn.) and McGovern (D-S.D.).

A State Department food aid spokesman outlined another club to induce underdeveloped country acquiescence in a recent interview. According to the spokesman, countries which adopt the desired Robert McNamara, World-Bank-type program can, in the ensemble, be granted "debt forgiveness" during the next year of up to \$600 millions in hard-dollar debt these countries owe to the U.S. Department of Agriculture. The spokesman admitted that the "debt forgiveness" feature of the program — reportedly written into law under the Foreign Assistance Act passed in August 1977 — is "complex" and "controversial" and that it "would take a while to get the program fully off the ground."

Agro-Labor

An indication of the nature of the State Department-desired program was afforded by the planner from the Brookings-linked think-tank. "Take Indonesia," the planner confided. "You have all these people on Java engaged in traditional modes of farming. They don't want to move. The problem is to get them to Sumatra, to clear the jungle and grow corn. You know, low-energy agriculture (minimum technology)... That's what the Carter agriculture bill is about... There's a belt of countries near the equator — comprising over a half billion starving people — where we can do this. You know, Pakistan, Bangladesh, the Sahel, Ethiopia, Indonesia, Haiti, and Northeast Brazil."

Asked who else was working on related aspects of this program in Washington, the think-tanker said, "Well, there's the NSC (National Security Council), people in the White House, and Agriculture Department, AID (the CIA-linked Agency for International Development), the Brookings Institution — Secretary of State Vance himself personally commissioned them to work on this thing — and there's Clark and Humphrey in Congress."

The *Le Figaro* article on Carter's "food weapon" targets Carter's psychiatrist Dr. Peter Bourne, who, the paper intimates, currently plays a central role in a "Human Needs Program" centered on the wheat weapon.

Not only the underdeveloped sector is threatened by the grain provisions of Carter's agriculture bill, the *Le Figaro* article notes. The article, headlined "The U.S. in Quest of Total Economic Domination — A World Policy of Hunger," notes that Japan is 95 percent dependent on grain imports, not to mention Western European dependence on U.S. soy products. But the *Le Figaro* author warns the Carter Administration's "Trilateral Alliance of the U.S., Europe, and Japan" will not survive a "Malthusian policy, be it agriculture or nuclear."

The U.S. working class and its highly productive agribusiness sector are also under attack by the Carter agriculture bill and related Administration measures. The *Wall Street Journal* describes the "land reform" program of the Carter-Mondale Administration's Secretary of the Interior, Cecil "Android" Andrus — which would break up federally irrigated landholdings in 17 Western states and parcel out small plots by lottery — as "capricious." In its lead editorial Sept. 8, it cites Farm Bureau President Allen Grant's accurate observation

that while a 160-acre farm might have been an efficient unit when farmers walked behind horse-drawn plows, now it "would limit the productivity and incomes of farm families at the same time that it would cause higher food prices."

At the same time, the attorney generals of key Western states — affected by Carter's scrapping of Federal dam and irrigation projects in the midst of a severe drought and the proposed scrapping of the Bureau of Reclamation — have reportedly drafted a resolution denouncing the Carter-Mondale national water plan. They are challenging the Administration to draw up an "Environmental Impact Study" on the damage its plan will produce — destruction of wildlife, dust bowls, collapse of agricultural productivity and in many cases production itself!

"Big Brother" Control Planned

The Administration's plan is to leave the question of control as vague as possible in the bill before Congress and then — once the bill is passed — have the Administration move in for a takeover.

Calls to officials at both the Chicago Board of Trade — the world's leading grain exchange — and Cargill (one of

the world's five leading grain exporting companies) reveal that even these leading grain concerns don't know whether the Carter Administration is going to establish direct control over the U.S. wheat reserves — the optimal goal of the Carter-Mondale starvation planners — or whether the grain will be left under the partial control of the farmers and grain companies (as desired by the grain companies and the Board of Trade).

Aside from that little scandal, a greater one has gone unnoticed by the world press — namely, that there is no "unmarketable grain surplus" in the U.S. once one takes into account the fact that the entire present U.S. wheat supply would disappear overnight if development credits were provided to the underdeveloped sector to purchase such grain and thereby insure adequate nutrition levels — the program advocated by the U.S. Labor Party. Such credits, coupled with credits for industrial development for those same countries, would in no way be inflationary welfare handouts, the credits would vastly increase the productive powers of the recipient countries, in contrast to the Carter-Mondale Administration's plan, which will destroy such powers.

— Richard Schulman

'A World Hunger Policy'

Printed below are excerpts from Le Figaro's article of Sept. 9, "The U.S. in Quest of Total Economic Domination — A World Policy Of Hunger," by Alain Verney:

"At a point in history where U.S. multinational corporations have lost much of their technological lead to the benefit of their European and Japanese competitors, the will for economic hegemony of the USA increasingly tends to express itself through the control of production and marketing not only of oil and uranium but also, particularly under the Carter Administration, of wheat.

"The whole basis of Jimmy Carter's foreign policy appears to be the formulation of a worldwide policy of hunger. Only such policy can persuade the world that idealism is really its essential motivation and not just a more clever, moralizing presentation of a Realpolitik. His eloquent defense of human rights has indeed been interpreted more than once as an attempt to wrestle the lead in the ideological struggle from the Soviet Union..."

After pointing out that psychiatrist Peter Bourne is the sole coordinator of the new "Policy of Hunger," A. Verney goes into a detailed account of the unique strength the U.S. enjoys in food production and reminds his readers that it was Henry Kissinger who first conceived of the "food weapon":

"Having made a belated discovery of the economic weapons, Henry Kissinger considered, in 1974, "food power" as a counter-force to that of oil — an embargo on the former could answer one on the latter. But Henry Kissinger had not understood that wheat could be the carrot but not the big stick of U.S. foreign policy. And this for two reasons: diversification of primitive agriculture is much easier than oil diversification and above all the grain hoarder could not weather very long the op-

probrium of refusing to deliver grains to its hungry opponent-countries."

When, in the fall 1974 Kissinger proposed to the F.A.O conference the constitution of an international stock of 60 million tons of wheat, Kissinger knew that nobody was to take his word, continues A. Verney. Three years later, commitment to building up an international wheat reserve appears like a necessary condition for the resumption of the North-South dialogue.

Means of Pressure

However, without waiting for the conclusion of Peter Bourne's work the White House decided to ask Congress for an immediate 20 percent cutback in acreage and for a further cutback in cattle feed production if need be, led A. Verney to comment:

"Indeed the White House let it known that the 30 to 35 million tons of wheat in stock should be considered as a reserve... but a reduction in acreage is no happy precondition for the launching of a program aimed at answering human needs. The transformation of stocks into reserves (as alleged by the White House) does not convince anybody since credits have been opened for the conservation of only six million tons. (If) the farm lobby demands an increase in subsidies... the State Department sees (wheat) as a means of pressure at the disposal of U.S. diplomacy..."

A Choice Fraught With Consequences

"The final decision is so fraught with consequences that it is to be hoped that it will not be taken unilaterally... Wheat policy, oil policy, uranium policy, are U.S. internal problems. But, as (French Prime Minister) Raymond Barre will say to the U.S. president, a trilateral alliance between the U.S., Japan, and Europe would ill suffer malthusian calculations, be they agricultural or nuclear."

What's Behind The Oil Glut?

With the world in severe need of energy, the Organization of Petroleum Exporting Countries (OPEC) is now faced with an apparent major oversupply of crude oil.

Generated by the multinational oil companies' stockpiling binge, this crude oil "glut" now threatens the existence of OPEC itself. The key role of the oil producers in the creation of a new world monetary system to get production going again is in jeopardy as a result of this economic warfare campaign against them.

The standard explanation for this unusual market aberration is that the oil companies speculate just before OPEC pricing meetings. Prior to the December 1976 meeting, all of the major multinationals hoarded millions of barrels of crude at the pre-OPEC meeting price, hedging against a large price increase, so that they could dump the oil for an easy profit. Not only did a mere 10 percent increase result from the meeting, but the largest producers, Saudi Arabia and the United Arab Emirates (UAE) for the first time split the OPEC price by refusing any increase despite the increased prices of Kuwait, Iraq, and Iran. As a result, the multinationals were left sitting on a mass of crude. The same kind of buildup occurred prior to July's OPEC meeting where only Saudi Arabia and the UAE announced a slim 5 percent price increase, ending the split pricing system. Unprecedented levels of stockpiling added to the existing glut, which was further exacerbated by a reduced demand for oil in the advanced countries due to reduced industrial output.

Both a recent issue of *Business Week*, and the Aug. 27 issue of *Afro-Asian Affairs* question the suspiciously high levels of "refinery intake" both by the U.S. and OECD countries. *Afro-Asian Affairs* contends that such increased purchases of oil by multinational companies is tied to a deliberate stockpile buildup, especially by such Rockefeller companies as Exxon.

In the event of renewed Middle East warfare and an oil embargo, such holdings by the multinationals might well be used as a means of rationing oil — effectively taking over the economies of the advanced countries, along the lines of the International Energy Agency's (IEA) emergency measures first tested during simulation exercises last year.

According to a spokesman for the Federal Energy Agency (FEA), the U.S. arm of the IEA, the current market slump also serves as a convenient wedge to "loosen" the solidarity of OPEC, and induce the oil-producing states to sell oil to the U.S. strategic stockpile. During the summer, prices of both heavy and light crude slipped on the spot market by 10 to 30 cents a barrel below standard OPEC prices. Such a soft market intersected the opening of U.S. government bids for pur-

chasing oil for the 1 billion barrel strategic stockpile, under a formula created by Massachusetts Institute of Technology's Morris Adelman, who is known to support the breakup of OPEC.

The Adelman plan calls for the government to solicit sealed bids to suppliers under the aegis of James Schlesinger's Energy Department for designated amounts of oil. Any supplier can then offer to sell oil at any price, with the lowest bidder getting the contract. Such a plan is designed to pit one OPEC country against another — a prospect which is enhanced by present market conditions. The London *Daily Telegraph* took note Sept. 11 of the "new strains on the OPEC cartel which could grow as the oversupply situation gets worse." Numerous OPEC officials have condemned the IEA for attempting to usurp OPEC's power, including Saudi Oil Minister Yamani. The *OPEC Bulletin* recently reprinted a strongly worded condemnation from the *Baghdad Observer* of the strategic stockpile, as giving OPEC oil to the enemy.

OPEC's Recourse

During the July OPEC meeting in Stockholm, Kuwait, Iraq, and Iran expressed concern about the soft market particularly with reference to heavy crude on which these countries primarily depend. Since then, they have exerted efforts to convene an early extraordinary OPEC meeting to consider enacting production programming which would allocate output for each producer, thus putting the screws on Exxon's leverage over world markets. During a recent visit to Venezuela, UAE Oil Minister Oteiba stated that if the market does not firm up, that some temporary production programming schedule may be in order.

Already the Saudis have announced a 700,000 barrel a day cut in light crude output to combat the glut. *Business Week* speculated last month that the producers may shut in as much as 25 percent of their total output, with the Saudis taking the biggest cut. Until now, the four Rockefeller-dominated partners in the Arabian American Oil Company (Aramco) which handles Saudi oil have enjoyed over nine million barrels a day (mbd) of oil pumped. According to the UAE daily *Emirates News*, the Aramco partners are not in favor of the Saudi cut-back.

Otherwise, both Kuwait and Iran have tried to make the best of a bad situation. Last week, Kuwait, under intense pressure from Exxon and other unnamed U.S. companies, was forced to drop the price of its crude by 10 cents a barrel or face a boycott by the Exxon group. Kuwait's production has dropped from its average 2 mbd to 1.4 mbd, a level so low that the government fears in-

sufficient gas liftings to keep the country's gas-powered electricity grid going. Kuwait has begun to engage in a number of joint ventures with foreign partners in downstream production to assure the Persian Gulf Emirate of future markets. Over the last three months, two such deals have been signed to build refineries with Romania and Indonesia.

Iran, whose production has fallen dramatically from over 6 mbd to 4.5 mbd continues to sign a number of

barter deals which undercut the going price of crude, the most recent being with the Texas firm Brown and Root for the construction of a large naval base on the Gulf of Oman in return for 100,000 barrels a day.

Such arrangements by the producers, however, are bandaid solutions to a serious assault against them which threatens to destroy OPEC.

— Judy Weyer

Schlesinger Sets Stage For Replay Of Natural Gas Emergency

Speaking at a press conference in Washington Sept. 14, Energy Secretary James Schlesinger confidently told reporters there will be no repeat of last winter's nationwide natural gas shortage which forced emergency shutdown of major portions of U.S. industry for up to three months in some cases.

There is a catch. Under sustained questioning, Schlesinger was forced to admit that the Administration's confidence is premised on their "gamble" that the coming winter will be a mild one. The government has taken no steps since last winter to ensure expanded production of natural gas for the interstate market. Schlesinger was forced to admit that in the event of another severe winter, emergency shutdown of major U.S. industry, rationing, school closings, and possible cutoffs of heating in certain residential areas would be the only possible response. In fact, such an emergency shutdown is the actual intent of the new Energy Secretary from all evidence available at this point.

Already Schlesinger has created a crisis management office, headed by Assistant Secretary David Bardin, and called WEEP, Winter Energy Emergency Project. Under the sweeping emergency powers given Schlesinger's new office, including military control over the entire U.S. economy and emergency powers to deploy units of the U.S. Armed Forces, the stage is set. If the Senate passes the National Energy Act now being thrashed out in the Senate Finance Committee and the full Senate, Schlesinger's office will have unheard of control over national allocation and production of energy. Who controls this power is a paramount political question determining the future of U.S. and international political and industrial development.

Last winter was the test run or dress operation to militarize the U.S. economy using the lever of "choke-point" shutdown of critical industries in the context of the most severe winter in recent history. At that time, Schlesinger, who was then special White House Energy Advisor, orchestrated a massive psychological conditioning campaign through various news media to pit the "energy abundant" southwest states, primarily natural gas producers Texas, Oklahoma and Louisiana, against the "energy starved" Midwest and Northeast industrial states. The line was that the gas-producing states withheld their natural gas from the federally regulated inter-

state market in order to sell it on the unregulated intrastate market, where they could get as much as \$2.00 per million cubic feet (mcf). The current interstate price ceiling is \$1.46 per mcf.

The aim of this scenario, in addition to using energy to force a shutdown of major portions of basic U.S. industry, is an all-out mopping up operation of the not insignificant independent petroleum and natural gas industry interests which strongly oppose any attempted deindustrialization.

A Friend At Chase

Since the early years of the Kennedy Administration, it has been the so-called Chase Bank Group, the Rockefeller family institutions directly linked with Exxon and key Arab Gulf oil interests such as Aramco, that have waged a concerted attack to reduce domestic oil production in the U.S. This same group of Manhattan financiers has recently been the primary sponsors of federal regulation of gas and oil domestically. The net effect of such federal price control and punitive taxation on production has been that total drilling in the United States has declined by more than 50 percent since 1957. These measures hit the independents hardest because they are responsible for 85 percent of all domestic oil exploration; the Chase Bank Group depends primarily on their foreign-fed oil reserves.

The version of Carter's National Energy Act now before the Senate would extend federal price controls on natural gas to the intrastate market for the first time and further drive up the price paid by all consumers through imposition of well-head taxes. The tax proceeds would not go to exploration of more natural gas and other energy resources, but to prop up the U.S. Treasury as part of the largest single tax legislation ever imposed on the U.S. economy.

It is not surprising that the domestic oil and gas industry is howling in protest, demanding an end to price regulation and tax disincentives to production. Oklahoma Governor Boren, testifying on behalf of the Southern and Midwest governors' conferences, told the Senate Finance Committee earlier this week that the Carter energy bill could only be understood as a willful attempt by the Administration to dismantle the U.S. petroleum industry the same way that steel, textile and other major sectors of industry have been destroyed in

recent years. The only other possible interpretation of the Carter energy strategy, Baron stated, is a desire to have the U.S. sit on its domestic oil and gas reserves for the next 20 years as a "conservation" move to save energy. This rationale, which Carter reportedly attempted to sell to Boren and other Southwest spokesmen privately, will mean destruction of U.S. leadership in petroleum technology and force engineers, geologists and related sectors to go elsewhere, Boren told the Senators.

Boren and others are just beginning to realize that Carter was deadly serious last April, when he labeled his national energy policy "the moral equivalent of war." The enemy is not foreign oil, but precisely those sectors of U.S. industry and energy production that they themselves represent. Even in the absence of full congressional approval of the National Energy Act, representatives of the Federal Energy Administration have visited such states as Oklahoma, forcing them to turn their backs on "scarce" natural gas and oil-generated electricity in favor of coal, a move which is grossly uneconomic from any standpoint. The only conceivable motivation of such high-handed maneuvering lies in the substantial coal-related holdings of the Chase Bank Group.

The understandable response of the domestic oil and natural gas industry has been a gut reaction to urge an end to all federal regulation, based on the notion that only in that way would the industry be able to generate sufficient profit margins for capital formation and thus to underwrite new explorations. The response is totally inadequate and only plays into the hands of the Carter Administration in painting the independent energy sector as preoccupied with their own greedy parochial interests.

Deregulation does not even begin to address the critical question of what the U.S. economy *must* look like 10-20 years hence. The only effective means of combatting Carter and the Chase Bank Group's energy austerity is through the elaboration of a national policy of industrial technological development, which endorses a full-scale nuclear development program leading toward a fusion-based economy, as its primary feature. Such a perspective would quickly attract widespread support from all U.S. basic industry, advanced technology sectors, and the population itself. Deregulation will never accomplish that feat.

—W. Engdahl

A Capsule History Of Federal Oil and Gas Regulation

Under a series of legislative acts sponsored by Congressmen linked variously with the Rockefeller Chase Manhattan group, domestic independent oil and gas producers have been increasingly taxed and price-squeezed, while Chase-connected oil giants like Exxon have substantially increased their domination of production through control of OPEC oil and gas resources and marketing. For a full analysis of this see Executive Intelligence Review, Vol. IV, No. 6.

1. Oct. 9, 1969: percentage oil depletion allowance cut from 27.5 percent to 22 percent.
2. March 29, 1975: Congress enacts Tax Reduction Act of 1975, which substantially repeals depletion allowance for about 5 percent of domestic oil and gas while leaving this tax depletion policy intact for some 100 other extractive industries.
3. February 1, 1976: government rollback of approximately \$1.50 a barrel in the price of new domestic crude oil.
4. Sept. 16, 1976: Congress enacts Tax Reform Act of 1976, which retroactively imposes a punitive tax on expenditures — not income — of independent oil and gas producers.
5. July 1, 1976: government imposes price freeze on all domestic crude oil.
6. Dec. 31, 1976: price of new domestic crude oil is rolled back a further 20 cents per barrel and price freeze on cold crude is continued.
7. Feb. 1, 1977: imposition of retroactive doubling of rental fees on most oil and gas leases on federal onshore lands.
8. March 1, 1977: rollback in U.S. crude oil of 45 cents per barrel on new oil.
9. Aug. 1, 1977: continuation of freeze and rollback on U.S. crude oil prices.

The Carter Administration National Energy Act, passed substantially intact by the House of Representatives as H.R. 0444, and now under Senate debate, would further rollback and control intrastate natural gas prices for the first time.

Open Memorandum To The Soviet Politburo

Georgii Arbatov's Links To Lazard Freres' Fascism

The following statement was issued on Sept. 14 by the U.S. Labor Party Executive Committee.

Although the governments and leading parties of the socialist countries rightly despise terrorist gangs such as the "Red Army Fraction" (Baader-Meinhof), influential currents within those governments and parties have induced the socialist governments, including the governments of Yugoslavia, to adopt a foolishly tolerant attitude on certain crucial features of the international terrorist problem.

In this matter, the governments of socialist countries including the Soviet Union are in fact the dupes of intelligence networks under the control of a coalition featuring the Rockefeller brothers, Lazard Freres, and the British allies of those Manhattan-centered forces. On this point, the Politburo is walking into a deadly trap. If you continue on the presently apparent course in this matter, you will be setting up the socialist countries for the charge of being the prime source of the terrorist wave in the OECD countries, a charge already being actively circulated by the U.S. Ambassador to Rome.

The central Soviet figure in this evil circumstance is Georgii Arbatov of the USA-Canada section of the Soviet Academy. If Arbatov is what his every action says he is, he is an agent of Anglo-American intelligence networks associated with the Rockefeller brothers and Lazard Freres, *an agent of fascist forces*. You may have special knowledge which causes you to believe that Arbatov is your "playback-deception" agent within those networks — if so, you are playing a very foolish game with such deception operations, deceiving yourselves most of all.

General Strategic Problem

As you ought to be informed, since this was repeatedly openly stated before the U.S. Congress and in other prominent places, the Kissinger-Schlesinger or Rand-Brookings strategy for subjugating the socialist nations of the Council on Mutual Economic Cooperation (CMEA) is consciously premised on the assumption made by Lazard Freres and Rockefeller brothers circles that agents within the Warsaw Pact command linked to Arbatov et al. have sufficient influence to cause the Soviet leadership in particular to follow a self-defeating policy, to the effect that Kissinger et al. could secure by subversion what NATO could not secure by direct strategic confrontation.

We have publicly stated the nature of this game, especially since the late winter and early spring of 1974. On each point on which Soviet policy has in effect rejected our analysis, the Soviet policy has been proven wrong in a major way by subsequent events. Now, we are correct and you are wrong once again — you are presently being manipulated against Western Europe and on other relevant issues.

The enemy who is manipulating you is a fool. He may have outwitted you in a certain way; in fact, I know by name some of the individuals in New York City who worked out the policies which you subsequently adopted according to the plans of these individuals. Because he has outwitted you, he is very confident, at once fearfully hysterical and manic. However, he overlooks the more fundamental fact, that his manipulation of you is his role in a game to which he is as much a controlled victim as you have been.

As you know, the Arbatovian misevaluation of the Carter-Mondale Administration by the Soviet majority was followed by the Vance-Warnke "Mutt-and-Jeff" act of March 1977. This was followed by the hypocritical "human rights" nonsense, and an escalation of "hot spots" in various parts of the world. The effect upon you was to intensify your "potential adversary" perception of the NATO and allied countries, especially West Germany, whose territory is the principal gambit-pawn for Atlantic Alliance-Warsaw Pact confrontation.

Under these circumstances, your attitude toward the OECD countries worsened, specifically to the point of further alienating you from any positive perception of the national interests of those nations. Thus, when the combined pressures on the CMEA external debt — especially the Polish external debt — and the Willy Brandt-centered propaganda-disinformation campaign concerning a "neo-Nazi" danger was launched against you, you were most susceptible to falling victim to that psychological-warfare campaign (as became most noticeable during June and July of this year), and continues to worsen up to this moment of writing.

What the fools around George Ball and Henry Kissinger refuse to see is that by thus intensifying your hostility toward the national interests of OECD nations, they are manipulating you and the Soviet population into deepened hostility toward the OECD nation *as nations*,

thus conditioning you and the Soviet population toward psychological readiness for war-fighting commitments under conditions of aggravated confrontations.

Thus, Henry Kissinger, George Ball et al., by manipulating you, and you, by permitting yourself to be manipulated, are following the track toward total war. The novelist, John O'Hara, wrote a popular novel, *Appointment in Samara*, whose theme fairly well describes the folly of the Kissinger-Ball and allied forces.

The "Neo-Nazi" Propaganda Campaign

The "neo-Nazi" campaign against the industrialists and trade-unions of West Germany, a campaign complementary to the "fascist-Stalinist" propaganda used for the same purpose in Italy, was initiated approximately a year ago, and escalated following the Princeton, New Jersey conference at which the break between Willy Brandt and Helmut Schmidt was initiated by Brandt's reference to Schmidt as the "acting Chancellor."

The narrower goal of that campaign was to place Brandt back into the West German government as Chancellor. The "neo-Nazi" campaign was supplemented by activation of the Social Democratic Party and Free Democratic Party "left" in West Germany, aiming at effects modeled on Hjalmar Schacht's use of his "German Democratic Party" to destabilize the Social Democratic-dominated government in the 1920's preparatory to the crises leading into the inauguration of Adolf Hitler as Chancellor.

The broader goal of the campaign around the "neo-Nazi" theme was to play upon the paranoia of the socialist countries, notably including East Germany, Yugoslavia, and Poland, concerning their understandable but wrong analysis of the causes for the Hitler phenomenon. In this way, Manhattan pro-fascist financier interests and their London allies (Lazard Freres, Rockefeller brothers, the British Labour Party's Roy Jenkins et al.) intended to prevent the CMEA from deepening its political relations with the Western European labor-industry alliance around Helmut Schmidt, and this also includes the Andreotti-CGIL alliance, and the Gaullist-CGT alliance. The effect on this was to weaken the economic and financial positions of the CMEA and continental European Economic Community countries simultaneously vis-a-vis the supranational financier coalition led by Lazard Freres and the Rockefeller brothers.

The third goal of this "neo-Nazi" campaign was to induce you to take a relatively tolerant attitude toward the wave of terrorism launched by that same supranational financier faction. As you know, notably since the 1962-1963 period, the socialist countries, including Cuba, have been heavily contaminated by the political intelligence networks associated with Lazard Freres and the Rockefeller brothers, partly as a consequence of Secretary Khrushchev's adoption of the "realists" doctrine, and also as a by-product of reorganization of the Soviet KGB. Under these circumstances, various terrorist networks deployed by supranational financier political intelligence networks have enjoyed various forms of assistance from the socialist countries.

Your relationship to these various terrorist and semi-terrorist formations has been varied. Although you

deeply deplore such anarchistic criminality, and despise the European terrorist movements, you have permitted yourselves to be implicated in various ways.

The conservative myth in the United States, "Nelson Rockefeller the Communist," arises in part from such things. Members of the military and intelligence communities in the USA, and those circles close to those communities, are saturated with what appears to them as "hard evidence" that Rockefeller is in some sort of conspiracy with the "international Communist movement," and also "hard evidence" that the socialist countries appear to be the source of terrorism in the United States, Western Europe and elsewhere. This is analogous to the opinion of former Senator William Knowland and others during the late 1940s and early 1950s that the Rockefeller-Fabian-controlled China "old hands" were agents of "international Communism." These "anti-Communist conservatives" mistook massive intelligence operations *against* the socialist countries and Communist organizations for networks controlled by the socialist countries.

The problem of Soviet relations with the People's Republic of China ought to have been a lesson to you in this matter. Because you have generally, stubbornly refused to understand the difference between industrial capitalist interest and monetarist financier interest, you have grossly misinterpreted the self-interests of imperialism in respect to operations in socialist countries and the developing sector, as well as the imperialist use of "radical movements" — since Bentham, Robespierre, et al. — in the industrialized capitalist countries. Hence you (and your predecessors) did not comprehend the nature of the Rockefeller-Fabian operation inside the Communist Party of China — in which intelligence networks, deployed through Canada and other channels, manipulated the Communist Party of China even, in numerous cases, down to the village level of organization.

The same folly your predecessors made in evaluating the China problem prompts you to miscalculate the same forces responsible for setting China against you in respect to their operations (via Arbatov et al.) targeting the Soviet leadership. In short, you have a potentially fatal political weakness, a political "blind side." You vacillate between Karl Marx's method of historical class analysis and the utilitarian's doctrine of "right" versus "left" political divisions. You have a softness toward the doctrines of such Fabian agents as Karl Korsch, the doctrines of such Anglo-Dutch agents as Radek, Bukharin, Ryazanov, Lukacs.

In East Germany, for example, the same weakness shows most conspicuously in the exaggerated estimation of Karl Korsch's crony, Bertolt Brecht, the prophet of the *Proletkult*, of "beggars' opera socialism." It may be the Ostbüro and the World Council of Churches which are among those most immediately responsible for rock star Wolf Bierman and similar Korschite scoundrels in East Germany but, in extolling the Korschite doctrines and the cult of the Brechtian infantilism, East Germany's Socialist Unity Party itself sows the "dragon's seeds" of Ostbüro agents in its own population. The key to Wolf Bierman is the folly of East Germany in fostering "our own rock culture."

Take the case of the Palestine Liberation Organization. I know directly that the Soviet leadership was involved in deploying Trotskyist spokesman Michel Raptis ("Pablo") to the Middle East, where Pablo was engaged in directing the training of European "leftists" for guerilla warfare as an adjunct to the Palestinian commando training program. This arrangement ended with the Czechoslovak events of 1968, in which Pablo attacked the Soviet leadership and was, therefore, suddenly sending messages throughout Europe, begging for plane fare from the Middle East — Soviet indirect funding of Pablo had been abruptly cut off.

The Palestinian case dates from the aftermath of the Cuban Revolution. The alternative of a "new model" of guerrilla warfare was reluctantly entertained among international Communist circles, an effort which foundered because it was unsound and because the Communists (e.g., Che Guevara) sucked into this folly were betrayed by agents (such as Regis Debray) with the complicity of what are today called "Eurocommunists" and by Chinese collaboration with Anglo-American intelligence agencies in Latin America, Africa, and elsewhere.

The general Communist attitude toward neo-Fabian-controlled-terrorists in the developing sector is one ranging from toleration to critical support, plus, of course, a covert foreign counterintelligence activity by relevant Soviet security and intelligence networks. This is complicated and aggravated by the attitudes of foolish developing-sector nationalist governments and movements toward the terrorists actually or nominally associated with their efforts.

The case of Dr. George Habash is exemplary of this problem.

In general, Soviet attitudes toward terrorism in the developing region is a difficult problem of distinguishing between the mistakes of otherwise legitimate national liberation movements and provocateur gangs which neo-Fabian networks situate within or proximate to those liberation movements.

What is most relevant at the moment is the terrorist networks within the industrialized capitalist nations, plus the important links (notably for training purposes) to terrorist special operations operations in the developing sector.

Terrorism Policy

Before continuing along the main lines of the discussion, it is necessary, at this point, to detour by way of a discussion of terrorism as a weapon of warfare.

You may be certain that we are qualified by studies of the problems of regular warfare strategy, partisan warfare, and the role of terrorism and counterterrorism in warfare. More to the point, which may shock you at first, we are advising antiterrorist counterintelligence forces on appropriate methods for counterterrorist operations against the terrorists deployed by the Lazard Freres-Rockefeller brothers-Jenkins combination. That is, we share your competence on the matter of dealing with terrorism and are disposed to supply such competence to aid the forces working against the fascist terrorism of the Baader-Meinhof and allied forces within

the industrialized capitalist nations. Let that be clearly understood.

In regular and partisan warfare, counterterrorism of the sort employed in the early struggles of the Soviet republic and the Yugoslav partisan struggles are unavoidable and necessary. In general, we accept the basic features of Lenin's doctrine on this issue.

The Kappler affair is a suitable example of precisely those instances in which terrorist activities are a criminal provocation. Acting directly against the orders of the Italian partisan command, a renegade group involving Allen Dulles' agent Georgio Amendola, launched an intentionally provocative terrorist action, which produced the predicted result in the top Nazi command. Despite Kappler's efforts to deflect the order, hostages were killed in reprisal for the terrorist act initiated with the complicity of OSS provocateur Amendola.

In Soviet doctrine for such matters, Amendola would have been tried and executed for his complicity in that provocation. On that point, Soviet doctrine commands our full support.

Amendola's role in the Kappler affair deserves comment.

As you know from consulting your archives, Georgio Amendola's father (and mother) were British intelligence agents from approximately 1905, originally deployed under the British intelligence cover known as the "Theosophy" circle. Georgii himself, associated with the anarchist southern branch of British intelligence, and still a British agent, flipped over into the Italian Communist organization in 1929, and thereafter went to Paris, where his eating habits were so disgraceful that the Comintern moved Amendola out into the countryside.

Not only was Amendola's father a British agent, but so was Enrico Berlinguer's father. Together with the British agent Einaudi, the elder Amendola and Berlinguer performed a crucial role in the British intelligence effort, in which Winston Churchill was prominent, bringing Benito Mussolini into power. The sons of the fathers have essentially the same political pedigree, Amendola becoming an Anglo-American agent around 1943, in connection with the Action Party of Italy project, also including Matteoli, Cuccia, Ugo LaMalfa, Riccardo Lombardi, and others. We also know, as you should, that Georgio Amendola and his "current," as well as the competing and loosely allied faction of Ingrao (the creator of "Il Manifesto"), have been under the strong influence of the U.S. Embassy in Rome and New York-London circles affiliated with the International Institute of Strategic Studies (IISS) since at least the early 1960s.

You also know that by 1938, Anglo-American-Dutch intelligence had completely taken over the leadership of the Paris Comintern apparatus, an arrangement enhanced by cooperation between British intelligence and German Admiral Canaris, in arranging "selective escapes" to Lisbon, after the Fall of France in 1940. You also know that Santiago Carrillo is a second-generation Anglo-American intelligence agent, and that Lombardo Toledano was an American agent. You know that the "Eurocommunist" network, including the Arbatov and similar networks inside the socialist countries, is part of the same network as the Socialist International forces associated with Olof Palme, Willy Brandt, François

Mitterrand, Bettino Craxi, Riccardo Lombardi, and the League for Industrial Democracy in the USA. These heavily overlap the international networks "mothered" by the Washington, D.C. Institute for Policy Studies, which are heavily overlapped with the most rotten element of the British Labour Party, the circles around Roy Jenkins, Denis Healey, and Healey's protégé David Owen.

These networks provide the left cover for the terrorist and allied environmentalist networks.

This complex of networks is a political arm of the allied forces of Lazard Freres-centered investment banks and the Rockefeller brothers (Chase Manhattan, Exxon), which also control the so-called "Jewish Lobby" around the Joint Distribution Committee and B'nai B'rith in the United States, and are also masters of the Humphrey-Mondale-Americans for Democratic Action faction of the Democratic Party.

So that the alliance between Lazard Freres and the Rockefeller brothers should not be misunderstood, in an oversimplified way, the following qualification is interpolated. When the joint "naval forces" of the Lazard Freres and Rockefeller brothers go into battle, they aim their heavy weapons against a common foe, but meanwhile use their lighter weapons for shooting at each other. It is like a battleship whose heavy weapons are aimed at the common adversary, while factions of the crew shoot it out above and below decks for control of the bridge. The differences are illustrated by the differences between Kissinger and the Mondale crew. Kissinger's primary concern is control of OPEC petroleum, whereas Mondale's primary concern (to the extent that librium permits) is control over the government of Israel.

This overall control of international terrorism and environmentalist networks by Lazard Freres and the Rockefeller brothers can be understood only from the standpoint that terrorism and environmentalism are instruments of Rockefeller-Lazard Freres strategic political-economic policy. Terrorism and environmentalism, like regular warfare, are extensions of the political-economic policies of the forces which control the terrorists and environmentalists.

Granted, numerous nations and other forces have terrorist special-operations capabilities, just as many nations have regular military forces. The problem of terrorism is not presently a problem of terrorism in general, but of the deployment of the terrorist and environmentalist forces controlled by Lazard Freres and the Rockefeller brothers, the forces associated with Henry Kissinger, George Ball, Felix Rohatyn, Robert MacNamara, the IMF's fascist spokesman Witteveen, and controlling U.S. Vice-President Walter F. Mondale.

These are the forces putting the world on track toward global IMF-dictated fascist hyperinflationary austerity and total war, the forces responsible for the desertification of the Sahel, and forces responsible for present emergence of imminent global biological catastrophe in such forms as cholera epidemics in the Middle East.

The objectives of terrorism and environmentalism are to put Mitterrand into government in France, to destabilize the Helmut Schmidt government of West Germany, to bring down the Andreotti DC-PCI government (in fact) in Italy, in order to remove "nationalist" objectives to the

fascist (Schachtian) economic and social policies of the supranational financier forces grouped around Lazard Freres and the Rockefeller brothers.

The Portugal Case

The imminent scenario-operation for Portugal illustrates the sort of jungle into which a majority of the Soviet leadership has apparently wandered with such blind credulousness.

Portugal is one of the priority areas for which the London IISS and other NATO forces project an escalation of terrorism and other "disturbances" to the cumulative effect of launching what is called a NATO "stability operation" or "civic operation" into that nation, using NATO troops. A similar scenario is projected as essential for a "Chile solution" to Rockefeller-Lazard Freres problems in Italy. The political side of the operation is being run through the dirty side of the Socialist International, with Premier Soares's fascist austerity package the triggering issue and the economic policy objective of the overall operation.

Obviously, the fascist Soares package must be defeated. However, if the resistance takes the form of implicating the Communist Party of Portugal in suicidal provocations launched by forces allied with the Institute for Policy Studies and British dirty operations, then the resistance to the fascist package of the Socialist International's Soares is led into a prepared ambush.

We do not refer idly or speculatively to the Portugal case. We know what is planned for Portugal, and we have also watched closely the signals on this issue from Soviet and other leading socialist circles. Please do not waste your energies arguing that you understand the Portugal situation better than we do. You do not.

Your Problem In The Matter

Your potentially fatal political weakness in this matter, as the Portugal case illustrates, is that the majority of the Politburo at present has no competent strategic perspective for the OECD and related nations for the short to intermediate term. The failure of the illusory "détente" policy, of a kind of "popular front" with the "realistic" big financiers and their liberal and social-democratic protégés, has been an inevitable failure. Now that the liberals and the "left" social democracy have visibly gone over to supporting confrontationism and fascist economic and social policies, and the financiers around Lazard Freres and Chase Manhattan have revealed themselves to be on a confrontationist course, you have no developed strategic perspective in view but your admittedly excellent military-strategic policies. Apart from military-strategic policy, the majority of the Politburo has worse than no policy at all. You are floundering, like a fish left on the beach by the outgoing tides of détente.

Your problem is acute. In recent decades, your approaches to "peaceful coexistence" have been based on a concept of "deterrence." This has not been the doctrine of "deterrence" adopted by the Manhattan financial circles, but your own, different version of the point. You have sought mutually acceptable agreements of political security and economic cooperation with the industrialized capitalist countries, complicated by the conflicts

over national independence struggles in the developing sector. Politically, the conception of peaceful coexistence has been a delaying tactic, postponing war, attempting to decrease the risk of war, on the assumption that, over the long term, socialist transformations would begin to emerge within the industrialized capitalist nations. However, you have never put forward any positive practical perspective for relations between the socialist countries and the industrialized capitalist nations as a strategic perspective. You have never developed a competent perception of how socialist movements could be built within the capitalist sector, nor of what forms of capitalist development would be historically progressive in respect of global relations and the general welfare of humanity.

Consequently, in the industrialized capitalist sector, there are only two Communist Parties worth mentioning: the Communist Parties of Italy and France, as mass-based social forces capable of positive influence, plus the remarkable Communist Party of Portugal under the leadership of Cunhal. In the main, the Communist Parties of Italy and France are contaminated by large masses of political refuse, typified in the extreme by the Amendola circle. The viability in those parties as mass-based parties is located principally in the trade-union confederation sections of the party's membership, in the CGT and CGIL; the rest of the party membership in both cases is, in the main, wretched stuff.

What are the political capabilities of those two parties? At best, they are capable only of the tasks of an honest social-democratic party. They are not revolutionary organizations, but rather more or less honest and trustworthy labor parties, mass-based political organizations of the trade-union centered social forces. They are excellent forces, as the history of the Andreotti government has shown, for a reformist undertaking in alliance with capitalist political forces who are committed to technological progress in industrial and agricultural development.

This being the case, what would be the consequence of a partisan resistance by forces in Portugal according to the scenario now being set afoot? Portugal would resist. *Pravda* would cheer the heroes of the struggle. Portugal would be crushed by a massive NATO "stability operation" intervention. *Pravda* would wave the bloody shirt. In short, *adventurism*.

We are not pacifists in these matters. If Portugal were to mobilize to resist the Soares package, and if foreign invaders attempted to crush that resistance, we defend Portugal's people against the fascism of Lazard Freres and the Rockefeller brothers. However, it is insanity to look at such matters in terms of one nation at a time. Our policy is to strengthen Western continental Europe (e.g., France, West Germany, and Italy) around its efforts for a high-technology industrial and agricultural development policy, which is the only feasible basis in sight for defending those nations and also defending the economic and political development of the Iberian peninsula.

In saying that the majority of the Politburo is bankrupt in respect of present political-strategic perspectives toward the OECD nations, we are not being extravagant. We are well aware that leading forces within the CMEA countries have developed approaches of economic coop-

eration and accompanying political security agreements toward the OECD countries, especially those involving projected three-way economic cooperation among Western Europe, Japan, the developing sector, and the CMEA countries. Your military-strategic "last resort" is also excellently conceptualized to the best of our knowledge. You have the germs of a proper strategic-political perspective developed in respect of concrete economic-cooperation policies. You lack the political and class analysis needed to translate those sound economic cooperation policies into a political-strategic perspective.

Your problem is that you refuse to recognize that Giorgio Amendola and his allies are the enemies of the human race, as well as being your enemies in particular. You are duped into viewing Lazard Freres, the Rockefeller brothers, and the "left" Socialist International faction around Sicco Mansholt and Roy Jenkins as well as Willy Brandt, as the "lesser evil." Therefore, although your economic-cooperation perspectives represent the technical side of the proper strategic formulation, you refuse to systematically recognize which class forces in the OECD countries are your lawful potential partners in the political side of such economic cooperation.

The case of the leadership of the Communist Party USA is exemplary of your folly on this issue. The Soviet KGB and GRU both know that the leadership of the Communist Party USA is essentially an instrument of the Anglo-American intelligence faction associated with Lazard Freres and the Rockefeller brothers. They know that this arrangement was first formalized back in 1938, using elements of the U.S. State Department's Lovestoneite intelligence networks and others to constitute the kernel of what is known as the "KGB" unit within the leadership of that party today. This is the unit which, working with the USA-Canada section around Georgii Arbatov, works as a tool of the U.S. National Security Council in regulating the disinformation concerning the USA which is the basis for the political estimates made available to the Politburo and to Central Committee members.

As a result of this and related arrangements, with few and occasional exceptions everything published concerning the USA in the pages of *Pravda* and *Izvestia* is ridiculous garbage, with no connection at all to the actual internal realities of the USA. *Pravda* and *Izvestia*'s coverage of the USA would, with few happy exceptions, justly produce the laughter of ridicule from an average citizen on the street in the USA.

Yet, on one pretext or another, you cling to the myth that the CPUSA is a "brother party" and that "Gus Hall is a personal friend of Comrade Brezhnev." At the same time, you explain that it is important to maintain vital negotiating channels through the Institute for Policy Studies, Dartmouth Conference, and so forth.

Your coverage of West Germany on the "neo-Nazi" mythology is another instance of your being led around by your noses.

Soares pushes outright fascism for Portugal, and yet you regard Willy Brandt as a relatively positive bulwark against fascism in West Germany. On what basis do you arrive at such conclusions? From *Neue Zeit*, *Der Stern*, *Der Spiegel*, *Frankfurter Rundschau*, and so forth? Are

you still being taken in by Major Henry Kissinger's friend, S.K. Kaul, or the well-documented Wolfgang Abendroth? Don't you know the pedigree of those sources? Don't you know that, in the main, the networks deploying the terrorist and environmentalist apparatus and their sympathizers in West Germany are exactly the same intelligence networks which run much of the subversion operations into East Germany, Poland, and elsewhere in the socialist countries, including Yugoslavia?

Don't you know what Roy Jenkins and Sicco Mansholt are, what Henri Spaak was? Don't you know at this late date what Bertrand Russell was? What Jean-Paul Sartre is? What the World Council of Churches conduits? What B'nai B'rith really is?

Don't you know that the Basque and Corsican "separatist movements" are run by British intelligence, albeit with Manhattan policy-inputs from such sources as the circles around Lazard Freres? Don't you know that the lawyer who for years served as a link between the French Communist Party and Santiago Carrillo is part of the international terrorist network intersecting both Baader-Meinhof lawyer Klaus Croissant and the friends of Mitterrand? Don't you know that the Tavistock Institute is the mother organization for the operation known as the Socialist Patients' Collective, the Laingian lunatic-brainwashing project which contributed substantially to the Baader-Meinhof gang? Don't you know who Roy Jenkins is, and how the second generation was spawned by spinning off the operations originally associated with Jenkins into a common pool with entities such as the London Institute of Race Relations?

Don't you realize that these terrorists and environmentalists are being deployed against those social forces of industry and the trade unions who are the social basis for the kinds of economic cooperation the CMEA nations are seeking? Don't you realize that these terrorists and their sympathizers are nothing but the tools of your enemies, being deployed in the effort to crush those who seek peaceful economic cooperation with the CMEA countries?

Is there then any legitimate basis for objecting to the judgment that the Politburo majority is presently bankrupt in respect of political-strategic policy?

The Soviets And Terrorism

How long are you going to permit Lazard Freres and the Rockefeller brothers to dictate Soviet policy on these matters?

Do not attempt to brush off our charges to the effect that you have foolishly permitted Lazard Freres et al. to implicate you in international terrorism. The cited case of Michel Raptis-Pablo is only one of the numerous direct evidences we have of this matter according to our own independent knowledge. Havana, credulously maintaining relations with Paul M. Sweezy, Leonard Boudin, and various other professed Cuban enthusiasts, has been one of the principal "dipping places" into which the neo-Fabian intelligence networks have processed their terrorists for purposes of political cooperation since the early 1960s. Havana is obscenely credulous on the Puerto Rican question, giving credence to "left-CIA" operations

such as MIRA and the FALN offshoot of MIRA. We have masses of proof on this matter.

Not only Havana. For years, the Stockholm-Prague-Havana run was a majority traffic for neo-Fabian "left-CIA" networks associated with Noam Chomsky and others. What press, among others, puffs Philip Agee as some sort of honest this-or-that? That treatment of Agee, is not merely a mistake; from the standpoint of the most elementary counterintelligence work, it is an outright imbecility of the KGB to fail to correct the knowledge of the Soviet leadership on this matter. We have the facts, including a correspondence file of one Michel Vale, to document this.

Then, there was the Bertrand Russell War Crimes Tribunal. Are you still duped by that operation? Is Marshal Tito perhaps duped by it?

Worse, we have your behavior during the period since June 1977. At the same time that Lazard Freres and its associates launched the current escalation of international terrorism, *Pravda*, *Izvestia*, and *New Times* came out on cue peddling the propaganda originating from circles associated with the U.S. National Security Council and Henry Kissinger's offices at Chase Manhattan Bank.

Your intelligence networks are informed that U.S. Labor Party presidential candidate Lyndon H. LaRouche, Jr. was targeted for assassination in the same batch of victims as Jürgen Ponto. This hit order against LaRouche was accompanied by a planted wave of articles setting LaRouche up for the hit by slandering him as a fascist on various pretexts, including chiefly his opposition to terrorism and his association with the effort to establish a new world economic order. At the same time the initial batch of this terrorist propaganda was released, the *New Times* ran an "ice-box" article into which the terrorist slander against LaRouche was arbitrarily inserted—and the mention of LaRouche omitted in another version of the very same ice-box article.

That is an example of how direct and immediate a control over sections of the Soviet leadership is exerted by the Rockefeller-Lazard factions of the U.S. National Security Council.

We know how that endorsement of LaRouche's assassination was conduited into the pages of *New Times*. Georgii Arbatov, extraordinary agent of the mortal enemies of the Soviet Union, heads up the conduit.

Similarly, review the way in which you covered the assassination of Jürgen Ponto. Look at the obscene manner in which you have covered the kidnapping (and probably, murder) of Hanns-Martin Schleyer. Look over the paranoid character of East German radio's coverage of such issues during this period, even discounting for known "submarines" in certain parts of the East German apparatus.

Don't you see the folly into which you have been manipulated by Lazard Freres, et al.? Wake up before it is too late!!

The Total War Danger

Already, Trilateral Commission graduate Richard Gardner, the U.S. Ambassador to Rome, is busily circulating rumors throughout leading and other circles in Italy, reporting that the Soviet Union is responsible for

terrorism. Since highly placed intelligence agencies have proof that significant numbers of terrorists have enjoyed safe passage and other accommodations in socialist countries, Gardner's propaganda is very dangerous stuff.

If you continue on the stupid course into which you have been lured by Lazard Freres, et al. on this terrorism issue, it will not be difficult for the Kissingers, et al. to whip up a frenzy against the Soviet Union among a population desperately enraged by the climate of fear terrorism engenders. That mood is precisely the circumstance under which confrontations provoking outbreak of total war become politically possible in Western Europe and the United States. Can you not see this important connection? Are you so stubbornly foolish on this question that you will continue to refuse to correct a major error?

We know, and responsible intelligence and security agencies agree with us, that terrorism is principally generated by the supranational financiers we have named, with aid of the corrupt currents of the Socialist International and the dirtiest elements of British intelligence. They know, as we do, that the Soviet leadership majority has merely allowed itself to be contaminated

with this problem through its own blind stupidity on certain issues.

We know this, but the enemy controls the key press. Lazard Freres controls the *Washington Post* and Paris *le Monde*. *The New York Times*, *Newsweek*, *Le Matin* *Le Nouvel Observateur*, *Libération*, the Lazard Freres Cuccia-controlled press in Italy, the Agnelli-controlled press in Italy, and named publications in West Germany as well as the London *Times*, and so forth, largely influence liberal and other opinion in the relevant nations. If you continue to be so foolishly duped as to continue to give "critical support" to terrorists, to turn blind eyes to terrorists' safe passages through socialist countries, and so forth, it will be most difficult for those of us who are responsible to offset the propaganda of the enemy-controlled press such as the *Washington Post* and *Le Monde*.

You must denounce the fascist terrorists such as the Baader-Meinhof, the Red Brigades, the FALN, and their "sympathizers" for the fascist tools of Lazard Freres and Chase Manhattan they are. You must offer cooperation to the nations which are attempting to control this evil.

If you are really concerned to prevent total war, you will correct the indicated errors, and most quickly.

Lazard Freres Launch Assassins Against Soviet Military Personnel

The following press release was issued on Aug. 14 by the U.S. Labor Party security staff.

In a parody of Admiral Canaris role for British intelligence in the Tukachevsky affair, top-level Anglo-American intelligence networks collaborating with Lazard Freres and the Rockefeller brothers have activated their own assassins plus a wave of "Arbatov agents" within Eastbloc security and intelligence circles for a wave of assassins targetting the infrastructure of the Soviet military intelligence, the GRU.

The report was received by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., by special channels of communication to his present location in Wiesbaden, West Germany. Independently, corroborating reports were received by Labor Party security in New York City yesterday afternoon. Double-checks of vital points of corroborating intelligence have been completed.

The information received indicates that U.S. Central Intelligence chief Admiral Stansfield Turner is among the persons knowledgeably complicit in this dangerous operation. It is also known that a headline above an otherwise silly article, "Kill the Crocodile," appearing in the *New York Times* was one of the code-signals activating the assassination operation.

The purpose of the operation is well known. It is the basic strategy of Henry Kissinger and other relevant persons that the Soviet leadership will backdown before a sharp thermonuclear confrontation-threat on condition

that the Soviet military command influence on the Soviet Politburo and Central Committee is neutralized, and that factions allied with the patrons of Rockefeller agent-of-influence Georgii Arbatov are effectively influential at top Soviet levels under conditions of a massive replay of the 1962 Cuban Missile Crisis.

It is our information that the projected confrontation is being planned for an early date by the factions aligned with Lazard Freres and the Rockefeller brothers. This is corroborated by the past week's close check with top USA banking circles, who report that the Rockefeller's Chase Manhattan Bank and the group of Lazard Freres-centered investment banks uneasily allied with the Rockefeller brothers are on the verge of collapse. It is doubted that those fabulously-leveraged banking institutions could survive the effects of the third-quarter closing without some most extraordinary change in the world situation. This is confirmed by undercover investigations, through cut-outs, of the thinking among Lazard and Rockefeller brothers circles. They are in a state of manic hysteria.

The Canaris Case

Contrary to the cover-story supplied by the recent best-seller, *A Man Called Intrepid*, the top British intelligence secret of World War II was the fact that Admiral Canaris was to all notable effects an agent of British intelligence networks associated with Winston Churchill and the Royal Family. Notably, the key point of the cited best-

seller novel is the effort to explain certain of Canaris' crucial services to British intelligence, including the Dunkirk mystery, by exaggerating the achievements of British intelligence in breaking the Nazi "enigma code."

Although the forging of the documents for the decapitation of the Red Army was done directly under Nazi SD chief Heydrich, this project was first held back over Heydrich's objections by Canaris, and then activated by Canaris after Canaris received instructions to that effect from highest-level British intelligence sources. The conducting of the forged documents against Tukachevsky was initiated by Heydrich, but was assisted in the most crucial ways by British intelligence operations in both Paris and Prague, including the complicity of Czech President Benes.

The importance British intelligence placed on Canaris was dramatically illustrated by the killing of Heydrich. Heydrich, already suspicious of Canaris, was about to leave his duties in Prague, according to information received by the British. Their concern was to kill him before he returned to Berlin — to protect Canaris from being uncovered as a British agent.

In fact, it is proven that Canaris was a British agent from no later than early during World War I, when British intelligence, collaborating with the Colonel Nikolai networks in Chile, enabled Canaris to escape from a Chilean internment camp, and return on a forged passport supplied by the British consulate in Buenos Aires on a neutral ship on which passage was arranged by the British, by way of a stop-over at Portsmouth, England. Shortly after Canaris' escape, according to East German intelligence, he recruited later General Francisco Franco as a joint agent of German and British intelligence. (In fact, British intelligence predominantly controlled both sides in the Spanish Civil War!)

The Hitler regime, a creation of Hjalmar Schacht with backing from the same financier networks of London and Manhattan behind the Baader-Meinhof gang and the present Arbatov operation, was given the military-strategic objective by London of marching eastward. Hence, Neville Chamberlain's role in the Munich 1938 liquidation of Czechoslovakia, as well as British influence on France in 1936 not to resist Hitler's remilitarization of the Rhineland. Hence, British influence behind Daladier's complicity in Munich, 1938. In the 1937 period, butchery of the leadership of the Red Army was a British military objective; hence Canaris's authorization to Heydrich to reactivate the forged papers project, and hence crucial British intelligence assistance in laundering the transmission of those forged documents in both Paris and through the Czech government.

British empiricism being what it is, Hitler's Germany reacted to the situation in partly unforeseen ways — by moving westward before risking moving eastward. Hence, the same British intelligence circles which were committed, during the 1930s, to demolishing the Soviet Union, were pressing for a Soviet alliance by the Fall of 1940.

The deploying of the networks allied with Georgii Arbatov's patrons against the infrastructure of the GRU has the same essential logic as the special operation against the Red Army leadership of 1936-1937. It is more probable that this outrage against a great power will have consequences which the insane coordinators of the Lazard Freres and Rockefeller brothers effort have not foreseen — just as their lunatic political predecessors of the 1920s, and 1930s did not foresee the consequences of London and Manhattan bankers forcing Hitler upon Germany.

France, Poland Reinforce Ties To Oppose Fascism And War

The striking political convergence and rapidly developing economic cooperation between France and Poland noted during Polish Communist Party leader Edward Gierek's recent visit to Paris show that, a few months after Soviet leader Brezhnev's trip to France, consensus has been reached by French President Valéry Giscard d'Estaing and his Eastern European interlocutors on the mutual need to prevent at all costs the compulsive anti-detente policies of the U.S. Administration from ruining the prospects for peace and expanded cooperation between East and West, in Europe as well as in the Middle East and Africa.

Polish leader Gierek warned in an interview with the French daily *Le Monde* Sept. 13 that, contrary to various statements made by opponents of detente in the West, a reduction of East-West economic and other ties would not only weaken the West's own economies but dangerously increase the danger of fascism and war:

"I do not think that the acute crisis which unfortunately persists (in the West —ed.) will rejoice anyone. You speak of its effects on economic exchanges between East and West. Much more negative are its social repercussions, unemployment and inflation in particular. Indeed, progress is above all associated with social and political consciousness, not with crises. History teaches us — and I know from my own experience — that the great crisis between the two world wars had tragic political consequences. The Communists did not "profit from it," but fascism did. It is essential that Communists concern themselves with the social, economic and political situation of the workers, and not, as some occasionally attempt to insinuate, with speculation on crises."

Gierek-Giscard Communiqué

The following are excerpts of a joint communiqué issued by French President Valéry Giscard d'Estaing and Polish Premier Gierek Sept. 15 at the conclusion of their summit meeting.

The President of the French Republic and the First Secretary of the Central Committee of the Polish Unified Workers Party have undertaken a broad examination of the international situation that brought forth the deep attachment to detente of France and Poland, and the

will of the two countries to continue to pursue this primary objective in their policies.

After recalling the importance of the Helsinki and Belgrade meetings to reinforce detente in Europe, the communiqué proceeds:

The two parties consider that the establishment of a just and durable peace depends on the Israeli withdrawal from the 1967 occupied territories; the recognition of the legitimate rights of the Palestinian people, including their right to have a homeland; and on the rights of all States in the region, including Israel, to an independent existence in secure and recognized borders.

France and Poland assert their conviction of the necessity, in the spirit of detente, of maintaining peace on the African continent, which implies the respect of the independence, sovereignty and territorial integrity of the African states as well as the realization of the rights of the African people to self-determination without foreign interference. France and Poland, deeply concerned by the evolution of the situation in Southern Africa, reaffirm the rights of Namibian and Zimbabwe populations to self-determination and independence, in agreement with the principles and resolutions of the United Nations. They reiterate their condemnation of the Apartheid and Bantustan policies in South Africa.

The two parties reaffirm their attachment to the principle of real, general and complete disarmament, under strict and efficient international control. So as to avoid the proliferation of nuclear weapons, which constitutes one of the major dangers threatening humanity, the two parties consider that all efforts must be undertaken to limit the multiplication of those weapons in states' arsenals as well as to prevent the risk of their dissemination.

They express again their interest in the convening of a world disarmament conference. They wish that the conditions required for such a meeting, notably the participation of all the nuclear powers, be fulfilled in the near future.

After stressing the important role of the United Nations and the need to reinforce its authority to foster international cooperation and detente, the communiqué deals with the Third World economic problems and the need for better world cooperation:

The two parties have agreed on the necessity to modify the international economic relations so as to insure an economic order that will be respectful of the interest and equality of all countries, and which will guarantee a

more equitable share of the world's economic progress to the developing countries.

They reiterate their determination to pursue a constructive dialogue on this subject, to work in favor of the development and broadening of economic relations between all States and to contribute through their efforts in

insuring for the developing world a rapid and balanced growth.

The communiqué ends by stressing the importance of bilateral economic relations between France and Poland.

Union Of The Left On The Rocks: Lazard Agents Fail

The tripartite Union of the French Left has never been closer to certain collapse than in the past week. The five-year old marriage of convenience of the French Socialist Party (SP), the French Communists (PCF), and the Movement of Left Radicals (MRG), careened toward a final break when the representatives of the tiny MRG abruptly walked out of the major fall summit meeting of the Left Union partners (Sept. 12), declaring their absolute refusal to support Communist amendments to the Common Program, the slender programmatic thread that ties the Union together.

FRANCE

Behind the loud rantings and public hubbub that will surely follow this provocative move, the truth of the matter is that the Union is collapsing because the Lazard Freres-linked Socialist Party of François Mitterrand has utterly failed to impose its own defense of terrorism, energy austerity, and Schachtian economics on the French population. In this situation, the MRG is playing a pathetic role of mediating the deteriorating state of affairs between the SP and the Communists.

The crux of the immediate crisis in the Union of the Left is located in the latest exposure of Mitterrand's personal role in protecting terrorists and the longer term open participation of the SP-linked CFDT trade union in directly organizing terrorist actions, such as the late July demonstration against the construction of Europe's most advanced nuclear reactor, the Superphénix in Creys-Malville. The South German newspaper *Münchener Merkur* blew the whistle on Mitterrand Sept. 13, accusing him of providing the appropriate anti-German climate in France and Europe generally that allows terrorist controllers like Baader-Meinhof lawyer Klaus Croissant to continue their dirty assassination operations against leading pro-development, industrialist spokesmen. The *Merkur* went on to elaborate on Croissant's close relations to the SP Executive Committee.

The CFDT local in the Grenoble area has likewise become the subject of close scrutiny by the French government, which has launched a tentative campaign to rid France of various known terrorist breeding grounds. Grenoble police recently grilled CFDT officials, following a bombing of their office, which has served as the headquarters for the committee that organized the Creys-Malville anti-nuclear energy demonstration. The clear implication of the police questioning was that the

CFDT could well have staged the bombing themselves, since they had publicly encouraged similar terrorist acts.

The bald truth of Mitterrand and the CFDT's ties to Wall Street terrorism in Europe only contributes to an already existing stalemate in the internal relations of the Union of the Left. The French Communist Party, goaded in particular by the base in the CGT trade union, has repeatedly made clear that it will not give the Socialists free rein to run France as a Wall Street satrapy.

Ten days prior to the fall summit meeting, the PCF released a special six-million-copy run of its newspaper, *L'Humanité*, addressed as a "Call to Workers." In that issue, the PCF hit hard at all the major points of contention among the left parties over the revision of the Common Program, in particular elaborating on the PCF's proposals for economic planning and national defense. The entire grid was topped by an introduction from PCF Secretary General Georges Marchais, warning that the SP could *never* be trusted to represent working class interests on its own! The message to Mitterrand and his allies in the Left Radicals could not have been clearer: without the PCF, especially the CGT rank-and-file, the Union of the Left would never get to power; with the PCF, Mitterrand could never hope to monopolize France's economic policies on behalf of his friends at Lazard Freres.

In this light, the sabotage of the Sept. 12 summit meeting by the MRG is nothing more than a preemptive move toward what was an inevitable failure of the Left Union. *L'Humanité* today drew that point specifically by denouncing the MRG action as a "premeditated maneuver" aimed at putting "pressure on the negotiations to stop the pursuit of true discussion and to impose a unilateral diktat."

Just what the French Socialists and Left Radicals have up their sleeve by collapsing the Union of the Left meeting is revealed by French press reports that Mitterrand recently conferred with former Interior Minister and notorious terrorist controller, Michel Poniatowski, on the prospects of reviving Wall Street's favorite political sawhorse, a right-wing Social Democracy for France. The fantastic notion behind such "centrist" coalition is that the gaggle of minor centrist parties in France and Poniatowski's old stomping ground in the Republican Party of French President Giscard d'Estaing could sufficiently counterbalance the combined strengths of the PCF and the Gaullist RPR party. Such a harebrained scheme is no doubt the consensus reached following a flurry of meetings in the United States in August between Socialist Party members, State

Department-linked officials and the Council on Foreign Relations, as well as the result of conversations between centrist leader Jean-Jacques Servan-Schreiber and Henry Kissinger in Washington.

Failing this, however, unctuous Mitterrand is no doubt leaving the door cracked for some kind of continuing tenuous relationship to the French Communist Party. Mitterrand, for one, knows quite well that his cut-and-paste party will not survive a definitive break with the

Communists: therefore, he may think he can use the *threat* of a decisive break and the creation of a centrist coalition to keep the Union of the Left glued together just long enough to win the legislative elections next spring. What Mitterrand is incapable of understanding, however, is that there can be no programmatic basis of agreement in such an arrangement between the pro-development workers of the CGT and Mitterrand's Lazard Freres mentors.

Heath-Thatcher Deal To Boost Tories?

In stark contrast to the ruling Labour Party, Britain's Conservatives have been, at least in public, the model of party unity — until this week. Ostensibly concerned with the issue of "individual vs. collective rights," the Tory party is now engaged in a critical debate which could well decide whether it can muster enough credibility to form a viable alternative to Prime Minister Callaghan's Labour government.

BRITAIN

This is no academic debate for the Tory leadership headed by Margaret Thatcher, whose nickname, the "Iron Lady," has hardly endeared her to much of the British electorate. Thatcher has embarked on a campaign to build her international reputation in a series of foreign tours, the most recent being her just concluded trip to the United States this week. Thatcher made stops in New York, Houston, and Washington, D.C. in an attempt to establish her conservative credentials among bankers, businessmen, and Washington politicians. While Thatcher's strong defense of free enterprise and individualism made the calculated impression on America's conservative heartland, privately many of those involved in meetings with Thatcher expressed uneasiness at her ability to deliver on her good intentions, especially given the strength of Britain's trade unions which are openly hostile to the prospect of a Thatcher government.

In this context, the battle that erupted this week within the Tory party between the so-called moderate wing of the party, largely centered around former Prime Minister Edward Heath, and the self-styled right-wing of the party around those who previously have been the

center of Thatcher's crew in the party, was no accident. Attempts by Thatcher's top policy advisor, Sir Keith Joseph, and her foreign policy speechwriter, the ultra-right winger Robert Moss to force the Tory Party into a tough confrontationist stance against alleged organized trade-union usurpation of individual rights were thwarted by the joint efforts of two Heath stalwarts in the party, Shadow Employment spokesman Jim Prior and Tory Reform Group chairman Peter Walker, and even Mrs. Thatcher herself. If successful, the Joseph-Moss maneuver would have destroyed Thatcher's credibility as a successor to Callaghan, since the major question now bothering the British electorate and politicians alike is what can Maggie offer if the Callaghan strategy with the unions falls through?

Thatcher's support of the moderate faction against her former henchmen in the party strengthens rumors already circulating that Thatcher and Heath may effect a formal reconciliation at this year's Conservative Party Conference, scheduled in several weeks' time. Heath, who still maintains extensive international ties from his prime ministerial days, most notably to European and Arab leaders, is scheduled to give one of the major policy addresses at the conference, his first formal party appearance since he was ousted by Thatcher in 1975.

The Spectator, a conservative-oriented weekly, is already sounding the death-knell for monetarist Keith Joseph's economic strategy, and suggests that a return to Heath's more moderate "incomes policy" approach will form the Tory alternative when the Callagan strategy fails. Predicts *Spectator* political analyst John Grigg, "it is now very much on the cards that the Tories will revert to such a policy even before the next election, and one consequence of their doing so might be a thorough reconciliation between Mrs. Thatcher and Mr. Heath."

Fabian Journalist Sets Up Callaghan For Fall

In a 4000-word article published this week by the British weekly New Statesman — which was founded by Fabians Sidney and Beatrice Webb — former Statesman editor Paul Johnson announced his resignation from the British Labour Party after 24 years of membership. The significance of the article, (excerpted below) which has commanded the attention of major U.S. and continental press as well as being reprinted almost in full by several right-wing British newspapers, lies in its scathing denunciation of the Labour Party's drift toward Mussolini-style corporatism under the leadership of Prime Minister James Callaghan. The systematic attack on the "conspiracy of defeatists" and union bosses who have reduced the Labour Party to a "mere faction, with office as its sole aim" is being used as a means of cutting Callaghan off from the political base in the trade union and industrial sector which he has been building as a means to achieve a constructive economic policy.

Although Johnson raises valid points in the article about the Labour Party's reluctance to squarely attack the issue of "left-wing" violence, his own background belies his concern. According to a profile in the Sunday Observer, Johnson is continuing the trend of so-called "disaffected intellectuals" who have left the Labour Party or the British political scene — a trend which started with chief terrorist controller and former Home Secretary Roy Jenkins. Furthermore, Johnson was a staunch admirer of Second International agent Pierre Mendes France and in 1968 he left his editor's desk at the New Statesman and turned up on the barricades during the Paris events, lauding the virtues of terrorist Daniel Cohn-Bendit for the benefit of British audiences.

Below are excerpts from Johnson's article:

When did it all begin to go wrong? I caught the first whiff of disaster in the spring of 1969, when the Wilson government and (as later events showed) Wilson himself, were broken on the wheel of trade union power.... It was no accident that the conspiracy was led by Jim Callaghan...

The unions had been given the 'closed shop' as part of the surrender. For me this was the turning-point in my loyalty to the party. For whatever the private reservations of certain cabinet ministers and backbenchers — and some of them, I know, hate it as much as I do myself — they united without public dissent to legalise the closed shop. It became the Mark of Cain, blazed on the party's forehead. It was what the party now stood for: the right of union bureaucrats and bullyboys to coerce individuals into collective conformity, as a prelude to further erosions of human freedom.... there can be no doubt about the closed shop.... It hands over the individual to the mercy of the kangaroo court and the menace of the militant shop-floor mob.... Moreover, the closed shop opened the road to the corporate state, in a peculiarly British version which proceeds by imperceptible gradations rather than a sudden *coup d'etat*. With the handover from Wilson to Callaghan, the tone, the attitudes and language of the party began to change....

For the party has taken over the collectivist philosophy of the union bosses. In one of his TV broadcasts, Callaghan let slip the phrase (if my memory serves) 'each one of you in your unions'. This is the corporatist vernacular.... This was what Mussolini believed, taking his example from the compulsory corporations of imperial Rome in its decadence; and, in turn, Hitler and Franco and the score or more communist despots who, today, hold down a third of the world in corporatist societies.

We see the corporatist drift in the manifest preference of Callaghan, Healey and their colleagues for determining policy not in the arena of Parliament which with all its limitations still reflects the political individualism of the ballot box, but in secret and unrecorded talks with union leaders, and sometimes with the capitalist bosses....

Corporatism is carrying Labour into strange and chilly waters....

Of course you cannot crush individuals without destroying creativity too. Labour is now the anti-creative party....

How has Labour thus succeeded in alienating the creative and constructive, the talented and wealth-producers? Why has it become a repository of destructive envy and militant failure, a party of green-eyed monsters? The answer is that Labour has starved itself of intellectual nourishment and the stimulus of debate... Reading *The First Fabians*, recently published by Norman and Jeanne MacKenzie, I am reminded of the astonishing breadth of the intellectual debate amidst which Labour was born, the rich variety of the contending views, and the atmosphere of high moral seriousness in which they were put forth....

Battered by Marxists from below and the trade union bosses above, the slender structure of reason which Labour once possessed has collapsed in ruins....

Where, then, does a Labour government, representing this captured movement, stand? Of course it does not stand anywhere at all. It compromises. It meets violence half way. It tries to rationalise and legitimise force. It lets it be known that to invoke the law against the unions would be more trouble than it is worth.... The growth of a fascist Left, led by increasingly professional street-fighters, fills ministers with fear and indecision.... Ministers cannot advocate the stringent measures necessary to subdue left-wing violence without making powerful enemies and risking their constituency nominations. So they are silent.... So it is an axiom of governmental policy that if trades unionists use violence ministers simply avert their gaze; or, indeed, give it moral support by ostentatiously joining the pickets, to curry favour with the extremists...

But violence is an evil continuum which begins with the inflammatory verbal pursuit of class war, continues with Grunwick and the lawless use of union power, progress to the knives, clubs and acid-bombs of Lewisham and Ladywood, and then — as we may well fear — rapidly accelerates into full-blooded terrorism,

with firearms, explosives and an utter contempt for human life. This is where the Labour Party is heading. It has already embraced corporatism, which ultimately must mean the end of parliamentary democracy. But corporatism *plus* violence is infinitely worse. It is fascism; left-wing fascism maybe, marxist-fascism if

you like, but still fascism all the same....

...in a system of belief where conscience is collectivised, there is no dependable barrier along the highway which ultimately may lead to Auschwitz and Gulag. I do not intend to travel even one miserable inch along that fearful road.

'Our Crowd' Banks Move To Install Dayan In Power In Israel

The same New York investment houses that are planning the fascist reorganization of the U.S. economy — Lazard Freres, Lehman Brothers, Kuhn Loeb, etc., — have launched a drive to bring Israeli Foreign Minister Moshe Dayan to power and force an Arab-Israeli showdown. These New York banking institutions are aware that Israeli Prime Minister Menachem Begin has entered on a path of "war avoidance." Begin has therefore become an impediment to banking institution plans to use a Mideast war to create an oil crisis that would break Western Europe's political cohesion and jack oil prices up to \$25 a barrel; thereby rescuing the bankrupt dollar, and generating enough funds to finance Lazard man Felix Rohatyn's Schachtian "energy development" slave labor programs in the United States.

On the eve of Dayan's arrival in the United States to present his recently announced "plan" to the Carter Administration, the pro-Dayan drive was signaled by lead editorials Sept. 14 in both the *New York Times* and *Washington Post*. The editorials supported the plan, which calls for the Arabs to endorse permanent Israeli military occupation of the West Bank, and creation of an alternate leadership for the Palestinians against the Palestine Liberation Organization (PLO) as the price for an Israeli peace treaty — terms that the Arabs, Soviets, and many European press outlets have already rejected.

The pro-Dayan maneuvers were further evidenced in a State Department Mideast policy statement which was clearly intended to complement the Dayan proposals. While the State Department declared that the participation of the "Palestinians" was "indispensable" in Middle East peace talks, it avoided mentioning the PLO and insisted that the PLO recognize United Nations Resolution 242. This would be tantamount to self-obliteration, since the resolution refers to the Palestinian problem as a "refugee" problem.

The State Department declaration clears the path for U.S. dealings with West Bank puppet-Arabs, whom Dayan has cultivated for several years, and with whom Secretary of State Cyrus Vance met in the Middle East last month.

Admitting this, the leading Middle East expert for the Council on Foreign Relations, John C. Campbell, stated Sept. 13: "The U.S. is trying to play it in such a way as to appear not to back Israel's view of the PLO, but at the same time the U.S. does refuse to talk to the PLO unless they accept Resolution 242. The U.S. is not quite writing off the PLO," Campbell continued, "but is saying, 'We gave them a chance, and they refused, so now there must be another way to recognize the leadership of the Palestinians.'"

Along similar lines, the *Christian Science Monitor* Sept. 15 reported that "tantalizingly and with diplomatic astuteness, the U.S. is offering reassurance to the Palestinians while carefully refraining from any specific reference to the PLO as such."

On the same day, the *New York Times* carried a leak from "high-ranking officials" purporting to be a semifinal version of U.S. Mideast policy. It called for Israel to "drop its objections" to a unified Arab delegation at a Geneva conference that would include the Palestinians. The Times-leaked plan then propounds a "joint Israeli-Jordanian trusteeship" for several years for the West Bank. The Times notes that the Dayan plan is receiving great attention at State, which is exploring Dayan's ideas for giving West Bank "notables... autonomy."

Finally, on Sept. 15 syndicated columnist Joseph Kraft, an old mouthpiece for Henry Kissinger, labeled Dayan a "brilliant tactician" in the context of calling for U.S. diplomacy to "set lower sights" in the Mideast and to return to "step-by-step" moves, especially as the Carter Administration is under siege in the Lance affair.

PLO, European Strategy

While PLO leader Yasser Arafat welcomed the State Department policy statement as a "step forward," a slew of Palestinian leaders have pointedly noted that the statement ignored the PLO and supports Dayan's plan.

The PLO Central Council is holding meetings this weekend to discuss overall strategy in the face of the upcoming United Nations sessions on the Palestinian issue. Numerous sources expect Arafat and other centrists to push for a strategy of recognizing a United Nations resolution that would amend 242 by recognizing Palestinian "national rights." Such a strategy would be tantamount to a recognition of Israel's right to exist, and could open up numerous new possibilities for a Middle East settlement.

The PLO would receive widespread European backing for such a strategy, especially from France. According to one well-informed source, France would likely introduce into the United Nations Security Council the appropriate amendments to the resolution. Another source with solid European Economic Community connections estimated that the Europeans would want to "put the Carter Administration up against the wall" by developing a solid Euro-Arab bloc at the UN around this strategy, challenging the U.S. to either support the amendments or to veto them and stand dangerously exposed.

A U.S. veto would be a virtual inevitability. According

to the *Christian Science Monitor*, in fact, a main impetus behind the State Department policy statement was to encourage the Arab states to "stay away from the U.N. basket" and to instead rely solely on U.S. diplomatic initiatives.

Dayan on the Move; Begin Resisting

In Israel, the Dayan forces' major immediate objective is to have Dayan replace Begin. Two weeks ago, Dayan organized a political "debating society" that brought together military and intelligence community backers of Dayan under his personal leadership. The *Jerusalem Post* Sept. 11 editorialized that the Dayan group is meant to be the core of an important new national political party.

According to West European diplomatic sources, there are widespread rumors that Dayan is on the verge of becoming prime minister.

But Begin, an extremely shrewd politician, is in a strong position and is fighting back. The key to Begin's strategy is the fact that during his recent visit to Romania, the only Communist country that has ties with Israel, Begin and President Ceaucescu reached a basic accord on avoiding war at all costs, a policy which Begin is committed to.

According to the *Christian Science Monitor*, Begin is

quietly exploring the idea of renewed diplomatic ties with the USSR, and is sending an Israeli government delegation to the USSR this week for the first time in ten years to attend a UN conference. Israeli businessmen are also touring the Soviet Union the *Monitor* reports, and a Bulgarian delegation is in Israel.

Internally, Begin is strengthening his position against the challenge from Dayan. The key was the appointment of Ahimlai Paglin as special advisor on terrorism two days ago. Paglin, an old associate of Begin, is a bitter opponent of the Dayan faction and, according to informed sources, intends to clean up Israeli-based terrorist networks -- run by Dayan and his West German accomplice, Willy Brandt.

In addition, Begin is maneuvering to isolate the fanatic Agriculture Minister Ariel Sharon on the issue of stepped-up Jewish settlements in the occupied West Bank. Begin announced in a press conference that Israel has not set up any new settlements except those already planned by the previous Rabin-Peres government, and he flatly contradicted Sharon on another issue by stating that Israel does not intend to help the PLO's Yasser Arafat overthrow King Hussein to set up a Palestinian state in Jordan -- a policy advocated by the lunatic Sharon.

— Mark Burdman

Dayan Plan For West Bank Draws Intl. Press Fire

The following is the response of domestic and international press to Israeli Foreign Minister Moshe Dayan's proposals for West Bank settlement.

The Guardian, Sept. 12, "An Offer With No Takers"

Israel's draft for a peace treaty with the Arabs, and an accompanying letter to the State Department, have been approved by the Cabinet but not yet published. They are reported to assume, if not assert, the continued occupation of the West Bank. It would have been an astonishing turnabout if they had made any other assumption, but the draft has been rejected in advance by Arab spokesmen as a contribution not to peace but to another round in the war.... (For), even if the occupation were demonstrably benign it could not begin to meet the aspiration of the Palestinian homeland -- and not "even if" but "because." Anything which compromises the aim of a homeland must be regarded by the Palestinian leadership as a dangerous siren call, and if existing Palestinian leaders do not so regard it, they will be replaced by those who do...

Mr. Vance's resourceful diplomacy has not so far been a match for the incompatibilities on the ground. It is based on the liberal supposition ... that for every problem there must somewhere exist a solution on which all right-thinking men can agree. It is the task of diplomacy, according to this school, to seek out the solution

wherever it may be found, even in the dictionary.... Linguistic paths are sometimes worth exploring but it is rare for them to lead to an acceptable destination in a dispute the size of this one.... If Mr. Vance is correctly reported, the choice of word (of a "Palestinian entity" as a solution to the Palestinian problem) is infelicitous because it clearly implies that the "entity" will be an administrative unit entirely distinct from anything else that exists in the world. That is not what the Palestinians want and they are unlikely to be persuaded into less than they want by verbal dexterity alone.

London Financial Times Sept. 12, "Israel's proposals lack realism":

The next phase of the Middle East peace negotiating process is about to take place in the unpromising environment of the UN General Assembly and in an air of dangerous unreality. Total deadlock is already apparent and continued assertions of optimism by the U.S. Administration are belied by the widening gulf between Israeli and Arab states directly involved....

These divisions appear even more clearly after the presentation by Mr. Moshe Dayan, Israeli Minister, of his country's draft peace proposals....

Although few of its details have been officially released, sufficient is known about them to draw

pessimistic conclusions about the outcome of the next round of contacts. While Israel is ready to offer military withdrawal from a part of Sinai and Golan Heights, it is not prepared to surrender physical control over the West Bank let alone hand it over to any Palestinian entity.

Willingness

Instead it is prepared to grant a measure of autonomy to the 800,000 Arab inhabitants of the territory under some kind of arrangement with the Hashemite Kingdom of Jordan. The result would be what the Israelis call a "functional division" of authority. A similar arrangement is evidently envisaged for the Gaza Strip....

His (Dayan's) problematical hope is that an indigenous leadership on the West Bank unrelated in any way with the Palestinian Liberation Organization can be developed to help implement such a solution and that King Hussein of Jordan — pledged by the Rabat resolutions in 1974 to recognise the PLO's right to the territory — will co-operate.

Only an enormous effort in wishful thinking or a blind conviction in the rightness of their position could account for a belief on the part of Mr. Dayan and his colleagues that these proposals might in the foreseeable future provide the basis for a settlement....

Nevertheless, at this delicate phase of the negotiating process the Israeli policy on the occupied territories can only retard the negotiating process by convincing the Arabs that Israel is trying to dictate the territorial aspects of a settlement....

Washington Post Sept. 14, editorial "Mr. Dayan's West Bank Idea":

At face, Israeli Foreign Minister Moshe Dayan's idea of bestowing civilian autonomy on the occupied West Bank, in a negotiated peace agreement, is a non-starter....

Soggy as the idea is, however, the context in which it's being presented gives it some interest....

Is this the time for pausing; for accepting the fact that the administration's quest for a comprehensive settlement has been derailed, at least for the time being; a time for seeking less ambitious approaches in order to reestablish momentum? Mr. Dayan's West Bank idea at least has the advantage of building on the substantial practical coexistence generated by his earlier idea of maintaining "open bridges" across the Jordan River. "My formula is not a wonderful solution," he says, "but all the others are by far worse." Notwithstanding the State Department's words on Monday concerning the importance of Palestinian representation at Geneva, it is not evident that the administration has recovered enough

from its August frustration to offer a productive alternative of its own. So Mr. Dayan's proposal is worth examining as a starting point. There will be time for others to show what feasible improvements they can offer.

New York Times Sept. 14, editorial "The West Bank by Any Other Name":

What's in a name?...

No doubt Mr. Dayan's plan will be vehemently denounced by the Arab governments and the Palestine Liberation Organization as simply a means of perpetuating Israeli occupation. And no doubt most Israelis will reject any proposal for an independent Palestinian state. But outside observers can be pardoned for wondering whether, if everyone suspends for a moment the effort to pin labels on everything, the Dayan plan might not provide the basis for a settlement of the Middle East's most vexing problem....

...Suppose these arrangements were not imposed by Israeli fiat, but were negotiated with the Arabs, and perhaps even with Palestinians? And suppose those soliders were accompanied by others from Scandinavia, India or even from some of the Arab countries? And suppose the monitoring stations were staffed by Americans and Jordanians as well as Israelis — an arrangement akin to that now existing in Sinai? And suppose that, after a few years, the flag overhead was not that of Israel, but that of the United Nations, and after a few more it was the flag of the new Palestinian "entity"? Or perhaps all three flags might for a time fly together? Would this be — dare we mention the phrase — "self-determination for the Palestinians"? Arab ideologues and Israeli zealots aside, the residents of the West Bank might well find life under such conditions peaceful, prosperous and even satisfying to the soul. The State Department, which on Monday issued a sensible statement asserting that the Palestinians must be involved in the Middle East peace-making process, would do well to encourage Mr. Dayan and his colleagues in these heretical directions.

A broadcast by East Germany's Stimme der DDR radio Sept. 13 reported an attack by the Soviet news agency Tass on the Dayan plan:

After the Arabs have rejected the former plans of Begin, now the western press makes a big deal out of a new Dayan plan. The New York Times is actually praising the new Dayan-plan into the skies. But actually this plan has nothing to do with peace: it perpetuates the military occupation of the West Bank and ignores the Palestinian issue. In fact, Tel Aviv is further continuing its annexationist course and rejects categorically the creation of an independent Palestinian state.

Stimme followed with its own commentary:

The new plan by Dayan is nothing but an attempt to legitimize robbery of the Palestinian homeland. Pravda today criticized the plan for ignoring the Palestinian problem. Arafat also earlier rejected the so-called Vance plan of a demilitarized Palestinian state. The Vance

plan, because it rejects the creation of an independent national Palestinian state will not be accepted and not be realized. The Syrian press is commenting that it is the U.S. government which encourages the annexationist policy of Tel Aviv and that in fact the U.S. government is fully responsible for Israel's policy.

Israel, Final Obstacle To Lebanon Peace Accord

A new round of fierce Israeli military attacks on southern Lebanon threatens to undermine the final implementation of the Chtaura Accords — a formula worked out several months ago between Lebanon, Syria, and the Palestine Liberation Organization (PLO) to end fighting in Lebanon. Over the past several days, Israel has stepped up overflights into Lebanese territory and shelling across the border, a risky flirtation with a direct showdown with the 30,000 Syrian occupying troops in Lebanon. Several sources agree that the Dayan faction in Israel is primarily responsible for this problem.

The Israeli escalation came just as the Chtaura Accords were endorsed by the leader of the right-wing Christian Falange, Pierre Gemayel, after weeks of delicate negotiations.

Previously the Falange and Camille Chamoun's National Liberal Party have allied with the Israeli military to keep the Lebanese civil war alive in the south. Now, after the acceptance of the accords by the right, factions in Israel stand alone as the last serious obstacle to the accords' implementation, the third phase of which calls for a newly reconstituted Lebanese Army to replace warring Lebanese right wing and Palestinian factions.

The target date for the implementation of the third stage of the accord is Sept. 23.

Israeli Ultimatum

Both Palestinians and Christians fear a full-scale Israeli attack on Lebanon, according to *Le Monde*. To minimize the pretext for such an Israeli action, the Palestinians have withdrawn from certain positions in the south, such as the border town of Hasbiye and from Fort Arnoun, overlooking the strategic Christian-held town of Marjayoun.

Despite this Palestinian pull-back, Israeli Defense Minister Ezer Weizman issued two provocative ultimatums to the PLO to withdraw from southern Lebanon as far as the Litani River. According to the Cuban wire service *Prensa Latina*, the ultimatums are supported by Secretary of State Vance and "certain Arab leaders."

Prensa Latina links Weizman's ultimatums to the PLO with Foreign Minister Dayan's new "peace plan."

According to the London *Guardian*, the deterioration of the situation in southern Lebanon has resulted from Israel's opposition to the Chtaura Accords, which evolved "without the participation of Israel." Notes the *Guardian*: "All the signs are that Israel is using its strong bargaining position to dictate a revision of the peace terms, with the underlying threat that if its conditions are not accepted, the conflict will continue or even escalate."

In response to the Weizman ultimatums, PLO leader Yasser Arafat stated: "We cannot tolerate these threats. The only order that I have given my troops is to stay and fight."

Israeli Intransigence

A detailed report of the terms of the Chtaura Accords was delivered last week for approval by the Israeli Cabinet. This is the fifth such peace plan for southern Lebanon submitted to the Israeli government in the last nine months, each one rejected.

Israeli approval would signal the final go-ahead for the accord's implementation. Lebanese President Elias Sarkis has been given diplomatic assurances from Washington that an Israeli nod of approval will be sufficient security to begin to deploy the Lebanese peace-keeping troops into the south without Israeli interference.

The Lebanese government is currently in the process of reconstituting the Lebanese Army that during the civil war split into several warring factions along sectarian lines. Approximately 1000 new soldiers have been recruited, while 70 percent of the officers of the old army have been reintegrated. According to *Le Monde*, cooperation between Moslems and Christians has been reestablished on the command level. However, for the rank and file, "the problem is to find sufficient loyal elements, especially in Moslem circles," according to *Le Figaro*.

Consolidation of progressive and nationalist forces in Lebanon is also taking place. Walid Jumblatt, leader of the Progressive Socialist Party, has reached an agreement with Lebanon's pro-Syrian Ba'ath Party to form a "National Front" open to all parties. Nationalist leader Raymond Edde, a Christian, is expected to return to Lebanon soon and to involve himself closely in the moves toward national unity. Jumblatt recently visited Paris, where Edde has been living in exile.

The communiqué calling for the formation of the National Front defines as the front's objectives an end to political "confessionalism" in the institutions and services of the state, the creation of a Lebanese army capable of restoring security, and the application of the Chtaura Accords.

According to Falangist official Karim Pakradouni, the response of Israel to the accords is a "crucial test, an indexation for the future" regarding Israel's intentions in reaching an overall peace with the Arabs. "If the Israelis accept it, it will be the first yes under Prime Minister Begin...If not, then all the Arabs will be certain of Israel's motives and of the American inability to influence the Begin government."

New Move To Unite Tunisia With Libya

As part of their overall Middle East peace offensive, French and Arab political networks are working to settle longstanding disputes in North Africa — an area which has often been used by the U.S. to foment inter-Arab friction.

Mohammed Masmoudi, the Gaullist-linked former Tunisian Foreign Minister, announced Sept. 8 that he was preparing to return to Tunisia from self-imposed exile in France in the coming weeks. In an exclusive interview which appeared in the French daily *Le Monde* Sept. 10, Masmoudi declared that he was returning “not to retire but to succeed in what failed the first time.” As Foreign Minister, Masmoudi was an outspoken advocate of Tunisian unification with neighboring Libya. His abrupt decision to go into exile in 1974 was prompted by a power struggle with Tunisian Premier Hedi Nouira, who was vociferously opposed to any such union and who used his influence to convince aging President Bourguiba that Masmoudi had to go.

Buffeted by the Masmoudi comeback, Nouira has been forced to change his tune. Aware of the pro-unification sentiment in the country, which is shared by President Bourguiba, Nouira called a special meeting of national Destour Party in which he refuted any rumors that he was “about to retire because of the precarious economic situation in the country.” In an about face, he declared that he was wholeheartedly in support of expanding Libyan-Tunisian ties. According to *Le Monde* Sept. 13, “Nouira is playing a delicate game. He is hardly appreciated in Tripoli, which holds him responsible for having sabotaged the original unification accord. Internally, he must face the offensive of the pro-Libyan clan, led by Masmoudi who is claiming authorship for the current movement toward unification.”

“I have always considered that Tunisia was not an island and that it was necessary to complete its independence by linking it with the neighboring states in a Maghreb (North Africa) framework,” said Masmoudi in an interview.

Tunisian political circles that have lately revealed that a rapprochement with Libya was in the making immediately contacted Masmoudi, the mastermind of the original unification plan. In a meeting in Tripoli a few weeks ago with Libyan President Muammar Qaddafi, Masmoudi and Habib Achour, president of Tunisia’s powerful UGTT trade union confederation, outlined a program for strengthening Libyan-Tunisian relations particularly in the area of manpower exchange. This meeting was preceded by Tunisian Agricultural Minister Hassan Belkhodja’s five day stay in Libya at the

beginning of August. Apparently Belkhodja returned to Tunisia as the bearer of significant agricultural agreements also in the area of worker exchange. Libya, whose constant shortage of manpower has been further aggravated by the war with Egypt (many Libyan workers are on active military duty at the Egyptian border), is seeking Tunisian workers to fill the gap. From Tunisia, the pro-unification sentiment is due to a severe lack of capital needed to finance the new and ambitious five-year development program. Masmoudi’s original plan explicitly linked Tunisia’s skilled manpower to Libya’s capital wealth.

Masmoudi’s return is also expected to help neutralize the U.S. National Security Council-directed “human rights” destabilization now being staged against the pro-European government of President Bourguiba. Ramsey Clark, international terrorist controller and leading member of the International Association of Democratic Lawyers, has been operating out of Tunisia through the Tunisian League for the Defense of the Rights of Man, led by “liberal” lawyer and former Tunisian Defense Minister Ahmed Mestiri.

Euro-Maghreb Cooperation

In addition to smoothing out the internal difficulties of Tunisia and putting the economy on a more stable footing, Masmoudi will no doubt use his powerful international business connections and political know-how to bring the Maghreb community into a unified Arab political stance, coherent with European diplomatic intervention, for peace and development. Masmoudi, known as a close personal friend of Charles de Gaulle, was responsible for engineering the 1975 French-Libyan deal for Mirage jet fighters which helped to swing Libya into the pro-French camp. Sometimes called “that man from Dassault,” referring to the Gaullist-linked aerospace firm which manufactures the Mirage, Masmoudi will be coordinating with Qaddafi his peacemaking efforts to settle the Egyptian-Libyan dispute as well as the Algerian-Moroccan feud.

In respect to the latter, Qaddafi has offered to mediate the conflict over the Western Sahara which has brought Algeria and Morocco to the brink of war. The chief thorn to be removed is the sham Polisario Liberation Front which is using a “human rights” cover to sucker Algeria into backing its war against Morocco for rights to the phosphate-rich Spanish Sahara. Masmoudi, with his strong French connections may be able to use his influence to revive Algeria-French relations, which have suffered severely as a result of the Polisario affair.

Sudan Cabinet Reshuffle Signals Numeiry Move Away From Carter

Sudan President Jaafar al-Numeiry fired his pro-American Foreign Minister, Mansour Khaled, Sept. 10 in a cabinet reshuffle. Numeiry took the Prime Ministry and the Finance and Economic Planning portfolios into his own hands, and replaced Khaled at the Foreign Ministry with Rashid al-Tahir Bakr, who is Vice President and was formerly the Prime Minister.

The Cabinet reshuffle follows a reconciliation with Opposition leaders Sadik al-Mahdi, also leader of the Sudan's influential, conservative Moslem Ansar sect, and the extending of amnesty to members of the Ansar Umma party and the Sudan Communist Party. The amnesty involves the release of 3,000 people from jail, including the Communist Party's Secretary General.

Numeiry's reconciliation with his long-time opposition in both movements is his latest move away from collaboration with the Carter Administration and Egypt's President Anwar al-Sadat for war in northeast Africa and the Mideast. On Sudan's agenda now is a likely rapprochement with Ethiopia, Libya and the Soviet Union, and a national unity government, backed by the pro-development faction in Saudi Arabia. A Sudanese-Libyan rapprochement would greatly increase the pressure on Rockefeller-puppet Sadat, removing Sudan from complicity in Sadat's provocations against Libyan leader Muammar al-Qaddafi. Normalizing relations with Ethiopia would further isolate the reactionary expansionist circles now virtually running the government of Somalia, who are responsible for Somalia's invasion of southern Ethiopia.

Al-Mahdi is presently negotiating with Numeiry over the creation of a government of national unity that would include Numeiry's Sudan Socialist Union, the Communist Party and his own National Front. Among the demands reportedly posed by the opposition are the removal of Egyptian troops from the Sudan, peace with Ethiopia, and the "rebalancing" of relations with the great powers — improving recently deteriorated relations with the Soviet Union and backing off from a satrapy relationship to the U.S.

Al-Mahdi recently gave an interview to the Paris daily Le Monde, published in the Sept. 13 edition. Below are excerpts of that interview:

"The National Front, over which I preside," said al-Mahdi, "believes, essentially, like the Khartoum govern-

ment...that in a developing country the army has a national role to play, that a multiparty system is not an alternative to dictatorship, that Islam must become a force for progress, that economic development cannot be accomplished except on the socialist model, that the State must guarantee the rights and well being of the working classes."

Proposing a rapprochement with Ethiopia, al-Mahdi called for the cessation of Sudanese aid to secessionists in the Ethiopian province of Eritrea and elsewhere in that country: "We must stop supporting this aggression by proxy, and on the contrary play a peacemaking role, looking to reconcile the national interests of Ethiopia and the legitimate aspirations of the Eritrean people to autonomy. Any destabilization in the Horn of Africa will not fail to have consequences in the Sudan.

"The Sudan must abstain from taking part in the struggles for influence played at by the great powers on the black continent. Our national interest demands that we have friendly and equidistant relations with the United States and the USSR. The latter can furnish us with significant economic and military aid. Soviet arms are more usable, more abundant and less expensive than those offered by the Western countries to the developing countries. In any case, the diversification of our sources of supply is indispensable to guarantee our national sovereignty.

"To say that the United States has 99 percent of the cards (in the Middle East) is not right." Al-Mahdi continued, contradicting a favorite theme of President Sadat, "The opposite is the truth: because of its ties to Israel, America is the least well placed power to encourage the Jewish state toward realism." Al-Mahdi proposed "the restoration of the military credibility of the Arab belligerents with eventually the aid of the Soviet Union."

Speaking of the introduction of the Communist Party into the government, al-Mahdi said, "Ideological divergences aside, our respective positions are not far apart. We have chosen, ourselves, the socialist road in economic matters, and we are convinced that, in this domain, we have much to learn from the Soviet model, which has brought about undeniable progress in a relatively short span of time. Like the Communists, we believe that the role of the USSR on the international scene is indispensable to order and world equilibrium."

The Struggle For Indian Freedom: A New Program

Part 1

This month, the Janata government of India will complete its first six months of rule. Many political forces, from industrialists to pro-growth leftist spokesmen, who viewed the defeat of the Gandhi state of emergency government last March as a victory for economic and political progress, have been deeply disappointed by the glaring failures of the Janata mandate. Economically, the country is spiralling toward deep trouble—prices in all essential consumer goods are skyrocketing as landlords and hoarders have taken control of state governments. In what is perhaps the greatest failure of the government, the pledge by the Janata government to revoke the Maintenance of Internal Security Act (MISA), the ruling used to implement the repression and arrests of the emergency period, has been “forgotten”. It is the greatest irony that Indira Gandhi’s recent statement to Time Magazine in fact carries the most accurate assessment of the Janata rule: “I would not use the word dictatorship because it has been bandied too much. But if my rule was a dictatorship, than this is a dictatorship.”

This is the political setting in which the U.S. Labor Party’s Indian development program, Part I of which is reprinted below has been put forward. The program, which appeared in its first publication as “The Struggle for Indian Freedom—A Program” develops the issues a committed pro-growth government must answer directly. It portrays Indian history from the standpoint of the real contribution to progress made by India’s first Prime Minister Jawaharlal Nehru and presents the appropriate economic and political direction for his followers today, if they are to deal with the Janata misrule. The USLP program has been circulated through various political parties, to intellectuals to business groups which are willing and ready to pursue the battle for Indian development—This battle involves immediately reversing the government’s capitulation to World Bank demands that India’s state sector be opened up randomly to foreign companies, and that agriculture, the Achilles’ heel of the economy, be the central focus for labor-intensive low-growth programs.

Part II of the program will be published next week.

"The United States and the Soviet Union seemed destined to play a vital part in the future. They differ from each other almost as much as any two advanced countries can differ, and even their faults lie in opposite directions. All the evils of a purely political democracy are evident in the U.S.A.; the evils of the lack of political democracy are present in the U.S.S.R. And yet they have much in common — a dynamic outlook and vast resources, a social fluidity, an absence of a medieval background, a faith in science and its applications, and widespread education an opportunities for the people. In America, in spite of vast differences in income, there are no fixed classes as in most countries, and there is a sense of equality. In Russia the outstanding event of the past twenty years has been the tremendous education and cultural achievements of the masses. Thus in both countries the essential basis for a progressive, democratic society is present, for no such society can be based on the rule of a small intellectual elite over an ignorant and apathetic people. Nor can such an elite long continue to dominate over an educationally and culturally advanced people." — JAWAHARLAL NEHRU

I. INDIA'S TASKS IN THE PRESENT WORLD CRISIS

The present political crisis in India is occurring in an environment of political and economic breakdown crisis worldwide. Any competent attempt to chart a course out of the nation's present political crisis must be concerned from the outset with two interconnected practical problems: 1) What is the character and the impact on Indian developments, of the current international struggle and 2) what would be the impact on the unravelling international situation if India's national forces chose one or another path among those available at this time?

The diplomatic and political history of this nation cannot ignore the fact that at the present time, the central controversy of world politics is the so-called North-South relations. The relations between the United States and the Soviet Union are modulated, in each of their detailed aspects, by one ultimate consideration: Which Way the Third World?

This conflict has evolved roughly along the following lines since the election of Jimmy Carter to the Presidency of the United States: The U.S. government, with the imposition of Jimmy Carter in the Executive Branch, has fallen under the exclusive control of a monetarist faction composed of New York banking and associated Eurodollar market banking interests. The situation of Third World debt to these institutions, and that situation's impact on the viability of the New York-London dominated world monetary system is at this time the single, most urgent issue in the minds of America's dominant monetarist faction. These bankers know that under existing political circumstances, servicing this

debt is a virtual impossibility for 1977. They also know that default on as much as \$20 billion in 1977 debt service payment—or failure to honor as much as a \$200 billion component of the overall Third World debt—will immediately translate into a terminal collapse of the post-World War II Bretton Woods monetary system and global financial chaos will ensue. These forces are determined to avert this eventuality and they have so far expressed two alternate, complementary paths for doing so. The Soviet Union has also declared that it considers both of these monetarist options to be absolutely incompatible with its own national security interests. Hence, the world is marching toward thermonuclear confrontation.

The first monetarist option is imposition of austerity programs throughout the Third World, coupled with World Bank-induced import-curtailement and population-control programs, in order to enable Third World nations to finance their debt rollover. Given the misery already existing throughout the Third World, such economic measures are virtually impossible to carry out unless vicious fascist regimes are sponsored and installed around the globe below the Tropic of Cancer. Understandably, the Soviet Union has determined that it cannot allow itself to be encircled by hostile fascist regimes. In foreign policy and military policy the USSR is therefore fully committed to risking war in order to avoid the emergence of financier-sponsored fascism in the Third World. This is the reason behind the recent rise in international tensions.

The second monetarist option takes the world down the high-risk path deliberately provoked thermonuclear confrontation between the USA and the USSR—with the

monetarists built-in expectation that the USSR will back down as they did during the 1962 Cuba Missile Crisis. Such a backdown would be utilized by its political inspirators to terrorize every non-Warsaw Pact government into submission to their austerity and inflation programs. The high-risk option is in the Middle East and southern Africa. It has not been fully activated because the Soviet leadership has repeatedly indicated that they are on the verge of deploying thermonuclear war-winning capabilities, and that they possess the will to utilize them to the fullest.

Thus, the Indian nation is called upon to conduct a profound reordering of its national affairs at precisely the time at which the fate of the economies of the developing sector and the Non-Aligned nations has become the number one issue of World War or Peace.

Therefore, what is in order at this time, is a serious re-examination of the developing nations' various proposals, in recent years, for a new world economic order, a professional assessment of such proposals and the charting of a national course for India, the giant among the non-aligned. This course must correspond with the best interests of the people of this nation and with the demands of the exceptionally tense world situation. In the spirit of Pandit Nehru, India must once again be placed at the lead of the world's developing nations and, overcoming the limitations of the great Nehru (his softness and toleration of the anti-industrial, bestial bias of Mahatma Gandhi) launch an ambitious, far-reaching program for economic and cultural modernization

The Question Of Debt

The problem with virtually all the versions of the "New World Economic Order" proposed by various nations in recent years has been their failure to identify monetarism and the burden of fictitious, monetarist debt as the core of all that is evil in the developing sector's economies. Since the contrived 1973 Oil Crisis, the only kind of credit that the developing sector receives from the world money and capital markets is so-called "rollover" credit, balance-of-payments loans and financial loans, i.e. paper credit, to exclusively to finance existing debt. There exists no credit for development projects, for industrial investments, or for the promotion of commodity production and commerce. The New York-London-controlled world monetary system is run by a bunch of coupon-clippers of the type that unleashed the East India Company upon this country. This is the reason for the increasing misery both in India and the rest of the developing sector.

We are not surprised by the inability of the NWEQ proposals to pinpoint this crucial monetarist problem. We are, however, compelled to demand at this historical juncture that we, the political leadership of the developing sector, grow out of the vestiges of our colonial childhood and master the science of organizing world production — including the science of so-called "high finance." The penalty for failure is too enormous to con-

template, even if thermonuclear war should not put an end to civilization. The time has come for the human race to get out of its childhood and put seven centuries of monetarist domination to final rest.

Monetarism v. Humanism

Contrary to standard historical and economic science accounts, the crucial battles of world history in the last seven centuries were centered around political warfare, on the continent of Europe, between the monetarist-financier faction on the one hand and their humanist-neoplatonic opponents on the other. The rest of the world, after the collapse of the great Islamic Caliphates, fared well or ill depending on how the fortunes of each of these factions fared. That's how it was during the early phases of the Bardi, the Perrugi and other Papal bankers, their successor banking House of Fugger and the Hapsburg puppets, the Dutch monetarists and their Orange allies on the English throne, their successors of the House of Rothschild and the post-Versailles Treaty growing hegemony of the Rockefellers and their lesser allies in New York's all Street.

Whatever positive impulse was realized in European (and subsequent world) history during these centuries, was the result of temporary victories of the humanist-neoplatonic current against this succession of monetarist dynasties. The Tudor Renaissance in England was the culmination of a successful resistance against the Fuggers that was led by such Erasman humanists as Sir Thomas More and Thomas Gresham. The fruits of that struggle was the establishment, for the first time in history, of an *industrial capitalist national* economy whose deliberate state goal was directly the production of material wealth and the promotion of society's ability to increase the growth-rates of such wealth as a *pre-condition for the cultural progress and perfection of its individual citizens*.

A second celebrated world historical event, the American Revolution was the result of the political and scientific efforts of the humanist faction of the Illuminati led by the great neoplatonic scientist Benjamin Franklin. The longstanding political objective of Franklin's faction was to effect a political overthrow of Dutch-inspired, London-based monetarism promoted by the House of Hannover, then on the English Throne. The Franklin group's activities and deployments—best exemplified by Franklin himself and by Federalist Thomas Paine—prove that they were working to replace monetarism with the humanist neoplatonic principles of *industrial-capitalist* progress simultaneously in a number of countries, notably including England itself, the Low Countries, France and Germany.

The American humanists' efforts succeeded in launching the successful American Revolution, but did not succeed entirely on the European continent. Their American success provoked a series of counter-deployments by the government of William Pitt, including such

measures as the sabotage of the French Revolution. The strengthening of the hand of the East India Company was one of these measures, including the intense promotion of the zemindari system, the caste system and laws to prevent the emergence of a leadership that might follow the example of the American colonists. It is revealing that Lord Cornwallis, following his defeat at the hands of the American Revolutionary army, was sent next to India to serve as Governor-General.

Local Indian reaction was created by British monetarists in response to their defeat by the American Revolution!

It is this monetarist beast, born and matured in the political struggles of Europe as they were fought on European and American soil, that has promoted backwardness and misery in the lands of the so-called Third World. It is the monetarist beast that has systematically worked to root out of the people's of the developing sector the spirit of industry, material progress, and material and cultural achievement.

The American nation was successful in displaying its spirit of industrial genius, its driving Idea of Progress, only to the extent that it took pride in the achievement of its humanist, anti-monetarist Founding Fathers. To the extent that America has lost or forgotten these profound cultural roots, as has been increasingly the case since the Versailles Treaty and the establishment of Rockefeller-Wall Street world hegemony since World War II, the American people have been following the path of decline and self-destruction to the point that, today, they tolerate Jimmy Carter as U.S. President.

The Great October Revolution in Russia was the victory of humanism in this century which has prevented monetarism from achieving global hegemony. Lenin's revolution embodied the ideas of Karl Marx and scientific socialism, themselves the product of the humanist currents of Europe and of Benjamin Franklin's impact upon the German republicans. The Russian working class, under Bolshevik leadership, carried out the establishment of a modern industrial state against monetarism which the Russian bourgeoisie was unwilling to do.

As far as the non-aligned world is concerned, the Indian leadership of that movement may rightfully claim that the fundamental conflict in the world arena at this time is not between capitalism and socialism but between *monetarism* and its institutions such as the International Monetary Fund and the World Bank and *humanism* as represented by both socialist republics and the workers movements and industrial capitalist factions committed to the Idea of Progress. India's special role in the fight for humanist goals must be one of contributing toward the formulation of a sound world monetary and commercial system that will replace the deadly and moribund monetarist monstrosity of Wall Street, the International Monetary Fund, and the World Bank.

The first contribution India must make in this battle is to lead the developing countries, in concert with leading Third World nations, in a declaration of moratoria on the payment of all debt to the bankrupt monetarist institutions of the IMF-World Bank and their aid consortia. The

freezing of unpayable debts to the monetarists is not only morally imperative but is the strategic weapon we must wield to open the way to the establishment of a new monetary system.

As the 1975 programmatic document of the U.S. Labor Party, *The International Development Bank*, proposed, the central task of a New World Economic Order is to facilitate the greatest possible flow of technologies and industrial processes from the advanced sector—both capitalist and socialist—into the developing sector. Such a new system ought to be designed to meet two primary requirements:

1) to facilitate the transfer of economic values among three generally distinct portions of the world economy, the socialist sector, the capitalist sector and the developing sector each of which, for historical reasons, adheres to different social-political determinations of wealth. It is therefore necessary to return gold to its historical monetary-exchange role for the final settlement of balances in exchanges among nations.

2) Such a new system must also establish criteria for short and long term credit issuance which will eliminate the practice of monetarism and fictitious money-lending and will meet the credit demands for an unprecedented drive for world industrialization. It can be done. The nature of credit is ultimately political. Whether credit will be used to promote world industrial development or monetarist looting depends exclusively on the program and moral content of the political leaderships who control the policies of credit-issuing institutions. Short of more detailed elaboration, what can be stated with respect to credit-issuing policies of such a future institution as, say the International Development Bank, is the following:

The governing body of a bank of this sort, committed to playing the role of the central credit engine for a quarter-century world industrialization drive, must essentially represent the interests of the pro-industry and pro-progress governments and leading institutions of each of the three world sectors.

The mutually agreed upon universal criteria for credit issuing policies must be the commitment of recipient nations to total mobilization of national material and human resources for technological, scientific, industrial, and agricultural progress. The policies of any national government can be judged only by those criteria of absolute profitability of the national economy which result from the mobilization of its resources. (See Appendix) We, and any other nation, do not want charity, such as is bestowed upon the permanently immiserated. Rather than such degradation, we must demand of ourselves, a full effort toward self-sufficient development.

This is the context in which India's national revival must be forged if that national revival is to meet with success and give to the people of our nation a rightful sense of human importance, accomplishment, and indispensability in the community of nations. The key task of the leadership that India needs now is to mobilize and harness this nation's resources for that great goal.

II. THE REAL HISTORY OF INDIA

The real history of modern India is the history of monetarism. The British East India Company which sub-

jugated India to its rule was merely the instrument of the great London banking houses of first the Barings and later the Rothschilds. These banking houses looked upon our nation as a source of loot and on our population as beasts of burden to be used for their ends. Company policy was to destroy India's industry in its infancy, to wipe out productive agriculture, to forcefully carry out the ruralization and impoverishment of the population, and to prevent at all costs the emergence of a national political leadership committed to the concepts of scientific humanism and progress. It was British monetarism which created the zemindari system, the parasitical structure of landlords, moneylenders, and tax collectors who looted the land and brought genocidal conditions of famine to the peasantry.

The destruction of the minds of the Indian people was the task of monetarism. At every point the British sought to reinforce and even create the most bestial forms of social backwardness embodied in the caste system, and to brutally control the Indian population by pitting one Indian against another.

For those of our intelligentsia who managed to pry themselves loose of casteism, the British monetarists deployed the counterinsurgent doctrine of Fabian socialism. Fabianism took two forms. On the one hand it was a doctrine which encouraged us to hold up our backwardness as an ideal in the struggle against British imperialism. On the other hand, Fabianism was used to cover with a veneer of progressivism an essential impotence—a vision of India as a land of cows and spinning wheels.

This is our history. The great struggle for independence will never really be won so long as our nation remains a backward subject of monetarist looting. The zemindaris and the maharajas are gone—but only to be replaced by the Birlas and their lesser brethren, the moneylenders, who prey upon the countryside. Pandit Nehru and those who fought the freedom struggle to put India on the path of modernization and industrial progress against monetarism, never succeeded in facing up to the task of rooting out the monetarist agents. Our Five Year Plans, while establishing the base of industry, never transcended their impotent Fabian outlook which proclaimed great goals but refused to dirty our nation's hands with the political struggle to gain them. The failure to carry out the destruction of monetarism and its agents and institutions in India was the basis for the downfall of the government of Indira Gandhi and will be the downfall of the present Janata regime which by its very nature as presently constituted can never carry out this task.

The Principles Of Indian Political Economy

We must choose between two paths. One is the path of monetarism, backwardness, ruralism, and the Gandhian vision of an India in simple poverty. The other is that of progress, of industry, the path Nehru put India upon but did not secure. The war for progress can only be fought with a clear understanding of our strategic objectives, of the vision of what India must become by the end of this century and the principles of Indian political economy that must be defended without quarter to reach that goal.

One. Modernize and Transform Agriculture

The present backward and unproductive state of Indian agriculture is a burden on our economy and a block to progress. In its place we must have a structure of modern production, with the introduction of scientific methods of farming, the use of new grains, fertilizers, and mechanization to advance yields and total production. The great Ganges plain, with massive construction of irrigation and water control systems, can become one of the greatest grain-producing regions of the world, ultimately acting as a center for export of grain and a lever for the transformation of the entire southern Asian region. The rural population, freed from the deadly grip of the landlord and the moneylender, can become an educated productive work force, provided with the material—housing, health care, electrification—and cultural living standard to enable it to become an industrial work force. Indian industry must be fully utilized to effect this transformation.

Two. Advance Heavy Industry

The heavy industrial base of our economy — the steel industry and related machine tool and capital goods industries — must be fully utilized, upgraded, and vastly expanded as the foundation for the transformation of agriculture and the progressive urbanization and modernization of the nation. India can rightly become, as it already promises to be, one of the world's great industrial nations.

Along with our steel industry, we already possess a great resource, largely underutilized, in our vast pool of technically skilled and scientifically trained personnel, from engineers to nuclear physicists. Our scientists must be put to work in every corner of the country to expand production, introduce more advanced methods of production and scientific thinking to the population. The expansion of our scientific work force and their education in the most advanced scientific ideas available is a priority of the national development.

Three. Expand Energy Production In All Areas

By the end of the century India will be producing energy at a rate equivalent to that of the most advanced economies today. Without this growth of net energy production there can be no growth and India will remain a backward area of the world economy. Without new sources of energy our agriculture will remain dung-based, and our industry tiny in proportion to our needs.

India's energy future lies in the production of nuclear energy, both fission (including advanced breeder and other technologies) and controlled thermonuclear fusion which will, by the 1990's, be the major new energy source for the world. A shift to fusion energy requires a massive expansion of existing plans for nuclear power plant construction, a high rate of investment in nuclear power and research and development efforts. Our scientific personnel in this field, in international cooperation with the Soviet Union and others advanced in this area, must be upgraded to the highest level of scientific competence

now available, preparing India to move in pace with the rest of the world into the fusion economy. All other forms of energy production must be maximized simultaneously, including development of domestic petroleum production, hydroelectric power, and thermal power, particularly coal. In the latter case new technologies of more efficient coal power generation—called MHD—now coming on line in the Soviet Union should be immediately put into place here.

These three principles are the minimum condition for progress. Support for them is the litmus test of Indian patriotism. All those who profess any other goal, who talk of agriculture over industry or 'native technologies' over advanced technology are traitors and agents of monetarism who must be driven out of our body politic and our economic and social life.

We will regard all those who work hard, who utilize to the fullest their intellectual and other powers of productive labor for this advance of the nation. The industrial entrepreneur who strives to expand production, who looks to accumulate profit in terms of providing a surplus for reinvestment in productive growth, will be rewarded. The industrial worker who strives to assimilate new skills and advance his education and cultural level so as to be of greater benefit to the growth of the nation, will be rewarded. The farmer who introduces

scientific methods of farming to increase production will be rewarded. The scientist and technical worker who contributes his fullest intellectual efforts to advancing new methods of production and to assimilation of those methods by the greater population, will be rewarded. The administrator and civil servant who work hard to facilitate this process will be rewarded. The political leader who mobilizes our population to these great tasks of progress and production will be followed and trusted for his leadership.

We will just as ruthlessly punish those who sit back to profit from the hard work of others, who contribute nothing and who in fact hold back the nation from its tasks at hand. The Birlas and their ilk who only loot from production, who steal from the advances made by others including industrialists, who bribe and blackmail their way into political power, will be pursued without mercy. The landlord, the moneylender, the corrupt administrators and civil servants who prey upon Indian life on all levels, will be sought out and destroyed.

The principle is that competence and productive labor will be rewarded. But we will declare war on parasitism, monetarism, and backwardness. On that basis—the basis of our three principles of political economy—we will mobilize Indian patriots to transform India as we transform the world.

(To be continued)

Panama Canal Treaty Controversy: Chance For Anti-Monetarist Foreign Policy

The gala signing of two new treaties and a protocol on the Panama Canal in Washington on Sept. 7 was intended to mark a triumph for Jimmy Carter's "more understanding" policies toward Latin America. In the presence of 26 Latin American heads of state or high officials, Carter and Panamanian chief of state Gen. Omar Torrijos signed treaties which authorize the progressive elimination of U.S. managing personnel and military units from the Canal until, on Dec. 31, 1999, the Canal would become "wholly Panamanian."

Behind the gala is a scenario worked out by Rockefeller think-tanks and employing media manipulation since January parading James Earl Carter as the "friend of Panama's legitimate aspirations" — while planted defects in the treaties bring domestic turmoil to both the United States and Panama.

But Latin American leaders and conservative leaders in the United States, most notably Ronald Reagan, have attacked the two fundamental, interrelated defects of the treaties — "limited sovereignty" for Panama and the lack of any program for the real economic development of the region — in a fashion which threatens far more than the treaties. If pro-development leaders in Latin America respond positively to the challenge for a real development strategy outlined by Reagan this past week, and the conservatives, at the same time, jettison "we bought it" jingoism and paranoia about "communist infiltration," the potential exists for a broadbased formulation of anti-monetarist foreign policy objectives which could transform the American scene and open the way for the creation of a community of economically viable, sovereign American Republics as envisioned by America's greatest Federalist and Whig statesmen of the 19th century. Ultimately, that would be the only guarantee of the "security" demanded by the conservative forces.

The Treaties

The first treaty, entitled simply "Panama Canal Treaty," establishes "primary" United States responsibility for defense until termination of the treaty, and economic transfers to Panama that may total \$50 to \$60 million annually. The United States would also maintain primary responsibility for operating the Canal, through a new Panama Canal Commission made up of five U.S. nationals and four Panamanian nationals.

Reagan: Treaties No Substitute For Economic Development

The following are excerpts from the testimony of Ronald Reagan before the Senate Judiciary Subcommittee on Separation of Powers Sept. 8.

...The fact is we do not now have a coherent policy towards our Western Hemisphere neighbors. And we should, because, over the next few decades, our continued prosperity, possibly even our survival, will be closely linked to that of our neighbors within this hemisphere. I do not believe these (new Panama Canal) treaties are a substitute for such a policy...

Some of our neighbors need aid we are in a position to give. With others, the need is for increased technology and trade; and with some, unhindered access to capital for needed development. Once our government recognizes that we must all sink or swim together, maybe we'll stop some of our self-defeating practices. It is self-defeating to throttle a nation's ability to obtain capital because it doesn't run its internal politics precisely as we would like...

Contrary to what has been implied about my own position, I do not believe that in rejecting these treaties we should simply demand the status quo and not seek answers to problems regarding our relations with the people of Panama... There are alternatives (to the treaties) that we should examine... The proposed treaties call for an increase of the money we pay annually from \$2.3 million to an average income from canal operations of as much as \$80 million. There is no assurance this would benefit the Panamanian people. A modernization program — the Terminal Lake third lock plan could definitely help the people. It would take approximately ten years in the building and cost between one and two billion dollars. We could make certain that Panamanian workers and contractors were engaged extensively in the program which would directly benefit the people and economy of Panama. Such a modernization of the canal would make it capable of handling all but a possible few supertankers.

Crane: Banks Want Treaty

The following is part of an op-ed column by Philip Crane (R-Ill), appearing in the Washington Post, Sept. 13, 1977.

One supporter of the treaties... is the U.S. banking community. Since they have huge sums of money in loans obligated to Panama, they cannot afford to oppose the treaties. Under Gen. Omar Torrijos, Panama's national debt has grown from \$167 million to \$1.5 billion. The debt service alone will consume 39 percent of that country's budget this year. Panama's Department of Planning indicates that to refinance loans coming due, together with the \$139 million deficit, a total of \$323.6 million will be required...

The second treaty, "Concerning the Permanent Neutrality and Operation of the Panama Canal," establishes joint U.S. and Panamanian responsibility for guaranteeing that the Canal "remain permanently neutral" and open to the passage of ships of any nation, including warships, "in time of peace and in time of war."

The accompanying protocol, known as the Declaration of Washington, "associates" its signers with "the objectives" of the two treaties and in particular, the sections guaranteeing the neutrality of the Canal.

Sovereignty Issue

At the treaty signing, Mexico led off Latin mutiny against the "limited sovereignty" features of the treaties. Mexican Foreign Minister Santiago Roel, on the explicit instructions of Mexican President Jose Lopez Portillo, refused to sign the protocol until a paragraph was inserted thanking Carter and Torrijos "for having initiated the steps which will lead to the full sovereignty of the Panamanian Republic over the totality of its territory."

The section which roused Mexico's concern was a paragraph stipulating that the U.S. will "maintain the regime of neutrality... notwithstanding the termination" of any other treaties — that is, beyond 1999. This license to unilateral intervention was underscored by Carter himself in remarks at the signing ceremony, when he stated that "the U.S. will be able to counter any threat to the Canal's neutrality and openness for use."

Mexican liberal columnist Jorge Aymani elaborated the basis for Mexican opposition Sept. 9. "It is evident," he wrote, "that... the treaty signing ceremony has been intended to institutionalize the principal of conditional sovereignty as the solution to other continental problems now heating up."

Foreign Minister Roel called a special press conference the day before the signing to blast the "police persecution" features of Carter's recently announced policy on "illegal aliens" — principally Mexican workers in the United States. The illegal aliens issue is "Mexico's Panama Canal," Roel stated. "We do not want to be bothered with it; is that clear?"

A parallel rebellion against the "sovereignty" features

of the accords was undertaken by Brazil, whose chief of state, like Mexico's, boycotted the signing of the Canal treaty. Brazil assailed a provision of the protocol which was to have provided an Organization of American States guarantee of the "neutrality" of the Canal. According to Brazilian foreign ministry sources quoted in the Rio de Janeiro daily *O Globo*, Brazil insisted that such defense questions were at best a U.S.-Panama affair.

"Two Kinds of Truth"

The following are excerpts from the remarks made by President Carter and Gen. Omar Torrijos Herrera at the signing of the Panama Canal treaties.

President Carter

...Under these accords Panama will play an increasingly important role in the operation and defense of the canal during the next 23 years, and after that the United States will still be able to counter any threat to the canal's neutrality and openness for use.

General Torrijos

...Esteemed President Carter, there are two kinds of truth. The plain truth and the pleasant truth. On behalf of plain truth, I want to say to you that this treaty that we will sign shortly and which terminates the one which no Panamanian ever signed does not have the total support of our people because the 23 years agreed upon as a transition period means 8,395 days during which time the United States military bases will remain, turning my country into a possible strategic target for reprisals. Also, we have agreed upon a neutrality treaty that places us under the Pentagon's defense umbrella — a treaty which if not administered judiciously by future generations could become an instrument of permanent intervention.

Nevertheless, what has been agreed upon is the result of an understanding between two leaders who believe in the peaceful togetherness of their people and who have the courage and the leadership to face their people with no weapon other than the truth and their deep conviction of what is fair. A plebiscite will be the method of ratification in Panama; more than a plebiscite, it will be the purest civic exercise in the political history of the republic. Ratification in this country will depend on a Congressional consensus.

My dear friends in the Senate, in bidding farewell I remind you of the thought of a great man, which is more valid today than ever before. It was Abraham Lincoln who said, and I quote, "A statesman thinks of the future generations, while a politician thinks of the coming election." I return to my country convinced that the future of our relations rests in the hands of excellent statesmen.

This represents an astonishing reversal of traditional Brazilian policy, which has favored "pan-americanized" U.S. policing efforts. Brazil took a conspicuous leadership role in the 1965 OAS intervention into the Dominican Republic.

The Mexican and Brazilian moves were clearly made with broader Latin American backing. Though anxious to see the treaty passed so as to minimize the danger of provocations and violence, Torrijos himself warned, in careful and effective comments during the signing ceremony (see below), that the neutrality treaty "places us under the Pentagon defense umbrella — a treaty which, if not administered judiciously by future generations, could become an instrument of permanent intervention."

The Reagan Move

GOP leader Ronald Reagan, in testimony to a Senate sub-committee (see box) Sept. 8, pinpointed precisely the most fundamental defect of the Canal Treaty: no provisions for serious economic development of the region. Calling for a "coherent policy" of U.S. exports of capital and technology to all of Latin America, the former California Governor suggested that specific development projects for Panama place prime emphasis on developing Panamanian labor experience and skills.

Reagan in later days hinted at the need to forestall monetarist control of Panama which would mean debt collection instead of development. As reported in the Sept. 12 edition of the *Boston Globe*, he charged that "powerful U.S. banking interests are promoting the ratification of the U.S.-Panama treaties, to protect their own investment... Almost one half of the Panamanians' government revenues go to meet investment payments on bank loans to the country made by U.S. financial institutions. Two banks — Chase Manhattan and Marine

Midland — are heavily involved in the Panamanian economy."

Conservative spokesmen Sen. Orin Hatch (R-Utah) and Congressman Phil Crane (R-Ill. — see box) have hammered at this theme together with Reagan over the past week.

However the weakness of the conservative position — jingoistic denial of Panamanian sovereignty and hysteria over alleged danger of "Communist takeover" in Panama — was evident not only in sections of Reagan's presentations but in more virulent form in newspaper op-eds by anti-treaty Senators Strom Thurmond (D-South Carolina) and Jesse Helms (R-North Carolina).

The standard conservative characterization of Torrijos reflected by these spokesmen is that of a "tin horn dictator," an unpopular tyrant who violates human rights at home and who would turn over the Canal to the Cubans and the Soviets if he ever got hold of it.

There is little to back up these charges. Torrijos would appear far from unpopular. Over 100,000 Panamanians rallied in the streets of Panama City the night that he returned from the treaty signing, and all indications are that the treaties will be overwhelmingly ratified in an upcoming national plebiscite.

And the "proof" most often cited by U.S. conservatives regarding Soviet influence — the recent visit of a high-level Soviet trade delegation to Panama to discuss increased commercial ties — is in fact exactly the sort of cooperation that can guarantee the continued sovereignty and security of the region. It is a well-known if ironic fact that it has been Fidel Castro, more than any other Latin American leader, who has constantly counseled Torrijos to solve the Canal question diplomatically without resorting to force.

Extracts From Panama Canal Treaties

The following are extracts of the Panama Canal Treaty, a treaty on the neutrality of the Panama Canal and a protocol to the neutrality treaty, signed on Sept. 6 in Washington by the United States and Panama.

Panama Canal Treaty

Article I (2)

In accordance with the terms of this Treaty and related agreements, the Republic of Panama, as territorial sovereign, grants to the United States of America, for the duration of this treaty, the rights necessary to regulate the transit of ships through the Panama Canal, and to manage, operate, maintain, improve, protect and defend the canal. The Republic of Panama guarantees to the United States of America the peaceful use of the land and water areas which it has been granted the rights to use for such purposes pursuant to this Treaty and related agreements.

(3)

The Republic of Panama shall participate increasingly in the management and protection and defense of the Canal, as provided in this Treaty.

Article II *Ratification, Entry Into Force,* *and Termination* (1)

This treaty shall be subject to ratification in accordance with the constitutional procedures of the two parties. The instruments of ratification of the Treaty shall be exchanged at Panama at the same time as the instruments of ratification of the Treaty concerning the Permanent Neutrality and Operation of the Panama Canal, signed this date, are exchanged. This treaty shall enter into force, simultaneously with the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, six calendar months from the date of the exchange of the instruments of ratification.

(2)

This treaty shall terminate at noon, Panama time, December 31, 1999.

Article IV

(2)

For the duration of this treaty, the United States of America shall have primary responsibility to protect and defend the canal. The rights of the United States of America to station, train and move military forces within the Republic of Panama are described in the agreement in implementation of this article, signed this date. The use of areas and installations and the legal status of the armed forces of the United States of America in the Republic of Panama shall be governed by the aforesaid Agreement.

Treaty Concerning the Permanent
Neutrality and Operation
of the Panama Canal

Article II

The Republic of Panama declares the neutrality of the

Canal in order that both in time of peace and in time of war it shall remain secure and open to peaceful transit by the vessels of all nations on terms of entire equality, so that there will be no discrimination against any nation, or its citizens or subjects, concerning the conditions or charges of transit, or for any other reason, and so that the Canal, and therefore the Isthmus of Panama, shall not be the target of reprisals in any armed conflict between other nations of the world...

Article IV

The United States of America and the Republic of Panama agree to maintain the regime of neutrality established in this Treaty, which shall be maintained in order that the Canal shall remain permanently neutral, notwithstanding the termination of any other treaties entered into by the two contracting Parties.

Article V

After the termination of the Panama Canal Treaty, only the Republic of Panama shall operate the canal and maintain military forces, defense sites and military installations within its national territory.

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