

Oct. 25, 1977
Vol. IV
No. 43

EXECUTIVE INTELLIGENCE REVIEW

New Solidarity International Press Service

five dollars

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EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1922 GPO New York, N.Y. 10001

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Executive Intelligence Review is published by NSIPS, P.O. Box 1922 and printed by Campaigner Publications, Inc., 231 W. 29th Street, New York, N.Y. 10001

Single issue price: \$5.00 (U.S.)

Subscriptions by mail: \$225 for 1 year (52 issues)

\$115 for 6 mos., \$60 for 3 mos.

Address all correspondence to: Campaigner Publications, Inc. P.O. Box 1922, GPO New York, N.Y. 10001

Printed in USA

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IN THIS WEEK'S ISSUE —

The dramatic rescue in Somalia dominated the world's headlines this week... now we tell you the story behind the headlines... the controlling British hand behind the terrorists in Europe, Japan, and around the world... how a Franco-West German alliance with East Bloc and other powers, against Britain, was crucial to the victory at Mogadishu... including a day by day chronology of the hijacking story, contrasting what the Anglo-American press told you with what really happened... an analysis of the nuclear energy policy corollary of the Europeans' war on terrorism... a revealing press survey, and more... all in this week's **INTERNATIONAL** report.

* * *

The same world constellation of forces responsible for the terrorism wave is "very eager to eliminate Carter from the White House... in favor of Vice-President Mondale," charges U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. ... in a feature report to this week's **NATIONAL** section... Our **Congress coverage** takes a hard look at how this

pressure on Carter hits on the energy issue.. and, coming from the other direction, the demand for a high-technology energy program... to weigh the prospects of a Carter-Congress energy deal... plus a detailed survey by the U.S.

national mobilization for congressional action on a vastly expanded nuclear energy program... and a report on Averell Harriman's role in steering the still officially unacknowledged White House foreign policy shift...

* * *

The Labor Party is proposing to spend \$100 billion on energy development... but so are Nelson Rockefeller, Abraham Ribicoff, and many others... the question is how to spend those billions... and the lead of this week's **ENERGY** report shows that the question of "hard" and "soft" technologies... determines whether it's money well spent or thrown away... Also featured: the full text of the Labor Party's proposed **Emergency Energy Financing Act**...

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
SCIENCE TECHNOLOGY
COUNTER INTELLIGENCE
EUROPE
MIDDLE EAST
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PRESS

Scientists are developing a method that could mean a **revolution in detecting** — and perhaps **eliminating** — **cancer**... or were developing it, until the government **cut off funding** to the project... in favor of **“Nader’s raiding”** against industry... see **SCIENCE AND TECHNOLOGY**...

* * *

Speaking of Naderites, **did you know** that top environmentalist **“authority” Barry Commoner**... who gets **millions in funding** from the **government and foundations**... is an open and long-time **collaborator** with the **ugliest terrorist outfits** in the country?... see **“Barry Commoner: Where Science Meets Terrorism,”** in **COUNTERINTELLIGENCE**... And speaking of terrorists, **what ever happened** to the Chicago Seven’s **John Froines**?... and that fellow who wrote the **Rand Corporation’s “predictions” of nuclear terrorism**?... Answer: they, and a host of other **terrorist-environmentalist stormtroops**, are now working in **top positions** in energy

czar **Schlesinger’s aparat**... for a sampling, see **COUNTERINTELLIGENCE**...

* * *

While the New York financial community **sits on its (dwindling) assets**... the London banks are **making the “big grab”**... for control of world petrodollars... This **could mean a panic** that would **destroy the dollar**... and **soon**... warns our **ECONOMICS** report...

* * *

Conservative publisher **William Loeb** needs **a lesson in basic political economy**... and gets it from Labor Party leader **LaRouche**... in an **“Open Letter”** on the **difference** between **‘free enterprise’** and **‘capitalism’**... that will **surprise** anyone who’s still operating in the old **“left”-“right” categories**... in **PRESS** this week... together with the **inside dirt** on the rebellion against **British propagandist Rupert Murdoch’s “malevolent despotism”** at the **New York Post**...

International War Against Terror; Economic Cooperation To Follow?

The highly efficient West German commando raid at the Mogadishu Airport in Somalia against the British-controlled Baader-Meinhof terrorist gang was the result of a carefully coordinated counterterror offensive planned by the French and West German governments with the full backing of the Soviet Union and other Eastern European governments. Despite the contrary press accounts in the *Washington Post* and *New York Times*, it was this de facto international alliance, forged during the intense period of the hijacking, which enabled Chancellor Helmut Schmidt's hardline policy against the terr

This hardline policy represents a virtual declaration of war against the British-controlled forces of terrorism — a necessary war in which some have been killed. By not capitulating to any of the terrorist demands, the pilot of the Lufthansa airliner in Mogadishu was killed, and within hours of the successful commando operation, French police found the body of West German industrialist Hanns-Martin Schleyer in Mulhouse, a town on France's eastern border.

The Franco-German command is now fully and publicly committed to waging a total war against British-controlled terror — which the City of London financiers and their Lazard Freres allies in the U.S. have long used as an "irregular warfare" capability against London's political enemies. Speaking at a press conference following the announcement of Schleyer's death, West German government spokesman Klaus Bölling stated that following Schleyer's death, measures previously ruled out by West German authorities will immediately go into effect. While Bölling was making this policy known, West German TV was showing pictures of eight at-large terrorists the government is targeting for counterterror operations.

The Appropriate Policy Option

Over the past week, forces particularly grouped around the Giscard government and French intelligence services have come increasingly to share the view of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. that any effective counterterror effort must be predicated on high-profile public commitments by relevant governments to push forward global nuclear energy policies no matter how many terrorists and environmentalists are set loose by Messrs. Jenkins, Healey, McNamara, and Schlesinger.

Addressing the implications of such a policy for the U.S., LaRouche issued an appeal Oct. 16 from Wiesbaden, West Germany to President Jimmy Carter to

"cut the U.S. government off from all appearance of sympathy with international terrorists by publicly repudiating environmentalism and drug decriminalization proposals, and by endorsing immediately Senator Russell Long's proposal for the establishment of an energy development corporation as the vehicle for promoting global energy development. Any government which supports the British government proposals will be considered as in political alliance with the criminal terrorists."

French government circles are already viewing the British intelligence terrorists as "war criminals" and are considering a policy of mandatory execution of all captured terrorists. Such a policy in fact reflects the current reality of the British actions. On Oct. 15, French police arrested three terrorists — Vincenzo Scaccia, Mario Protte and Kamel Amara — in the Seine-et-Marne departement. In the raid, police confiscated: lists of political leaders in Europe along with detailed biographical profiles, reflecting an obvious "hit list" like the Baader Meinhof list that included the murdered banker Jürgen Ponto and the kidnapped Schleyer; detailed plans for raids on eight Paris banks; similar plans for attacks on the central radio stations in the Paris area. On the basis of this confiscated material, French police are now conducting massive search and seal operations for other terrorist plotters.

The Japanese government has also shifted to an appropriate policy orientation towards the wave of terrorism that has been thrown against that nation in the past two weeks. Following the Oct. 15 hijacking of a crowded bus in Nagasaki by members of the Japanese Red Army "Suicide Squad," the Fukuda government deployed special antiterrorist troops in a raid on the bus that resulted in the killing of one terrorist, the capturing of another, and the freeing of the hostages with only a few injuries.

Two weeks ago, the government had paid Red Army terrorists, who had hijacked a Japan Airlines jet, several million dollars ransom and had not forced a showdown — reportedly under advisement from British sources.

British Sabotage Effort

Throughout the entire hijacking, forces directly and indirectly connected to British networks attempted sabotage of the commando rescue. (See accompanying chronological grid.)

Part of the overall sabotage operation was London-connected Israeli forces who, by monitoring radio communications, intercepted the West German commando



BRITISH REIGN OF TERROR

Oct. 13 Four terrorists seize Lufthansa jet on **Majorca-Frankfurt** flight, taking 87 hostages and heading for **Rome**.

Oct. 13 British-linked Italian Interior Minister Cossiga allows hijacked plane to refuel and take off from **Rome**, despite pleas from W. German government.

Oct. 13 Plane lands in **Larnaca** in the former British colony of Cyprus. Under British influence controllers refuse to allow W. German commandos to land at Larnaca until hijacked jet is refueled and safely air-borne.

Oct. 14 Jet lands in **Bahrain** where hijackers demand the release of 11 jailed German terrorists and two Arabs in Turkey. Plane flies to **Dubai**, United Arab Emirates.

Oct. 16 British military advisors in **Dubai** who have stalled W. German

counter-terrorist action, tip off terrorists to imminent attempt to capture plane.

Oct. 16 Plane lands in **Aden**, S. Yemen, despite gov't refusal of permission to land. Terrorists murder jet's captain, and depart for **Mogadishu**, Somalia.

Oct. 18 With full cooperation of Somali government, and despite last minute sabotage attempts by British-linked Israeli intelligence in **Tel-Aviv**, West German commandos successfully free plane in **Mogadishu**, killing 3 terrorists.

Oct. 18 Three German terrorists, including Andreas Baader, were reported suicides under suspicious circumstances in the maximum security prison in **Stuttgart**.

Oct. 18 British controlled Autonomi terrorists attack W. German embassy in **Rome**, riot in **London**, **Genoa**, protesting Baader suicide.

unit's communiqués with the Greek and Somalian authorities. These communiqués, reporting the travel route of the commandos, were then picked up on the U.S. Armed Forces network, playing right into the plans of the saboteurs.

The reaction within propeace Israeli circles to this obvious sabotage effort was strong: the mayor of Jerusalem, Teddy Kollek, has filed a suit against the Israeli Ministry of Communications.

However, in the aftermath of the successful Mogadishu counterterror operation, renewed British-instigated violence has hit Western Europe.

On Oct. 15, in Rome, the British Tavistock Institute's anarchist Autonomi mobs were set loose in a riot that resulted in the destruction of the Christian Democratic (DC) Party's National headquarters and extensive looting and burning of nearby buildings. It is known that DC headquarters is one of the most tightly guarded buildings in Italy — a fact which points towards inside police or Justice Ministry collaboration. Any such action

reflects the British Intelligence penetration into the Italian government ministries that dates back to the Mussolini project of Churchill's British Intelligence circles.

Issues Of The War

By defining the battleground against terrorism, the Europeans are, in fact, publicizing their commitment to the objectives of securing global peace, especially in the Mideast, and of the establishment and expansion of nuclear energy and the development of a financially sound world monetary system. In effect, the surrogate warfare carried out by British monetarist networks against nuclear development and Mideast peace through the use of terrorism, and the counterthrusts by prodevelopment forces in Europe and the United States is what is determining the world strategic situation.

It is by no means a secured situation. Depending upon the depth of Soviet and East Bloc cooperation in this fight and the willingness of forces in the U.S. to also fight for these policy objectives, the war against the City of London and her Wall Street allies will remain dangerously in flux.

Underscoring the nature of the relationship between France and West Germany was West German Federal President Walter Scheel's nationally televised speech Oct. 18. Scheel directed his remarks not only at the terrorists, but also at the controllers: "You have failed. This is your last chance to give up. You know that you have been rejected by *both East and West*. Give yourself up."

Scheel's statement was backed up by Chancellor

Schmidt, who not only thanked the countries directly involved, such as Somalia, but also thanked Eastern European governments, especially for the "active help" in stopping the terrorists. Just prior to the commando raid, East German party leader Hoffmann went to South Yemen to pressure the government there to force the hijackers to leave the capital city of Aden and go onto Somalia, where the commando operation was scheduled to occur.

In France, Gaullist leader Alexandre Sanguinetti declared that it will take a "political and military battle

to defeat the scourge of terrorism." Sanguinetti, an intimate advisor to General de Gaulle, was key in defeating the British-backed, fascist Secret Army Organization terrorists in the early 1960s.

Even more significantly from the standpoint of the British control of the international terror, the Soviet Union government daily, *Izvestia*, ran an article Oct. 15 claiming that the Japanese Red Army operation was run in part out of the Peoples Republic of China. The article derided as fraud the group's claims that they were "fighting Japanese imperialism."

The Hijacking And Rescue

What Really Happened

Thursday, Oct. 13

Lufthansa Flight 181 enroute to Frankfurt from the Mediterranean island of Majorca is hijacked at 2 p.m. by four terrorist professionals who boarded the plane with no identification, armed with heavy handguns and grenades. Such a procedure is highly unusual, particularly in light of the fact that three of the terrorists were Baader-Meinhof gang members released from a West German prison in 1975 in exchange for kidnapped Christian Democratic Mayor of West Berlin Peter Lorenz. The four terrorists had boarded the plane without any intervention by Majorca security officials, whose operations are known to be tainted with British personnel and influence.

The terrorists order the Lufthansa jet pilot, Captain Schumann, to divert the flight from Frankfurt and demand landing authorization from the control tower at the Rome Airport in Fiumicino. The plane lands at 3 p.m. on a runway cordoned off by Italian troops.

West German Chancellor Helmut Schmidt's all-party crisis staff is alerted to the landing of the hijacked airplane at the Rome Airport. The fact that the terrorists are all members of the Baader-Meinhof terrorist gang confirms speculation that the skyjacking is linked with the abduction by Baader-Meinhof terrorists of West German industrialist Hanns-Martin Schleyer, six weeks ago.

West German Interior Minister Maihofer immediately contacts Italian Interior Minister Cossiga to coordinate plans for detaining the hijackers at the Rome airport by whatever means, including shooting the tires, until a specially trained antiterrorist commando team can be rushed to the scene. Cossiga, a known agent of British intelligence, flatly refuses but "covered his tracks" by issuing orders to the airport control tower to stall the plane's takeoff two minutes after the jet took off without control tower authorization.

There is evidence that the plane, refueled by airport officials under the threat that the jet would be blown up with all the passengers on board, took off immediately after the terrorists received a tip that the special West

As The New York Times Tells It

The following is excerpted from The New York Times, Oct. 19 edition.

Thursday, Oct. 13

Lufthansa Flight 181 takes off about 2 p.m. (9 a.m., New York time) from Palma for Frankfurt.

A few minutes after takeoff, three men and a woman get up from their seats, threaten the flight attendants and rush into the pilots' compartment brandishing revolvers.

Lufthansa and West German authorities learn of the hijacking a little later when the airliner's radio operator, the terrorists' guns pointed at him, informs the control tower of Rome International Airport at Fiumicino that the flight has been diverted, and requests authorization to land.

Italian aviation and police officials quickly consult with West German authorities by telephone and telex, and an international hijacking alert is called under long-established procedures.

The Rome airport is closed off for all international and domestic traffic...

In Bonn, Chancellor Schmidt's "crisis staff," an all-party group that had been consulting with the government for several weeks on the fight against terrorism, is alerted. Some officials suggest that the hijacking may be connected with the abduction of Hanns-Martin Schleyer, president of the West German employers and industry federations, who was seized by urban guerrillas.

West German officials plead with Italian Interior Ministry officials in Rome by telephone that the hijacked plane be prevented from leaving. Airport authorities make some attempts at stalling, but agree to refuel the aircraft when the hijackers say refusal will cause them to blow it up with all people aboard.

At 5:50 p.m. the hijacked airliner takes off without control tower authorization and flies eastward. The Lufthansa operations center in Frankfurt reports the airliner is on its way to Cyprus, and Bonn urgently requests the Government of Cyprus to attempt to keep the aircraft on the island until a special West German commando unit is flown there.

...What Really Happened

German antiterrorist team, GSG-9, was on its way to the Rome airport.

The hijacked jet heads for the former British colony of Cyprus and lands at Larnaca Airport at 8:28 p.m. The West German government requests that the special GSG-9 team be given landing rights at the Larnaca Airport. The Cyprus government, advised by British officials, denies the request, forces the plane to touch down at an airport 50 miles away, and only permits a landing at Larnaca after the Lufthansa jet had taken off. Even then, the Cyprus authorities demand advance warning of any action planned by the West German squad — tantamount to telling the terrorists and their controllers when the antiterrorist squad will attack.

Friday, Oct. 14

The hijacked Lufthansa lands in Bahrein for refueling, and here issues their demands for the release of eleven terrorists from West German jails, including Baader-Meinhof gang head Andreas Baader, and two Palestinians jailed in Turkey, in exchange for the lives of the passengers. They set a deadline of 9 a.m. Sunday.

Liberation, a proterrorist French weekly controlled by Ernest Mandel's Fourth International organization, receives the Schleyer kidnappers' ultimatum that the industrialist will be murdered at the same time if the imprisoned terrorists are not freed and a \$15 million ransom is not delivered, according to instruction, by the West German government. In the past *Liberation* has often been used to relay terrorist ultimatums, and in fact has been one of the principal conduits in Western Europe for the past 6 months of terrorist destabilizations.

The hijacked airline leaves the former British colony of Dubai in the United Arab Emirates. Dubai is still a base for British SAS and other covert operations in the Middle East, and its government is virtually run by British "military advisors" assigned to every government minister and military official.

The closed Dubai airport is opened for the terrorists at 5:51 a.m., but landing rights are refused to the West German commando team, forcing it to land in Ankara, Turkey. Schmidt dispatches crisis staff representative Hans-jürgen Wischnewski, accompanied by officials of the West German Federal Criminal Office, to negotiate with the Dubai government and the terrorists. Two British officers intervene in the negotiations, which reportedly later worked out plans for a commando attack by Dubai security officials.

Saturday, Oct. 15

British officials continue to sabotage negotiations in Dubai for release of the terrorists' hostages.

The West German commando team is ordered back to West Germany.

Sunday, Oct. 16

The 9 a.m. deadline passes without incident both in Dubai and in Europe, where the Baader-Meinhof terrorists are holding industrialist Schleyer.

...As The New York Times Tells It

At 8:28 p.m., the plane lands at Larnaca airport. The terrorists demand 11 tons of fuel and permission to take off. As in Rome, the local authorities first try to gain time. At 10:47 p.m., a representative of the Palestine Liberation Organization, Saharia Abdul Rachim at the request of the Government of Cyprus, appeals to the hijackers to release the women and children at least.

Meanwhile, a West German Boeing 727 with 20 members of Border Protection Group Nine, a special antiterrorism commando unit, and some technical specialists on board land at the airport of Akrotiti, 50 miles from Larnaca.

The hijacked jetliner takes off at 10:50 p.m., and the Government of Cyprus permits the commando plane to fly from Akrotiri to Larnaca on condition that none of the armed West German troops leave the plane and no action is taken without previous authorization by the authorities.

Friday, Oct. 14

The hijacked aircraft.. heads toward Bahrain...

The hijackers inform the West German Government that they will spare the lives of all people on board in exchange for the release of 11 terrorists in West German prisons and two Palestinians in a Turkish jail...

Later, newspapers in Paris receive a letter threatening to kill Schleyer and all their hostages if the imprisoned terrorists are not freed and a \$15 million ransom delivered by the BRD gov't.

At 3:24 a.m. the hijacked airliner takes off from Bahrain and heads for Dubai in the United Arab Emirates. But the Dubai airport is quickly closed, and the terrorists order the crew to circle over the Persian Gulf country. At 5:51 a.m., the liner lands with fuel left for only a few more minutes flying.

Officials of the United Arab Emirates start negotiations with the terrorists.

In Bonn, the government and the "crisis staff" are in session most of the day. Chancellor Schmidt trouble-shooter, Mr. Wischnewski, to fly to Dubai to participate in the negotiations...

Security specialists and police officers travel with Mr. Wischnewski. They arrive in Dubai at 11:55 p.m.

Meanwhile, the Boeing 727 with the West German commandos has flown from Cyprus to Ankara.

Saturday, Oct. 15

Inconclusive negotiations with the hijackers go on in Dubai all day...

The Boing 727 with the West German commandos aboard is ordered back to West Germany from Ankara. It arrives in Cologne in the evening.

Mr. Wischnewski denies rumors that Bonn is considering a solution by use of force...

Sunday, Oct. 16

The 9 a.m. deadline set by the terrorists passes but nothing happens. At noon, the hijacked airliner takes off

...What Really Happened

At noon, the terrorists, tipped off to plans for a commando raid on the hijacked jet, order the pilot to leave the Dubai airport. The plane lands in Aden, South Yemen at 4 p.m.

The entire Gulf of Aden region has been kept destabilized for weeks by British-run operations. On Oct. 11, the President and the Chief of General Staff of North Yemen were assassinated on the eve of their scheduled visit to South Yemen to conclude negotiations for the reunification of the two countries.

The South Yemen government had earlier denied landing rights to the terrorists; Captain Schumann brings the plane down on a sandstrip next to the runway in an effort to damage the plane's landing gear. Later in the day, the terrorists murder the captain.

Permission to land the plane in South Yemen was arranged through the diplomatic intervention of East Germany. This is the first of several significant interventions by East Bloc nations to back up West German plans to effect the release of the hijack victims. Part of the agreement arranged by the East German government between West Germany and the Marxist government of South Yemen is for no concession to be made nor negotiations to be carried out with the terrorists.

Schmidt is in consultation with President of France, Prime Minister Callaghan of Britain, and President Carter of the U.S.

That evening, the French government of Giscard d'Estaing offers the Schmidt government of an airport in the former French colony of Djibouti, where the terrorists could be forced to land. A former French paratrooper general who served in the Horn of Africa region offers to provide the Schmidt government with detailed plans of the airport and to advise the crisis government team on alternative attack plans.

Monday, Oct. 17

The hijacked jet leaves South Yemen at 1 a.m. and arrives at Mogadishu airport in Somalia at 4:35 a.m. A new deadline of 3:30 a.m. Tuesday is set.

Schmidt and his representative Wischnewski, now in Somalia, immediately begin negotiations with the Somali government of General Siad Barre. The governments of France, East Germany, the Soviet Union, and the U.S. also apply diplomatic pressure on Barre to cooperate with West Germany and withdraw his offer of asylum to cooperate with the terrorists. Significantly, East German Defense Minister Hoffmann is in South Yemen at this time.

In contrast to the European press endorsement of the action taken by the Schmidt government at this time, particularly on the pages of the French daily *Le Figaro*, U.S. and British press are disseminating disinformation. These newspapers fail to report on the importance of East Bloc diplomacy.

East German Foreign Minister Kurt Fischer offers West German Foreign Minister Genscher any diplomatic support needed before he flew to Somalia to aid in negotiations there. The Soviet Ambassador to Bonn

...As The New York Times Tells It

from Dubai airport and after another seemingly aimless four-hour flight lands in Aden, South Yemen, despite a refusal by the local Government to give it permission...

Later in the day, the terrorists murder the captain...

Monday, Oct. 17

The hijacked Boeing 737 takes off from Aden at 1 a.m. and arrives at Mogadishu at 4:35 a.m. ...

Later in the morning, Mr. Wischnewski's special plane arrives in Mogadishu from Dubai.

In Bonn, Chancellor Schmidt calls Somalia's President Maj. Gen. Mohamed Siad Barre,... explains that the 11 terrorists in West German prisons are guilty of many crimes and could be expected to commit more if they are set free.

In Mogadishu, Mr. Wischnewski calls on the President and pleads with him to allow West German commandos to attack the hijacked plane.

Meanwhile, United States, British, French and other diplomats are active in Middle East and African capitals to back up the West German effort to resolve the hijack case by use of force if necessary. In Saudi Arabia, a leader of the conservative opposition in West Germany, Franz Josef Strauss, who is there on a visit, urges King Khalid and Crown Prince Fahd to help...

The hijackers set a new deadline of 3:30 a.m. Tuesday and again threaten to blow up the plane if their demands are not met.

In East Berlin, Foreign Minister Kurt Fischer telephones the West German Foreign Minister, Hans-Dietrich Genscher and offers whatever diplomatic support he can provide...

A Boeing 727... with the 60 West German commandos received orders to head for Mogadishu. The Greek Government authorized the West German plane to wait on the island of Crete after being assured that technical and health personnel were aboard in readiness for possible emergency.

The West German plane touches down at Mogadishu airport after night-fall, with its landing lights turned off.

Mr. Wischnewski informs Chancellor Schmidt by telephone that in coordination with the Somali President a commando attack on the hijacked airliner is scheduled for 2 a.m. Tuesday, just before the latest ultimatum by the hijackers is to expire.

About half the commando force — 28 men — slide under the airline and fasten plastic charges.

Tuesday, Oct. 18

At 2 a.m. Mogadishu time the commandos spring into action. After seven minutes, all is over and the freed hostages scrambled out of the airliner. Ambulances take away injured and exhausted persons among them.

Five minutes later, Chancellor Schmidt receives a brief telephone report from Mr. Wischnewski: "the job is done."

...What Really Happened

makes a public statement giving full support to West German efforts to free the hijack victims.

Notably, the negotiations excluded two of West Germany's most prominent "British" faction leaders: Josef Strauss of the Christian Social Union, who later bitterly complains of not being briefed while he was in Saudi Arabia, and long-time British agent Willy Brandt, head of the Social Democratic Party.

The negotiations between West Germany and Somalia authorize the issuing of orders to 60 West German commandos to head for Mogadishu. The Greek government of Karamanlis authorizes the use of the island of Crete as a stopover for the commando unit after assurances that technical and health personnel were aboard in case of an emergency.

The West German plane with the commandos on board arrives in Mogadishu that evening with its landing lights off.

The decision for a commando attack, made in collaboration with Somali President Barre, receives the backing of France and the East Bloc nations. It is scheduled for 2 a.m. the next day, just before the latest ultimatum by the hijackers is to expire.

Two events nearly sabotage the planned commando attack, threatening the lives of the hijack victims. Israeli intelligence's special communications intercept unit in Tel Aviv, a unit specializing in monitoring air hijackings, picks up and tapes communications between the GSG-9

plane and ground control. These communications are given to news agencies and aired on Israeli TV, and Austrian TV and radio. Only Schmidt's demand for a blackout enforced by diplomatic pressure allows plans for a raid to proceed.

Then, two hours before the planned commando raid, communication lines between the Mogadishu airport and Schmidt's crisis staff are cut in Italy.

Plans for the raid continue. The commando force slides under the hijacked plane and fastens plastic explosives to the doors.

Tuesday, Oct. 18

The GSG-9 special commando forces begin their assault on the plane, blowing open the doors and exploding special nonlethal grenades to incapacitate the terrorists. In seven minutes the assault, and the hijacking, are over.

Chancellor Schmidt dispatches telegrams to Giscard of France, U.S. President Carter, Barre of Somalia, Greek President Karamanlis, British Prime Minister Callaghan, and the heads of East European governments to thank them for their help in stopping the terrorists.

The Communist Mayor of Jerusalem files suit against the Israeli Ministry of Communications for their complicity in attempting to sabotage West Germany's anti-terrorist plan.

W. Germany Sharpens It's Best Antiterrorist Weapon

West Germany is sharpening its most powerful weapon against terrorism, one more powerful, in fact, than hundreds of anti-terrorist police squads: a sound program for energy expansion with nuclear power as its centerpiece. The combined forces of Bonn's "all-party coalition" are on the verge of forcing an end to the de facto moratorium on domestic nuclear plant construction, enforced for almost a year by environmentalist saboteurs both inside and outside the government.

The speedy resumption of nuclear plant construction was signaled this week by a new set of energy guidelines issued by the executive committee of the Social Democratic Party, the ruling party in the government. The guidelines call for an end to the moratorium and recommend that construction should proceed even if the question of "final waste disposal" is not settled. This is a complete reversal of an earlier SPD resolution which called for a halt to all construction until the waste disposal question was solved, and therefore signifies that forces within the party backing Federal Chancellor

Helmut Schmidt have won the upper hand over the SPD's proterrorist, environmentalist wing led by SPD Chairman Willy Brandt.

The resolution has already enabled the SPD's parliamentary faction to vote in favor of allocating 180 million deutschmarks (\$78 million) for West Germany's fast-breeder reactor project near Kalkar. These funds were frozen early this year by Research and Technology Minister Hans Matthöfer, an ally of the SPD's environmentalist faction.

At the same time, an Oct. 8 meeting between Chancellor Schmidt and British Prime Minister James Callaghan raised new hopes for Europe's controversial nuclear fusion project, the Joint European Torus (JET). Schmidt indicated to Callaghan that he would no longer oppose the establishment of the JET project at Britain's Atomic Energy Authority laboratories near Culham, provided other member countries of the European Economic Community do no object. In return for this favor, West Germany would expect extra funding for even more advanced fusion projects underway at this

main research site at Garching. This may be decided at a meeting next week of energy ministers from the EEC countries.

Role of Unions

West Germany's trade unions, in collaboration with heavy industry, have played an important role in making this turnaround possible. Passive on nuclear issues until a month ago, the trade unions have been forced into motion by Schmidt's forces and are planning a series of pronuclear demonstrations, culminating in a giant rally in Dortmund this November. The German Trade Union Federation (DGB) has announced that any stalling on nuclear construction "cannot possibly go without its effect on the employment situation," even though the DGB is still officially clinging to its "waste disposal" quibbles. The public workers union has labeled the environmentalists "citizens initiative" groups "artificial" and enemies of democracy.

Having the country's trade unions fully mobilized for nuclear energy means that Schmidt, in collaboration with opposition leaders like Christian Democratic Union Chairman Helmut Kohl, can put together an almost unstoppable domestic and foreign nuclear policy. The story of West Germany's pending nuclear fuel reprocessing deal with France is a case in point. Two weeks ago, a delegation of "left" SPD parliamentarians traveled to La Hague, the site of a reprocessing plant whose facilities France is offering to West Germany. When the delegation returned, it recommended that the deal should be called off because of opposition from the French trade unions and inadequacies in the facilities. The government then sent two other parliamentarians to investigate. The latter revealed that the earlier group

was lying, and had never even held discussions with authorities at La Hague.

Another case in point is the decision by Federal Interior Minister Werner Maihöfer — never a great friend of nuclear energy — to permit the states of Bavaria and of North Rhine-Westphalia to establish temporary nuclear waste dumps, thereby eliminating waste disposal as an issue of contention.

Now that the Social Democratic Party has rejected the environmentalist policies of Willy Brandt, its chairman, Brandt no longer has any domestic base of operations, and is compelled to rely solely on such supranational, monetarist organizations as his Second International and his World Bank sponsored "Brandt Commission" for the Third World. At a meeting of the Second International in Madrid this week, he and his Swedish cohort Olof Palme presented a report which called for international restriction on the transfer of nuclear technology to the Third World, since "this would serve as a cover for nuclear arms proliferation." "The serious thing," Brandt later told a Mexican journalist, "is that these nuclear resources are going to countries not in a position to use them."

In the present political atmosphere in Bonn, Brandt's espousal of U.S. President Carter's energy conservation push is highly unpopular, to say the least. As Mr. Lantzke, German Executive Officer of the International Energy Agency told the business daily *Handelsblatt* today, "We should not underestimate the dangers of the Carter government's nuclear nonproliferation policies." He further warned that contrary to what Carter himself says, "a severe growth crisis" could ensue "if industrial nations are not able to coordinate parallel policies of energy growth."

Int'l Press Reflects Both Sides Of The Battle

The way that major newspapers of different nations responded to the West German commandos' successful rescue operation in Mogadishu last week reveals a pattern of apparent, sharp differences in the political orientation to terrorism of powerful interests in those nations. The following are a sampling of excerpts by country.

West Germany

Die Welt, Bonn, Editorial Oct. 18

...a family of nations is coming into being due to terrorism, but the solidarity of nations must be proven by solidarity in action. ... (after detailing the inability of the pursuit commandos to come into contact with the hijacked plane in Rome, Cyprus and Dubai) reserve with respect to this international complicity has lasted too long...

Suddeutsche Zeitung, Munich, Editorial, Oct. 19

...Bonn showed strength and courage...but these virtues are exactly what raises French prejudices about German reactionary forces...one can be sure that this aspect will be the center of attention in the French press during the following weeks.

France

Le Figaro, Paris, Editorial Oct. 17

What is to be done. First, to arrive very quickly at an agreement between states which will isolate in international society—without discrimination as to social and political regimes—the terrorists and all countries giving them asylum. Decide by common agreement that any action of blackmail tending to the liberation of a terrorist who has been found guilty and imprisoned, will lead automatically to the execution of that terrorist...The essential thing is to adopt, vis-a-vis terrorism, an attitude of resistance. The only response to the danger of fascism is courage.

Le Monde, Editorial, Oct. 19

The nervousness of the police forces is no longer justifiable once it is demonstrated that *sang froid* (cold-bloodedness) pays. To hunt down intellectuals because they fulfill their vocation of Cassandras is to stifle liberties at the roots.

Italy

Il Tempo (Rome daily linked to Italian Prime Minister Giulio Andreotti), Editorial by Enrico Mattei, Oct. 19

We must credit the Prime Minister, Andreotti, for having the courage to make his salutations to the Bonn government for its victorious raid against the terrorists...Italy is a country where terrorism is less well-organized than the West German terrorists, but Italian terrorism is equally ferocious and ruthless...It is obligatory to have scruples in periods of peaceful coexistence. But it is also necessary now to have an international law which will regulate the way in which we must defend ourselves from this form of civil war which is exploding within our borders, just as there are conventions for conducting war between nations.

England

The Times, London, Editorial, Oct. 19: "A Good Day for Germany"

...But that still leaves West Germany with an extremely disturbing experience to digest. In the past few weeks the centre has only just held, and it might not have held if the rescue had failed...Germany is still a country scarred by memories of the clash of extremes...the problem is to contain them. The task will be easier if West Germany feels contained within western Europe and recognized as the valued keystone that she is...

The Times, London. Statement mailed to the *Times* by the "Struggle Against World Imperialism Organization," Oct. 19

Between the two regimes in Bonn and Tel Aviv there is a close and special cooperation going on in military and economic fields, as well as in common political positions...Ponto, Schleyer, and Buback are mere examples of persons who have well served the old

Nazism and are now practically executing the aims of the new Nazis in Bonn and the Zionists in Tel Aviv...

United States

Washington Post, Washington, D.C., "The Pressure—U.S. and Britain Aided Rescue—Carter Sent Plea to Somalis," by Milton R. Benjamin, Oct. 19

The United States and Britain played a major role in paving the way for West Germany's spectacular rescue of the 86 Lufthansa hostages, diplomatic sources disclosed yesterday...

Washington Post, "West German Commandos: Shirt-Sleeves and No Salutes," Oct. 19

...Military historians looked back to 1943 to find a German operation comparable to Operation comparable to Operation X-Ray—when Nazi SS commandos landed a glider atop an Italian mountain and rescued imprisoned dictator Benito Mussolini...

New York Times, Oct. 19: "3 Jailed German Terrorists Reported Suicides as Hostages from Hijacked Plane Fly Home—Deaths Cause Furor—Officials Unable to Explain the Presence of Pistols in Top-Security Cells," by Paul Hoffman

...the country voiced joy and relief over the spectacular rescue of the hostages. But this mood was soon overshadowed by shock at the announcement by officials that three members of the Baader-Meinhof gang had been able to kill themselves in their cells...The government expressed concern, and Franz Josef Strauss, the leader of the opposition Bavarian Christian Social Union, said the events at the prison "will have political consequences."

Anglo-American Strategist:

Terrorist Revenge In W. Germany Within Two Weeks

The following are portions of an interview this week with J. Bowyer Bell, Director of Columbia University's Institute on War and Peace. Mr. Bell is also a member of the International Institute of Strategic Studies, based in London, an institution with documented connections to international terrorist networks.

Q: Do you think the successful West German commando raid in Mogadishu will act as a deterrent to future terrorist hijackings?

Bell: On the contrary. What you will now have is a mutual escalation — nothing will deter the hijackers. The commando units reduce the chances of the terrorists getting away alive, true. But look at Mogadishu: all four hijackers had no papers and had no labels on their clothes. You don't cut the labels out of your clothes and you don't throw your papers away if you expect to succeed. They were quite aware of what the risks were. Nothing will deter them.

Q: Do you think they will continue in their present mode of hostage-taking?

Bell: Absolutely yes. Why, they've got the absolute, ideal media spectacular. Why change when you're winning? Remember, they won. This was a tremendously successful operation.

Q: They won?

Bell: Pick up the newspapers — all over the world — and look at how much newsprint they're getting. It was a success although the figures died. These people are interested in prominence and they got it.

Q: Do you foresee any terrorist revenge of the commandos' success?

Bell: Yes, yes. Of course, of course. I would say that they are going to kill somebody who is related to just what went on.

Q: Do you think that their targets might extend as far as Chancellor Schmidt himself or other high official?

Bell: It very easily could be. Whoever's vulnerable. Unlike the Israelis, the guy who ran this operation has his picture all over the papers with his name — you could find it in a phonebook. The wardens and the guards who are accused of murdering the prisoners. And any politician who moves at all is vulnerable.

Q: I believe Mr. Scheel came out chiding the terrorists a few days ago. Might he now be a target?

Bell: Whoever they can get to, and quickly. I would bet a reasonable amount of money that there is going to be a revenge operation in Germany sometime within the next two weeks.

Will Terrorists Be Given 'The Bomb'?

The same forces behind the "irregular warfare" of the Baader-Meinhof and other terror gangs are now threatening that the efforts by West Germany, France, and other powers to end the terrorist menace for good will only force an escalation of terror tactics — to the use of nuclear weapons. "Studies" by the MITRE Corporation and other think tanks, and the public and private statements of many "terrorism experts" who function as controllers of the terrorist shocktroops, give abundant evidence that a "nuclear Pearl Harbor" incident is considered an option if more conventional means continue to fail.

The latest issue of the West German newsweekly *Der Spiegel*, well known as a British intelligence conduit, prophesized this week that the next terrorist wave will be nuclear. In an interview with the magazine Harold Schaefer, a crony of Baader-Meinhof sympathizer Willy Brandt, claims that terrorists are building up an arsenal of heavy artillery capable of blowing up a nuclear power plant. Then, Chancellor Schmidt is threatened directly: "Until now, Chancellor Schmidt has shown that he cannot be blackmailed during the Schleyer kidnapping case.... His argument has been that the state of law has to be defended, even if this means sacrificing a hostage's life. He will have to answer the question now whether he will keep that hard line should a nuclear blackmail come up."

The British press and the lowest of the United States' Fabian rags were even more blunt, as the following excerpts show.

London Daily Predicts Nuclear Terror

The Daily Telegraph, *London*, "Don't Rest on their Laurels" by R.H.C. Steed, Oct. 19:

...There is no reason to think that the Soviet bloc will change its attitude. Russia has every interest in keeping the terrorist scourge lashing and disrupting the Western countries, while, as already noted, taking care to avoid any backlash. . . . she goes on training and financing and arming international terrorism....

International terrorism against the wide-open democracies, fomented by the Communist countries, will try new tricks. The danger of terrorist blackmail by atomic bombs is growing and is already acting as a major indirect deterrent against the expansion of nuclear power....

... No sooner did World War Two end than World War Three began to be waged by other means....

Tales For Tomorrow?

The following excerpts were taken from the Village Voice's "Greasy Pole" column by Alexander Cockburn and James Ridgeway that appeared in the weekly's Oct. 24 issue. In the article Cockburn foresees an environmental-terrorist takeover of a nuclear power plant in New Jersey that U.S. security agencies allow to take place to enhance Jimmy Carter's waning popularity. The excerpt

begins as Vice President Walter Mondale arrives for sham negotiations with the terrorists.

Just before dawn that morning, October 25, 1979, people had gathered outside the Salem nuclear complex, pushed aside the 25 guards, and entered the inner security area of the power plant. Within 15 minutes they had ejected the company officials and technicians and taken over the plant. They were almost impregnable behind the thick doors of the nuclear station. Among the participants were nuclear scientists and energy experts. Every man and woman was thoroughly schooled in the operations of a nuclear-power plant.

At seven a.m. they placed a call to the White House and outlined their demands: The occupation would continue and the station gradually rendered inoperable unless certain conditions were fulfilled. The president must declare a moratorium on nuclear-power plant construction and the secret interagency report on nuclear-power plant safety must be made public in the national media....

(The plant has been retaken by U.S. "rangers" who kill Mondale in the fray. Now technicians report the condition of the equipment to Energy Secretary Schlesinger.)

It was only two hours later that government technicians discovered that in the course of the recapture of the plant the switchyard containing all the circuit breakers had been put out of action.

"What does this mean?" Schlesinger barked down the phone from the White House war room.

"It means," said a technician unsteadily, "that the fuel rods in the reactor core have overheated beyond a point we can contain. It looks like it's too late to scram the system."

"Scram," muttered Schlesinger, "What the hell does that mean?"

"Well, sir," said the technician with a tone of surprise. "It means an emergency shut down (sic). But it's too late for that. The readings show that the temperature in the reactor core is now high enough for the fuel rods to melt. And that means, sir, that we have almost certainly got a melt-down on our hands."

"Does that mean the reactor is going to be out of action?" snapped Schlesinger.

"Well, in a way, sir. I suppose you could say that."

"Well, that's okay then," said Schlesinger with relief.

"Not exactly, sir. It means that we have a puddle of molten fuel collecting at the bottom of the reactor core. Unless we're very lucky, this could form a critical mass with consequent release of energy and high radioactivity."

"You mean an atom bomb?" Schlesinger's throat was dry.

"Nuclear explosion would be a more accurate way of putting it. At the least, we could have a disastrous release of radioactivity. I suggest you implement total evacuation right away, for at least 40 miles downwind. And, if the fuel is in the correct geometrical configuration, we could have something much worse. We could have...."

His words were suddenly cut off, as an immense explosion rocked New Jersey.

Can Carter Get An Energy Deal From Congress?

"The Carter Administration is inching toward a very bad compromise," the British-linked *Washington Post* editorialized Oct. 20, charging that the White House was ready to consider a deal on the so-called centerpiece of its energy bill, the tax on crude oil. Only a few days before, Jimmy Carter had met with the man with whom he might make that deal, Sen. Russell Long (D-La.), and reported that he and Long "seemed not too far apart" on a compromise energy bill.

Three days into the House-Senate conference committee proceedings in the U.S. Congress scheduled to

CONGRESS REPORT

determine the final shape of the much-ravaged Administration energy bill, indications are indeed emerging that the White House is preparing a deal with Senator Long, the powerful Finance Committee leader whose support is widely recognized as essential if any energy bill is to be passed before Congress adjourns this year. Long has made it plain that the price for his backing is Administration agreement that an unspecified portion of revenue raised from a tax on crude oil production would go to an Energy Development Corporation trust fund which would operate independently of James Schlesinger's Energy Department and whose officials would be appointed by the President subject to Senate confirmation.

Long has said he wants the EDC to finance high-technology energy production to the tune of \$100 billion over a ten-year period. Although in the form approved by his committee the EDC would fund a grab bag of projects including mass transit and unspecified conservation measures, on a much more modest scale, the Fabian liberal wing of the Democratic Party and the Mondale crowd in the Administration are terrified that the principle of energy development and economic growth — not conservation and austerity — may start to become institutionalized if Carter compromises on the EDC.

Clear Statement From McCormack

There is strong pressure on Congress and the White House from the U.S. population to orient to those basic premises of sound policy, growth, and energy development.

In informal remarks to the *Seattle Post Intelligencer* this week, Representative Michael McCormack (D-

Wash.), who is also a member of the House Science and Technology Committee, set forth one of the clearest statements to date on the direction Congress is being pushed in on the energy issue. "I am frantic with the no-growth attitude that persists in the White House," he stated, "We should be producing energy and new wealth in this country. Developing the energy we need... would be a huge shot in the arm and it would create hundreds of thousands of jobs." McCormack himself was one of the leading supporters of the Clinch River nuclear breeder reactor project, which passed in the House last month.

An aide to the Representative has also indicated to the U.S. Labor Party that the Congressman's office is preparing a "study which will show that a low-energy-growth, conservation-oriented program will destroy the American economy. Nuclear power is absolutely, strategically, and economically crucial to the future of the country."

Many of the forces in motion in and around the Administration behind an energy bill compromise would undoubtedly disclaim any such laudable goals — they are apparently merely trying to put together a public relations package on behalf of the crumbling U.S. dollar. They aim to work out a deal with Long on the EDC, which would include \$32 billion in tax incentives to industry for coal conversion, insulation, the development of exotic energy sources which the Senate wrote into its version of the bill when it stripped out the Carter crude oil and other taxes, and the hot issue of natural gas deregulation — probably coupled with a tax cut next spring. All this, it is being fervently hoped on Capitol Hill, will convince the Arabs and Europeans that the U.S. is doing something about its disintegrating economy. Such an approach would be disastrously incompetent and may not work even as a stop gap on international financial markets ... but it could produce a deal in Congress.

Certainly, syndicated columnists Joseph Kraft and Mary McGrory were pushing such a deal in their columns last week by trying to cool out Fabian resistance to a compromise. Playing up Russell Long as the man who "owns" the Senate, the liberal McGrory told the Fabians in effect, "Don't blame Carter for a compromise, blame Long." Kraft gave the Fabians the soft-cop treatment by presenting prospective compromise as Long "taking a dive" for Carter's benefit.

Also noteworthy was the sudden emergence of former Democratic National Chairman and old Lyndon Johnson-John Connally hand Robert Strauss on the front page of the *Baltimore Sun* where he was advertised as Carter's most influential adviser behind Mondale and Jordan, and

the man who could fix things with Congress and business forces. Strauss, it was revealed, would coordinate the upcoming national speaking tours for an energy bill by Carter cabinet officials.

Meanwhile Energy Secretary James Schlesinger has been loudly telling anyone who will listen that the Carter Administration is pro-nuclear power despite the plentiful evidence to the contrary; the *Wall Street Journal* and *New York Times* have played this up as a "policy shift"; and such Rockefeller creatures as Sen. Jacob Javits have signaled approval for a compromise bill.

Last but not least, major oil company officials have been heard retailing the line that the industry needs a bill, even if it's a contradictory legislative mush, to stabilize its position domestically and allow it to make short-term decisions.

Worries For Fabians

All this adds up to an environment in which the committed Mondale-type wreckers of the U.S. economy like the *Washington Post* have become very nervous about the White House. "Long holds all the cards," admitted a congressional staff source close to Stuart Eizenstadt, one of Mondale's key insiders on the White House staff.

Thus the *Washington Post* editorial freakout which accused Carter of plotting a "plowback" of funds to the oil companies. Thus the tirade of Sen. Edward Kennedy, who left the White House after a meeting on the same day attacking Long and the Finance Committee for approving a "\$32 billion boondoggle" and loudly promising that the President would stick to his guns. Thus the statement by Rep. Toby Moffet, liberal Democrat, that 70 or 80 House Dems of similar Fabian stripe would bolt and refuse any support to a bill which approved a "plowback" or deregulated natural gas prices as the full Senate mandated three weeks ago. Thus the pilgrim-

age to the White House of Messrs Ashley and Dingell, who helped to shepherd the energy bill through the House; they also loudly proclaimed that Carter would never, never sell them out.

Liberal Democratic opposition might well succeed in killing a compromise, especially if, as seems likely, they can get major help from congressional Republicans. The Republicans have attacked the Administration program as a tax package which would cripple U.S. industry, and many are saying they will vote against *any bill* which would restore the crude oil tax, even if Long's conditions were attached. A *Wall Street Journal* editorial attacked Long's Energy Development Corp. scheme last week as the equivalent of Mondale ally Felix Rohatyn's fascist ENCONO proposal for regional labor-intensive looting, which it attributed to Nelson Rockefeller. Many of the progrowth conservative Republicans in Congress, with some justification, fear it could become a vehicle for just that. Instead of demanding that the EDC be used to finance the massive program of fission-breeder-fusion nuclear development put forward by the U.S. Labor Party, however, the Republicans are repeating rote ideological nonsense equating the words "government" and "taxes" with evil, and decent Democrats are keeping quiet about nuclear energy, as Long himself has.

Meanwhile, in the initial days of conference committee hearings on what are supposedly the easiest portions of the House and Senate bills to reconcile — the tough tax and deregulation decisions may be weeks away — the Congress has found itself bogged down already in a mindless dispute about how much the utility companies should be involved in the home insulation business, in which dispute "local problems" and heteronomic wrangling have dominated.

— Don Baier

Carter's New Nuclear Policy: Sour Wine In New Bottles?

The Carter Administration this week launched what at this point can only be termed "image changing" to persuade the 35 nation delegates in Washington D.C. for the International Fuel Cycle Evaluation Conference that the U.S. will again become a "reliable supplier" of commercial nuclear technology.

In his speech Oct. 19 to the opening session of the conference, Carter told the delegates that the United States would back creation of what he termed an International Fuel Bank, echoing a provision of the so-called Nonproliferation Act of 1977 introduced by Sen. Charles Percy (R-Ill.) and now being considered by the Senate. Carter himself gave no details on how the bank would work, although observers remarked that the concept would parallel Henry Kissinger's plan for an International Energy Agency to pool international petroleum supplies under U.S. and British domination.

Confidential reports made available to this journal

confirm that Carter's speech to the International Fuel Cycle Conference was taken from a classified study of the Ad Hoc Group on Nonproliferation, headed by State Department nonproliferation "expert" Joseph Nye and composed of representatives from the avowedly antinuclear White House Council on Environmental Quality. A member of the group divulged that "There has been no shift in USA proliferation policy" from the earlier Carter Administration stance that the world should jettison its second generation nuclear breeder reprocessing and fusion technologies.

The aim of the policy, Carter enunciated in his Oct. 19 speech to the conference, is to stop world development of the breeder, nuclear fuel reprocessing, linking this to emphasis on maintaining present conventional first generation light water fission reactors by offering the "carrot" of an international fuel bank.

The "new" policy, as the source confirmed, is fun-

damentally aimed at "turning around the outrage" of European and other countries who rightly reacted to the antibreeder policy as sabotage of vitally needed future energy resources.

Best informed professional estimates are that without development of breeder and reprocessing technologies, at present rates of development, the world supply of uranium fuel for conventional reactors will be exhausted within 20 years. This has already led many U.S. electric utilities to scrap plans for major capital investment in fission reactors due to the uncertainty of long-range fuel supply.

In his speech, Carter spoke vaguely of cooperating in international development of "alternative nuclear fuel cycles," including development of the breeder, "in the future." The source confirmed that Carter's speech, probably drafted for him by Joseph Nye or personnel from Schlesinger's office, intentionally omitted any specific timetable. The timetable for development of the breeder technology mentioned in the Ad Hoc Group's classified report is said to be *the turn of the century!*

Preliminary reports from conference participants indicate that reaction to the Carter speech so far has been a universal commitment to hold firm to breeder development. Ignoring the vague Carter proposal for creation of an international fuel bank as irrelevant, the delegates countered by bluntly asking why the U.S.-initiated conference was not directly incorporated into the agenda of the United Nations agency with established overview on issues of nuclear weapons proliferation, namely the International Atomic Energy Agency in Vienna. U.S. State Department spokesmen could only reply with mutterings about the cumbersome bureaucratic sluggishness of the IAEA.

Schlesinger's Game

Simultaneous with the Carter speech, a number of articles appeared in the U.S. press fostering the image of James Schlesinger as the key policy advisor pushing Carter to "modify" his earlier opposition to nuclear power. The aim of this line, underscored by the release this week of Schlesinger's proposal to create federal nuclear waste fuel storage facilities, is to undercut the immense domestic opposition to the Administration's sabotage of nuclear energy. Schlesinger's proposal for government storage of waste fuel would merely bring

this aspect of the nation's domestic energy supply under his thumb.

A press spokesman for Schlesinger confirmed Oct. 20 that his office expects to get "70 percent" of their original goal for a national Energy Act through Congress, with the remaining "30 percent" to come from the executive branch invocation of "regulatory decrees." Translated, this means implementation of emergency powers by the Secretary to shut down major U.S. industry through such programs as the highly secret Winter Emergency Energy Plan (WEEP). Sources confirm that Schlesinger's release last week of the proposal for government purchase of the privately owned spent nuclear fuels was part of another energy power grab which would ultimately centralize control of a major portion of nuclear fuel supplies in his office.

A number of electric utilities have reacted to the proposal skeptically, since they are uneasy about signing over ownership of spent fuel with substantial amounts of reusable uranium and plutonium if reprocessed to the federal government. In announcing the Schlesinger waste storage plan, John Ahearne emphasized that the plan was consistent with the Administration's earlier call for a halt to reprocessing and breeder development. Ahearne emphasized that the proposal, which includes provision for partial storage of foreign nuclear fuels, would "enhance our nonproliferation policy."

One U.S. energy official referred to the new line coming from Schlesinger and Carter as a "policy of more carrot and less stick." Joseph Nye added that the U.S. has now abandoned its earlier policy of "technology denial," a reference to earlier supply embargoes to Europe, Japan and Brazil to enforce U.S. policy on nuclear technology development.

There is a substantial risk in the Schlesinger-State Department nuclear deception strategy from their own standpoint. Already, the breeder proponents in the French and other European press have picked up recent policy statements by Nye and others to the effect that the Carter Administration has dropped its earlier opposition to the breeder. Giving these statements straight coverage, the European press used them to underscore the urgent need to push ahead with their Super-Phenix fast breeder program. Will U.S. nuclear advocates pick up the cue?

— W. Engdahl

U.S. Labor Party Nuclear Energy Mobilization Report

The following report was prepared by the U.S. Labor Party national headquarters in New York City at the request of Senators Talmadge and Long, who have indicated their interest in sponsoring legislation for nuclear power development and have asked for a show of support from the American population for such action.

The rapidity and depth of the response which the Labor Party has organized indicates that the U.S. population is fully committed to the rapid development of nuclear energy and adamantly opposes the no-growth energy policies of Energy Secretary James Schlesinger.

The U.S. Labor Party initiated a nationwide lobbying campaign on Oct. 5, 1977 to mobilize labor and industry constituencies in support of a nuclear energy policy to replace the now stalemated Carter "conservation" program in the U.S. Congress. In light of a recent endorsement by Senator Russell Long for the "concept" of a \$100 billion-funded Energy Development Corporation, the USLP specifically proposes that its "Nuclear Energy Development Act of 1977" become the centerpiece of Sen. Long's actual EDC.

During the approximate 10-day period from Oct. 5 to 15, USLP campaign workers sold 56,586 copies of the twice-weekly newspaper *New Solidarity*, each of which included a "clipout" coupon addressed to Senators Long and Talmadge urging their support for nuclear power. (See attached copy.) Our campaign workers solicited thousands of cards and letters in distributions of *New Solidarity* in more than 40 cities and 20 states where the USLP has affiliated chapters, including industrial centers in the Northeast, Midwest, and Far West. USLP phone solicitations also criss-crossed the entire sunbelt from California to South Carolina.

In addition, organizers sold 16,750 \$1 Campaigner "Special Reports" featuring USLP energy and steel legislation: 6,450 nuclear briefs, entitled "Nuclear Power—Core of U.S. and World Energy Policy," and 4,885 steel briefs, "Steel's Only Chance for Survival—The USLP Program for the American Steel Industry." Another 1,676 Teamster briefs were delivered to various Teamster locals to fulfill over 10,000 advance orders placed in the last month. These *Campaigners*, exposing "The Plot to Destroy the Teamsters," advise the International Teamsters Union to stop the Ralph Nader-inspired attempts to smear it by heading up a labor-industry alliance for expanded energy production and industrialization policies.

As the following report indicates, response to USLP campaign workers has been overwhelmingly positive. It includes pledges of support from constituencies as diverse as inner city minorities to highly skilled industrial workers, engineers, and corporate executives. The USLP National Operations Staff estimates that this broad-based constituency, which Congress can depend on to support nuclear power, is sending up to 1,000 cards and letters a day from the Midwest alone, the heart of our Party's strength.

Our staff hopes that the full breadth of this support

reaches the relevant Congressmen, particularly, Senator Long, to enable them to move boldly for an energy development program. We would welcome "feedback" from you to ascertain the actual measure of support that reaches your office, even down to the precinct level. This information can then be "crossfired" to our field organizers for followup of the many commitments we receive daily.

Baltimore Region

(including Maryland, Virginia, and Washington, D.C.)

U.S. Labor Party Campaign Activity

- Oct. 7 — 20 mailgrams were sent mostly by steelworkers in Dundalk, Md. — near Baltimore.
 - 10 Baltimore Labor Party members sent telegrams; 6 LPers are urging friends to do the same.
- Oct. 8 — Westinghouse and Martin Marietta workers are sending telegrams and-or *New Solidarity* clipout forms.
- Oct. 14 — Walking tours in Baltimore are netting bulk sales of *New Solidarity* (NS) with clipout, and setting up speaking engagements for Labor Party spokesmen.
 - Distributions throughout Baltimore are receiving up to \$10 per hour; one construction contractor bought extra nuclear briefs for friends.
- Oct. 16 — 20 LPers are writing letters to Congress.

Institutions

- Oct. 5 — "Greater Salisbury (Md.) Committee" businessmen will solicit postcards to Talmadge.
- Oct. 7 — Virginia Polytech Institute newspaper featured frontpage article on Ogden gubernatorial campaign, USLP nuclear energy policy, urging students to send postcards to Sen. Talmadge.
 - HEW, Naval Weapons Lab personnel are sending messages to Sen. Talmadge.
- Oct. 8 — Lynchburg, Va. IBEW official will mobilize membership to write to Senators Talmadge and Long.
- Oct. 12 — 23 signatures were solicited at American Society of Quality Control Conference in D.C.
 - Pro-Life representative will organize letters to Congress.
- Oct. 14 — Goucher College student leaders initiated letter writing campaign to Sen. Talmadge; will print and circulate NS clipout at tables in dormitories.
- Oct. 16 — Calvert Cliffs nuclear engineer bought several nuclear briefs and will organize friends to write letters. Senior engineer at the plant posted the NS centerfold on nuclear power in the plant.
 - USLP gubernatorial candidate William Salisbury addressed local steelworkers meeting sponsored by Citizens Concerned About Foreign Imports; proposed massive nuclear energy and steel modernization program to reverse steel collapse, not import curbs. Well received, spoke several times, endorsed by local steelworkers.

Press Coverage

- Oct. 6 — USLP gubernatorial candidate Alan Ogden

addressed Pulaski TV live for five minutes, urging citizens to write Congress demanding energy development. Toured 15 cities in one week, with 23 press interviews.

— *Energy Daily* reporter going to Sen. Talmadge's office to ascertain constituent response.

Boston Region

(including all of New England)

U.S. Labor Party Campaign Activity

Oct. 16 — Workers at Groton submarine base in New London, Conn. will send letters to Congress.

— Regional headquarters is mobilizing all NS subscribers in trade unions to send letters.

— Excellent response at campuses of MIT, U. of Mass. and others: 109 NS sold at U. Mass. in one day, students sending in clipouts.

Institutions

— Former USLP City Council candidate George Geller addressed Boston Central Labor Council meeting; considering bulk order of nuclear briefs from the USLP.

— USLP spokesmen to address IBEW and LIUNA local in Boston.

Press Coverage

— Waterbury Newspaper ran Op-Ed by USLP on nuclear energy.

— "*New London Day*" will run article by USLP on nuclear energy.

— Mayoral candidate Donna McDonough was interviewed for one-and-one-half hours on local radio show after opponents failed to show for debate. She presented USLP nuclear energy policy.

— Hartford Southside Community News will run full page article on USLP energy policy.

— McDonough will appear on Public TV in campaign appearance.

— Holyoke newspaper ran USLP Op-Ed entitled "ENCONO To Bankrupt Northeast," counterposing high-technology nuclear energy production of the "hard technology" variety.

Buffalo Region

(including all of upstate New York and eastern Canada)

U.S. Labor Party Campaign Activity

Oct. 10-16 — North Buffalo chapter of USLP sent 80-100 cards, telegrams, and letters to Senators Talmadge and Long. Representative sampling includes United Auto Workers (UAW) committeemen, Western New York Hospitals Assn. Shop Steward, Harrison Radiator worker.

— Democratic National Committee member, representatives of Muslims, Niagara County Nursing Assn. are sending mail to both Senators.

— In Rochester, General Signal worker solicited 6 signatures in the plant to Congress, paid telegram by plant engineer.

— Gleasons Co. LPer is sending several telegrams and letters.

Institutions

— Rochester-Kodak executive sending telegram, as well as letters and cards from 12 corporate executives in Rochester, including Execs from Kodak, Garlock, Rochester Gas and Electric.

— LIUNA official (Laborers International) bought 6 nuclear briefs and is considering bulk order for membership.

— Rochester CSEA shop steward circulating petition to the Senators.

— Messina, New York Building Trades Council will organize all 8 member union locals to write letters.

— Irondequoit Board of Education member is sending telegram to Sen. Talmadge.

— Two Syracuse area Building Trades locals are sending letters.

— 2 Buffalo IBEW locals and 4 engineering societies will solicit letters to Congress.

— Upstate letters from people in Berea Oil and Gas, Grouse Hinds Co., Agway.

— USLP Buffalo mayoral candidate Khushro Gandhi addressed several candidates nights on USLP energy program, including Handicapped Childrens group and small Business Assn.

Press Coverage

— Buffalo "Criterion," a local black newspaper, will print 600-word article on USLP energy policy.

— U. Rochester will run 1000-word Op-Ed. by USLP on nuclear power.

North American Labor Party

Recently organized in support of pronuclear demonstration by local construction unions; IBEW union now running series of educationals for memberships on nuclear power.

Montreal NALP is soliciting postcards to the U.S. Congress.

Chicago Region

(including all central states, especially Illinois, Missouri, and Wisconsin)

U.S. Labor Party Campaign Activity

Oct. 5 — A well-respected Reverend in Chicago church has bent out a letter on church stationary supporting the USLP energy program.

— Pipefitter who works at nuclear facility has organized friends to send mailgrams to the Senators.

Oct. 6 — St. Louis solicited 15 calls to Senator Talmadge.

Oct. 7 — USLP squad raised \$285 at O'Hare airport, netting 250 signatures from businessmen to the Senators.

Oct. 16 — USLP squad raised \$270 at airport from nuclear brief sales and NS.

On Saturday alone, organizing squads in Milwaukee, St. Louis and Shalomburg mobilized 110 letters, calls, to Congress.

Institutions

Oct. 9 — 11 different organizations in Chicago pledged to solicit over 1800 signatures on letters to the Senators.

— Wisconsin State Rep. Klicka will get 15-30 State delegates to sign petition to Congress for full nuclear

energy program as centerpiece of national energy policy.

— Muslims in area pledged another 400 signatures.

Oct. 12 — Labor-industry groups in the Chicago region pledged another 700 signatures.

— Milwaukee ILA president will urge letter-writing campaign at his local meeting, and expects 100 signatures on petition as immediate response.

— The VP of a machine tool company, who also heads up a conservative group, will mobilize up to 500 signatures.

Oct. 14 — Overheard at Milwaukee airport: businessmen comments, "Nuclear power, you must be the Labor Party, you're all over Detroit."

Press Coverage

— *Kansas City Star* interviewed LP spokesman Leo Scanlon on two-tier credit system to finance nuclear development and PROD operations against Teamsters.

— Kansas City radio WKMBZ interviewed Scanlon on nuclear program.

Detroit Region

(includes Cleveland, Indianapolis and Cincinnati)

U.S. Labor Party Campaign Activity

Oct. 6 — Purdue engineering school student will get 35 members of his nuclear engineering fraternity to send letters, and will get petition signatures from his department of 100 people.

Oct. 11 — 400 clipout sections from NS sent.

Oct. 14 — "Several hundred signatures a day" on petitions reported. 800 postcards reported sold this one day.

Oct. 16 — USLP organizers sent to campaign among municipal workers, autoworkers and students.

Institutions

Oct. 8 — An executive of Indiana Power and Light Company and an official of the International Brotherhood of Electrical Workers both organizing signatures for Senators Long and Talmadge. An executive of Republic Steel company promised to call Senator Talmadge.

Oct. 12 — USLP addressed Building Trades union meeting in Ypsilanti, which is considering a bulk purchase of the Party's brief on nuclear power. Official of a large Ohio utility agreed to send its lobbyist to speak with Senator Talmadge.

Oct. 14 — Executives of Youngstown Sheet and Tube (steel) Company and Babcock and Wilcox are considering bulk purchases of Party's nuclear legislation.

Newark And New York Region

(includes New York State south of Albany, and all of New Jersey)

U.S. Labor Party Campaign Activity

Oct. 5 — A rally for USLP mayoral candidate Elijah Boyd outside an engineering company at lunch hour

generate many pledges to send postcards to the Senate.

Oct. 7 — Faculty members at the State University at Stony Brook (Long Island) and at Mercer County College (New Jersey) are sending telegrams. Fifteen USLP members in New Jersey sent telegrams.

Oct. 8 — 80 signatures on petitions urging legislation for expanded nuclear power,

Oct. 11 — 200 clipouts from NS reported sent to the Senate.

Oct. 12 — 225 signatures gathered from travelers at LaGuardia Airport, New York, in one day; most signers are businessmen.

Oct. 13 — Supporters on the USLP network are calling their friends to call and write to the Senate.

Institutions

Oct. 7 — Officials of Brookhaven National Laboratory (Long Island) send telegrams to Congress.

Oct. 7 — President of an investment bank promised that he will ask Senators Long and Talmadge for a personal meeting; bought copies of the USLP's legislation.

Oct. 7 — 3 New York State legislators took their own poll of constituents' wishes on nuclear power; will send results of poll to U.S. Senate.

Oct. 8 — New Jersey State Representatives signed statement asking expanded nuclear power funding, sent it to Senator Talmadge; four more asked to sign.

Oct. 12 — Brooklyn College students sent telegram to Senator Talmadge after forum at college by Elijah Boyd of USLP.

Philadelphia Region

(includes all of Pennsylvania and Delaware, southern New Jersey)

U.S. Labor Party Campaign Activity

Oct. 7 — Signatures and petitions mailed to Senate from Temple University, University of Pennsylvania, Villanova, Delaware and University of Pittsburgh.

Oct. 7 — 300 signatures sent from Teamsters and steelworkers in Philadelphia and Bethlehem, Pa. to U.S. Senate.

Oct. 7 — \$44 raised from sale of pre-addressed postcards in Pittsburgh.

Oct. 11 — 150 signatures mailed.

Institutional Activity

Oct. 6 — President of an International Brotherhood of Teamsters local in Reading, Pa. promised to write letters to Senators Long and Talmadge.

Oct. 8 — Philadelphia Teamsters sent telegram; State Representative Ivan Itkin (Pittsburgh) called Senator Long; executive of Philadelphia Electric Company sent telegram to Senate; Philadelphia office of *Nuclear News*, the trade publication, promised to send letter to Senate.

Oct. 11 — The President of the Republican Club of Slippery Rock, Pa. agreed to cosponsor a conference on industrial development at which the USLP's legislation will be discussed.

Oct. 14 — An aide to the president of the United Steel Workers of America is considering bulk purchases of

the Labor Party's brief on the decline of the steel industry.

Press Coverage

— Articles on nuclear fusion printed by the student newspapers of the University of Delaware, Drexel, University of Pennsylvania and Villanova.

San Francisco Region

(includes all of California)

U.S. Labor Party Campaign Activity

- Oct. 8 — Workers at General Electric and Pacific Gas And Electric took petitions to mail, as did striking workers at Lockheed in San Jose.
- Oct. 16 — Petitioning at a rapid clip at the nuclear research facilities at Lawrence Livermore Laboratories, Livermore, Cal.

Institutions

- Oct. 5 — High official of the International Brotherhood of Teamsters sent statements to Congress calling for greatly increased production through use of advanced technologies.
- Oct. 5 — An official of the Cannery Workers Union, in northern California, invited the Labor Party to present its legislation to a meeting of the union.
- Oct. 12 — Member of the Energy Committee of the State Legislature agreed to submit bill written by the USLP to the Committee. Bill would put State Legislature on record as urging U.S. Congress to increase funding for nuclear power.

Oct. 12 — Organization of farmers in the Imperial Valley hired USLP to give classes explaining reasons behind the Party's proposed legislation.

Oct. 14 — Organization representing industry and labor in Oakland make bulk purchase of USLP legislation for consideration by its membership organizations.

Seattle Region

(includes states of Washington and Oregon, and British Columbia, Canada)

U.S. Labor Party Campaign Activities

- Oct. 5 — Organizers report "postcards sold, filled out and mailed in at a rapid clip" in Portland — sent in to Senators Packwood and Hatfield.
- Oct. 13 — 60 signatures gathered at the University of Washington.
- Oct. 14 — "200 to 300 signatures a day" reported.

Institutions

- Oct. 6 — Washington Association of Professional Engineers energy committee has put on its agenda a USLP proposal that the Association mobilize its members to write letters to their congressmen in favor of expanded nuclear programs. A similar proposal was put on the agenda by the Western Environmental Trades Council.
- Oct. 12 — A local of the International Brotherhood of Electrical Workers passed a Labor Party resolution calling for greater funding for nuclear power, and more government-encouraged capital formation.

Harriman Steers White House Foreign Policy Shift

Former New York governor Averell Harriman has emerged publicly once again to act as the key determinant factor in a shift in the foreign policy of the Carter Administration. While the White House has denied that a shift has even occurred, the joint U.S.-USSR communique on Geneva, recent progress by the two powers on SALT, and a toning down of the Carter commitment to lead his foreign policy with a campaign around human rights, is weighty evidence to the contrary.

Carter and Secretary of State Cyrus Vance were concluding their joint agreement for Geneva with Soviet Foreign Minister Andrei Gromyko, the most forward step of what observers have called a "deal between the superpowers."

Only the day before, Harriman had emerged from a dinner party in New York to announce that he had formed a Committee of Americans for the Panama Canal Treaty. The Committee, which has grown to over 100 members, is composed of primarily Eastern Establishment figures associated with Harriman and Nelson Rockefeller. To name a few: Gerald Ford; William Coleman, former Transportation Secretary in the Ford Administration; John Marsh of the Ford White House staff; Henry Cabot Lodge, Jr.; former Senators Hugh Scott (R-Pa.); John Sherman Cooper (R-Ky.); Stuart Symington (D-Mo.); Irving Shapiro, Chairman of DuPont Corporation; Thomas Watson of IBM; George Meany, AFL-CIO; Glenn Watts, President of the Communication Workers of America; General Maxwell Taylor and Matthew Ridgeway; John J. McCloy, former High Commissioner of West Germany, and Ladybird Johnson.

THE ADMINISTRATION

It has historically been the view of Harriman, who was Franklin Roosevelt's ambassador to the Soviet Union, that U.S. policy toward the USSR should be one of containment short of nuclear war. As Harriman motivated his own outlook in an Oct. 9 interview which appeared in the New York Times: The Soviet Union exists and you have to learn to live with it. As he spoke, President

With 30 members of his newly formed Committee, Harriman met with Carter and reporters on Oct. 17 — receiving front-page coverage in most of the Eastern press. At the press briefing afterward, Harriman and Committee members stressed that they intended to limit the Committee to defense of the Administration's position on the Panama Canal issue, but they also emphasized that the Committee's creation, was necessary to combat the "opposition from many conservative Republicans" to the Treaty.

But in private discussion, a Committee member explained the broader aims behind the Committee's formation: to act both as an advisory body and a pressure group on the White House to "keep it on course" in all areas of foreign policy.

The choice of the Panama Canal Treaty as the focus point of this effort, however, involves a decision to buttress Carter on an issue in which defeat for the Presidency would mean the effective dissolution of the Executive and the inability of the U.S. government to define a coherent foreign policy. Preparing a nationwide campaign to galvanize support for the treaty complete with a speakers' bureau, the Committee will be training its guns particularly on the Buckley-Viguerie machinery in the Republican Party which has raised its voice against the Treaty, operating in tandem with the efforts directed by the City of London and Vice President Walter Mondale to remove Carter and wreck the White House's new foreign policy initiatives. However, since the Committee has no perception of a foreign policy based on a program of development of technology and the energy, as called for last week by John Connally, it is at a disadvantage in actually seeing a policy of detente through.

Inside Maneuvers

Within the Administration, Harriman has succeeded in pulling Cyrus Vance and, secondarily, Zbigniew Brzezinski into his camp as his weapons against the pro-Mondale wing of the Cabinet, led notably by Energy

Secretary James Schlesinger and Treasury Secretary Werner Blumenthal. In a rare public appearance at the Washington Overseas Writer's club on Oct. 18, Brzezinski strongly defended the concept of detente and conspicuously cooled his "human rights" rhetoric and campaign. Brzezinski has long been known as an anti-Soviet Cold Warrior and spokesman for the confrontationist "we can back down the Soviets" line.

Harriman "idealism" was the touchstone of his speech on the subject of U.S.-Soviet relations; "There is a certain sense of parity in the relationship derived from the fact that we're both global powers...and this makes us more sensitive to the need to cooperate." Brzezinski stated that the emphasis of the government is now on the "need of the American people to support detente — and we use the word detente — which has to be comprehensive, reciprocal and has to be extended."

Brzezinski's language is coherent with Harriman's Oct. 9 interview in which he highly praised the Administration for its new initiatives, but said also that he meant to "keep the pressure on" from both inside and outside to maintain this momentum. Harriman labeled "paranoid and dangerous" those sabre-rattlers such as Paul Nitze of the Committee on Present Danger who are working in the Administration to reverse Carter's direction. Several prominent columnists such as Joseph Kraft and Germond and Witcover have also been leaking for the past two weeks a "merger of Vance and Brzezinski" within the Cabinet in defense of the Administration's shift, with the obvious implication that such a merger must be against the "Jewish Lobby" — Mondale "paranoids."

A member of Harriman's Committee has revealed that Harriman was most concerned to correct the "disarray" within the Carter Cabinet on foreign policy questions and said that Harriman would make "just the kind of experienced policy advisor" Carter required at this time. Clark Clifford, he said, is "already advising the President on these matters...The Georgians just can't do the job," he concluded.

Long Knives Out Against Carter

From the desk of Lyndon LaRouche, Oct. 20:

I do not know what transpired during President Jimmy Carter's recent sojourn at Camp David, nor do I know in more than a general way what the recent role of White House staffer Eizenstat has been. However, I do know that an ugly operation is afoot against Jimmy Carter, and I am determined to block that operation if possible.

There is a constellation of forces in the world which is very, very eager to eliminate Carter from the White House in favor of Vice-President Mondale. This constellation includes forces around Foreign Minister Moshe Dayan of Israel, the forces centered around the London Round Table, Roy Jenkins, and Denis Healey in England, and a network featuring Felix Rohatyn in the United States. These are the forces which orchestrated the hoax-campaign against former OMB Director Bert Lance through the pages of the Lazard-connected Washington Post and the New York Times.

As is well known, I do not believe Mr. Carter to be appropriate to the White House. However, as President, Mr. Carter has one powerful redeeming virtue; his presence in the White House prevents the occupation of those premises by Walter F. Mondale. Under those circumstances, we are obliged to aid Mr. Carter in his efforts to grow into the dimensions of his office, and to work through appropriate channels to provide the nation with those policies most urgently required to stop the present depression and to prevent the nation from being driven down the Schlesinger road leading toward thermonuclear confrontation.

Other forces have an opposite perception. Following the recent Camp David meetings, they have induced President Carter to follow a course in which he increases his isolation and discredits himself. In that connection, the name of White House staffer Eizenstat is much cited around high-level circles in Washington and other centers. These forces, heavily represented in various parts of the executive branch, are committed to wrecking the U.S. dollar and bringing down U.S. industry in favor of the policies being pushed by the City of London. These forces are determined to get Carter out quickly, and Mondale in, as the optimal course for undoing the achievements of the American Revolution in London's favor.

Most recently, I have been closely following a little affair which I—and others—have previously attributed to the shared paranoia of one Gordon Novell and the Trilateral Commission's George Franklin. Mr. Novell, bargaining for kinder treatment by the forces pressing legal prosecutions against him, has been engaged in attempting to peddle his former friends and associates, and has been permitting his imagination to run wild in the effort to concoct saleable information. Mr. Novell's immediate contact in this pathetic business has been Mr. George Franklin of the Trilateral Commission, with whom Novell has been in negotiations since at least June 1977.

Among Mr. Novell's fairy-stories, enthusiastically shared by George Franklin is the report that I personally

had "ordered" "dark forces" around the world to set up a wave of hits against prominent individuals chiefly responsible for international terrorism.

Apart from George Franklin, the principal agency known to be involved in this fairy-tale affair is the Treasury Department's Alcohol, Tobacco and Firearms unit (ATF), a little-known but nasty division of government which has been caught red-handed fostering gun-running to terrorists under the cover of an ongoing ATF "investigation." The Reading, Pennsylvania arms-depot operation is exemplary of this character of the ATF. Through Franklin and the ATF, all sorts of characters and agencies have been brought into the act, including the State Department's Heck, and the ATF has attempted to bring the Justice Department into the same hoax.

The significance of the affair is this. By the time the fairy-story reached higher-level official channels in the intelligence community, Franklin and the ATF officials should normally have been the subject of loud and prolonged ridicule. Given the soiled character of the Washington Post and other USA leading media, the general public is poorly informed of the role of my associates and myself, but no one at the highest levels of intelligence and security in any major government suffers such ignorance. The notion that I could, on my personal order, deploy major forces of the intelligence and security establishments of four or five major governments for the sort of "wetwork" operation outlined in the paranoid exchanges between Novell and Franklin is the sort of report fit to provoke long laughter in informed circles in many countries. The fact that such a weird fantasy is being pushed on its present scale implies that someone does have an ugly operation in mind, and that those forces are building up this fairy-tale against me as a cover-story for their operation.

There is no mystery as to whom that "someone" is. The only agencies with the combined capabilities and intent for such an operation are those centered in British intelligence. I refer to the British Royal Institute for International Affairs, the London International Institute for Strategic Studies, the London Round Table, factions of the Socialist International allied with Roy Jenkins and Denis Healey, British MI-5 and MI-6, and the British-aligned offshoots of the old World War II Special Operations Executive in Canada, the United States, and Latin America. This includes, in the United States, the networks of the Institute for Policy Studies, and networks located within that Fabian faction of the Democratic Party for which Vice-President Mondale has been a protege.

These are the same forces directly behind the current wave of international terrorism, forces which suffered a major defeat in Somalia this week, and which are not made increasingly desperate by that set-back.

The "Jewish Lobby" Angle

It is well known that B'nai B'rith is developing a "hit list," and that Foreign Minister Moshe Dayan, by

publicly labelling President Carter as "almost an anti-Semite," put Carter himself in conjunction with the B'nai B'rith list.

This should not be simplistically interpreted. A large section of the "Jewish Lobby" is privately in support of the Carter-Gromyko Geneva summit proposals, but is nonetheless going along with the clamor against Carter as a matter of seeking an enhanced bargaining-position for Israel in the Geneva negotiations. However, within the "Jewish Lobby" there is a hard-core of maniacs who devoutly desire a new Middle East war, and who desire a return to "step-by-step diplomacy" as the best way to ensure that such a war erupts.

Although some elements in London are supportive of Israel's Prime Minister Begin and other elements are directly tied to the pro-war faction in London, the faction includes EEC Commissioner Roy Jenkins, who was placed in the EEC by the British Labour Party majority as a way of keeping Jenkins out of the British government. Mr. Jenkins' immediate crony is Denis Healey, and Mr. David Owen is Mr. Healey's protégé. Although Prime Minister Callaghan's position might be improved significantly by the events in Somalia, the currently-dominant faction within British intelligence has been pushing both international terrorism and a new Middle East war.

The Middle East war scenario is directly tied to James R. Schlesinger's plans for creating a new "energy crisis" as a means for imposing his packages on the USA. If Schlesinger succeeds, the U.S. dollar collapses, the depression deepens, and political control of the OECD and developing nations shifts from Washington and New York to London.

Why Jenkins Hates Carter

The key to the hatred of President Carter by Roy Jenkins' friends is shown by the Bert Lance affair. As a result of Lance's opposition to the attempted wrecking of the U.S. dollar by Treasury Secretary Blumenthal, Felix Rohatyn and others, on or about July 7, 1977, the Lazard Freres and allied forces unleashed a hoax-campaign aimed at driving Lance out of office and bringing the Administration under the de facto control of Vice-President Mondale.

The issue of the Bert Lance affair, as was plainly, and rather stridently emphasized by the Washington Post and New York Times, was the demand by Mondale's admirers that Carter either break his allegiance to the "Atlanta Mafia" or go down with Lance. "Atlanta Mafia" means in fact those forces associated with the post-war economic development of the southern states, and hence forces committed to a solid U.S. dollar and a climate of productive employment and capital formation oriented to U.S. export growth.

The weakness of the Atlanta forces and their allies throughout the United States—and Western Europe and Japan—has been their lack of a suitable positive programmatic approach to the deepening world depression. However, Atlanta circles were closely associated with the Dresdner Bank's murdered Jürgen Ponto, the same Ponto who was murdered because his efforts in Brazil, Africa, the Middle East and elsewhere were laying the basis for a general economic recovery of

the sort Jenkins, McNamara, Schlesinger and so forth oppose bitterly. The fear of Mr. Jenkins' friends and fellow-thinkers is that a President Carter estranged from the Washington Post and the New York Times would move in the direction of energy-production (nuclear energy) and related programs which, if adopted, mean a finish to the insane ambitions of the London forces.

Hence, those forces are now desperately attempting to manipulate Carter, through insider Eizenstat, while developing more fundamental alternatives to Carter.

The Present Situation

Through the murder of Ponto, the kidnapping of Hanns-Martin Schleyer and the past weeks' skyjacking, the London forces behind international terrorism gained part of their objective: to disrupt and delay the resistance of the West German government to the anti-nuclear-energy and hyperinflationary-austerity drives. However, there have been other countervailing consequences. Not only has the government of Chancellor Helmut Schmidt been massively strengthened by its courageous and effective dealing with the skyjacking, but a strong alliance between France and West Germany has developed, plus much-improved relations between West Germany and both the Soviet Union and East Germany.

Continental Europe is now in the strongest position since early 1973 to resist the demands of Schlesinger, Jenkins, McNamara and others of that sort. Given the fact that the majority of USA farmers, industrialists and working people essentially support the economic-recovery objectives of continental Europe, the backers of Jenkins and Schlesinger must move quickly or lose.

There are three basic factional alignments inside the USA. There are the Whigs, among whom John Connally and most of Governor Reagan's supporters are to be included. These are forces based on the perspective of an industry-labor-farmer alliance. There is a middle, swing force, typified by the forces around Nelson A. Rockefeller (as distinct from the Trilateral Commission itself), which can go either way, and which tend to move toward an energy-production orientation and are at least open to certain essential financial remedies. Finally, there is the hard-core of neomalthusian Fabians, most visibly centered around Felix Rohatyn, the Washington Post and the twenty percent liberal-radical political disease within our population. The position of the latter faction is desperate, made more desperate by the recent victory of Helmut Schmidt's government over terrorism.

I shall not of course discuss here the procedures I shall discuss with relevant agencies. However, I urge the average citizen to understand that there are powerful forces centered around London who are presently desperate and quite mad. They are capable of anything: they see their world at stake if the rest of us win a solution to the present depression. It is they who murdered Jürgen Ponto, ordered my assassination, kidnapped Hanns-Martin Schleyer, and threatened to murder the hostages of a Lufthansa Boeing 747. Do not underestimate the danger from these forces, or the importance of protecting President Carter and other key actual and potential opponents of Felix Rohatyn from the madmen.

London's 'Big Grab' Could Spell Dollar Panic

Wall Street is debating a scenario: what if the capital-account flows of petrodollars back into the U.S. economy — the main prop of the dollar's international value since the rise in oil prices — were to be diverted instead to London?

Standard wisdom, from economists like Merrill Lynch's Eugene Sherman, is that the torrential flows of Arab money into long-term U.S. investments have built up an Arab interest in U.S. market stability that rules out any panicky move out of dollar paper. But the available evidence shows that the New York financial community is indulging in a level of complacency that might turn out to be suicidal. London is making the big grab, and the United States has done nothing effective to stop it.

A handful of press comments last week reflect extreme concern over what is afoot. On Oct. 21, the *Christian Science Monitor* reported on its front page that the Administration is sending out "frantic signals" to the Arabs that it will take steps to prevent further depreciation of the dollar, in order to preempt further sell-off of dollars in the foreign exchange market. Before Treasury Secretary Blumenthal's apparent turnabout on the usefulness of a depreciating dollar Oct. 19, flight of petrodollars had accounted for a major portion of pressure against the U.S. currency.

If the dollar continues to depreciate — and the side-effect of rising interest rates destabilizes dollar securities markets — then the Arabs will have major disincentives against further investments in U.S. paper, and a panic could take off. This scenario is standard wisdom at the leading London merchant banks, the Executive Intelligence Review earlier reported, and has been described to this service by officers of Schroder Wagg, A.S. Bleichroeder, and other City of London houses.

"What's Good for Britain..."

One U.S.-based observer who supports this scenario is Columbia University Professor Robert Mundell, organizer of the yearly conference on international monetary affairs at Villa Santa Colomba under the sponsorship of the Monte dei Paschi bank in Sienna. "Someone should get the Arabs to stop lending to the United States," Mundell said in an interview. "If there is an outflow of money, that would improve the U.S. deficit," because the United States would no longer be able to finance the same volume of imports through capital re-flows. Mundell explained that the U.S. economy could adjust to the shock, "because the money

would flow to Britain, and Britain would lend it to us. Then sterling would take some of the exchange risk" of holding Arab funds, "and Britain would hold claims against the U.S. instead of the Arabs."

"Britain has been weak for too long," the Canadian-born economist said, "and that is bad for the world economy. What's good for Britain is good for the world." The political impact of Britain's reemergence as a world financial power would also be desirable, Mundell believes. "Those countries in Europe that have monarchies have, by and large, had the best governments. They haven't been especially aggressive, and they have tended to be proponents of human rights and world order."

Is Mundell, who quips that "only 10 percent of the people listen to me," merely representing an extreme view? Almost certainly not. His Sienna conference last summer was the launching-pad for the "Common European currency," or "Europa," plan which Britain's Roy Jenkins has made the central policy objective in his capacity as Chairman of the European Commission. One European central bank governor told this reporter, "The Jenkins plan is a plot to have a European currency which the City of London could sit on and control Europe." Mundell adds, "London is the most likely center of the European financial community."

Another leading economist who warns of capital flight to London is Princeton's Peter Kenen. If the current-account deficit begins to affect the capital account, Kenen says, "the situation could very easily get out of control." Another factor cited by Kenen is the push by congressional liberals to limit arms sales to the Mideast. "If we cut back on armaments contracts to the Middle East, which Congress seems to want, then the Arabs will have even less incentive to invest in dollars. Arab placements of dollars are a kind of prepayment for future purchases of American exports," Kenen believes.

London's financial press is churning out copy to the same effect. In the Oct. 20 *Financial Times*, columnist Samuel Brittan argues in a long op-ed that the American monetary authorities are not in control of the money supply and inflation, boding ill for the dollar's value abroad. Brittan argues for an across-the-board 5 percent devaluation of the dollar, for starters. Afterwards, Brittan writes, "private investors and OPEC countries could decide whether they wish to invest in the U.S. at a level which more accurately reflects the authorities' ability to control inflation." Interviewed in last week's *Investor's Chronicle*, a weekly owned by the *Financial*

Times, Schroder's Geoffrey Bell reports a huge increase in the volume of funds under London merchant bank management. After 1974, Bell reported, the merchant banks introduced Reserve Asset Management Plans to handle surplus funds of OPEC central institutions, U.S. and European multinational corporations, and, later, the commercial banks themselves. The London merchant banks and some of the U.S. investment groups like Brown Bros. Harriman and Merrill Lynch were best-placed to manage the flood of free liquidity, Bell explained. (Privately, Hambros Ltd. estimate the volume of funds under such management at about \$5 billion a year.)

How can Britain, whose industrial output remains at 1970 levels despite the paper-recovery of its foreign exchange reserves and financial markets, expect to compete with the huge U.S. capital market, backed by the strongest economy in the world? London's argument is that since there are now as many dollars abroad as in the U.S. money supply, the dollar is out of control of the U.S. monetary authorities. For this reason, says *International Currency Review*, a London bi-monthly, "a really catastrophic run on the dollar" is entirely possible. A commentator in last week's *Money Manager* adds, "The control of the American money market now lies in the free forces of the City of London, and not the U.S. monetary authorities."

Truth About the Consequences

Even a very small diversion of petrodollar flows into the United States on capital account would have devastating consequences for the dollar. Since 1974, at least half of the OPEC surplus has flown back to the United States, and half of this has gone into nongovernmental long-term private investment. This is the conclusion of one internationally-oriented New York investment bank. Overall, according to this estimate, the net rise of foreign assets in the U.S. reported in the

capital account of balance of payments has risen, on average, by 35 billion per annum, or by about the same amount as the OPEC surplus. Foreign private investment has been roughly half of this:

Non-government investment in U.S. private sector

1974.....	\$27 billion
1975.....	\$ 5 billion
1976.....	\$16 billion
1977.....	\$ 8 billion*

*projection of first half

Source: U.S. Dept. of Commerce

The fluctuations in private-sector investment tend to correspond to compensating changes in foreign official investments, bringing the annual total to an average \$35 billion.

This includes both direct OPEC investments and petrodollars recycled through mainly continental European banks and central banks, according to the cited Wall Street analysis. Only this year, with the \$12 billion net inflow into London, has the City gotten a piece of the action. Any disruption of these flows would devastate the dollar.

The British are currently making their play in the Mideast. Granted, the Arab stake in U.S. stability in the U.S. is commensurately great. But if the Administration continues to tolerate dollar-dumper Michael Blumenthal, and publicly advertise its intention to unseat dollar-defender Arthur Burns, the dollar will go out of control in the very short run.

—David Goldman

A New Stage In The Dollar Fight

FOREIGN EXCHANGE

The unusual public message from the White House to the Federal Reserve on Oct. 20, warning further substantial increases in short-term interest rates could damage the progress of the U.S. "recovery," marked a new state in the fight over U.S. monetary policy and the fate of the dollar. While industry-oriented regional Federal Reserve presidents, certain U.S. business leaders, and European and Japanese central bankers have been lobbying for a strong dollar policy against inflation, the "toilet paper dollar" faction has regrouped for a new assault against the U.S. currency.

Echoing the views of the Democratic Party majority of the Joint Economic Committee of Congress, the White House statement took the Federal Reserve to task for

unwarranted concern over the rapid growth of the U.S. money supply. In its efforts to curb money supply growth, the statement argued, the Fed has pushed up short-term interest rates about 2 percent since last spring, endangering the mortgage markets and the whole economy.

The White House statement coincided with renewed discussion over whether current Federal Reserve chairman Arthur Burns will be retained by President Carter when his present term expires next Jan. 31. One well-placed source indicated Oct. 21 that the man British-oriented, U.S. Fabian circles have in mind for the post is Bruce McLaury, the former president of the Federal Reserve Bank of Minneapolis. McLaury is also a member of David Rockefeller's Trilateral Commission and president of the Brookings Institution. In addition to McLaury's ideological qualifications, there are technical reasons in his favor. With the Atlantic seaboard already fully represented on the Board of Governors, any new appointee must come from one of the other Fed districts.

From Across the Atlantic

Viewing these developments from the other side of the Atlantic, the conservative French financial daily *Les Echos* reported disconsolately Oct. 20 that Federal Reserve Chairman Burns is being undermined in his efforts to maintain a strong dollar by the congressional Joint Economic Committee's Democratic majority. "The man who is known abroad as the best defender of the U.S. dollar thus finds himself accused in his own country of being a recession maker."

The counter moves launched by some business leaders and the regional Fed presidents, combined with pressure from the European and Japanese central banks, showed up in the sudden shift by Treasury Secretary Michael Blumenthal Oct. 19 in favor of a strong dollar. Blumenthal, who has been the chief mover behind the toilet paper dollar, told a meeting of the American Bankers Association in Houston that "a strong and stable dollar is essential both to the U.S. and the world at large."

However, Blumenthal added that the Fed would only intervene in the markets to support the dollar if "disorderly conditions" develop, a remark which was interpreted by the *Wall Street Journal* and other financial commentators as further confirmation that Blumenthal's Treasury is not distressed about the dollar's current slide. Blumenthal's statement temporarily halted the collapse of the dollar, nevertheless.

The pressure to contain the U.S. money supply growth and defend the dollar was discussed at the Oct. 18 meeting of the Federal Reserve's top policy making body, the Federal Reserve Open Market Committee. Although the minutes of the committee's monthly meeting won't be released for 30 days, insiders in the U.S. banking system were expecting the regional Fed presidents and their allies on the Fed Board of Governors to come to the meeting with their knives out against the advocates of inflation.

The committee is the arm of the Fed that conducts its day-to-day money market transactions and is supposed to control money supply growth and interest rates. In the past weeks, it has come under increasing attack from conservative industrial interests in regions like Pittsburgh, Texas, and the Midwest for allowing the U.S. money supply to expand at the fastest rate of the postwar period except for 1972 — the inflationary prelude to the 1974-75 recession — fueling fears of inflation and the collapse of the dollar on the foreign exchanges.

According to one banking source, the regional Fed presidents until now have been cowed by the staffers at the Washington Fed who are close to the Fabian Brookings Institution. These Brookings protégés have told the Fed presidents month after month that the giant bulges in the nation's basic money supply — like the near-record \$4.9 billion jump several weeks ago — were just "one-time anomalies."

Now the Fed presidents have had enough, the source said; they want the Fed to put a stop to the accelerating money supply growth by exerting direct control over the growth of banking reserves and the monetary base, the way the West German and Swiss central banks manage their affairs.

By itself this cure is almost as bad as the inflation disease. The effect of simply putting the brakes on money supply growth and clamping down indiscriminately on the availability of credit to all borrowers would plunge U.S. industry into a new recession.

But some of the same industry-oriented bankers in the regions who want to control inflation because it is aborting capital formation are considering the two-tier credit approach proposed by the U.S. Labor Party. The two-tier plan would keep credit to productive industry and agriculture cheap while drying up credit for speculative activities — including the British-inspired wave of speculation against the U.S. dollar — via punitively high interest rates.

In an interview Oct. 18, a former Fed official conceded that "the two-tier potential of the Fed is an option under consideration — but only in a situation when an emergency is at hand, where you can see the whites of its eyes."

Blumenthal to Be Bounced?

Although Blumenthal appeared to be on the side of the dollar today, even telling the Houston meeting that although the U.S. has been running a large trade deficit a further depreciation of the dollar is not in order, the pressure from regional industrial interests is still on full blast.

Last week the *London Economist's* weekly financial report leaked that President Carter is under pressure to bounce Blumenthal from the Treasury post in favor of someone like Bank of America's Tom Clausen, who is more palatable to the business forces here that want to see the dollar strengthened.

The most solid opposition to Blumenthal's strategy of "talking the dollar down" and forcing the West Germans and Japanese to upvalue their currencies and reflate their economies is coming from the European central banks and the Bank of Japan. Concerted European central bank intervention to stem further appreciation of their currencies was evident all last week. Speaking before the Machinery Producers Association in Stuttgart on Oct. 21, West German central bank governor Otto Emminger spoke out against the continuing appreciation of the mark against the dollar, specifying "unadjusted imbalances" in the cost of financing trade between the U.S. and West Germany. Emminger said that the Bundesbank is working to smooth out fluctuations in the foreign exchange markets.

At the beginning of last week, as the yen continued to appreciate — at one point on Oct. 18 to an historic rate of 251.55 yen to the dollar, the Bank of Japan intervened heavily to stop the appreciation of the yen.

The Japanese central bank would like to work in coordination with the European central banks to relieve the upward pressure on their currencies, pressure that is destroying the competitiveness of their exports. According to reports in the *Journal of Commerce* last week, Japanese commercial bankers are hoping that the U.S. Treasury will shift away from its policy of benign neglect toward the dollar in response to the mounting criticism in Washington — a recognition of the domestic factional debate over the dollar.

How To Spend \$100 Billion For Energy

The U.S. Labor Party, Senator Abraham Ribicoff (D-Conn.), and Nelson Rockefeller are spokesmen for three different energy programs carrying a \$100 billion price tag. Those programs differ on *what* the money is to be spent on. The U.S. Labor Party insists on 'hard' energy technology — fission, oil, coal, natural gas; Ribicoff on "soft" technologies — solar, wind, shale oil, etc.; Rockefeller wants to mix them.

The results would be enormously different.

When the criterion of *energy density* is used — the relative energy equivalents of labor, material and capital inputs required to produce a given energy output — the U.S. Labor Party's program would realize a net energy production increase of 20 percent, cutting energy prices in half, creating 3 million new construction and manufacturing jobs and realizing a 36 percent profit on the \$100 billion spent. The same criterion applied to the Ribicoff "soft" programs shows disastrous results: a net energy *loss*, a quadrupling of prices, reduced real wages, and elimination of a massive number of industrial jobs. Were the Rockefeller "compromise" adopted, the disastrous ratio of energy consumed to energy produced for the "soft" technologies would wipe out the benefits accrued from the "hard" technologies. No decisive break with the current mess of steady energy price inflation will be possible, and economic stagnation, unemployment, and erosion of real wages will result.

This is hardly a choice. The fact is, energy-dense technologies are *low-cost* — however much capital is initially required. They have a high rate of *social profit*. For every dollar invested, "hard" technologies make available a much larger amount of wealth for the growth of the whole economy. For every job absorbed by such technologies' expansion, that translates into four or five additional jobs created elsewhere through new-output energy availability. Thus, only these technologies permit economic growth, at higher and higher *rates* of growth.

Conversely, with low-energy-dense, "soft" technologies the opposite is the case. Energy must then cost more, because more labor, capital, and material is required for its production. As labor productivity declines (production per capita), so does consumption per capita, that is, real wages. Soft energy technologies have a *negative* rate of social profit, because they require more of society's total wealth than they produce. Therefore their implementation does not create growth, but promotes the overall collapse of the economy.

Table 1 shows clearly exactly which technologies fall into each of these two categories. The low-cost, energy-dense technologies are fission, gas, coal, and oil — the presently used power technologies. They are used precisely because they are the cheapest available for the period before thermonuclear fusion power comes on line. In electric generation, fission and coal are closely

comparable and, on a national average, produce energy at a real (uninflated) price of only about 60 percent the present market price for electricity. This gives some indication of the amount the economy already pays for the overpricing of fuels. The real rate of profit on these sources is very high, above 40 percent per year, currently shared out among the mining companies, the utilities and, above all, the banks which finance both. This rate of profit indicates how rapidly new wealth can be plowed back into the economy through the expanded use of these energy sources.

For non-electric fuel sources, it is clear that coal and gas are by far the cheapest sources. This is directly related both to the inherent high energy density of these fuels and their relative availability in highly concentrated deposits. Natural gas in particular, despite all the propaganda to the contrary, has been barely exploited in this country. Vast amounts of "dry" gas — gas not associated with oil — have barely been tapped, and all competent experts agree that natural gas production could be doubled or for every billion dollars invested, a third of a million barrels of oil per day equivalent energy will be produced, or 2/3 of a trillion cubic feet of gas per year. From the vast majority of the known reserves, gas can be produced profitably for far below the current ceiling price of \$1.75 per 1,000 cu. ft. (the equivalent of oil at about \$7 a barrel). The only reason independent gas producers are vehemently demanding much higher prices through deregulation is that they expect to continue to be frozen out of the credit markets, and thus reliant on self-generated profits of 30 percent per year and more to finance expanded drilling. With cheap federal credits, such self-defeating policies will be totally unnecessary, and abundant cheap gas production will be completely feasible.

Notably, oil, while still among the cheap energy sources is currently considerably more expensive than gas or coal when produced in the U.S. Easily available oil supplies have in fact been fairly thoroughly exploited in the U.S. and remaining supplies require greater amounts of investment, such as for deep wells, the Alaska pipeline and off-shore operations. Nonetheless, oil supplies remain available for considerable expansion in use of this fuel, as wellhead prices close to the current dollar ceiling (or refined product prices of \$9 a barrel).

The contrast between these cheap energy sources and the high-cost variety is striking.

First, there are the marginal resources such as shale oil and tar sands. Such resources, blasted out of the ground or extracted by various *in situ* methods, require the setting up of large factories, built by hundreds of thousands of construction workers in presently uninhabited regions such as central Wyoming and northern Canada. They are expensive because they are

inherently far more diffuse than the concentrated deposits of oil and gas now being exploited. To be profitable they would require energy prices of nearly triple the current domestic one, and nearly double the OPEC price. In simple capitalistic terms, such investments would be losing propositions *unless* there was either a 200 percent increase in domestic oil prices or a 60 percent reduction in construction workers' wages, thus reducing the major capital cost of the projects.

A second variety of high-cost technology is the coal conversion schemes which again use very large industrial plants, involving very heavy capital investment to convert coal into gas or oil, wasting half of the original energy in the process. As Table I indicates, about one-tenth as much energy is produced from coal gasification as from an equal investment in simple coal-mining, and even less than that out of coal liquifaction.

The most expensive energy sources are the so called soft technologies, or the Amory Lovins Specials (named after that very soft young man who advocates such nonsense.) These sources, admired by ecological freaks

and their friends, are expensive because they use energy sources which are inherently highly diffuse. In the case of geothermal and wind power, the diffuseness leads to very small-scale energy production and thus very low labor productivity in the construction of small and scattered facilities. The application of these soft technologies would be very hard on peoples wallets, since it would require the quadrupling or quintupling of everyone's electric bills. And of course, for a given investment, only one-seventh to one-fifth of the energy would be produced as compared to a similar investment in fission or coal electric generation.

Within these soft technologies, the much-touted scalar technologies — solar-electric and biomass fuel generation (better known as firewood) — are in a class by themselves. These methods of utilizing "free solar energy," the most diffuse type of all, are naturally enough the most expensive of all. In fact, it would take 500,000 workers and cost \$80 billion at current prices to construct a biomass conversion complex capable of producing energy equivalent to one million barrels of oil per

Table I — Costs of Energy Production

Fuel Production						
Energy Source	Capital Costs (\$billion per MBDE)	Labor (jobs/MBDE)	Cost (\$/BBL)	Price (\$/BBL)	Rate of Profit (% per annum)	
Coal	3	10,000	1.10	2.75	70	
Gas	5	15,000	1.40	3.50	40	
Oil	13	35,000	3.60	9.00	10	
Oil Shale	20	100,000	7.50	19.00	-1 (loss)	
Tar Sands	27	140,000	8.50	21.00	-2 (loss)	
Coal Gasification	27	170,000	9.00	22.00	-3 (loss)	
Coal Liquifaction	40	250,000	13.50	34.00	-6 (loss)	
Biomass Conversion	80	500,000	27.00	68.00	-9 (loss)	
Electric Generation						
Energy Source	Capital Costs (\$billion per MBDE)	Labor (jobs/GWE)	Cost (cents/KWH)	Price (cents/KWH)	Rate of Profit (% per annum)	
Fission	.8	4,000	.9	2.7	40	
Coal	.8	5,000	.9	2.7	40	
Wind	4	20,000	4.5	13.5	-1 (loss)	
Geothermal	6	30,000	6.7	20.0	-5 (loss)	
Solar	10	100,000	11.0	33.0	-7 (loss)	

Key
MBDE — million barrels per day equivalent
GWE — gigawatts electricity (million kilowatts). One MBDE energy is sufficient to produce 20 GWE at normal efficiency.
KWH — kilowatt hours
BBL — barrels

COST is the true cost of production of the finished fuel at point of consumption (i.e. refined petroleum). In all energy production technologies, the vast majority of costs is absorbed by capital construction and capitalization (drilling the wells and building the refineries, etc.).

PRICE is the fuel or electric price which will return a profit of 15 percent a year.

PROFIT is the annual gain or loss on capital assuming fuel is sold at current prices (\$7 per barrel of oil or energy equivalent; 4 cents per kilowatt of electricity). Note that for the case of petroleum, the price is calculated after refining; for crude oil, the price would be very close to the actual current price of \$7 per barrel. Also note that the apparently small losses of the high cost fuels are not small at all. A loss of 3 percent per annum would lead to a loss of a third of initial capital in a decade, the loss of 9 percent per annum would lead to a virtually total write-off of capital in the same period.

JOBS means mainly jobs involving construction of energy-producing complexes, except in the case of coal-mining where ongoing labor costs are substantial.

day. Even more absurd is the case of solar energy. To build a solar generating system capable of supplying New York City's 10 gigawatt per day electricity requirement alone, fully one million workers would have to be mobilized for a construction effort costing \$100 billion — nearly 10 times the city's annual budget.

The application of these low-energy-dense technologies would lead to increases in fuel prices by more than 1000 percent and in electric prices by more than 800 percent. Conversely, these soft technologies could be applied and energy could be produced at current prices if the construction and steel workers constructing the gigantic solar generators and massive biomass converters would merely agree to have their wages reduced by a factor of ten — to about \$30 a week.

The Alternative Programs

Given the above analysis of the cost of various energy technologies, it is not hard to design an appropriate way to spend \$100 billion to develop energy and to estimate the impact a program will have. Obviously we propose to invest only in cheap energy sources. Electric generation is to come from a combination of 30 fission and 50 coal plants, for a total investment of \$57 billion. Fuel will come predominantly from expansion of gas production.

An expansion of gas production by 40 percent, or 8 trillion cu. ft. per year (4 million barrels a day equivalent) can be financed by \$20 billion in government loans, enough to send every independent gas producer in the country scrambling for his drilling rig. Major regions of expansion will be in Appalachia, Mississippi, Louisiana, Texas, Oklahoma, the northern Rockies, and New Mexico. Coal production, mainly for new electric capacity, will be expanded considerably as well, with \$6 billion allocated for an expansion of coal production by 30 percent or 180 million tons per year. Oil production should also be expanded, to fully exploit existing relatively cheap reserves, with \$17 billion going to expand production by about 10 percent.

The impact of such a program on the economy would be immense. Electric generation capacity would be increased by 80 gigawatts (a million kilowatts) or 25 percent. Total energy production would be increased by 8.8 million barrels a day equivalent, or 22 percent. This would be sufficient energy, developed over a relatively short period (as little as two years for the fuel expansion) to set off a tremendous rate of growth in the economy as a whole. Sufficient energy would be provided for a total of 3 million new jobs in manufacturing, construction and related industries, of which only about 500,000 would be used for the energy expansion program itself. This high ratio of jobs needed by the program to jobs produced by the resulting energy implies a high rate of social profit — in fact a rate in monetary value of 36 percent a year at current prices. Such rapid growth of energy supply using sources inherently cheaper than the current price will lead over a period of time to the end of energy shortages in the U.S. and the reduction of energy prices, ultimately by as much as 60 percent — implying a comparable increase in real wages.

For contrast, let us assume that about half the the low-cost program.

Prices of electricity would quintuple, and the price of fuel quadruple. Real wages would decline by 70 percent, either through such price increases, through massive wage-slashing and union-busting, or a combination of both. Industry would be gutted: the program would require more labor and materials than could be produced by the energy generated by the project. The investment program in energy-dense technologies would generate 3 million new jobs on the basis of the energy produced by the project workforce of 500,000. By contrast, the application of soft energy technologies would initially employ 650,000 in a \$100 billion investment program, but would produce only enough energy to support 500,000 jobs, a net overall loss to the economy as a whole. If prices and wages were actually held constant, the project would lose enough money to squander the entire \$100 billion

Table II — \$100 Billion for Energy Development: The Alternatives

Low-Cost Energy Plan		Rotten Compromise		High-Cost Energy Plan	
Fission	\$24B for 30 GW	Fission	\$19B for 24 GW	Wind	\$12B for 3 GW
Coal Electricity	\$33B for 50 GW	Coal Electricity	\$ 4B for 6 GW	Geothermal	\$18B for 3 GW
Coal	\$ 6B for 2 MBDE	Wind	\$ 4B for 1 GW	Solar	\$20B for 2 GW
Gas	\$20B for 4 MBDE	Geothermal	\$12B for 2 GW	Shale	\$13B for .65 MBDE
Oil	\$17B for 1.3 MBDE	Solar	\$10B for 1 GW	Tar Sands	\$ 7B for .25 MBDE
Total: 80 GW 7.3 MBDE } \$100B for 8.8 MBDE		Coal	\$ 5B for 1.8 MBDE	Coal Gas	\$10B for .40 MBDE
		Gas	\$ 4B for 0.8 MBDE	Coal Oil	\$10B for .25 MBDE
		Oil	\$19B for 1.5 MBDE	Biomass	\$10B for .12 MBDE
		Shale	\$ 4B for 0.20 MBDE	Total: 8 GW 1.7 MBDE } \$100B for 2.1 MBDE	
		Tar sands	\$ 4B for 0.15 MBDE		
		Coal Gas	\$ 5B for 0.20 MBDE		
		Coal Oil	\$ 5B for 0.10 MBDE		
		Biomass	\$ 5B for 0.06MBDE		
		Total: 35 GW 4.8 MBDE } \$100B for 5.8 MBDE			

B—billion
GW—gigawatts
(million kilowatts)
MBDE—million
barrels of oil per day
equivalent

Table III — The Results			
	Low-Cost Energy Plan	Rotten Compromise	High-Cost Energy Plan
Price of electricity	\$.027/kwh	\$.047/kwh	\$.20/kwh
Price of fuel	\$4.30/bbl	\$8.40/bbl	\$25.00/bbl
Net reinvestable profit	\$36 billion/year	\$14 billion/year	\$4.5 billion (loss)
Project labor	500,000 jobs	550,000 jobs	650,000 jobs
Total jobs created in economy	3 million	2 million	500,000
Real wages	+ 60 percent	—20 percent	—70 percent
kwh—kilowatt hours bbl— barrels			

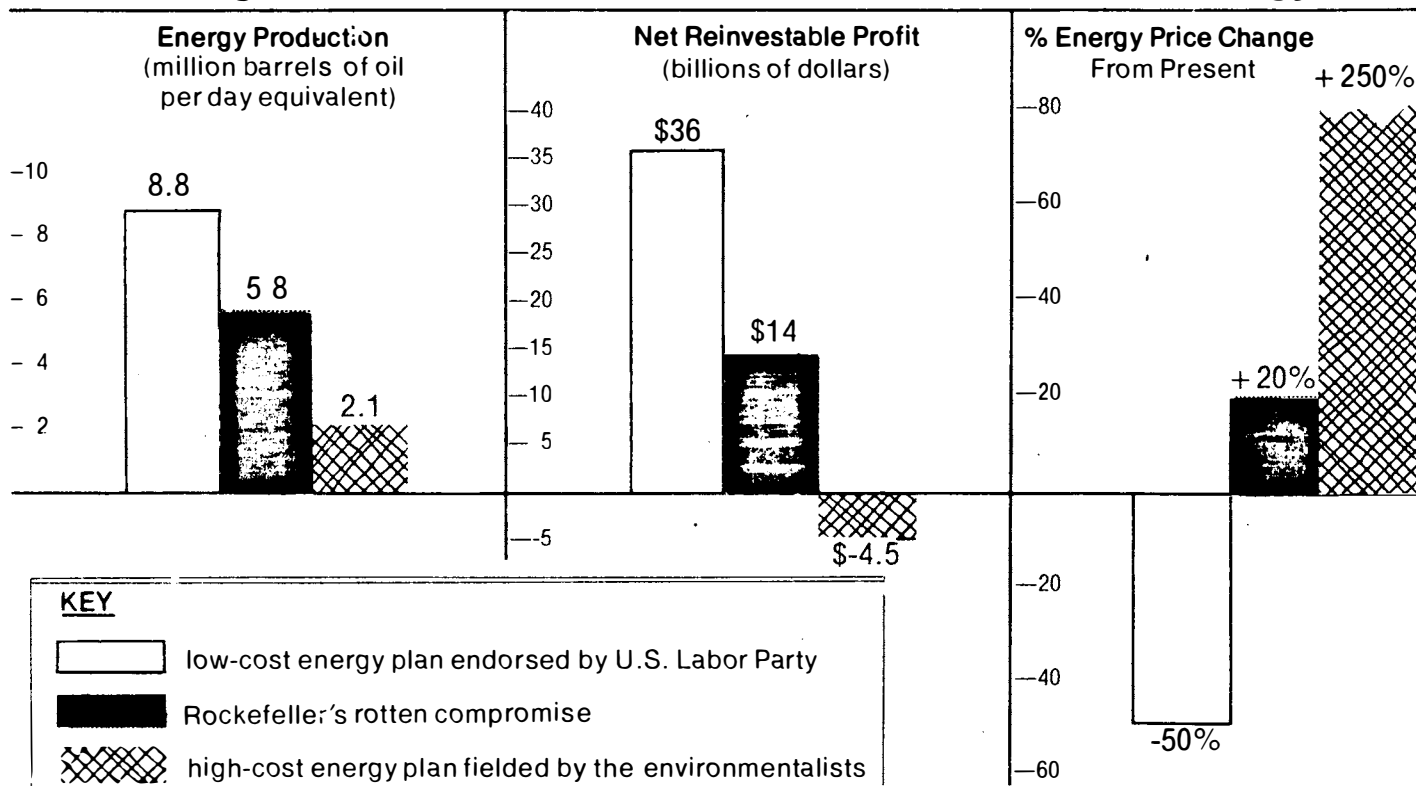
very rapidly.

Finally let us look at the compromise plan: a little hard and a little soft. Such is the program proposed in the Rockefeller Critical Choices plan of 1974, recently revived by the former Vice President and endorsed by Sen. Long. It includes a lot of fission, just small "pilot" projects for wind, geothermal, solar, shale, tar sands, coal conversion, and biomass, in addition to oil and some gas and coal. However, although the amounts of energy produced by the high-cost methods are small, nearly *half the total capital* is invested in them and thereby wasted. The net effect of this "compromise" is to increase the prices of both electricity and fuel by about 20 percent, thus continuing the present steady escalation of energy costs that is crippling U.S. industry.

Only 45 percent of the electricity of the low cost program and only 60 percent of the overall energy production is produced by the compromise — naturally enough, since half the capital is wasted on oil shale, and so on. This means that the profit level is less than half as much and far fewer jobs are created — a net gain in jobs of 1.5 million as against 2.5 million and at the expense of a 20 percent fall in real wages. Although there does remain an apparent small net gain in energy production (less than 10 percent of current production), this is barely enough to keep even. Thus overall, the real net return on investment is negligible and the program as a whole in essence perpetuates the existing situation.

— Eric Lerner

Figure I — Results of \$100 Billion Investment in Energy



Congress Must Pass Emergency Energy Financing Act Of 1977

The U.S. Labor Party will submit to the U.S. Congress this week the following Emergency Energy Development Financing Act of 1977 for immediate action. The bill's provisions constitute the first tier of an emergency two-tier credit system proposed as immediate national economic policy by Labor Party Chairman Lyndon H. LaRouche, Jr.

This Act shall be known as the Emergency Energy Development Financing Act of 1977.

TITLE I

Section I

Findings of the Congress

1) Congress finds that the most essential precondition for restoring the nation's economic health is the rapid provision of additional and new supplies of efficient and low-cost energy which not only require, but will enhance and expand the rate of growth of the United States' industry, agriculture, and high-technology capital goods production. This provision is most adequately met by the high-technology energy resources of nuclear fission, including the Liquid Metal Fast Breeder Reactor, controlled thermonuclear fusion, and the hybrid fusion-fission reactor.

2) Congress finds that the nation's long-held position as the world's leading industrial nation is threatened by severe shortages of current supplies of energy, stagnation and decline of output from the nation's industry, particularly in the critical iron and steel sector, decline in exports of the nation's industrial goods, and weakening of the nation's currency at home and abroad. This constitutes a national emergency requiring rapid remedial action.

3) Congress finds that the constitutional power to promote trade, industrial development, and general economic welfare of the nation vested in the federal government requires the federal government to take action in such a national emergency, and that federal agencies are the only governmental bodies capable of acting with sufficient speed and impact within the time frame set by this emergency.

4) Congress, therefore, finds it in the urgent national interest to create an Energy Development Finance Corporation. This corporation shall be empowered to extend funds for the expansion of existing, fossil fuel and fission energy resources, as well as the development of the technologically advanced fuel resources of nuclear fission and fusion.

Congress notes with regard to the former that research and development is already under way for the clean, low cost, and efficient utilization of such fossil fuel resources as coal through the application of magnetohydrodynamic processes.

Congress also notes that the most energy-dense production technologies known today are the technologies of nuclear fission and fusion. These technologies, as well as

the rapid utilization of fossil fuel resources, will have an immediate feedback effect on the nation's industry through the supply of energy resources, the energy industry's requirement of capital goods, and the development of new technologies having industrial application. This feedback effect translates immediately into greater employment of the nation's population at higher skill levels.

5) Congress finds a precedent for such federal action in the Reconstruction Finance Corporation created by the 72nd Congress. Congress, however, distinguishes between the Reconstruction Finance Corporation, which, through indiscriminate financing, merely provided cash to bail out the depressed private banking sector, and the Energy Development Finance Corporation which will provide credit explicitly for the expansion and implementation of energy-dense production technologies. This corporation, therefore, will function as the "seed-institution" for a much more comprehensive national credit policy as the one embodied in "An Act to Establish the Third National Bank of the United States."

Section II

Purpose of the Energy Development Finance Corporation

1) The purpose of the Energy Development Finance Corporation is to raise the level of production and export of energy-producing and energy-dense technologies at the most rapid possible rate and through the shortest available route.

2) The corporation shall provide funds to private and public corporations engaged in the production and export of such technologies.

3) The corporation shall provide funds primarily, but not exclusively, for projects that are otherwise impeded or prohibited by the present depressed state of market demand, credit availability, exorbitant interest rates, and other conditions arising from the nation's economic distress.

Such projects shall include:

A) The construction, purchase and export of light water fission reactors for the purposes of electrical generation, particularly where installation of such facilities enhances the general industrial development of the United States and its trading partners. These reactors utilize off-the-shelf technologies and therefore can be mass produced on an assembly line.

B) The development, production, and sale of energy-dense technologies, particularly relating to the production of nuclear fission energy, to the nuclear industry and among support industries. It is the opinion of Congress that such a policy not only enhances the rapid expansion of energy availability, but also has a net positive effect of introducing new, energy-efficient technologies into the support industries, raising the levels of em-

ployment and standards of livings, and freeing funds for investment in overall national economic growth.

C) The research and development of technologies in the nuclear and related fields. These include the rapid commercialization of the Liquid Metal Fast Breeder Reactors to supplement existing supplies of uranium while producing net energy; the development and commercialization of the hybrid fission-fusion reactor which can also breed fission fuel as it produces net energy; and the bringing on line of the energy resource and technologies of controlled thermonuclear fusion by the 1990s.

D) Improvements in the extraction and utilization technologies of fossil fuels. These include the development of magnetohydrodynamic processes as well as the longer-term development of the fusion torch which is capable of reducing raw materials to their basic elemental ingredients.

4) The corporation shall make its criteria of lending the provision of energy at increasingly lower costs and greater efficiencies to the economy, and shall favor such new technologies as nuclear fission and fusion that are demonstrated capable of meeting this goal. The corporation shall avoid providing funds for modes of energy production that presume a higher price for energy as measured in barrels-of-oil equivalent above the current world market price for oil.

5) The corporation shall undertake to not conflict with existing private-sector forms of finance to energy industries wherever possible. To the extent that private-sector credit channels are sufficient to promote energy development, as in the case of drilling for oil and natural gas, the corporation will avoid disrupting such channels.

6) The corporation shall have freedom of action in areas of energy development now subsumed under existing federal agencies, either by supplementing or replacing the efforts of those agencies, at the corporation's discretion.

TITLE II

Section I

Forms of Energy Development Finance Corporation Activity

1) The Energy Development Finance Corporation shall be created for an initial period of two years as an emergency body subject to Congressional review.

2) The corporation shall make monthly reports to Congress to ensure that its purposes as stated in Title I, Section II, are fulfilled.

3) The corporation shall provide the following types of funding:

A) Nonvoting equity in corporations employing Energy Development Financing Corporation funds for longer-term development projects, in preference to loans. The intention of this form of provision of funding is to provide development capital without either increasing federal control over private corporate management, or worsening corporate debt structure.

B) Loans at three percent interest and maturity matched to the full period of completion of the

project funded, with amortization to begin after completion, in cases where purchase of nonvoting equity is not required.

C) Export credits to the nation's trading partners, under the same conditions as (B), in cases where the Export-Import Bank of the United States is not in a position to grant appropriate financing.

D) In exceptional cases, discounting of trade debts of energy-related corporations.

Section II

Sources of Funding

1) The Energy Development Financing Corporation shall draw funds directly from the Department of Treasury out of general revenues and borrowings.

2) The Department of Treasury shall provide funds to the corporation from its account at the Federal Reserve System, and shall receive in return all interest and dividends paid to the corporation minus costs of administration.

3) The corporation shall draw such funds up to the amount of \$50 billion during the first 12 months of its operations.

4) The corporation shall not be empowered to issue federally guaranteed securities or to employ off-budget financing methods to the same effect. The aim of the corporation is to improve, not worsen, the tax base of the U.S. Treasury by promoting revenue-generating activities.

5) At such times as the corporation deems appropriate, it may divest itself of holdings of non-voting equity, with the consent of the corporation concerned, by selling such equity to private investors. All capital gains incurred through such sales shall be returned to the United States Treasury.

Section III

Structure of The Energy Development Finance Corporation

1) The President shall appoint, with the advice and consent of the Senate, seven commissioners, including one chairman, to be the Commission of the Energy Development Finance Corporation.

2) The members of the commission shall be chosen on the strict basis of scientific, industrial, and engineering expertise in high-technology energy development.

3) The commission or its delegates shall judge all requests for funding, and shall appoint a Director of Research and a staff to investigate all new projects to determine their potential for meeting the goals set forth in Title I.

4) The chairman of the commission shall be a standing member of the Economic Policy Group of the Executive Branch.

5) The corporation shall be empowered to hold consultations with the governments of the nation's trading partners on the subject of trade, technical cooperation, and joint investment in the development of energy resources.

'Revolution In Cancer Research' Stalled By Gov't Grant Cuts

The U.S. government, through the Department of Labor and the National Institute of Health, is taking money away from serious cancer research and devoting it to funding a scavenger hunt for potentially dangerous substances in the environment and particularly the workplace.

As a result, a diagnostic technique that could totally revolutionize cancer treatment, eliminating thousands of cancer deaths each year, is not being funded because 75 percent of all cancer research funds have been diverted into testing for carcinogenic industrial substances.

Consequently, a large magnetic scanning FONAR (Field Focusing Nuclear Magnetic Resonance) device, recently tested on healthy humans and ready to scan suspected cancer patients, now sits idle in the State University of New York's Downstate Medical Center laboratory of Raymond Damadian, M.D., Lawrence Minkoff, M.D., and Michael Goldsmith for want of the \$250 a day needed to operate it. The prototype FONAR device, which provides more information than is available from x-ray techniques at only a fraction of the radiation risk, has already shown tremendous potential for early detection of cancer and could be further developed with either radiofrequency irradiation, neutron beam, or laser focusing techniques as a treatment, to eliminate cancer as a major human killer.

The technique is "potentially a revolution immediately," said Michael Goldsmith. "Many labs around the world are working on this. Whether or not the federal government continues to fund this, this revolution will not be stopped."

The Revolution in Clinical Medicine

Cancer, as a diseased state has always posed a difficult problem for medical research because it involves first, a breakdown in the normal process of cell division and differentiation on the tissue level, and second, often also a failure of the immune system to contain the malignant tissue. Neither aspect is well understood. Normally in the process of development or wound healing, when dividing cells come in contact with appropriate cells they cease to wander aimlessly, and begin to differentiate collectively as a tissue — with a corresponding decrease in the rate of cell division. However, cancer cells often lack this capacity for organized differentiation — frequently they continue to crawl and spread through normal healthy cell tissue, remaining undifferentiated, and with a continued rapid rate of cell division. Internally, the nuclei of cancerous cells often divide so fast that the cells are multinucleated with additional chromosomal aberrations

that are not understood. The cancerous cell as a whole is in a highly disordered state, and contains far more water (up to 90 percent) than the normal cell (66 percent). In addition, the normal (mitochondrial oxidative) respiration system does not function, and the cancerous cells rely on the highly inefficient system of fermentation to acquire energy.

Despite the interaction of changes associated with the disease, cancer is generally still diagnosed anatomically, using a microscope to confirm the malignancy of the tumor during a biopsy at the beginning of surgery. Most of the time the tumorous tissue does not produce biochemical changes that are readily detected in the urine or blood.

By contrast, the FONAR scanner being developed at the Downstate labs as a prototype for hospital use can scan a patient quickly and generate a tremendous wealth of information about his internal biochemistry without disrupting it. This holds the promise of a total revolution in clinical medicine, since it could enable cancer, and other clinical abnormalities, to be detected long before they become anatomically obvious, through a routine, harmless FONAR scanning allowing any necessary treatment to begin while the condition is still in an early, easily treatable stage.

In the experimentation thus far, the prototype FONAR scanner can distinguish between most malignant tumors, benign tumors, infected tissue, and normal healthy tissue. Even the most skeptical in the medical profession agree that the FONAR scanner can distinguish normal tissue from tumors with a very high degree of certainty, but preliminary experimentation indicates that it has the capacity to do much more.

In three out of four cases, FONAR has distinguished between benign and malignant tumors with a high degree of certainty — including some benign tumors that pathologists often confuse with malignant tumors. In two out of three cases edema (a condition in which the tissue retains water) can be distinguished from tumors. Local infections have been picked up by FONAR scanning long before they became clinically obvious. The rate of energy production (measured as adenosine triphosphate) in living tissue has been monitored by FONAR, in order to study the degeneration of a transplanted kidney. Since FONAR is still in its infancy, it can readily be assumed that the wealth of information concerning the internal living biochemistry of tissues generated by FONAR scanning could be applied to additional clinical testing — if the technique is developed.

How the FONAR Scanner Works

Cancer is a breakdown in the fundamental process of cell differentiation and development, and the FONAR scanner uses the properties of cancer to detect it.

The patient is placed inside a superconducting magnet which also contains a radiowave frequency transmitter and pickup coil. The magnet produces a magnetic field, and when the radio frequency pulse is applied to the patient, the reemitted signal gives an indication of the local ordering in a limited area of the patient's tissues. The pickup coil receives this signal, and translates it visually into a color image on a television screen. Since cancer cells are less ordered than healthy tissue they will show up differently — specifically, the reemission time is longer because of this lack of ordering. A glass of water would show up differently as well; it is even less ordered than cancerous tissue and hence the reemission time would be even longer. And the magnetic field and radiofrequency involved in the FONAR scanner create far less risk of damage to the patient than do x-rays.

Once a tumorous area is located, FONAR can focus on that area and provide an even more detailed and accurate picture of the tumor. Then it can be treated with focused x-ray radiation therapy or laser beam or neutron beam surgery, which would eliminate much of the tissue damage and trauma associated with today's surgical procedures. FONAR in combination with focused x-ray radiation surgery has already developed the capacity to

locate and eliminate tumors as small as 1 centimeter in diameter.

According to experimentation that is still being confirmed, FONAR itself may possibly be developed to destroy the cancer by irradiation with radiofrequency radiation which the malignant tumor absorbs, but which normal tissue does not. It is already known that malignant tumors absorb in radiofrequency spectral areas which are not absorbed by normal tissues, but it is not yet clear whether the energy thus absorbed by the tumor would be sufficient to totally destroy it. Even if such treatment proves to destroy only a sizable percentage of the malignant tissue, it would still have an advantage over all current radiation therapy, chemotherapy, and surgical therapy in that it destroys only malignant tissue, and therefore could be used repeatedly with less damage to the health of the patient than any other method.

More immediately, the use of FONAR, whether to detect cancer with no side effects to the patient, or as a research tool in studying a tiny embryo undergoing rapid multiple phase transitions in differentiation, will revolutionize clinical medicine. Cutting the budget on research of such clear scientific and medical importance could cost much to U.S. science, and thousands upon thousands of human lives.

—Carol Cleary

Some Differences in T_1 Relaxations in Normal and Malignant Human Tissues

High Probability of Statistical Significance

Tumor Samples Too Small for Evaluation of Statistical Significance

Tissue	T_1 Tumor	T_1 Normal	Tissue	T_1 Tumor	T_1 Normal
Breast	1.080 (13)	0.367 (5)	Esophagus	1.04 (1)	0.804 (5)
Skin	1.047 (4)	0.616 (9)	Liver	0.832 (2)	0.570 (14)
Muscle (malignant)	1.413 (7)	1.023 (17)	Spleen	1.113 (2)	0.701 (17)
(benign)	1.307 (2)	—	Thyroid	1.072 (1)	0.882 (7)
Stomach	1.238 (3)	0.765 (8)	Nerve	1.204 (1)	0.557 (2)
Intestinal tract (small bowel)	1.122 (15)	0.641 (8)	Adipose	2.047 (1)	0.279 (5)
(colon)		0.641 (12)	Ovary	1.282 (2)	0.989 (5)
Lung	1.110 (12)	0.788 (5)	Uterus (malignant)	1.393 (2)	0.924 (4)
Lymphatic	1.004 (14)	0.720 (6)	(benign)	0.973 (1)	—
Bone	1.027 (6)	0.554 (10)	Cervix	1.101 (1)	0.827 (4)
Bladder	1.241 (3)	0.891 (4)	Testes	1.223 (1)	1.200 (4)
			Prostate	1.110 (1)	0.803 (2)

Number of cases indicated in parentheses

Source: *Hospital Practice Magazine*, Vol. 12, No. 7

Barry Commoner: Where Science Meets Terrorism

Italian Communists were treated to an unlikely speaker last month at the party's *Unità* festival in Bologna: Washington University (St. Louis) biologist and leading U.S. environmentalist Barry Commoner, who interrupted his "investigation" of the mysterious toxic gas cloud which recently appeared over Bologna to deliver a tirade against nuclear energy to the startled Italian workers attending the festival. Drawing on his connections to the "radical leftist" and "counterculture" networks in Europe controlled by the Washington D.C.-based Institute for Policy Studies, Commoner — the recipient of millions in grants from the U.S. government and some of the nation's most heavily endowed private foundations — was touted in press throughout Europe as a "radical leftist."

At the same time, Commoner's byline was appearing under a featured article in the Sept. 25 *New York Times Magazine*, in which he painted a lurid portrait of the alleged threat to the environment posed by the petrochemicals industry, focusing heavily on his contention that many, if not most, of the synthetic materials being produced in that industry are highly carcinogenic.

Commoner's schedule of activities highlights a development in the so-called environmentalist movement that besieged industrialists and businessmen have been slow to point out: the open collaboration between self-styled environmentalists — even those sporting such apparently respectable credentials as Dr. Commoner — and the world's most notorious terrorist groups and defenders of terrorist tactics.

Commoner, for instance, is a featured speaker for the "Mobilization for Survival," an antinuclear umbrella organization run by the Institute for Policy Studies (IPS) and including such avowedly terrorist groups as the July 4 Coalition. The "Mobilization" is the U.S. end of an internationally organized and coordinated year of violent disruptions against nuclear power plants and development projects, which in other countries has included riots, bombings, and several deaths. Commoner has also become a favorite of IPS-linked columnists James Ridgeway and Alexander Cockburn, authors of "The Greasy Pole" column in the *New York Village Voice*, who recently praised him along with Ralph Nader as one of the country's two most consistent nuclear energy foes.

A closer look at Commoner's career discloses that his apparent alliance with terrorists is not so surprising: Commoner's history and accomplishments are more those of an intelligence agent and professional propagandist than a reputable scientist, and his scientific credentials, such as they are, are mediocre and eccentric.

In biology, Commoner is an advocate of the British-engendered doctrine of "holism," a theory concocted by late 19th and early 20th century British politician-intelligence agents J.B. Haldane and racist J.C. Smuts, which teaches that since the ecosphere is a harmony of all its elements, fundamental change in the environment is impossible. Therefore, holism claims, any particular alteration in the environment will produce a reaction elsewhere.

While it is unclear whether Commoner adopted "holism" while studying biology as a graduate student at Harvard from 1937 to 1940, at the same time that British Fabian agent Bertrand Russell was on the Harvard faculty, or after taking his post in the biology department at Washington University, a nest of British Fabian activity since the 1860s, "holism's" impact on his thinking is apparent. Among biologists, Commoner is notorious for his carping and eccentric attacks on the "authenticity" of the Watson-Crick breakthroughs in DNA research, which, he claims, overrate the importance of DNA as an individual determinant of the characteristics of organisms.

True to his "holism," Commoner believes that the environmental balance is so delicate that all tampering by technological progress must be repaid in the future. In 1970 he wrote that "The environmental peril now upon us is a grim challenge; from it we may yet learn that the proper use of science is not to conquer nature but to live in it."

Molding a Movement

Apart from this, Commoner's own research has been focused throughout his career on narrow projects on tobacco mosaic virus functions.

As an environmentalist propagandist, however, Commoner's career is richer. Since the 1950s he has functioned as a leading pioneer in importing "environmentalism" to the U.S. from its place of origin — Britain — where it was developed by leading Fabian operatives including Julian Huxley and Bertrand Russell.

During this period, Commoner sides with anthropologist Margaret Mead in the debate within the American Association for the Advancement of Science over the role of science in shaping culture. While her opponents contended that scientists' primary role must lie in basic research, Mead, herself a World War II psychological warfare specialist and a leading exponent of British "cultural relativism," which objects to the interference of modern technology into underdeveloped nations' "right" to "their own" backward culture, argued otherwise. Scientists she said, must downgrade

basic new research, and mold themselves into a propaganda force to alert the nation on the potential dangers and drawbacks in the new technologies evolving in the postwar world.

This debate was finally resolved when Meade, Commoner, and others organized a Conference on Scientific Information at the Rockefeller Institute in New York in 1963, where they launched the Scientists' Institute for Public Information (SIPI) to promote environmentalism. Commoner continues today as the chairman of SIPI.

Margaret Mead set out the terms of the conference in her keynote address to the nearly 100 scientists and observers gathered, calling for the type of psychological conditioning used during World War II to shape U.S. opinion:

We had a good deal of experience at that time (World War II) in how to mobilize the responsible groups in the community for a short-term effort.... We developed in World War II some knowledge of what was necessary if you were going to have nationwide movements of any sort, either of small groups or of large, that would be effective in the United States.

Immediately after World War II as you all know we had the efforts, primarily by physicists, to arouse public opinion, and they developed the *Bulletin of the Atomic Scientists*.

... our solution ... it is the duty of science to inform the public of the issues, (from) among the solutions to which, then, the public must choose.

Barry Commoner followed with an account of his personal experience in organizing a pilot project for SIPI, the St. Louis Committee for Nuclear Information, which he started in 1958:

No scientist needs to be convinced that science and public affairs are closely coupled.

... We have the distinction of being the first generation of scientists to live with the knowledge that our work, our ideas, our daily activities impinge with a frightening immediacy on national politics, in international conflicts, on the planet's fate as a human habitation.

Commoner also masterminded the structure of the Scientist's Institute which came out of the conference, laying out a plan for a centralized core group which would disseminate propaganda to local groupings researching and organizing around various environmental issues. The center would also set priorities and control the information flow out to local bodies and the public.

High-Level Support

This founding SIPI conference was closely observed by two prominent foundation officials: Raymond Rubinow from the J.M. Kaplan Fund, identified in 1967 by *Newsweek Magazine* as a conduit for CIA funds to covert operations, and Raymond Platig from the Carnegie Endowment, who was also a member of the Wall Street

policy-making body, the Council on Foreign Relations. Rubinow spoke near the end of the conference, fully endorsing its aims and methods, a statement which has been reaffirmed each year with thousands of dollars in grants to SIPI.

After the conference SIPI established its headquarters in New York, although day-to-day operations were run directly out of Commoner's base at Washington University.

(Not coincidentally Washington University is a nexus point for several interrelated British Fabian networks, most notably the *Telos* "left" terrorist propaganda operation. *Telos*, a publication linked to the Institute for Policy Studies, provides and shapes the belief structures of numerous "left" terrorist countergangs internationally. Originally founded at Trento University in Italy, the spawning ground of the terrorist Red Brigades, by Francesco Alberoni, *Telos* regularly features linguists, sociologists, and philosopher controllers of the terrorist and environmental "movements" including Noam Chomsky, Jean Paul Sartre, and Andre Gorz among many others.)

In 1968 Barry Commoner expanded his operations by founding a research center at Washington University to "study the effects of man on the environment" and generate pseudoscientific arguments for deindustrialization, while simultaneously training an environmentalist cadre force. This venture received a phenomenal \$4.25 million grant from the Department of Health, Education and Welfare then under the direction of one-time OSS operative John Gardner, renowned for his Ford Foundation-funded counterinsurgency projects including Common Cause.

By 1970, Commoner's activities had prepared the groundwork for what he and his allies hoped would become a mass environmental movement. During the 1969-1970 period, numerous environmentalist operations sprang up, the National Environmental Protection Act (NEPA) was railroaded through Congress (detailed in *Ralph Nader: Nuclear Saboteur*, a pamphlet published by Campaigner Publications, 1977), and Commoner began cranking out popular antitechnology tracts in various liberal and fabian journals, including *The Progressive*, *Saturday Review*, *The Humanist*, etc. At the same time Commoner was moved into a post on the editorial board of the World Book Encyclopedia, legitimizing his zero-growth quackery as "objective scientific fact."

Beginning in early 1975, Commoner escalated his deindustrialization crusade with a nationwide speaking tour, accompanied by United Auto Workers vice president Irving Bluestone, to educate workers on the dangers of advanced industrial technology, especially nuclear energy, and the benefits of "environmentally safe" slave-labor programs and "renewable energy source" solar power. The lunatic solar energy non-technologies advocated by Commoner would require either plunging the U.S. to Third World standards of living, or virtually covering the nation with reflecting mirrors.

Soon after completing this tour, Commoner initiated a new SIPI publication with the hearty endorsement of the UAW officials, titled *Job Health News Service*, a weekly

update on the latest industrial accidents, rumors of new toxic substances, and other "proof" of the hazards of modern industry. Commoner now tours the country, and occasionally Europe, speaking wherever he can get an audience to listen to his charges that technology-intensive production creates things "rejected by Nature in her wisdom."

— Stuart Pettingell

Schlesinger's 5th Column

James Schlesinger has been quietly slipping leading terrorists and environmentalists into select posts inside the Carter Administration, to enhance his already broad — and potentially near-dictatorial — powers as Energy Secretary. Using codewords such as "energy conservation," "environmental protection," "health safety," and "soft energy technology," Schlesinger and his crew of "zero growth or else" partisans are a fifth column dedicated to reducing the industrial economy of the United States to "natural" rubble.

Among those who are working in coordination with Schlesinger:

John Froines:

Head of the Office of Toxic Substances, Occupational Safety and Health Administration

Froines began his career as an Institute for Policy Studies terrorist provocateur, and was arrested at the 1968 Democratic Convention in Chicago as one of the indicted coconspirators in the famous "Chicago Seven" trial. In the early 1970s Froines shifted his "radical" cover and became an environmentalist, working closely with Institute for Policy Studies fellow Lee Webb in Vermont on antitechnology organizing projects in the New England area. Froines' job in his newly formed OSHA post will be to set standards to "protect" workers from "cancer-causing industries" based on the nostrums for a "safe environment" expounded by quacks like Barry Commoner.

Marvin Durning:

"Enforcer" at the Environmental Protection Agency
Durning is an important environmentalist lawyer from Seattle who has handled most of the antinuclear and "environmental protection" cases in the area for the Wall Street-created Natural Resources Defense Council. Named "Environmentalist of the Year" in 1967 by President Lyndon Johnson, Durning has never changed his course, running three unsuccessful electoral campaigns over the past two years on an environmentalist platform. His responsibility with the Environmental Protection Agency is to enforce pollution standards against industry and other "polluters" set by the Council on Environmental Quality.

S. David Freeman:

Chairman, Tennessee Valley Authority
Freeman has been a top think-tank planner specializing in energy and deindustrialization since the 1960s. After a

short period in the President's Office of Science and Technology in the early 1970s, where he worked with James Schlesinger — then in the Bureau of Budget — Freeman fully elaborated his zero growth programs as head of the Ford Foundation's Energy Policy Project. This project produced a 21-volume study on energy, a virtual how-to manual for implementing a zero-growth "postindustrial" society, ranging from pricing policies to nuclear terrorism. In February 1976, a year before his appointment to the TVA, Freeman gave a speech in Nashville calling for the TVA to be used as a model for "a low-growth non-energy intensive" policy.

David Bardin:

Head of the Economic Regulatory Administration in the Department of Energy

Bardin is a specialist in "crisis management" and enforced rationing plans. A former assistant to the Attorney General of Israel, David Bardin administered the 1975 "water crisis" in Trenton, N.J. caused by the suspicious bursting of a crucial valve which could not be repaired for nearly a week. Bardin brought in the 309th Civilian Affairs Unit of the Army Reserves to distribute water; this is a unit trained in population pacification operations and normally used in advance of a full military occupation.

Brian Jenkins:

Paid consultant to the State Department Cabinet Committee for Combatting Terrorism

Jenkins is a top-level terrorism scenario planner at the Rand Corporation, a preeminent Wall Street economic warfare think tank. Jenkins was one of the first to develop the "prediction" of a "nuclear Pearl Harbor" terrorist incident capable of stopping nuclear energy development "overnight." Jenkins' career began with a project to infiltrate and profile left-wing groups in Latin America.

David Rosenbaum:

Energy Advisor, Government Accounting Office
Rosenbaum is a leading specialist in nuclear terrorism and is the author of the important MITRE Corporation report on nuclear terrorism. Rosenbaum's most recent work is reflected in the winter issue of *International Security* magazine forecasting in detail the "most likely" nuclear terrorists' extortion demands against the U.S. Government. Rosenbaum has also been a principal conduit of the line that the Soviet Union is behind all terrorism.

J. Gustave Speth:

Member, Council on Environmental Quality
Speth was formerly a leading lawyer with the Natural Resources Defense Council, specializing in antinuclear technology lawsuits. He worked closely with Schlesinger during the Carter Administration's transition period, and has been an outspoken purveyor of the "nuclear Pearl Harbor" scenario for nuclear terrorism developed by the Rand Corporation. Last month Speth publicly called for the shut-down of the entire nuclear industry until the "problem" of nuclear waste disposal has been resolved.

EEC Ministers Quash British Reflation Scheme

European Finance Ministers, led by West Germany and France, have successfully squashed a scheme headed by British European Economic Community Commission head Roy Jenkins to impose a hyperinflationary collapse on European industry. According to the French financial daily *Les Echos*, Jenkins, "a Britisher first, above a European," failed at an EEC Finance Ministers meeting to persuade West Germany and other "strong" economies to launch domestic programs for massive increases in imports, and place their currencies under City of London control.

Bankers' spokesman and British Chancellor of the Exchequer Denis Healey walked out of the meeting following the EEC decision yesterday wearing his sour grapes on his sleeve. Said Healey to the press, since the Western Europeans don't want a new currency arrangement, we won't give them one.

Jenkins' scheme, floated under the names "European Monetary Union" and "A Marshall Plan for Southern Europe," would have hocked European industry and finance to wild pound-dominated speculation, and adventurer investments in North Sea oil. The proposals had been received so poorly — even before the Oct. 8 meeting — that an EEC Commission report on the "Marshall Plan" had been suppressed by its British authors.

Franco-German Alliance

The EEC Finance Ministers did not hesitate to attack both Britain and Jenkins by name in their rejections of the British subversion scheme. Summing up the fight, *Les Echos*, stated, "Since Britisher Roy Jenkins assumed the chairmanship (of the EEC Commission early this year), the Commission has been failing more and more every day in its mission to organize European policies." Jenkins "chose to propose this political line to the Commission (because) it favors his country, but is worrisome for the future of the (European) economy."

Typical of London's opponents is Wilfried Guth, chairman of West Germany's leading bank, the Deutsche Bank. In a press conference held one day before the Finance Ministers' gathering, Guth called for "an increased role for gold" internationally, because "we need industrial production and new technologies."

The Luxembourg Plan

Guth's statement was issued in Luxembourg, where the Franco-German industrial and banking forces are in the process of setting up a gold-purchasing market and a stock market for investment in European industrial equities.

One of the chief organizers behind the Luxembourg plan, West Germany's Dresdner Bank, recently made

clear that Europe's industrialists are looking for angles to bring U.S. industrial support behind the attack on London's centers of power. During a recent banker's gathering in Houston, Texas, on the occasion of the Dresdner Bank opening of an official branch there, Dresdner spokesman announced that they saw Houston as the future center of American finance, "in competition with New York and Chicago."

Understandably, informed sources in the West German Finance Ministry report that "British banks are very unhappy about" the Luxembourg effort, and "forces within the EEC Commission (i.e., Jenkins and company) are trying to do something against Luxembourg so that the whole Euromarket can be kept in London."

There is, however, a newly won confidence throughout European "Gaullist" circles that hard-hitting alliances can hold firm and defeat British subversion through determined cooperation.

This confidence was demonstrated by a West German Finance Ministry spokesman when he was asked what results he expected from the Oct. 2 meeting scheduled between Schmidt and British Prime Minister James Callaghan. Contemptuously, the spokesman asserted, "Don't worry about it — (French Prime Minister) Barre will be here in a few days."

W. Germany:

'There Is No Opposition'

Helmut Kohl, leader of West Germany's opposition Christian Democratic Union (CDU) has announced the next stage in the formation of a "Grand Coalition" between Chancellor Helmut Schmidt's ruling Social Democratic Party (SPD) and the CDU. "The CDU has ceased to be the opposition," he said at an Oct. 17 press conference. "It is no longer a question of opposition, but of life or death for the nation. I support Schmidt, and I would be doing the same thing he is doing."

Although Kohl was most prominently referring to his support of Schmidt's battle against the terrorist hijackers of a Lufthansa jet, the CDU chairman was also using the occasion to line up behind Schmidt's policies for economic growth and nuclear energy. He implicitly acknowledged Schmidt's superior leadership in a period of national crisis, a reversal of his earlier demand that the present government resign so that he could become Chancellor. Kohl's insistence on the Chancellor post for the CDU, which has an absolute majority in parliament, has been the major obstacle to more formal "Grand Coalition" talks.

Heinrich Geissler, General Secretary of the CDU, has undergone a similar transformation. As late as Oct. 16, Geissler was saying that Chancellor Schmidt was "obsolete" and "ripe for resignation." Two days later, he changed his mind and insisted that "in this situation, terms like government and opposition cease to exist."

Franz Josef Strauss, however, leader of the CDU's Bavarian sister-party, the CSU, remains a question

mark in this emerging constellation. During the hijacking, Strauss was visiting Saudi Arabia on Prince Fahd's invitation, and therefore was unable to intervene to sabotage collaboration between government and opposition, a role he has often taken. So far he has merely complained that he was not sufficiently informed by the all-party "crisis staff" while he was away.

Gov't Crisis Looms In Portugal

President Ramalho Eanes opened the Portuguese Parliament's session Oct. 15 with a warning that he "will not hesitate to assume broad political powers" if the nation's political parties fail to agree on a program to solve the country's ongoing crisis. Declaring that he has the backing of the military, Eanes reminded the parties that they do not "have much time" and said that he would not stand by and see Portugal sink into chaos.

PORTUGAL

Under the Portuguese Constitution, the President can either dissolve the Parliament or appoint a new prime minister to form a new government or both. Eanes' strong speech comes amid increasing general discontent with the Socialist monopoly government of Second International Prime Minister Mario Soares, and ever more insistent rumors that his government will hardly be able to survive beyond October, as four cabinet members have resigned within recent months.

Soares has been under constant fire from the Portuguese Communist Party for attempting to implement the policies dictated by the International Monetary Fund of denationalization and undoing earlier agrarian reforms. He is now facing fierce opposition from both the pro-working-class and the pro-IMF factions within his own Socialist Party.

Reflecting the healthy anti-Soares sentiment within the Socialist rank and file, last week 20 members of the party's Central Committee denounced Soares's IMF policies as a "continuous right-wing praxis" not to be tolerated in a socialist party. The Central Committee members' denunciation represented a de facto alliance with the communists, and followed by only a month the resignation of Agricultural Minister Antonio Lopez Cardoso over disagreement with the government's program that would give 80 percent of the expropriated

land back to its former owners. Lopez Cardoso and his faction, *Fraternidad Obrera* (Workers' Fraternity), have been given eight days to leave the party "voluntarily" or face expulsion.

Facing the threat head on, Lopez Cardoso called a press conference Oct. 20 in which he demanded an extraordinary national congress to discuss the Socialist Party's internal crisis. "We do not have to choose between the Socialist Party and *Fraternidad Obrera*," said Cardoso, and warned that the members of his faction include "four deputies, 12 members of the national commission, and thousands of followers" within the party's ranks.

The most recent shake-up within Soares's cabinet came a week and a half ago, when Foreign Minister Jose Medeiro Ferreira resigned his post. Medeiro's resignation was followed by a resignation threat from new Agricultural Minister Barreto, the architect of the government's agrarian counterreform, and a barrage of editorials from the Socialist press condemning the Prime Minister's inability to impose the IMF austerity package.

It is universally acknowledged that Soares cannot continue to rule alone. It remains open, however, what government or coalition will succeed him. Prior to his speech, President Eanes conducted meetings with all party leaders, including the Communist Secretary General Alvaro Cunhal. Although it had been reported that Eanes intended to form a government leaving out the Communist Party and the trade-union movement—80 percent of which is under Communist control—Eanes gave no indication of this during his speech, and in fact called for an alliance between workers, industrialists, and all political parties to elaborate a viable economic program. Eanes's speech was backed by Communist leader Cunhal, on the grounds that now "the basis exists to contain the offensive against the conquests of the revolution and the capitalist restoration policies of Soares's government."

Italy Breaks With IMF; But Industrial Debt Keeps Rising

At the beginning of this month, Italian bankers and industrialists lauded the approval of a \$650 million government-to-government credit line from Italy to the Soviet Union, a deal which holds the potential for enlarged negotiations implying the use of a gold-pegged transfer ruble. Last week, Italy's government-owned utility agency ENEL had to withdraw a \$100 million note issuance on the City of London-controlled Eurobond markets.

ITALY

These two events are related. A few months ago, the Italian government had, in desperation, made a deal with the City of London according to which Italy would accept the austerity conditions dictated by the International Monetary Fund if the London investment houses would in turn help transform Italy's avalanche of short-term debt into long-term debt. The ENEL operation on the Eurodollar bond market, sponsored by the leading London investment house of Warburg, was part of the deal. But the City of London, as is reflected in various articles in the Italian financial press, did not comply with the terms of the agreement, and instead sacrificed its Italian customer to its global strategy against the dollar, which requires a weakened Eurodollar market.

Italy's successful negotiation with the Soviet Union sharply contrasts with the London market's closed door to Italian borrowing. Moreover, it meshes with the French-West German organizing offensive for nuclear development, use of advanced technologies, and a new monetary system, an emerging European program that has been discussed by French and West German industrialists and officials with a broad array of Italian

Italo-Soviet Credit Line Moots Transfer Ruble

Italian Foreign Trade Minister Rinaldo Ossola will arrive in Moscow Nov. 20 to finalize his country's extension of a \$650 million credit line to the Soviet Union for the purchase of heavy machinery. This is one of the first major government-to-government credit lines specifically earmarked for sales of high-technology equipment to the Soviet Union by Italy. The \$650 million will be extended in three tranches lent at 7.5 percent interest, repayable in eight years.

While the amount of the credit line is below the \$900 million extended by Italy's private industrialists in 1976 alone, the \$650 million line is applauded by the Italian business community as the initial step in the resumption of transfer ruble and gold-backed trade negotiations.

political forces, including representatives of the Italian Communist Party. As a result of such discussions, the Italian government and industrial and trade-union representatives — including the head of the Communist-linked CGIL union federation Luciano Lama — have been emboldened to roundly and publicly denounce the International Monetary Fund's harsh austerity demands for the first time in months.

Compromise with London Fails

Before his recent attack against the IMF, Italian Treasury Minister Gaetano Stammati was "stretching" the limitations imposed by the IMF with bookkeeping tricks, while hoping against hope that his friends in London would help him impose a (relatively) mild version of austerity on his country. The Oct. 9 Italian weekly *Panorama* commented, "(Stammati) either reduced or forgot, in part, the interests which the state must pay on its new debts, which will be contracted for covering the deficit."

The IMF had demanded that the 1978 public deficit be contained at 16,450 billion lira. However, the addition to the budget deficit (12,574 billion lira) of the so-called "enlarged public sector" deficit — which includes the territorial agencies and the state-owned ENEL — gave a total deficit close to 19,000 billion lira (around \$21.5 billion). Stammati discarded the latter figure, announcing to the IMF that he was calculating the IMF restrictions on the basis of the 1978 rates of inflation and those of April 1977, as previously agreed.

The result of such cheap tricks was an economic collapse under conditions of increasing short-term indebtedness. Since the April 1977 "nonhistorical compromise" between the Italian government and the City of London, Italy's industrial production has been rapidly devastated. While the rate of industrial growth (on a yearly basis) had reached 19.3 percent in August 1976, rose to 22.7 percent in December, and still remained at 10.5 percent in March, it has since dropped to a *negative* rate of growth of 7.7 percent in July. Official Bank of Italy sources had to acknowledge that 1977 and 1978 can already be discounted as economic failures, while "1979 will be a delicate year, and the limit of economic expansion to a 2 percent level (including Italy's vast unproductive services — ed.) will not last forever."

Voicing a similar concern in terms closer to economic reality, Fausto De Franceschi, head of the major Italian trading consortium with the Soviet Union (Union of Machine Tool Manufacturers), stressed the urgency of the situation: "Capital goods export orders have dropped from five to four months; worse, our physical plant is set up for six months minimum orders. Household appliances inventories are bulging; price drops have forced us to sell below cost."

Italy's Future

The rejection of the IMF's restrictions opens the road for new development policies in Italy. On Oct. 12,

Stammati clarified his bookkeeping methods; he had neither "forgotten" nor mistakenly computed the 1978 budget — his budget was a conscious "no" to the IMF's austerity. This principled break with the April compromise was confirmed by Stammati in an interview given the same day to the Italian daily *La Repubblica*. He categorically stated that increased state spending would go to finance increased industrial production.

This will help, but it will not solve the problem. In the long run, mere paper printing for domestic industry and financing of exports is no financial solution. The debt

burden of the Italian industrial sector has neared its limits within the logic of the dollar system. By July 11, bank lending was already rising so rapidly that it had gone 1,600 billion lira over the IMF restrictions. By mid-August, IMF British representative Alan Whittome, terrorized by the Italian bubble, warned Stammati that bank lending must be curbed. This in fact marked the beginning of Italy's disillusionment with its British financial honeymoon: Stammati refused to take measures to curb bank lending.

A Mediobanca study of 795 small- and medium-sized companies demonstrates the results of such a financial policy. Although the study was published in order to reinforce the calls for austerity, its figures are nonetheless valid. The more striking fact revealed is that on the average, the firms studied have nearly an 8 to 1 debt-capital ratio. This domestic credit hyperexpansion was accomplished by heavy short-term borrowing by the banking system abroad. The August figure for the total short-term foreign borrowing is at about \$7 billion — slightly higher than the official currency reserves of about \$6 billion!

The present Italian dilemma — either deflationary collapse or hyperinflationary currency printing leading to financial breakdown — can only be solved within the type of agreement the Soviet negotiations imply. This in turn requires that the Italian government commit itself to fully support the French-West German axis for economic development with more than words.

Stammati:

IMF Zero Growth "Unacceptable"

At the Sept. 28 International Monetary Fund meeting in Washington, D.C. Italian Treasury Minister Gaetano Stammati said: "We cannot go the reflationary road.... Our primary aim is to encourage the recovery. We are constrained (by the IMF restrictions — ed.) to contain our internal credit expansion, but, we are not amenable to acceptance of a zero-growth policy. Zero growth in an economy has unacceptable economic and social implications. We do not need further loans (from the IMF); what is interesting to us now is the financing of productive investment programs."

Geneva Conference On The Rocks, War On The Horizon

Prospects for a Geneva Conference on the Middle East, which appeared bright following the Oct. 1 U.S.-Soviet communique which endorsed the "rights of the Palestinians," have been cast into grave doubt due to the Carter Administration's lack of resolve in following through its Middle East policy initiative in the field of energy.

In the hands of Vice President Walter Mondale and Energy Secretary James R. Schlesinger, the Administration's no-growth energy policy has become a vehicle for ominous threats of U.S. and Israeli military action to seize Arab oil fields.

General Yigal Yadin's fascist Democratic Movement for Change, which this week voted to join the Likud government coalition of Israeli Prime Minister Menachem Begin, is only one signal from Israel that the Middle East has taken a turn for confrontation. Last month, General Meir Amit, a former chief of Israeli Intelligence and close partner of Yadin in the DMC, said that Israel should attack and destroy Arab oil fields in a new war, and it is expected that Yadin's DMC will cooperate with Schlesinger's oil war strategy. In addition, a "practice mobilization" of Israeli troops took place this week, along with new Israeli warnings about a possible outbreak of warfare in tense southern Lebanon.

The Israeli war threat is primarily coordinated by Foreign Minister Moshe Dayan, who, since his U.S. visit, has worked overtime to disrupt and sabotage the thrust behind the U.S.-Soviet joint Middle East statement. But Dayan, who last week released secret and sensitive U.S.-Israeli "working papers" that were the subject of continuing negotiations between the U.S. and the Arabs, is himself under increasing attack by circles close to Prime Minister Begin. French sources report that Samuel Katz, a close Begin confidante, may be named to replace Dayan.

The Israeli tactic to sabotage Geneva is centered around an attempt to provoke the Arab states and the

Palestine Liberation Organization into adopting, in response to continued Israeli attacks on the PLO, a hardline refusal to attend Geneva. By this means, Israel hopes to isolate the Arabs and gain the support of the U.S. and Western Europe.

But there is little sign that the Arabs, including the PLO, intend to fall for Israel's provocations. Instead, a unified Arab position emerged this week in response to U.S. diplomacy, in which the Arab states—including Egypt—reaffirmed the PLO as the sole legitimate representatives of the Palestinians. Foreign Minister Ismail Fahmy announced that Egypt had asked the U.S. to "amend" the working paper to include a direct reference to the PLO. "Let it be clear that the PLO alone has the competence to speak in the name of Palestinians," said Fahmy. Meanwhile, Syria made it clear that it would not attend Geneva without the PLO, and U.S. analysts said that Egypt and Jordan could not go to Geneva without Syria.

The PLO, however, has not yet rejected the diplomatic efforts underway, and scheduled an important meeting of its Central Council for later this month. Among the options under discussion is the formation of the Palestinian "government-in-exile" which could represent the Palestinians at Geneva, thereby bypassing Israeli objections to dealing with the PLO itself.

The success of such a strategy depends heavily on Western Europe. The PLO is counting on support from Western Europe before it acts to create a government-in-exile, and one important signal was the reference by West German Chancellor Helmut Schmidt to "Yasser Arafat of the PLO" in listing those who cooperated in the West German antiterrorist campaign. The Franco-German axis is thus the crucial component of Middle East diplomacy, and a series of contacts this week by both countries with Israel and Arab states may signal a renewed diplomatic and economic push by Western Europe toward the Middle East.

Yadin, Dayan Open Up Power Play In Israel

A major fight for control over the state is about to break out in Israel.

In a sudden turnabout, Israel's Democratic Movement for Change (DMC) grouping this week decided to join the ruling governmental coalition led by Prime Minister Menachem Begin. Talks between Begin's Likud Party

ISRAEL

and the DMC headed by former Chief of Staff Yigal Yadin had been prolonged but were resolved in favor of joining the coalition after Yadin held hours of intense negotiations with Begin.

Yadin renewed the discussion with Begin after days of consultations in Washington D.C. with U.S. Secretary of State Cyrus Vance and National Security Advisor Zbigniew Brzezinski.

According to the Oct. 20 *Washington Post*, Yadin cited "grave political issues" as his reason for joining the coalition. The *Post* itself linked the decision to the deteriorating health of Begin and to the possibility of a power struggle for the succession developing in the event of Begin's death, with Yadin a possible consensus candidate to take over as premier after he has entered the government as deputy premier.

The sudden prominence of Yadin in the Israeli leadership group brings into relief the battles developing between various U.S.-based and London-centered international financier factions over the control of events in the Mideast. Yadin's DMC — a grouping of former military intelligence chiefs and generals mixed with influential Israeli liberal professors and ideologues — was created in 1975-76 with heavy input from Brzezinski's Trilateral Commission with the intent of transforming Israel into a "technocratic" society modelled on Brzezinski's writings. In mid-1976 *Foreign Policy* magazine, edited by Brzezinski, featured a piece written by Yadin's brother-in-law Amos Perlmutter describing the transformation of Israel from a social democratic society run by the Istadrut labor confederation into a "modern," "managerial" society — a theoretical basis for the DMC's operations.

At the same time, however, Yadin is the candidate favored for ruling Israel by the "Jewish Lobby" investment houses such as Kuhn, Loeb and the leading U.S. controllers such as Max Fisher of Detroit. DMC policy-makers such as former intelligence head Meir Amit are known to advocate an Israeli invasion of Arab oilfields in the event of a Mideast conflict — the New York banking house Lazard Freres-London policy par excellence.

If Yadin's factional allegiance is in contention, the same could also be said of Foreign Minister Moshe Dayan, a longstanding ally of the Lazard-London axis. Dayan has, in fact, become the center of a controversy in Israel over the past week for his persistent war-mongering antics.

According to the French newspaper *Le Matin*, a

mouthpiece for French Socialist Party leader François Mitterrand, Dayan is the "most likely successor" to Begin in the event of the latter having to step down for reasons of health. *Le Matin* insists that Dayan is "the most flexible" of all potential candidates in his foreign policy conceptions and thus will be able to navigate Israel through the present Middle East process to Geneva.

But reality disputes the Mitterrand outlet's fantasies. Dayan has hardly any independent political power base at this point since he is widely distrusted and disliked for sabotaging Israeli intelligence capabilities prior to the 1973 Mideast war and for his bellicose secretive diplomatic operations.

As testimony to his unpopularity, Dayan became the target of cross-party attack last week. Leading Israeli moderate Yossi Sarid, a close political ally of former Foreign Minister Abba Eban, accused Dayan in a parliamentary session of having "faked" a document purporting to be a written U.S. commitment to oppose Palestine Liberation Organization participation at Geneva, and then leaking this "document" to the *Ha'aretz* newspaper's Washington correspondent. Sarid accused Dayan of "pulling the wool over the eyes" of the Israeli population and called for an "urgent debate" in the parliament to "clarify" Dayan's actions.

Within the ruling Likud Party, challenges to Dayan's activities are scarcely concealed. France's *Nouvel Observateur* reported Oct. 18 that Samuel Katz, Israel's information and press director and ally of Begin for almost four decades, wants to take over the Foreign Minister's post from Dayan. The magazine also reports that when Dayan recently threatened to resign if his policies weren't accepted by the Cabinet, the threat drew "hardly an echo" in the Likud, whose leaders were "eagerly waiting for" Dayan to quit.

According to *Newsweek* magazine, the first source to suggest that Begin may soon step down for reasons of health, Dayan will be seriously challenged by Defense Minister Ezer Weizmann in the event that Begin resigns. Weizmann is the second-in-command of the dominant Herut faction in Likud, and is probably the succession candidate closest to Begin's thinking.

One highly informed New York source commented Oct. 20 that Israel "is on the brink of a major fight for power" involving Yadin, Dayan, Weizmann, and former General and current Agriculture Minister Ariel Sharon, an extreme nationalist who advocates Israeli annexation of the West Bank and who has recently met with disfavor in Begin circles for his wild-eyed statements. The source attacked Yadin and Dayan in particular as "vultures" watching health reports from Begin's hospital in order to make a power play.

Begin, however, is actively guiding Israeli policy, having been strengthened by the DMC's numerical strengthening of his coalition. The Premier has recently received support for his foreign policy initiatives from Eban, who is in the U.S. for a speaking tour.

— Mark Burdman

Schlesinger Goes Public With Persian Gulf Invasion Threat

Speaking before the Association of the U.S. Army this week, Energy Secretary James Schlesinger said that if the Carter Administration energy package is not passed, it would create all sorts of pressures — including pressures for the U.S. to invade the Persian Gulf to insure its oil supplies. Stressing the urgency of the situation, Schlesinger said that nuclear energy is a “resource of last resort,” and that the “era of last resort” has now arrived.

Schlesinger’s statements come on the heels of the announcement that the Secretary will visit the Persian Gulf oil producing countries early next month.

Schlesinger’s plan is to attempt to provoke OPEC into using its so-called oil weapon against the U.S., Western Europe and Japan. This accomplished, Schlesinger calculates he can enforce a fascist energy dictatorship on the U.S. economy, with at least tacit support from America’s business leadership and the nation’s industrial allies.

Invasion on the Agenda

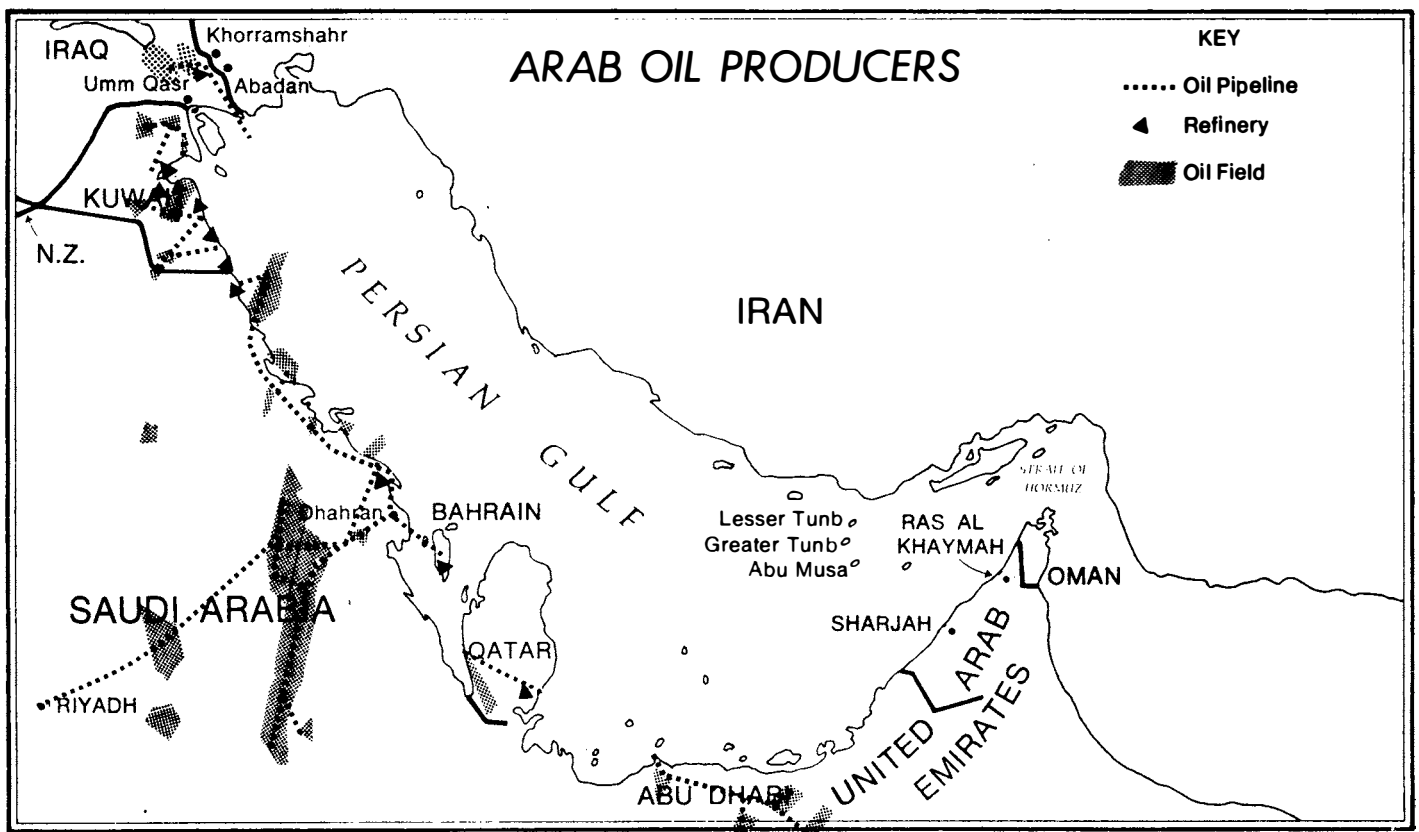
If gentle persuasion is not enough, Schlesinger, the British, and the London allied Israeli networks of Foreign Minister Moshe Dayan are prepared to begin a new Mideast war and invade the Gulf oilfields to break OPEC’s resistance. According to the London Economist,

Schlesinger is unhappy with the “constraints” imposed on his functioning at the new U.S. Department of Energy, and his patience has been brought to the breaking point by U.S. Senate and International Energy Agency refusals to buy his energy austerity package.

The Persian Gulf states are aware of Schlesinger’s options for taking over their oilfields, a knowledge which adds to OPEC’s profiled confrontationist attitude towards the West. The Kuwait government has received privileged documents outlining U.S. “plans” for a move into the Gulf, documents which have been circulated to a number of oil-producing governments. Iraqi President Bakr and the Kuwaiti Acting Foreign Minister have publicly denounced the plan and called for tightened regional security.

The malleable Carter Administration is being manipulated with scenarios detailing the imminent “disruption of Gulf oil flows.” Last month the National Security Council, through a classified Presidential Memorandum-10, advised Carter to prepare the Pentagon for a possible lightning move into the Gulf. An informed Washington source has confirmed that the Administration has ordered three light divisions be readied for such a move.

The press is fueling the crisis climate. Last week, the *Christian Science Monitor* reported that the Department



of Defense has recognized "an absolute need to maintain the flow of Middle Eastern oil at all costs," warning that Saudi Arabia is "under radical Arab pressure" to turn its oil into a weapon.

Also suckered into the Schlesinger-City of London trap are the Arab nations themselves. Ali Attiga, the head of the Arab Organization of Petroleum Exporting Countries (OPEC) last week stated that "oil will be a natural weapon" in any future Mideast war. He noted that production cutbacks such as Saudi Arabia's enormous 1.2 million barrel a day cut were "reinforced by political factors." Some OPEC countries are calling for another price rise come the December meeting of the cartel in Caracas. In a recent Vienna speech, the vice president of Algeria's Sonatrach oil company endorsed a 100 percent oil price rise to an insane \$25.00 a barrel.

Arabs React To Schlesinger Provocations

Two Persian Gulf oil producing countries, Iraq and Kuwait, have reacted strongly to a recent report published in the *Washington Star* that President Carter on August 25 signed a document entitled "Presidential Review Memorandum No. 10" directing the Pentagon to prepare to defend Middle East oil supply sources "against possible Soviet attack."

In a statement carried by the official Iraqi news agency, Iraqi President, Mr. Ahmad Hasan al-Bakr said his government categorically rejected "the imperialist plan to gain control over the oil resources of the Arabian Gulf." He said that repeated U.S. statements about preparations to defend Middle East oil supply sources and safeguard U.S. oil interests in the Arab Gulf "reveal the presence of aggressive intentions toward the people and security of the area and are closely linked with the imperialist plan for a Middle East settlement, which

ignores the aspirations of the Arab nation."

Asked to comment on the *Washington Star* report, the Kuwait Minister of the State for Cabinet Affairs, Mr. Abd al-Aziz Hussain, told the Middle East Agency on September 20 that "Kuwait is opposed to the introduction of any foreign influences into the area, irrespective of their form or their origin." He added, "If the countries of the Gulf were left alone and allowed to live in peace with each other, to make their own security arrangements and to press on with the social and economic development of their people, there would be no danger of their resources being exploited to anyone's detriment." Moreover, the Kuwaiti Minister called for the creation of an Arab Security System to extend beyond the Gulf to the entire Arab world, because "It is a strategic priority to defend the Gulf against any foreign aggression."

The Kuwaiti daily *As-Siyassah* on September 11 reported that high-level diplomatic reports containing details of a U.S. military plan to defend the Gulf and its oil supplies are currently being circulated in some Gulf states. *As-Siyassah* further states that if implemented, "this American plan will put the area under direct U.S. protection in a manner which would provoke other international forces and would also exacerbate regional national feelings. This would immediately make the Gulf area an international hotspot.

Even before the "Presidential Review Memorandum No. 10" story was leaked to the *Washington Star*, the West German daily *Frankfurter Allgemeine Zeitung* reported that the Foreign Ministers of the United Arab Emirates and Kuwait had informed their counterparts in the Gulf states and Iran that their countries are taking seriously certain inclinations by western countries to invade the oil fields of the area. The two ministers called for meeting in the United Nations of all the Gulf foreign ministers, including Iran, to discuss the danger and arrange a summit meeting to adopt a common Gulf Security Pact.

Gandhi Loses In Bid For Congress Party Presidency

Last week the special convention of the All-India Congress Committee (AICC) rejected a bid by former Prime Minister Indira Gandhi to regain the effective leadership of the Congress Party. The decision, as reflected in a compromise resolution whereby Gandhi retained a top position but not *the* top position, did not come easily. The two-day convention was marred by public brawls within the party with evidence mounting that while Gandhi made her bid against the wishes of other top party leaders, her "lobbyists" were her son Sanjay's mafia, the hated implementors of the state of emergency under her rule.

The Congress Party's special convention preceded by weeks the annual conference of the ruling Janata Party in Ahmedabad, where it is believed that two items will top the agenda — how to deal with Home Minister Charan Singh's brash activities including Gandhi's arrest and how to present the nation with a coherent economic program. The Congress Party faces the same two problems with an added complication: all indications are that Mrs. Gandhi has not gone into a political offensive, but is nevertheless willing to split the party if that becomes necessary to maintain control of it.

A lead article in the progressive weekly *New Wave* of Oct. 9 describes the real battle underlying the party infighting: "Events during the past few weeks culminating in the sudden arrest of Indira Gandhi triggering country-wide protests, strikes, and demonstrations have once again forced the key issue of the decade on the agenda: Will the forces hostile to India's industrial development and its emergence as a stable and strong nation in South Asia leave India alone to sort out its internal problems in a democratic and peaceful manner?"

Whither Congress?

The drama around the arrest of Indira Gandhi, her unconditional release, and her subsequent intensive campaign to force the Janata government to back down has in fact brought about the crisis inside her party as well as in the Janata. This has been the case because most of the Janata leaders themselves identify with the Congress Party's leadership during the country's independence struggle and remain at heart a 'Congressite' tendency. This layer in the Janata, led by Defense Minister Jagjivan Ram, party chairman Chandra Shekar, and Petroleum Minister Bahuguna, is known to have been strongly opposed to the Gandhi arrest. Late reports indicate that this group, with some support from other layers of the Janata (in particular the right-wing Jan Sangh tendency, which is trying to take full organizational control of the Janata), is pressing Prime

Minister Desai to take over the Home Ministry, not only to clear out Charan Singh but also to give a "moral cleansing" to the Home Ministry.

In recent weeks, widespread violence has erupted in the countryside, where landlords have been killing landless laborers and untouchables. Throughout the press, blame for this violence has been laid to the Home Ministry, for failing to use its powers to force law administration officials in the states to intervene. On all these controversial cases, Desai's position has been the legally correct one — allow the judiciary to decide who is guilty and who is not. Unfortunately, this has *not* been the position of Home Minister Singh, whose ministry, in the wake of Gandhi's arrest, has started a campaign of black propaganda and press censorship against progressives inside not only the Congress but the Janata Party as well. *New Wave* reported Oct. 7: "Symptomatic of the deepening crisis is an oral order to the television not to give any publicity to Petroleum Minister H. Bahuguna and also to play up the anti-Sathpathy news." (Nardiri Sathpathy is a Janata executive committee member under investigation on "corruption" charges.)

While the Gandhi arrest is looked at as a bungled affair discrediting the Janata government, the provocations by Singh have provided a valuable opportunity for Gandhi to strike back both at the government and at the Congress Party as well. Widely recognized as at her shrewdest in internal party maneuverings, Gandhi has decided to go all the way without clearing the record of the state of emergency period. At the special party conference last weekend a systematic campaign to denigrate the existing party leadership was undertaken by Gandhi supporters. A chief Gandhi lobbyist, Chief Minister Devraj Urs began a major campaign to win support for Gandhi by slandering other leaders. Gandhi's own speech was far from support for the party that had rallied behind her during her recent crisis.

Gandhi herself commands widespread support at the mass level and even within the party, and many would see any move by her to sever ties with son Sanjay's "caucus" as the door to a new role in her party. But no such signs are evident at this time.

For the Congress to give the "caucus" any position of power is an insult to the electorate of India, contends much of the party. This leaves Gandhi only two choices: split the party, or abide by the party dictates. Gandhi herself has given only very ambiguous hints on her next two moves. She has stated that the day she would leave the party is when the ideals of Mahatma Gandhi were violated. Interestingly, she failed to mention the world-

view of Jawharlal Nehru, her father and India's first prime minister, whose policies for industrial development and growth are the real issues under attack.

Indian Press Rejects Singh Arrest Of Gandhi

The following sampling characterizes press reactions of major Indian newspapers to the arrest of former Prime Minister Indira Gandhi two weeks ago. The excerpts reflect both regional and political differences across the country. New Wave represents progrowth tendencies inside the Congress Party, the ruling Janata Party, and the Communist Parties, while uniquely providing a multiparty analysis. The Patriot is known to be closer to the Communist Party of India (CPI) and is considered pro-Soviet. The Times of India, one of the largest circulation papers in the country, is financed by big business houses and reflects perhaps most closely the reaction of business to the arrest. Two major businessmen, K.K. Birla and R.K. Goenka were also arrested. The Hindustan Times is known to get large funding from the Birla family. The Hindu is a southern newspaper, and reflects sentiment in south India where the Congress Party largely remains in power at the state level. Lastly, the National Herald, a paper founded by former Prime Minister Jawaharlal Nehru (Indira Gandhi's father) is closest to left-wing and centrist tendencies in the Congress Party.

The Patriot, Oct. 5:

Mrs. Gandhi may have erred during the last months of the emergency in many ways. She was instrumental in bringing into being an extra-constitutional center of authority and power at the center. For this she has been judged by the people and she accepted what happened to her and her party as just punishment. What has followed since the Janata government came to power is more political vindictiveness and vendetta than reasoned judgement and punishment. Public opinion in many parts of the country sees it thus and is once again swinging in Mrs. Gandhi's favor.

Times of India, Oct. 5:

Mrs. Indira Gandhi's unconditional release by the court has seriously undermined the credibility of the Janata government in the eyes of the public. It is difficult to dispell the impression that it arrested the former Prime Minister on unsubstantiated charges. The pertinent point is that the Home Minister (Charan Singh) and other officials cannot now deny that in so crucial a decision the elemental precaution of ensuring charges against her were fool proof was not taken.

The Hindu, Oct. 5:

It remains to be seen if Mrs. Gandhi is going to choose her words carefully in attacking the Janata Party policies or accusing the government of a political vendetta.

The National Herald, Oct. 5:

This is not democracy; this is a page from the Dark Ages.... By releasing Indira Gandhi the government

acknowledged their fear of the people. It is not sufficient atonement. It is Mr. Charan Singh's turn to make his individual atonement by resigning as soon as possible and going back to his usual activities in Rohikkand. He has done enough damage to the Janata Government and the Janata Party.

The Hindustan Times, A Scandalous Bungle, Oct. 5:

Indeed, the charitable view of the entire train of events would be that decisions were taken and implemented in haste.

New Wave:

'Charan's Coup Against Janata'

On October 3, Choudhury Charan Singh staged a veritable anti-Janata coup, the third in succession in the sub-continent during the week. The arrest of Indira Gandhi and four former Union Ministers on "flimsy charges" seemed to be in line with Pakistani fuhrer General Ziaul Haq's indefinite postponement of elections and the deliberately provoked revolt of patriotic men and officers of the Bangladesh army. The results, too, will not be different.

The arrest of Indira Gandhi has been decried throughout the country as "politically motivated" and "highly vindictive". That this description corresponds to the public sentiment is evident from the hero's welcome she received at Agra 24 hours earlier on October 2. Nearly a quarter million people who turned up to hear Indira Gandhi — not to see how she looks as Charan Singh would like the people to believe — reflected the fast growing disenchantment with the Janata rule. A few days earlier a mammoth gathering on the lawns on Kanpur's Phool Bagh had "responsively" heard Indira Gandhi's indictment of the Janata government....

Charan Singh in a written statement referred to the "will of the nation" and the "imperatives of political morality" as the motive behind Indira Gandhi's arrest. When pointedly asked if he would submit his resignation if the court did not find the former Prime Minister guilty, Charan Singh promptly replied: "Why should I resign? The government files hundreds of cases. It wins some and loses others." He had no answer when he was reminded of the "imperatives of political morality."...

By indulging in political vindictiveness the Janata government is repaying the debt it owes to Indira Gandhi but for whose self-centered arrogance of power the tribe of political dropouts would not have acquired ministerial chairs in New Delhi. Apart from its own lack of commitment to this nation's economic and cultural advance, the Janata's offensive against secularism, science, technology and industry has already alienated it from the forward looking national social forces.

Instead of fighting Indira Gandhi on the political plane the Janata has resorted to the same techniques that the former Prime Minister used to meet economic and political challenges, namely, unabashed recourse to power and misuse of the state apparatus. This has begun to boomerang as in March last...

IMF Agreement Will Leave Peru A Basket Case

"In the Peruvian case, going on a diet means starvation!"
—An officer of Manufacturers Hanover Trust

The Peruvian Government announced Oct. 10 that it will devalue its currency to free market levels and institute other extreme austerity measures. In return for abandoning previous nationalist resistance to the conditions set by the International Monetary Fund, Peru will reportedly receive the meagre sum of \$4 million per month, while promising not to seek new loans on the private Eurodollar market.

PERU

This "stabilization" — worked out between Peru and the IMF after seven months of abortive negotiations, and cabinet upheavals cannot possibly provide a viable solution to the problem of Peru's bankruptcy. Although initial reports of the as-yet-unannounced agreement evoked calls for "celebration" from New York banks, it has not yet been determined if the package can be made to stick.

The terms of the IMF package are similar to those agreed to by Economics Minister Walter Piazza in July, only days before he was forced to resign by a military cabinet conscious of the "unacceptable social cost" of these measures as strikes and riots were rocking the nation.

The IMF had persistently demanded that Peru end seven years of centrally controlled currency exchange and on Oct. 10 the government announced that it would replace controls with a "free exchange market, on the grounds that the controls "made it more difficult to reestablish financial stability and created obstacles to normal access to foreign sources of credit." The devaluation (which is expected to amount to 20 percent) will be accompanied by another \$35 million cut in 1977 government spending followed by a larger reduction in 1978. Gasoline and basic food subsidies will be entirely phased out during 1978. Tax pressure on the private sector is being radically increased.

The budget cuts reportedly include layoffs in the government bureaucracy and the abandonment of all major agricultural projects and other projects not yielding short-term payoffs in exports. In his nationally televised austerity speech Oct. 10, Economy Minister General Alcibiades Saenz Barsallo conceded that public

investment cuts *already* in effect would reduce the Gross Internal Investment to 17 percent below the austere levels of 1976.

IMF demands that the Peruvians stop widely publicized purchases of arms from the Soviet Union (despite the fact that the arms were given on easy long terms having little effect on Peru's balance of payments) had been a sticking point in earlier negotiations with the military government. Now, however, a U.S. government spokesman reports that the U.S. has "received assurances from the Peruvian government that it will make no further purchases of foreign military equipment except for spare parts."

The population's resistance to the IMF was at the root of a conflict which surged between the U.S. commercial banks during the last heated round of negotiations with Peru in August. At that time, Citibank Vice President Irving Friedman led a faction including Bank of America which favored working out a long-term solution to Peru's debt problem, while providing Morales with a sufficient inflow of new capital to keep the economy going and alleviate social and political chaos.

Chase Manhattan and the IMF, however, favored relentlessly driving Morales to the brink of total bankruptcy until he would be forced to dismember any surviving elements of the Peruvian Revolution, break off arms purchase deals with the Soviet Union, ship all Peruvian precious and semi-precious metal reserves as collateral for debt, and severely repress civilian resistance. Since Morales and the moderate Army officers backing him were reluctant to follow such prescriptions, these banking circles sought to overthrow his government with fascist Navy officers in collaboration with Army rightists such as Interior Minister General Luis Cisneros and Chief of Staff Pedro Richter.

IMF Withholds Needed Approval

Nearly all bankers expected the IMF to get Peru's financial rehabilitation off to a good start by immediately disbursing at least half of the \$100 million standby credit which Peru is to receive. "Oh, Oh, that's *quite* a surprise," was the reaction of one New York banker to reports from the State Department and the *Journal of Commerce* that the IMF will hand over only \$4 million per month in quarterly payments stretched out over the next two years. That level of cash flow should be enough for Peru to pay the Lima Sheraton bills of the IMF "lady with the whip" Linda Koenig and the World Bank missions checking out Peru's "tourist potential." But it

will make little dent in \$1 billion which Peru needs to complete its 1977 payment obligations. Regional bankers already hesitant to "send good money after bad" into Peru interpret the IMF's niggardly aid as a signal that Peru "is not a safe place to invest."

This is frustrating to the Citibank group, which had been counting on being able to work out a viable debt restructuring plan involving all Peru's creditors, once Peru was stamped with the IMF's approval. The IMF, however, has laid the Peruvian basket case back on Citibank's doorstep.

Devaluation Will Exacerbate Crisis

The 20 to 25 percent devaluation expected by December as a result of the currency float and the slew of new export incentives and import restrictions will have a negative effect on the "reactivation" of the Peruvian economy. All Peru's export sectors (with the exception of iron ore) are currently producing and exporting at full capacity — and could not be stimulated by the devaluation. Even if the incentives result in the dumping onto foreign markets of some manufactured goods and fish products previously consumed in Peru, such "non-traditional exports" cannot have a significant impact on Peru's payments crisis. Improvement in dollar earnings on minerals is dependent solely on a radical increase in industrial production in the advanced countries.

Fishmeal (which once yielded 40 percent of Peru's export earnings) will not provide any income after May of this year due to climate changes and overfishing in vain attempts to meet previous debt deadlines.

Meanwhile, Peru's internal economy will be rapidly depleted. Capital goods and consumer goods imports were cut by 30 and 20 percent, respectively, during the first four months of this year. (see chart). There are vir-

Provisional Peruvian foreign trade data, January-April 1976 and 1977, in millions of US dollars

Item	1976	1977
Exports		
Minerals	181 0	311 0
Agricultural products	77 2	92 0
Fishmeal	15 9	80 8
Petroleum products	10 0	20 0
Non-traditional exports	35 0	65 0
Total:	318 1	568 8
Imports		
Consumer goods	75 0	60 0
Raw materials	330 0	344 0
Capital goods	324 0	239 0
Other		4 0
Total:	729 0	647 0
Trade balance	410 9	78 2

Source: *Latin American Economic Report*

tually no "non-essential" imports. Nor can the goods presently imported be produced locally without the large investments which Peru is prohibited from making.

The impact of the devaluation will be felt in higher prices for imports of food, fuel, and inputs to industry. The Peruvian inflation rate can be expected to skyrocket above its present official 40 percent, industries will lay off workers, and the poorer sectors of the population will starve. There are already reports of peasants eating

cattle feed and slum babies having average weights 25 percent below those during the 1968 to 1975 administration of President Juan Velasco. Drought at the end of last year destroyed at least a third of the potato crop and much of the meat supply. Another drought in the north cut cotton and cottonseed oil production to 25 percent of official expectations.

Can It Stick?

In the past three months, President Morales has wrested control back from the violently fascist elements in his government. Interior Minister Cisneros, who directed a reign of terror in the early part of this year, remained silent when Morales clipped his wings by ending the 13-month State of Siege. Another important sign that the moderates are hegemonic was the announcement in early October that former Velasco advisor, General Oscar Molina, would become Prime Minister in February. Morales's depriving ultra-rightist General Pedro Richter of the number two post he had been expecting is widely considered a sign that the President intends to pursue democratization.

Some bankers and the State Department claim that the institution of the IMF package will not result in the strikes and riots that similar measures invoked during the past year. They argue that the opposition political parties, including the Peruvian Communist Party, will refrain from agitating, so as not to prejudice the transition to civilian rule Morales has promised by 1980, which is dependent upon social peace. They are also counting on the intimidating effects of the firing of over 2,000 labor leaders in reprisal for the successful July 19 general strike.

The IMF's dribbling out \$4 million per month is intended to keep President Morales — who has repeatedly shown signs of dissatisfaction with the IMF conditions — on a very short leash with the constant threat that if he doesn't follow orders, he will be subjected to an import embargo and quickly suffer the fate of Chile's Allende. Economics Minister Saenz Barsallo pointed out Peru's vulnerability, with an estimation October 4 that Peru's trade deficit for 1977 will be \$327 million. The City of London's *Euromoney* magazine gloats, "The only card the banks hold is the Peruvian requirement to finance its trade deficit without reserves."

Although this card has presently forced Morales to his knees, the President may be readying a trump. South American neighbors including Venezuela, Colombia, Brazil, and Argentina have reportedly made swap deposits in the Peruvian Central Bank amounting to about \$200 million over the past two months. A larger and longer-term inflow of funds would be needed, however, for Peru to break the IMF credit stranglehold.

Associated Press report rumors that Libyan sources behind the Arab Latin American Bank (ARLA Bank), which is opening its doors in Lima this month, might be willing to pour up to half a billion dollars in long-term investments into Peru.

Mexico and Italy, after all, have recently forced renegotiations of their blood contracts with the IMF. And the Peruvian Army is still full of officers who can compare the better times of President Velasco with the nightmare which has followed.

— Mark Sonnenblick

Capping a spate of incomplete and inaccurate press reports of former Texas Governor John Connally's address to the Republican Governors' conference was the influential conservative Republican publisher William Loeb's attack against Connally in his New Hampshire daily, The Manchester Union Leader.

In a signed front-page editorial Oct. 14, the New Hampshire newsman ignored Connally's significant proposal for business and labor unity "to ensure the kind of production" the U.S. economy needs. Instead, The Manchester Union Leader took issue with Connally's failure to support protectionism as a cureall for the problems of faltering American industry.

Loeb's misrepresentation of a competent economic solution for the current economic ills of the U.S. prompted U.S. Labor Party Chairman Lyndon H. LaRouche to reply.

Open Letter To William Loeb Of The Manchester Union Leader:

Say 'Capitalism,' Not 'Free Enterprise'

by Lyndon LaRouche, Oct. 17

I doubt that you were pleased to find yourself praised, even in a manner of speaking, by that Burke and Hare of contemporary columnism, Evans and Novak. As a gesture towards the citizens of my New Hampshire birthplace, I am dealing with the situation by writing this open letter to you.

I propose, giving you the solid brief to support your action to that effect, that you cause the maximum amount of embarrassment to Evans and Novak and other muddleheaded Fabians by stating as a matter of policy that when you intend to say "capitalism," you do not consider yourself so ashamed of capitalism that you resort to using a Fabian's mushword, "free enterprise."

I propose that the use of the term "free enterprise" as a Fabian mushword for "capitalism" is like the practice of a man so ashamed of being human that instead of avowing "humanity" he proposes himself to be committed to the principle of "two-leggedness."

The analogy is appropriate. "Free enterprise" may include capitalist ownership, but it also includes the practices of John Dillinger, the corner high school drug-pusher, and an adolescent car thief. Similarly, "two-leggedness" includes the foolish chicken fleeing the coop, the morality of some Cretaceous lizards, and a three-legged stool missing one leg.

Apart from the fact that the use of the term "free enterprise" is mush-mouthed silliness, in this case, as often enough otherwise, the use of a foolish word in place of a precise one opens the door to all sorts of nonsense-thinking among those who permit themselves to become habituated to such infantilism. In the present circumstances—U.S. industry in a depression, the dollar collapsing, and no one in Washington minding the store—the use of the term "free enterprise" has practical side effects which are downright unpatriotic. That, as I shall prove, is no exaggeration.

Little Men and Small Minds

Let us look at the use of "free enterprise" with the greatest possible compassion for those who are duped into such usages.

The small businessman, undereducated business executives, and numerous ignorant outside admirers of business success are victims of what B. Spinoza defined as *fictitious knowledge* of capitalism. They see the particular business's success—or failure. They ignorantly imagine that skill and other qualities are essentially determining in causing business success. In brief, since skill and so forth are material to business success, those persons base their judgment on a half truth. They see success in particular, without seeing that a certain kind of environment is indispensable to that success. They thus extrapolate from limited information to cover over their ignorance of the most fundamental facts to be considered. Such "tunnel vision"—such efforts to explain particulars one at a time without taking the whole competently into account—is what Spinoza derided as fictitious knowledge.

Capitalism did not spring into being like mushrooms in a dark, damp cellar. American capitalist development occurred because the collaborators of Benjamin Franklin made an American Revolution for the included purpose of freeing this nation from the economic backwardness, the bucolic economic imbecility which the British monarchy and its apologist Adam Smith proposed to impose upon us. Despite the persisting corruption of our nation by such British agents as traitor Aaron Burr, by Martin Van Buren's puppet Andrew Jackson, and other importations of British subversive influences down to the Fabian Rohatyns, Mondales, Schlesingers, and Buckleys of today, our forefathers established a powerful foundation for the wealth and power of the United States in what was known as the "American System."

The principled distinction between the American System and the British system, against which our forefathers fought the American Revolution and the War of 1812, was summarized in Treasury Secretary Alexander Hamilton's proposals for the establishment of the First National Bank of the United States and in his 1791 *Report on Manufactures*. The basic principle of the American System centered around the fostering of technological progress and the use of the federal government and the

credit of the United States to create the necessary environment for technological progress through expansion of industrial and agricultural production.

The most painful and conclusive proof of the essential role of the United States Bank to individual capitalist enterprise was given by the process leading from the 1828 election of British puppet Andrew Jackson into the 1837 panic. By sabotaging the United States Bank (the Second National Bank) and by turning the nation's credit into the New York financiers tied to London and Amsterdam influence, U.S. industrial progress was aborted, black plantation slavery fostered to British profit, and the credit of the United States was rapidly ruined.

Despite the monetarist (e.g. British) corruption of our economy and national policy which increased from the 1880s onward through and past the establishment of the Federal Reserve System, the commitment to technological progress embedded in our institutions was responsible for the United States' economic progress and for that extraordinary position which we enjoyed in the world prior to the takeover of government by the André Meyer-linked Kennedy family.

Every competent businessman has a certain amount of direct corroboration of that fact. Every businessman fit to be let into his own business premises off a leash knows the paradox of credit. With cheap credit, and only with cheap credit, can business prosper. Yet, if the use of credit leads to disproportionate debt-equity ratios, if debt service grows more rapidly than gross profit, the result is disaster. Every competent manufacturer or farmer knows that credit borrowed must be used essentially to improve per capita output through better applications of more advanced technologies. Otherwise, if credit is used in any other way, the expansion of credit leads to the point that debt service outruns gross profit and even begins to cut into production costs.

The businessman who himself follows proper principles may nonetheless find himself in difficulties because others do not. Local taxes spiral, destroying markets and gouging revenues, all because of wasteful debt service accumulations. High debt-equity ratios in the economy as a whole promote all the evils of monetary crises. Interest rates climb, capital formation and general economic growth rates stagnate or even decline. High priced money moves out of long-term capital into short-term pile-ups, with increasing movement out of productive (and unproductive) employment into speculation. So the spiral goes, until the process of patchwork postponements of general monetary crises no longer succeeds, and again the best managed individual firms may close their doors through the follies of others.

From the beginning of the United States as a constitutional republic, the federal, state, and local governments—especially the federal government—performed two indispensable roles in fostering economic progress. In the area of canals, highways, railroads, and certain other works, the federal government directly intervened. These were needs which—among other considerations—prompted the nation to adopt the constitutional republic as a remedy for the many failures of the confederation. Federal credit has been even more fundamental in its importance.

In no college economics textbook but my own have I seen a competent treatment of the subject of credit.

Understanding credit, and understanding how a republic must control government credit policy and operations, is indispensable to making capitalism work. Without such a proper policy, the individual businessman may be the greatest and most energetic capitalist genius born; he could not succeed.

Hence, the credulous belief in "free enterprise" is indeed a case of fictitious knowledge. Such belief is the credulousness of a little man looking at the isolated particulars of capitalism with the outlook of a small mind.

The ABC of Federal Credit

As Spinoza's principle of *adequate knowledge* requires, no process can be competently understood, capitalism included, without studying the process as an empirical whole. It is sufficient to consider the most elementary features of capitalist production as a whole to discover all its essential secrets, including the secret of credit.

To understand a capitalist economy one must begin in considering prices, but without, in the initial phases, becoming entangled in the flows of money through financial instruments. If that approach is properly followed, the student quickly develops all the necessary understanding of the ABCs of economics through which to later easily understand the monetary process.

A competent analysis of an economy considers only useful, tangible wealth as real economic output, and relegates services and other non-tangible activities—outputs to the categories of either indirect cost or waste. These real, tangible products are divided into two principal categories of consumption: producer goods and consumer goods. Producer goods are plant, equipment, machinery, materials, and so forth necessary for production. Consumer goods are housing, food, clothing, and so forth, the consumption needed to maintain and reproduce productive labor—or, rather, the households which themselves produce productive labor.

This distinction does not mean that doctors, teachers, engineers, and so forth are not socially necessary. It signifies only that the usefulness of their roles is relatively indirect with respect to production itself. Teachers contribute to producing the productive power of labor, as do doctors and so forth. Engineers contribute to producing the technological capability of industry, agriculture, and so forth, to maintaining and improving the productivity which can be realized per capita in production of tangible product.

Thus, in strict economic analysis, we consider only the incomes of households representing farmers and productive industrial operatives as a direct cost of production. The consumption of other households is accounted properly as part of the indirect social costs of production, to be paid ultimately out of the economy's gross profit—after deducting direct costs.

By applying current direct costs to current total tangible output, we arrive at an application of such total direct costs to total output. Since the direct costs are part of the tangible output, even when mediated through services, it is possible to analyze tangible production as a whole in terms of itself (without prices) in respect to the totalities of direct production costs.

Next, after deducting direct costs from total output, we have gross profit on the whole of tangible output. From

this we must deduct indirect costs. Presuming that the indirect costs have not gobbled up all of the gross profit, we have a residue which is net profit.

In terms of the payment issued into circulation on account of production and paid indirect costs, there is an amount of money in circulation proportional to (not necessarily equal to) the aggregate price of those cost proportions of total production. Thus, on this account, there must be less money put into circulation by production than is required to purchase the total amount produced. This amount must tend to be a greater proportion of total output than is represented by the proportion which is net real profit.

In order to accomplish the circulation of commodities through the economy, two categories of credit are required. One category is that portion of credit required to circulate the commodities for which aggregate means of purchase are generated by payment of costs of production and indirect costs.

The second category is the additional margin of credit required to circulate the margin of total output corresponding to net profit (or, corresponding approximately to net profit segments of real production of tangible output).

Since the combination of productive labor with capital goods, under conditions of advancing technology, must represent profitable production, the issuance of credit for the net-profit margin of total tangible product involves no inherent problem. Provided interest rates are low, credit expansion tied to investment in increased production on a technologically advancing basis results in a slower expansion of debt service than of gross profits and net profits.

This result depends upon what is termed successful realization. Successful realization is determined by both the productive investment of the margin of tangible product corresponding to net profit and, upon adequate rates of technological progress, in the general rate of new investments and reinvestments.

William "Fabian" Buckley

The main trouble with a large number of Americans is William F.—for Fabian—Buckley, and such auxiliaries as Richard "Fifty-Percenter" Viguerie. Those troubled American citizens labor under the delusion that because Mr. Buckley calls himself a "conservative," he must be a conservative. (Would you buy a wrecked 1956 Pontiac Six at a new Pontiac price because the salesman said it was a new Cadillac?) In fact, Mr. Buckley is a raving Fabian radical, albeit with special complications. Mr. William "I-Smoke-Pot-Offshore" Buckley is a "libertarian," and quite as radical as Willy Brandt, Anthony Wedgwood Benn, François Mitterrand, or Bettino Craxi. The analogies are in no way strained.

The *National Review* itself is an interesting collection, distinctive for its strong aroma of Sidney Hook cast-offs such as Max Eastman and James Burnham. Richard "I-Voted-For-Mondale" Viguerie is by no means the only

raving Fabian radical in the collection. Just as Fabians run the top leadership of the Communist Party, Socialist Workers Party, the Maoists, and what-not through the Institute for Policy Studies, so the Fabians have an operation specially designed to control credulous self-styled conservatives. William Buckley and his aging relics from the faculty cocktail lounge are the most notable British-oriented Fabian agency performing the latter function.

Mr. James R. Schlesinger is a somewhat analogous case. To many conservative Republicans, Schlesinger is a "conservative." As P.T. Barnum said, there's one born every minute. Schlesinger is a wild-eyed social democrat approximately of the Walter Rostow variety, peddling the same Fabian line that old Warburg and his sidekick, Bernard Baruch, peddled from the time they put in the Federal Reserve System and who-knows-how-many other outlandish utopian concoctions. If the *Manchester Union Leader* would only look more closely at the real file of J. Rodney Schlesinger, the source of Schlesinger's current zeal for establishing an Orwellian-Malthusian dictatorship in the United States would be more immediately understood, as well as Schlesinger's affinity for the policies of Robert McNamara, Willy Brandt, Denis Healey, Felix Rohatyn, and "Old Sleepy-Eyes" Mondale.

Leave it to William Fabian Buckley to indulge himself in such Chomskyisms as the "linguistical" substitution of "free enterprise" for "capitalism" and "two-leggedness" for "humanity." If the United States is to recover capitalist prosperity, if individual businesses of merit are to independently thrive, now, as during the first George Washington administration, the Federal government must adopt the "dirigist" policies and means to make this possible. The charge by columnists Evans and Novak, the allegation that "dirigism" is against "free enterprise," is, to any competent student of history, the same slogan raised by traitors working for the British during the last quarter of the 18th century and the first half of the 19th.

Join me in warning citizens against being duped by the Barnums—whether of the pro-Mondale or pro-Buckley varieties. The U.S. dollar is sinking and U.S. basic industry is in collapse-spiral, while our America's age-old enemies in the City of London once again try to establish their hegemony over us. The trouble with the United States is that no one presently is minding the store. If John Connally will move in the direction of defending the nation against a British-designed catastrophe, any sane American will support him in that effort—without necessarily presuming that he should be elected President in 1980. Any candidate who allows petty personal ambition to stand in the way of allying with Connally when Connally is acting for the most vital national interests is a candidate unfit to be nominated in 1980.

I am not pushing Connally for President. I am much better qualified for the position, given the nature of the problems at hand. So far, no one but Connally and I have shown ourselves to be remotely qualified for the job.

Murdoch's 'British' Press Slant Provokes Mutiny At New York Post

Ten months ago Australian-British publisher Rupert Murdoch made national headlines with his near-simultaneous takeover of three large-circulation New York press outlets, the *Village Voice*, *New York Magazine*, and the *New York Post*. Much less press attention was given to the Sept. 29 protest petition 50 of 60 *New York Post* reporters presented to publisher Rupert Murdoch, denouncing his news coverage as "slanted."

On the same day, popular *Post* columnist Robert Lipsyte resigned from the newspaper, charging that Murdoch, who also owns a chain of British and Australian newspapers, consistently censored articles whenever they diverged from his line. Meanwhile, accumulated horror and disgust at the *Post's* ultra-sensational news posture and Murdoch's heavy-handed manipulation of coverage of the New York mayoral campaign led many editorial staffers to defect, spilling the sordid details of working life at the *Post* as they moved on to new jobs or the unemployment line.

At issue in the reporters' protest was the handling of coverage to highlight the mayoral campaign of Ed Koch. It is a well-known fact that Murdoch and Koch have in common a close personal relationship with "Big Mac" (Municipal Assistance Corporation) Chairman Felix Rohatyn. It was equally well known that Rupert Murdoch relied heavily on Rohatyn, also a partner in the British-linked investment firm Lazard Freres, for influence and aid in his takeover of the New York press.

Now safely at the helm of the *Post*, Rupert is repaying his debt by running editorial endorsements of Koch without labelling them as such.

For Murdoch, however, this is not "news." In 1975, the staff of his prestige daily, *The Australian*, went on strike against the paper, which at that time was engaged in a campaign to malign the growth-oriented Australian labor government, leading to its defeat in the 1975 elections. Accordingly, Murdoch had his rejoinder to his New York staff ready—he suggested that anyone who doubted the publisher's integrity should resign. Said one senior reporter, "He doesn't care if all 50 people quit—he's told us he's got so many applications for jobs." According to one recent refugee, many reporters may be taking Murdoch's advice: "If you hear typewriters going in the *Post* newsroom, the odds are they're typing résumés." Latest reports indicate that most *Post* staffers have swallowed their scruples and remained at the paper.

Like Father, Like Son

Murdoch's principal defender on the *Post* editorial staff is his star horror-show writer, Steve Dunleavy, one of the few reporters to have refused outright to sign the anti-Murdoch petition. Dunleavy, like Murdoch an Australian native, was for several years a columnist for the Murdoch empire's pulp sex, crime, and spiritualism weekly *The National Star*, but sprang into national prominence with his lurid coverage of the "Son of Sam"

murders in New York City. Dunleavy, in true "Son of Rupert" style, reportedly developed his nose for the big scoop while still a youngster in Australia, where he once slashed the tires on his journalist-father's car in order to beat him to a story. (His father retaliated some years later by locking his son in the laundry room in another news race.)

This, however, did not clean up young Steve's act. Once in the States, the Chappaquiddick case caught his eye, and he obtained an exclusive interview with one of Kennedy's aides—by wining and dining her and promising his undying love. Among Dunleavy's more creative accomplishments was his promulgation of a theory, fabricated out of whole cloth but nevertheless run with a page-one banner headline, that there were "Many Sons of Sam" on the loose. Dunleavy shrugs off the reproaches of more reputable reporters with the adage, "if the reader buys it, it's moral."

What Dunleavy is selling just now are hoked-up attacks on municipal, service agencies, beginning with the favored target for Felix Rohatyn and the rest of New York's austerity-mongers, the city's beleaguered Board of Education. Under a front-page screaming headline, Dunleavy recently "revealed" to New Yorkers that the Board of Education had stockpiled 18,000 broomhandles, 502 doll carriages, and a set of golf clubs. This monumental "investigative reporting" scoop was underscored by an accompanying lead editorial attacking the city "bureaucracy" and calling for some of these "broomhandles" to be employed in knocking off the "dead wood."

Carnage advocate Dunleavy's sudden interest in municipal finance is no surprise to those who know of his boss's chummy relationship with Felix Rohatyn. Once the *Post* helped secure the Democratic Party nomination for Bess Myerson-consort Ed Koch (whom it now refers to as the "mayor apparent") public attention will be turned to the juxtaposition of the most degrading of atrocity stories with calls for budget-slashing and forced labor. The *Post's* ballyhooing of Carter's tour through the South Bronx—rating a centerfold picture of a bombed-out neighborhood—accompanied by an editorial plea to the President for slave-labor "jobs"—furthered this propaganda binge.

When former columnist Robert Lipsyte said, "People are beginning to talk about the differences between American journalism and English journalism," his words were truer than he knew. Murdoch, protege of the British monarchy's "Fleet Street" press operative Lord Beaverbrook, has joined the "lowest common denominator" of sensationalism—better described as mass psychological warfare—to the City of London's immediate requirements for the destruction of the U.S. dollar and economy. More than a slip of the pen was afoot when Murdoch slipped into "British" and scribbled that Ed Koch was the best candidate "standing for office." (We dynamic Americans, in contradistinction to the morally gout-ridden British nobility, "run for office.")