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IN THIS WEEK'S ISSUE

The British banks and their partisans here in the U.S. are out to "prick the bubble" and **send the U.S. economy into a bear trap**... that market sources say will mean a dollar crisis and **full-scale depression dead ahead**... This week's **INTERNATIONAL** report tells how the **Grand Old Patriots** in the Republican Party achieved top billing in the operation... through **sheer stupidity**... backed up by a documentary survey in **ECONOMICS** of the way the Federal Reserve Chairman **Miller is setting the trap**... and also in **ECONOMICS**, a report on how Miller's **"bank war"** is directed at the same treasonous goal...

* * *

The way out of the trap is also presented in **INTERNATIONAL**... with the latest on the **billions in long-term deals** being arranged between West Germany and the Soviet Union... a story that has yet to be given any attention in **most of the U.S. press**... delineating the **trade-and-development orientation** on which U.S. economic survival hinges... Plus a report on the Fusion Energy Foundation's just-concluded conference on **"The Industrial Development of Southern Africa"**... where representatives from South Africa, several black African states, U.S. business and labor, and the Administration gathered to hear and discuss the Foundation's program for making today's **race-war hot-spot** into a **nuclear-powered industrial center**... with extensive excerpts from a Mexican official's speech on why **indebtedness** can be either an **impassable obstacle** to development... or an **important way** to achieve it...

* * *

The political moves against that positive thrust stemmed from a **policy center**... and this issue's **SPECIAL REPORT** provides a **first-time-ever scoop** on how the process works... a story from **inside the notorious Bilderberg Group** and its recent conference... that describes the "let's get the Soviets" strategy **Henry Kissinger** and his cronies were purveying at the behest of the Anglo-Dutch monarchists... and gives a rather different—and far more accurate—view of **how this ultraprivate cabal operates** than you've read anywhere else... plus a list of some of the **conference participants**... **Included:** a demonstration of how the Bilderberg line went **into immediate operation**... with a blow-by-blow report on **how Britain's aristocratic scum deployed** in the week following their get-together...

INTER-
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Our **U.S. REPORT** backs up the charges of the Republican role in the "bear trap" plot... with the story on how the U.S. Senate's **38 Republicans got royally Bilderbergered**... You can **compare** their policy statement... which we've excerpted... with the way Lords Home and Carrington laid out **the same line** on their return from the Bilderberg meet... And all the while, as our report tells, the GOPers boast that they're cleverly **"using" Henry Kissinger**... In the same section, some more positive signs from both the Republican Party and the Democratic Administration... including **some reported exclusively here**... that nevertheless define the **lack** of a competently directed **political counterpole** to the British-led traitors... a counterpole that must include **the program and policy direction of the U.S. Labor Party**... To drive the point home, the Labor Party's chairman, **Lyndon H. LaRouche,** takes a look at the selections from Richard Nixon's memoirs currently being serialized in newspapers around the world... and **dissects the weaknesses** that have made the GOP **easy prey for Kissinger** et al....

The Soviet government newsdaily **Ivestia** has "named the names" of some of the most central figures behind the terrorism in Italy, and around the world... and in **COUNTER-INTELLIGENCE** we present the text of the Izvestia charges against the **Institute for Policy Studies** and IPS chief **Marcus Raskin...** with an analysis that shows how the unprecedented **Izvestia** article is related to Italian Premier Andreotti's **tough stand** against the Red Brigades kidnappers... to the **Palestine Liberation Organization's crackdown** on the terrorist agents in its own ranks... and to the **prospects for Mideast peace**...

* * *

OUR APOLOGIES: A series of technical difficulties has forced us to shorten this issue of the **Executive Intelligence Review** as we prepare to go to press. Our next issue, however, will include our usual full range of **THIRD WORLD, ENERGY,** and other coverage...

Capitulation to Kissinger:

Republicans Move To Destroy Dollar

This week stupidity emerged as the number one enemy of the United States. Not the British monarchists bent on returning the U.S. to the status of a third world colony. Not their chief henchman Henry Kissinger. But blind stupidity on the part of well-meaning "patriots." That is the significance of the statement against the Carter Administration signed and issued this week by all 38 Republicans now sitting in the U.S. Senate.

The Kissinger line swallowed whole by the Republican senators this week — with its attack on the Carter Administration for alleged capitulation to the Soviet Union, its endorsement of racist Ian Smith's internal solution for Rhodesia, and its call for a massive arms buildup — is the exact same line that went out from the Bilderberg conference of Anglo-Dutch monarchists two weeks ago (see *Special Report*). For a few votes come November, the senators of Lincoln's Republican Party have sold the Union down the river into bondage to the British Empire.

By undercutting the ability of the Carter Administration to pursue a foreign policy for world peace and the economic policy of high-technology exports and world cooperation on fission and fusion power to guarantee that peace, the Republicans have left the United States wide open to the City of London assault on the dollar. U.S. economic policy is now in the hands of British ally, asset stripper G. William Miller, the so-called "fiscal conservative" whose avowed intention is to fight inflation by putting the U.S. through a British-induced "recession."

The combination of Republican capitulation to Henry Kissinger and the free rein given Miller has set up Carter for Hooverization. Far from bringing in a new Republican administration, Republican's opportunistic assault on Carter will have accomplished only one thing: the ascendancy to the White House of London's boy, Fabian Walter Mondale.

It is by no means insignificant that in this same week, a pattern of slander and harassment has emerged aimed at cutting the lines of communication between the U.S. Labor Party and government and business layers. For the City of London, the influence and penetration of the Labor Party's program for a U.S. economic boom based on U.S.-Soviet sector-OECD cooperation for the development of the Third World with an expanded Eximbank funding to expand it — is the most powerful countervailing tendency in the U.S. to their own policy. Across the board this week, financial and business representatives severed their communication with the Labor Party with protests that the party policy leadership role is unimportant and unnecessary. Further investigation shows that their authorities on this matter are R. Heath Larry, the hated head of the National Association of Manufacturers and former U.S. Steel public relations chief; and Jack Farmer, a Mondale crony, who this week used a seminar of the Bankers' Association for Foreign Trade to coordinate counter-organizing against the Labor Party. A similar pattern has emerged in Western Europe against the Labor Party's co-thinker organization, the European Labor Party. The additional purpose of the slander campaign in Europe is to convince European financial and business leaders that there exists no effective political counter-pole in the U.S. ready to join the Europeans in a world-wide development drive.

The Miller Operation

As the Republican leadership lines up behind Henry Kissinger, U.S. bankers have been bewitched by Miller into trading two week of profits for ten years of depression. The fact that the stock market did not fall calamitously by the end of the week and that the dollar continues to maintain itself is evidence to the contrary of Miller's plans to put the U.S. economy through the wringer. Employing the same tactic it used so successfully in 1929 (see *Economics*), the City of London is blowing up the dollar bubble only to bring it down. With the high interest-rate policy of Miller knocking out the crucial sectors of housing, auto, and machine processing, the Old Lady on Threadneedle Street started to move in for the kill this week by raising its own interest rates to suck liquidity out of New York into London. The only reason the dollar didn't take a dive is due to the fact that Chase Manhattan followed by its Wall Street partners tightened its prime interest rate even higher. The U.S. economy is thus lurching between the Charybdis of high interest rates and the Scylla of dollar collapse; with Miller at the helm, the certain result will be the wreckage of the U.S. economy.

The rampant stupidity in the United States has fulfilled the wildest dreams of the British and enraged the rest of the world. The OECD, the Comecon sector, the oil-producing countries, and key Third World nations like Mexico are preparing the configuration of three-way development deals which can deal the City of London its long overdue death blow. These forces — as exemplified by the offer of Prime Minister Takeo Fukuda in the U.S. this week for joint Japanese-U.S. pursuit of fusion power development — are begging for U.S. participation and leadership in this process. Those critical business forces who understand the importance of the U.S. role have opted to maneuver ineffectively for extragovernmental deals with the jocular slogan that "politics is not our business." And their Republican leaders have chosen to once again play the dumb giant for the interests of the City of London.

There are approximately two weeks to turn this situation around. That will require the formation of a strong counterpole of business, labor, and political leaders to support the Carter Administration on the basis of a positive policy: harnessing the industrial might of the U.S. for cooperation with the Soviet Union for peace and development.

The U.S. Stake in the West German - Soviet Deals

Soviet leader Leonid I. Brezhnev's visit to West Germany May 4 through 7 offers the U.S. an opportunity to lead the world economy out of the doldrums, if only this opportunity is seized promptly. Largely because of indifferent or nonexistent press coverage of this important event, U.S. businessmen are still unaware that West German Chancellor Helmut Schmidt and President Brezhnev plan to sign a comprehensive 25-year economic collaboration package, including a total of 120 separate industrial projects.

It is in this context of expanding trade that West Germany and the Soviet Union want to settle the outstanding questions of disarmament and detente; but for this, a strong voice from Washington is urgently required.

Although the details of the Schmidt-Brezhnev economic package have not yet been made public, sources close to the negotiations report that it will include in-depth technological cooperation, requiring West German coordination with Soviet Five-Year planning. Standard but massive compensatory deals for Siberian development will be complemented by joint West German-Soviet industrial complexes to be built in the underdeveloped countries.

Other agenda items for consideration will include a revival of old plans for a meshing of the Soviet and West German electricity grids, possibly including a nuclear plant-for-electricity compensatory deal. One source, the daily *Münchener Merkur,* even hinted at planned long-term discussions on full coordination of Soviet, West and East German, and Polish grids. Chancellor Schmidt is also interested in signing an agreement on joint development of the fast-breeder nuclear reactor similar to the one signed by France and the Soviets last year.

Neither the West German government nor leaders of the West German business community see any political or economic disadvantages to such deals. Otto Wolff von Amerongen, head of the German Association of Industry and Chamber of Commerce and board member of the Exxon Corporation, has emphasized in a recent series of interviews that steady progress in East-West trade has been the objective of West German industry ever since the initial efforts made in the early 1960s. Professor Dr. M. Schmitt of the electrical firm AEG-Telefunken writes in the *Frankfurter Allgemeine Zeitung,* cooperation has now reached "a crucial transitional phase," meaning higher productivity, more advanced technology and a more refined international division of labor.

The value of the deals will doubtless run into the tens of billions of dollars, a sum which immediately raises the question of financing. In an interview with *Der Spiegel* magazine, Wolff von Amerongen said that the present practice of sophisticated barter — "compensatory deals" — will eventually have to yield to more advanced financial practices if commodity flows are not to be disrupted. Wolff has been proposing instead that large international industrial project consortia be created under the leadership of the relevant Soviet ministries or enterprises. That is an obvious hint to U.S. firms, and may have been the purpose of Wolff's recent visit to the U.S. Chamber of Commerce in Washington.

Other hints have appeared in the West German press about "certain progress in the question of the convertibility of the ruble," a reference which underscores the potential of these trade arrangements to completely transform the present global monetary system. Several financial mechanisms are under discussion including the remonetization of gold and the use of the Socialist bloc's transferable ruble — both long recognized as integral to the "new world economic order" proposal first made by U.S. Labor Party Chairman Lyndon H. LaRouche in 1975.

Wolff von Amerongen, in the latest issue of *Stern* magazine, reported that his discussion with Chancellor Helmut Schmidt created the proposals for extending additional lines of credit by the government. He also has told his Soviet counterparts that if they want really huge trade projects, they could pay partly in gold.

Why Won't the U.S. Join?

The inability of the Carter Administration to make even minimal commitments in the direction of the Schmidt-Brezhnev initiative is part and parcel of the maneuvers by Henry Kissinger, Zbigniew Brzezinski, James Schlesinger, and G. William Miller to wreak havoc on the U.S. and world economy. Following a recent meeting of the Anglo-Dutch Bilderberg Conference in

"As a Capitalist, I'm More Realistic Than Willy Brandt"

Otto Wolff von Amerongen, head of the German Association of Industry and Chambers of Comemrce, made a double-edged argument in his interview with a hostile Der Spiegel *magazine, extracts of which appear below. On the one hand, he dispels the myth that East-West trade represents a threat to the West; on the other, he attacks* Ostpolitiker *Willy Brandt for using trade as a mere political gimmick.*

Spiegel: Mr. Wolff, the Social Democratic Party Chairman and former Federal Chancellor Willy Brandt recently accused German industry of not utilizing the cooperation opportunities offered by the Soviet Union and missing initiatives. Why have you and your colleagues now changed your tune?
Wolff: It is not helpful when the SPD chairman, if that is actually how he expressed himself, awakened unfulfillable hopes which then have to be defended by the business community. We can't act as stand-ins just because no perceptible success has been achieved in political dealings. The business community does not fear the Brezhnev visit; quite the contrary, we are glad about it, while at the same time we don't expect miracles.

Spiegel: And what if the government starts pressuring you and your business friends by pointing to Bonn's emphatic interests?
Wolff: Up to now we haven't heard anything like that from the government. I also do not confuse the SPD chairman with the federal government. The business community has always—even before the Ostpolitik began—conducted business with the Soviets with a long-term perspective....

Spiegel: General Secretary Brezhnev will devote himself with special intensity to economic questions during his visit to Bonn. Are you expecting the Moscow party-chief to offer a colossal new spectrum of cooperation opportunities?
Wolff: We do not know what Brezhnev is bringing along in his suitcase when he comes to the Rhine. It's quite possible that he will try to get us interested in the same projects as he did during his first visit five years ago....

Spiegel: ... when he invited the Germans to jointly exploit Siberia's natural resources. Why did nothing come of that?
Wolff: In the meantime these projects have assumed a magnitude which we, German industry, can no longer manage alone. This holds least true for technology—this we have really well in hand. But we are nevertheless gradually becoming overburdened with the financing and especially with so-called compensation....

Princeton, it emerged that Kissinger and his allies in the British Round Table plan to pursue the "geopolitical" aims of using China to "encircle" the Soviet Union while undermining the African and SALT initiatives of, notably, Secretary of State Cyrus Vance.

Naturally, such a scheme excludes any possibility of expanding East-West trade. Kissinger addressed this question directly at a meeting in Hamburg last week, sponsored by the Social Democratic Party's Friedrich Ebert Foundation. Kissinger attacked West Germany and Japan's efforts to liberalize East-West trade as an attempt to undermine the Jackson-Vanik amendment, which effectively blocks an expansion of U.S.-Soviet trade. Former Chancellor Willy Brandt, who invited Kissinger to the fete, likewise warned that the Soviet Union is "not in good shape" economically and is therefore politically extremely labile. "They live in an atmosphere of fear," Brandt said, "and are counting on the possibility of some day fighting a war on two fronts" — an obvious reference to Britain's schemes for China.

Chancellor Schmidt's improvised remarks at this same conference indicate the dangers that lie ahead if the U.S. continues to allow Kissinger's faction to dominate important aspects of U.S. policy. Whereas Kissinger attacked the Carter Administration for being "soft" on the Soviets around the "neutron weapon" issue and so forth, Chancellor Schmidt called upon the U.S. political and industrial community to "finally assume responsibility" of economic leadership in the world. Schmidt proceeded correctly to identify the high U.S. balance of payments deficit as a major source of the problem. But instead of recommending a high-technology export program as the only rational solution, the Chancellor called upon the U.S. Congress to immediately pass Carter's low-growth energy package so that U.S. oil imports can be significantly reduced.

Schmidt's "conservation" call only indicates the degree to which his government's patience is wearing thin with the United States' continued wavering on vital economic questions including international trade and development. Should the Carter White House bend to Kissinger and refuse to enter these deals, then this nation will likely be left in the dust by Europe — and America's economic isolation would increase the nation's vulnerability to London's war confrontation scenarios.

Whether Schmidt's perception of the unwillingness of growth-oriented factions in the U.S. to stand up for domestic industrial growth is proven true depend largely on what the American business community does.

Schmidt, Brandt, Kissinger Draw Battle Lines

Following are highlights of three addresses given at the April 28 meeting of the Friedrich Ebert Foundation:

Willy Brandt, *Chairman of the West German Social Democratic Party and former Chancellor:*

Willy Brandt warned that world peace will be endangered not only by political tensions, but also through violent outbursts against hunger and misery in the Third World, or worse, a "world civil war," according to the daily *Mannheimer Morgen.* "Risking a big catastrophe will become very expensive for all involved. . . . Solutions which today are still possible will not be available tomorrow or later."

According to another newspaper, the *Münchener Merkur,* Brandt continued that "We do not have a hundred years to solve the conflict between North and South." Nevertheless, he said, certain politicians and economists seem to think in such long-term approaches. The highly industrialized North must stop being led only by its narrow-minded interests, and must denounce weapons exports and introduce stabilization of raw materials prices.

Henry Kissinger, *former U.S. Secretary of State:*

According to West German television reports, Henry Kissinger quipped that "Unfortunately, I cannot tell my opinion on the dollar here, since I want to avoid being accused of having brought down the dollar again." The West must reject "detente at any price," he warned, and the Soviet Union must not be allowed to concentrate its detente efforts "on only a limited part of the West."

In any case, he continued, the Soviet Union is not really a major political power; it is only their military strength which makes them appear strong. Mr. Kissinger accused the Soviets of pursuing an "imperialist policy" in Africa, and sharply criticized U.S. President Carter's decision to postpone production of the "neutron weapon."

Concerning the current strategic arms limitation talks conducted by Secretary of State Cyrus Vance, he warned, "The West should not tell the East what is actual arms strength is; this is because we need to maintain certain military advantages."

According to the daily *Die Welt,* Kissinger's comment on Brezhnev's visit to the Federal Republic of Germany was the nonchalant remark, "It's always good to talk to each other."

Helmut Schmidt, *Chancellor of the Federal Republic of Germany:*

"America's leading role in the West is fully accepted and respected by us," the Chancellor said, according to the *Frankfurter Allgemeine Zeitung.* "In the economic field, however, the Americans have not yet understood their leadership function." There is no reason whatsoever, said Schmidt, for being afraid of a split between the United States and West Germany. But, he added, while we trust the United States, the U.S. has to realize its leadership role. U.S. leaders must see that "their hesitancy in oil policies since 1974 are irresponsible toward the rest of the world."

Furthermore, if the U.S. continues along its present currency policy, the present structural crisis will become still worse. The maintenance of the United States' extremely high foreign trade deficit is unacceptable, and so is the fact that the world's leading currency keeps fluctuating continuously. Therefore, it has become necessary not only "to appeal to the U.S. Congress, to the American public and the U.S. Senate with major news articles, but we must go there to talk with them, convince them of their leadership role."

Concerning the issue of economic development of the Third World, Schmidt criticized the attitude heretofore of the Soviet Union: "It cannot be tolerated that the East Bloc delivers weapons instead of aid to the Third World, but that the West gives development aid and is even insulted for doing so at international conferences. The West no longer has to tolerate being accused and insulted by certain Third World nations which live off our taxpayers' sacrifices." Development aid is necessary nevertheless, he said, but we can demand something in return, such as guarantees for private investment, since "private investment is the precondition for any real development policy."

In a speech the following day before the Association of Municipal Corporations, Chancellor Schmidt emphasized the doubling of U.S. oil imports over the last three years as the principal source of the U.S. balance of payments deficit. Schmidt recommended a "strong savings component" be included in U.S. energy policy, which could strengthen the dollar and ease fluctuations on the international currency markets.

FEF Conference:

U.S. Model for Southern Africa's Development

Over 100 people representing 10 foreign governments, five departments of the U.S. Executive Branch and the House Foreign Relations Committee, ten corporations, nine colleges and universities, and the national and international press gathered here today at the Madison Hotel to hear and discuss a program for the industrial development of Southern Africa.

Fusion Energy Foundation Executive Director Dr. Morris Levitt struck a theme in his welcoming remarks which was to be sharply debated during the day-long series of sessions, sponsored by the foundation. Levitt cited the recent comment by U.S. Ambassador to the United Nations Andrew Young that the United States is still held in high regard in the developing sector — the so-called Third World — due to its unparalleled advanced industrial development. "This is the model for the development of southern Africa," Dr. Levitt asserted.

Eric Lerner, Director of Physics for the FEF, then presented the outlines of a massive development program for the southern Africa region. He immediately contrasted this program, proposed by the Foundation and available at the conference as a Campaigner special Report, to the attempts of the World Bank to have "regional development" without raising labor productivity.

Politics and Economics

"The political and economic solutions must go together," Lerner declared. "There will be no solution to the colonial heritage of apartheid without development — only redistribution of the existing poverty, and war. On the other hand, there can be no solution to the requirements of economic development unless the skilled labor force is developed. That means an abrupt end to apartheid.

"Contrary to what everyone thinks, southern Africa's greatest resources are not the vast mineral wealth of the region," Lerner elaborated. "Its basic resources are the pockets of skilled labor, which must be used as centers to upgrade the entire population."

Using maps and tables, Lerner gave a concise presentation of the FEF program for developing major industrial centers as foci for breeder development. He noted that the program depends upon rapid global economic expansion at annual growth rates of nearly 20 percent and the transition from fossil and fission power into a world fusion power economy by the year 2000. The energy to fuel the four centers and other secondary foci would come from the southern African wealth of coal, hydroelectric power, and uranium. "Nuplexes" using the full capacity of nuclear power — generation to power a variety of industries were proposed.

In a complementary presentation, Douglas DeGroot, specialist on Africa for the Executive Intelligence Review, posed the question of the political feasibility of implementing such a program in South Africa. "The humanist forces to collaborate on industrial development in the region do exist," DeGroot assured the audience. "But there has been a conscious effort through history to keep them from working together."

He instanced the proindustrial tradition of the Kruger Republic of the 19th century and described three centuries of British counterinsurgency against this tendency. DeGroot proposed a Southern Africa Development Association" to bring together the still extant proindustrial layers in South Africa with the political elites of Black Africa such as, especially, the non-racially oriented and politically stable leadership of Angola.

In response to a question from an African diplomat, DeGroot emphasized that both the "internal settlement" in Rhodesia (by which Premier Ian Smith has excluded the constituency-based Patriotic Front), and the ugly heritage of apartheid in South Africa, would have to be quickly swept away in order for the treaty arrangements establishing such an association to take place among the front-line states and South Africa.

What About the Soviets?

Another crucial aspect of the region's political physiognomy was then discussed by panel member Dr. Peter Vanneman, chairman of the political science department of the University of Arkansas at Fayetteville. Vanneman stated that certain factions within the Soviet leadership would be amenable to a development plan in the region. Because of their own economic problems, Vanneman added, the Soviets are eager to gain access to southern Africa's mineral wealth.

"The Soviet leadership has been deeply divided over Africa policy, especially since Angola," Vanneman noted. He pointed out the exceptional restraint used by the USSR in Ethiopia, where Soviet military aid was not sent until months after the Somali invasion. But "if we don't strengthen the hand of the moderates in the Kremlin," Vanneman concluded, "there will be a holocaust." The Soviets are in Africa to stay, he said. "Whether they play a constructive or destructive role" depends mainly on whether or not the United States is pursuing a development policy.

The first panel's deliberations were brought to a close by David Carr of the National Foreign Trade Council, where he is director of the Africa, Mideast and Pacific Asia Division. Dr. Carr, who stressed that he was speaking personally and not for the council, outlined three major stimuli which have historically proven to foster economic development. These are expanded exports; high rates of savings and investment; and structural transformation of the economy (e.g., diversification).

Addressing the question of how to fuse these three aspect of Lerner's earlier presentation. He recalled "the model of an antidevelopment policy" in the behavior of the Sultan of Oman, who insisted that a major pipeline being built in his country by an oil company should employ the tribesmen of that area each time the pipeline construction crossed tribal boundaries. Since no worker was employed for more than a few miles, this guaranteed that none "acquired permanent skills — and with them dangerous political ideas!"

Carr went on to score south Africa's pursuit of a similar policy in importing labor from neighboring black African states. Workers come alone and only for a few months. Carr stressed the "key role of developing permanent skills, which can then be transferred to other industries." In an interview following his talk, Dr. Carr said that the minimum stay for a worker with his family in the industrial center should be five years.

The U.S. and Soviet Models

The first afternoon session, titled "The Third World Into the 21st Century," led off with a challenge to the concept of rapid and massive development in Southern Africa which had been the theme of the morning panel. Dr. Stan Krause, a member of the Department of Agriculture currently on assignment with the Africa Bureau of the U.S. Agency for International Development, described the severe problems posed by the agricultural sector which engages over 50 percent of the economically active population in the 10 countries of southern Africa. The majority of these people are subsistence farmers with abysmal levels of living, Krause noted, while due to the flight of Europeans even the small number of large commercialized farms is diminishing.

Pointing with pride to the potential of American contributions in training programs and applied agricultural research ("We wrote the book on that."), Krause nonetheless countered the FEF proposal of concentrated high-technology development pockets with a strategy of "slow incremental growth," "limited packages of new technology rather than a quantum leap."

The AID expert cited the history of 54 countries which had received development aid over the past three decases but did not sustain rapid per capita growth, and concluded, "Crash programs cannot succeed."

The next presentation, by FEF Director of Research Uwe Parpart, met the challenge Krause had raised. "Instead of looking at the failures of the past 30 years," Parpart proposed, "I find it remarkable that no one discussing development has pointed to the two outstanding models of success — the United States and the Soviet Union."

"No successful effort can proceed on short-term expectations," the FEF scientist affirmed. "The results of small increments in a given mode of production proceed inevitably from the very assumptions on which they are based." Instead, the American experience was the outcome of a debate in the 18th century between a commitment to developing labor power through high technology growth, and the contrary premise of labor intensive exploitation of raw materials. "We are talking about two colonial policies," Parpart said. The British colonial policy and the humanist one by which an American continent would carry forward the best efforts of Europe.

"The American model is very simple," he continued. "The most educated strata — a thin elite — absorbed the most highly developed industry," while European-born peasant labor, the backward part of the population, was brought in "in successive waves."

"Slow growth is not an alternative to this model," he warned. "It will mean devolution and chaos." In this connection he attacked the World Bank's notion of "appropriate" technologies, which instead of raising skill levels with the best technologies, gears a low technological input to existing low skills.

Parpart also pointed to the Soviet Union's remarkable progress to an industrial superpower as the other model for the Third World. In the 1920s, he said, the Soviet Union's population was just as afflicted with backwardness and tribal organization as much of southern Africa. Today, mankind should be thinking not only about developing the Third World, but about the "colonizing" of the solar system.

Dr. William van Rensburg reported to the conference on the extensive mineral wealth of southern Africa and its importance to the world's industrial economies. Van Rensburg, who is chairman of the University of Texas Geoscience Department, noted that contrary to popular illusions that South African minerals are not an easy "bonanza". Most of the vast deposits are in remote areas and are of low-grade ores which require the most advanced mining technology for their exploitation.

In introducing the last speaker of this panel, Dr. Levitt noted that precisely this need to access low-grade ores in the future demanded the unlimited energy resources promised by fusion power. Dr. William Ellis, chief of the advanced fusion systems branch of the confinement systems division of the Department of Energy, held the conference attendees in rapt attention as he delivered an illustrated talk on the present state of fusion research. Ellis showed four charts indicating that scientific breakeven for a successful fusion reaction were extremely close in four of the key criteria. Yet, as another chart showed, federal funding for the fusion program has not even grown "linearly" but leveled off over the past three years to the point that commercial fusion may not be realized.

In his summary, Dr. Ellis zeroed in on the question of obtaining political support for fusion power. National policy has shifted in the direction of short-term solutions and "appropriate" technologies, he reported. In the meantime, fusion lacks a powerful motivation — a "patron saint" in the population. Neither industry, the utilities, labor nor even the scientific c
taken up the banner of fusion development. "We have established the scientific data base," Ellis maintained. "We are well on the way in the next few years to achieving breakeven." As a potential means of providing the world with cheap unlimited power for the future, fusion must be given a chance.

"Financing Development"

The fourth panel, "Financing Development," featured four speakers. David Shapiro of the Maryland House of

Delegates, who recently sponsored a memorial bill in that legislature calling for the rechartering of the United States Export-Import Bank with an increased funding base, greeted the meeting with a call for economic growth, revitalization of the port of Baltimore, and nuclear energy development as the keys to reversing the gloomy cycle of recession and inflation which has afflicted his state since 1970. He was followed by Warren Hamerman of the U.S. Labor Party Executive, author of a report to Congress proposing Eximbank expansion, Carlos Romera Barrera of the Mexican Foreign Ministry, and Hahmy Maklouf of the Arab League.

Hamerman noted that in many discusssions during the day, conference participants had raised the question of feasibility of the proposals. "Is there an alternative to the current economic and financial system?" he asked, and replied, "Yes, there is a means to make the financing of Third World development commensurate with real economic needs."

The basic conception is of long-term low-interest credits — an idea which has variously been voiced by Eximbank head John Moore, Nelson Rockefeller, and was developed in 1977 to an advanced stage by the late Jurgen Ponto of Dresdner Bank. Ponto had foreseen linking up the vastly underutilized productive capacity of the advanced capitalist countries with the tremendous development needs of southern Africa, Hamerman reported. Trade flows between OECD countries, the Soviet bloc and the developing sector were illustrated in a chart.

The USLP leader attacked the "vicious fallacy" of risk embodied in a frequent comment by bankers and others that even should such an ambitious development program prove politically feasible, who would take the risk? "We cannot afford the risk of not going ahead with such programs, because without them the world is headed toward strategic confrontation," he said. He also cited the policies of Alexander Hamilton which successfully established the roots of American industrial development as the key to the debt issue. Only long-term credits of 20 or more years can achieve real infrastructure, he stated. The best example of the effects of the opposite policy, pursued by the IMF and World Bank, is the decay of New York City after years of short-term high-interest financing!

Carlos Romero Barrera delivered his speech in Spanish and it was simultaneously translated. "I understand (the term) development to mean not only the simple growth and expansion of a country's productive apparatus," he said. "But rather it must be a growth and expansion which results in an increase in national and per capita income, as well as a rise in the level of employment of both human and natural resources of a given country."

Using these criteria, Romero reviewed the sources of external financing for development under the headings of aid, direct foreign investment, and credit through private, public and intergovernmental institutions. He scored the use of aid for servicing of debt or building up the military, but indicated it could be an instrument of real development when "it is regionally invested in the expression and differentiation of the productive apparatus — with resulting effects on the levels of employment and income." Similarly, direct foreign investment makes an effective contribution when it compliments rather than replaces a country's own development efforts and when "the national economic profit is greater than that obtained by the investor." Foreign financing, Romero continued, alluding particularly to the IMF, "has in many instances been only a means to repay earlier debts or as an instrument of trade police of the creditor nations."

"In pracitcal implementation of these ideas," Romero concluded, the Mexican government is using its oil wealth to carry out industrialization in the capital goods sector and also to develop "new sources of energy such as nuclear energy." He also cited the April 27 initiative of the Mexican government proposing that the IMF should create a $75 billion technology transfer fund "in order to implement development and not solely to cover repayment of their foreign debt."

In the final presentation, Hahmy Maklouf laid out the Arab League's role both as a group of developing countries and as donors of aid in the past five years to other countries for development. In 1973-77, he said, the Arab oil producing states provided $19 billion in soft loans and grants to less developed countries among the institutions which channel these funds including the Arab Bank for Economic Development in Africa and the special Fund for African Assistance. Maklouf stressed that the development loans were at interest rates of only 3 percent and had a 15- to 20-year period of repayment. Also strikingly in line with the programs laid out earlier by Hamerman, Maklouf said that the Arab states saw the responsibility for funding development as a global one to be shared among the Arabs, advanced capitalist sector, and the Eastern European bloc.

Conference participants included representatives of the governments of France, the USSR, Malawi, Lesotho, the Republic of South Africa, South Korea, Mexico, Argentina, Gabon and Beoin. From the United States government were representatives of the Departments of State, Agriculture, Energy, and the Agency for International Development, and the bureau of mines in the Interior Department.

— Nora Hamerman

Mexican Plan Only Bright Spot At IMF Interim Meet

Here are the highlights of Mexican Foreign Ministry official Carlos Romero Barrera's speech to the Fusion Energy Foundation's conference, "The Industrial Development of Southern Africa."

The topic I will deal with this afternoon could be discussed and analyzed in a research project of various volumes or in two or three semester-long courses on a post-graduate level. To try to deal today with this complex matter in a broad and complete way would be impossible, given the time limitations.

I will restrict myself to pose a very brief personal opinion, which should not be taken for the official Mexican position on these matters.

The first step to avoid ambiguity is to define the term "development": hereafter I will understand development to mean not only the simply growth and expansion of a country's productive apparatus. Rather it must be a growth and expansion which results in an increase in national and per capita income, as well as in a rise in the level of employment of both human and natural resources of a given country. . . .

International Cooperation in Financing

Regarding financing through economic aid, we know that so far it has been minimal relative to the real needs of the developing countries and that it has been used more as a political instrument of the industrialized nations to guarantee their hegemony or security as they see it—rather than as a vigorous effort in international cooperation. We know that often this aid is conditioned to satisfy the commercial interests of the donor country, and that other times it has been channeled into military expenditures which, in terms of development as we understand it here, represents nothing.

On the other hand, we know that the current trend is towards less aid, partly because in these moments of world economic crisis the industrialized countries are very occupied in resolving their grave problems of inflation, unemployment and balance of payments imbalance. There is a strong current of opposition to foreign aid in the legislative bodies of the great powers, above all because this aid is not always granted to the most needy nations, but rather is often for supporting governments which are neither very democratic nor very liberal.

It is worth noting that aid in itself is insufficient to make a significant contribution to development, when it is not made part of a systematic program but is used instead as an occasional palliative for the grave problems of chronic indebtedness and the other effects of the economic and technological backwardness of the developing countries that receive it.

Aid can, on the other hand, be an instrument of real development when it is not channeled into unproductive social expenses, into mere servicing of the debt, or into the military strengthening of the recipient nation, but when instead it is rationally invested in the expansion and differentiation of the productive apparatus—with resulting effects on the levels of employment and income.

Role of Foreign Investment

Now, with regard to financing through direct foreign investment, we can affirm that it can be an effective instrument of development when the national economic profit is greater than that obtained by the investor, that is, when the investment is translated into an increase in the productivity of the factors of production. This implies a greater return to the labor force, lower prices, and greater fiscal contributions.

Foreign investment will also aid development if the profits remitted abroad are less than the total increase in local production that results from the investment. . . .

The third form that foreign financing can take is the issuance of credit by international private banks, multilateral financial institutions, or national governments. This form of providing resources to the developing nations has in many instances been only a means to repay earlier debts or as an instrument of trade policy of the creditor nations, who tie their aid to purchases of goods and services in their own countries.

The impact of indebtedness depends on the form it takes. The least dangerous form seems to be the receipt of funds by the national bank through the sale of financial bonds and paper to foreign holders, since in this case the indebtedness does not involve the ceding of certain decision-making rights over the economy to foreigners. Rather, it permits the inclusion of these resources into investment plans contemplated in the national development program.

Productive Debt

Debt in general can be a viable instrument for financing development, when it results in rates of productivity high enough to repay the loans and still maintain a positive balance. To achieve this objective, it is imperative that the borrowing country negotiate loans on non-onerous terms, on the one hand, and on the other that it make use of these resources where they can produce the greatest results in terms of development.

But debt is very dangerous when it is used as an instrument of economic policy to substitute for internal reforms which are necessary so that the costs of the growth and differentiation of the productive apparatus can be absorbed by national resources. . . .

Regarding the problem of massive financing of the development of the developing sector, last April 27 the Mexican government made a proposal before the IMF to create a $15 billion fund, that would be used for the acquisition of capital goods and for the financing of long term development programs in the developing countries. It would be a means of transfering funds from countries with a surplus to the most needy nations, in order to implement development and not solely to cover the repayment of their foreign debt.

Inside Bilderberg: Getting Out the British Line

Renowned as a "top-secret meeting of the invisible government," the "ultraprivate" annual Bilderberg conference has gone down in the mythology of American conservatives as an all-powerful "plotting session." For the first time ever, the Executive Intelligence Review *presents here a first-hand report on a Bilderberg conference, made possible through the cooperation of a French journalist who has asked to remain anonymous.*

On April 21-23, 104 of the leading media, business, banking, labor, government, and education-foundation spokesmen of the United States and Western Europe descended on pastoral Princeton, New Jersey for the 24th annual Bilderberg Conference. In the aftermath of that three-day "brainstorming" session, at least four of the participants, Henry Kissinger, Lord Carrington, Sir Alec Douglas-Home, and the editor of the London *Economist* Andrew Knight, issued blood-curdling warnings that the Soviets must be stopped dead in their tracks from further "aggression," and the "detente" faction of the Carter Administration be damned.

Since its founding in 1954 as the pet project of Prince Bernhard of the Netherlands, the annual Bilderberg meeting has served several useful purposes for its British Round Table organizers: first, as a vehicle for the dissemination of a particular policy line; second, as a forum for smelling out potential West European and American opposition to British policy; and third, as a screening for new recruits to the Anglo-Dutch monarchist networks.

This year's Princeton conference was no exception. The chosen topics for the official "discussion sessions" were "Western Defense with its Political Implications" and "The Changing Structure of Production and Trade: Consequences for the Western Industrialized Countries." The "topics" themselves only provide the broadest possible basis for sounding out the viewpoints of the participants, however — what remains is for a few critical interventions actually to shape the discussion and the policy goals for which Bilderbrg has won its notoriety.

This year that function was admirably filled by Henry Kissinger, acting for all the world like the British Round Table's "Secretary of State in the wings." But Kissinger's critical intervention could not have had the telling impact it did without the build-up offered him by Christoph Bertram, Director of the International Institute for Strategic Studies, and the "hear-hears" of several members of the British delegation.

Get the Soviets!

Bertram, in short, paved the way for the Honorable Dr. Kissinger by lending credibility to the notions that the Soviet Union, despite substantial upgrading of its military capabilities as compared to the NATO alliance countries, could be kept "off guard" by (1) the uncertainty of confining a military confrontation to the Central European theater; (2) the possibility of opening up a second front against the Soviets in the "Far East"; and (3) the unreliability of the Warsaw Pact countries when bullets begin to fly. As a kicker, Bertram — deceptively cherubic in his appearance — called for the heteronomic "national interests" of the European nations to be given free rein in wreaking havoc with the strategic arms limitations talks, by including the West Europeans bilaterally with the U.S. in formulating a common "Western" negotiating position. In the Queen's English, that means an end to SALT, plain and simple.

What Is Bilderberg?

The annual Bilderberg conferences first began in 1954 under the direction of Prince Bernhard of the Netherlands as a complementary effort to then-emerging plans for tight British-directed postwar control of a Western alliance. Thus, the Bilderberg conference was to serve as an informal "private" forum for the elaboration of the policy goal of the Anglo-Dutch monarchy and for screening potential leaders for the new "Atlantic" system.

The 1976 "Lockheed payoff" scandals involving Prince Bernhard forced his resignation from the Bilderberg chairmanship and his replacement by Sir Alec Douglas-Home, of Great Britain. Flanking the Bilderberg Chairman are two Honorary Secretaries General, one from the United States and one from Western Europe. The American Secretary General is now William Bundy, editor of the Council on Foreign Relations quarterly publication *Foreign Affairs;* from the European side, the Secretary General is Ernst van der Beugel, professor at Leiden University and director of the London-based International Institute for Strategic Studies. The selection of participants for the annual conferences are decided by American and European steering committees, which include George Ball, David Rockefeller, Giovanni Agnelli, Edmond de Rothschild, and Sir Eric Roll of the London Warburg interests, to name only a few.

With these broad generalities out on the table, Kissinger proceeded to make these British proposals "concrete." He proposed that the future of the NATO alliance is preeminently dependent on its flexibility in responding to "the Soviet threat" outside the Central European front. In particular, Kissinger called on the NATO allies to engage in regional hotspot hit-and-run confrontations with the Soviet Union in the "peripheral zones," starting with southern Africa and in the recruitment of "regional" allies to that end. Kissinger insisted that the Soviets must "pay a price" for their presence in the Horn of Africa and in southern Africa — a price that might well include the cancellation of the strategic arms talks.

The Kissinger proposals set the tone for a subtle two-fold attack: first to frighten the West Europeans into line with the Kissinger-British military showdown scenario with the Soviets and, second, to discredit thoroughly the "détente" policy of such people within the Carter Administration as Secretary of State Vance and U.N. Ambassador Andrew Young.

The touchstone of the attack on the Europeans was the argument, advanced by Lord Carrington, that Europe is far more vulnerable than the U.S. to being cut off from its energy and raw material sources by increasing Soviet control over the international sealanes around the African continent. Therefore, Europe must perceive its associated national interests to lie in cutting the Soviets out of the picture.

U.S. National Security Advisor Zbigniew Brzezinski offered a softer "official" version of this same "self-interest" argument by encouraging the European critics of the Carter Administration to perceive the growing "Soviet threat" as in the direct interest of their own countries, and not solely the United States' responsibility. Moreover, Brzezinski encouraged the perception of the growing importance of "regional" powers and conflicts in superpower relations.

The attack on the "détente" faction of the Carter Administration gravitated around the pending crisis in Africa. Members of the British delegation to the conference roundly denounced Cyrus Vance and Andrew Young for "rocking the boat" with their sharp criticisms of the British-imposed "internal settlement" in Rhodesia, and the slightest suggestion that the Carter Administration could "work with" Patriotic Front leaders Joshua Nkomo and Robert Mugabe. Young was upbraided for breaking the "evolution" of developments in South Africa — that is, breaking the "pace" set by the British themselves.

Around The Duck Pond

It would be a serious mistake, however, to think that the Bilderberg meetings "plot" global strategy — at least not in the "discussion sessions." Rather, the sessions merely set the agenda in typical college seminar style — papers are presented and debate — with timed interventions, please.

This year's authors included Christoph Bertram and Kissinger protégé Helmut Sonnenfeldt on the future of the NATO alliance, and Council on Foreign Relations Senior Research Fellow William Diebold and European Commission member Vicomte "sink European steel" Etienne Davignon, on the economic topic. Once one has cut through the "political science"-ese in which many of the interventions are couched, or the "prepared statement" aspect of these semipublic comments, the sessions *are* useful in offering a calculated reading on the policy tendencies of the participants — from the "woikers rights" litanies of the trade unionists to the "blow 'em out of the water" presentations of a Henry Kissinger. And, of course, the sessions are the central forum for getting the British line out, as Henry Kissinger most definitely did this year in Princeton.

The real "implications" of the sessions are only developed over cocktails, dinner, tête-à-têtes, and private strolls. No effort is made to impose a "consensus," no final report is released.

Indeed, judging by this year's performance — and despite the hell-bent efforts of Henry Kissinger and the British delegation — it is unlikely that a clear "consensus" could be reached. Loud rumblings against the British policy line were clearly audible this year, with at least one European representative overheard in the hallway protesting the "Cold War" tactics of some Carter Administration members, including Brzezinski. And the economic discussions seemed particularly diffuse, ranging from endorsement of a "limits-to-growth" fatalism, replete with cutting U.S. oil imports and workers tightening their belts, to tentative nudgings for increasing European exports to the Third World and "faith" in technological advance.

A Conference To Remember

In the end, the importance of any Bilderberg conference is determined by the role it plays in a much broader process of insinuating certain policy objectives among the leaders of the Western alliance nations. In this light, the significance of the Princeton conference has already been made dangerously clear in the statements of Messrs. Kissinger, Carrington, and Bilderberg Chairman Home — as well as the rather indiscreet attack on the Carter Administration by Princeton participant Andrew Knight, editor of the London *Economist*, in the April 26 *New York Times*.

The next person you hear muttering about "peripheral zones" and "standing down the Soviets," look again — more than likely he has been Bilderbergered.

Among the Participants . . . .

Following is a partial listing of participants at the April 21-23 Princeton Bilderberg meet:

Lord Home of the Hirsel, K.T.
Chairman

Ernst H. van der Beugel
Honorary Secretary General for Europe
Professor International Relations, Leiden University
Director of Companies

William P. Bundy
Honorary Secretary General for U.S.A.
Editor Foreign Affairs

G. Frits Karsten
Honorary Treasurer
Chairman of the Board of Managing Directors
AMRO Bank, N.Y.

Cristoph Bertram
Director, The International Institute for Strategic Studies in London

Vicomte Etienne Davignon
Member of the Commission of the European Communities in Brussels
Former Director General Political Affairs, Ministry of Foreign Affairs

Alexander M. Haig, Jr.
Supreme Allied Commander, Europe

Otto Kersten
Secretary General, International Confederation of Free Trade Unions

Jonkheer Emile van Lennep
Secretary General O.E.C.D.

Joseph M.A.H. Luns
Secretary General N.A.T.O.

United States

George Ball
Senior Managing Director, Lehman Brothers, Kuhn Loeb Inc.

Robert L. Bartley
Editor of the Editorial Page, The Wall Street Journal

Jack Bennett
Vice President EXXON

Zbigniew Brzezinski
Assistant to the President, for National Security Affairs

Frank T. Cary
Chairman of the Board, IBM

Ralph P. Davidson
Publisher, Time *Magazine*

William Diebold, Jr.
Senior Research Fellow, Council on Foreign Relations

Murray H. Finley
President, Amalgamated Clothing Workers of America

Meg Greenfield
Correspondent, Newsweek

Henry J. Heinz II
Chairman of the Board, H.J. Heinz Company
President, American Friends of Bilderberg

H. John Heinz III
United States Senator, Pennsylvania

Lane Kirkland
Secretary Treasurer, AFL-CIO

Henry A. Kissinger
Former Secretary of State

Winston Lord
President, Council on Foreign Relations, Inc.

John Newhouse
Assistant Director, Arms Control and Disarmament Agency (International Security Programs)

Peter G. Peterson
Chairman of the Board, Lehman Brothers, Kuhn Loeb, Inc.

David Rockefeller
Chairman of the Board, Chase Manhattan Bank N.A.

Anthony M. Solomon
Under-Secretary for Monetary Affairs, Department of the Treasury

Helmut Sonnenfeldt
Former Councellor of the Department of State
Visiting Scholar, School of Advanced International Studies, Johns Hopkins University, Washington

Britain

Sir Fredric Bennett
Member of Parliament

Lord Carrington
Leader of the Conservative Party in the House of Lords

Edmund Dell
Secretary of State for Trade

John H. Harvey-Jones
Deputy Chairman, Imperial Chemical Industries Ltd.

Andrew Knight
Editor, The Economist

Lord Roll of Ipsden
Chairman, S.G. Warburg & Co. Ltd.

Federal Republic of Germany

Joachim Angermeyer
Member of Parliament

Andreas von Bülow
Parliamentary Secretary of State, Ministry of Defense

Alfred Herrhausen
Managing Director, Deutsche Bank A.G.

Theo Sommer
Editor-in-Chief, Die Zeit

Richard von Weizsäcker
Deputy Cairman, CDU-CSU Parliamentary Group

Hans-Jürgen Wischnewski
Minister of State to the Federal Chancellor

Otto Wolff von Amerongen
Chariman of the Board of Management of Otto Wolff A.G.

France

Bernard Esambert
Chairman and General Executive Officer of 'Compagnie Financière du Groupe Edmond de Rothschild'
Former Econmoic Advisor to the President of the French Republic

Thierry de Montbrial
Professor of Economics, Ecole Polytechnique
Chef du 'Centre d'Analyse et de Prévision' at the Foreign Office

Robert Pitti-Ferrandi
La Compagnie Financière du Groupe Edmond de Rothschild

François de Rose
French Ambassador

Michel Tatu
Chief of Bureau Le Monde *in the U.S.A.*

Italy

Giovanni Agnelli
President FIAT S.p.A.

Roberto Ducci
Ambassador at the Court of St. James

Piero Ottone
Member of the Board La Reppublica

Savona, Paolo
Director General, Confederation Italian Industry

Stefano Silvestri
Institute of International Affairs

Canada

Bell, George G.
Chairman, Canadian Institute of Strategic Studies

Griffin, Anthony G.S.
Chairman, Home Oil Co. Ltd.

Sylvia Ostry
Chairman, Economic Council of Canada

Lynn R. Williams
International Secretary Treasurer, United Steel Workers of America

Luxembourg

Gaston Thorn
President of the Government of the Grand-Duchy of Luxembourg

Netherlands

André Batenburg
Chairman of the Managing Board, Algemene Bank Nederland

Duisenberg, Willem F.
Member of Parliament
Former Minister of Finance

Portugal

Vitor M.R. Constancio
Minister for Finance and Planning

Sweden

Thorbjörn Fälldin
Prime Minister of Sweden

Marcus Wallenberg
Hon. Chairman of the Board, Skandinaviska Enskilda Banken

Turkey

M. Nuri Birgi
Former Ambassador to NATO

Bilderberg Society Adjourns, and Deploys . . .

No sooner was this year's Bilderberg Society meeting at Princeton, N.J. over than top ranking British government figures began to come forth with policy statements, proposals, and initiatives designed to carry out the Bilderberg Society's decisions.

On April 26, Britain's two most important Bilderberg conference participants, former Prime Minister Alec Douglas Home (alias Lord Home of the Hirsel) and former Defense Secretary Lord Carrington, were back in the House of Lords delivering tirades against the Soviet Union's role in Africa:

Lord Carrington — Britain's interest in southern Africa goes beyond her constitutional responsibility for Rhodesia and membership in the United Nations. It is not sensible to ignore the economic interest which Britain and the free world in general has in the future of southern Africa. The minerals in that continent constitute a large part of the reserves of the free world and in certain circumstances could be at risk. In the light of the Russians' avowed intentions in Africa, the West can not leave unaltered its policy towards the Soviet Union. The West is interested in the area for strategic reasons, because of the vital importance of the Cape Route....

Lord Home — Somehow the Africans must save themselves with the help of those who want to see a peaceful continent. The Soviet Union is not concerned for the welfare of the Africans in Angola, Ethiopia, Mozambique, or Rhodesia. With a horrible cynicism the Soviet leaders have made a cold-blooded calculation that the Africans, still blinded by the smoke of colonialism, would receive the Cubans as liberators. There is nothing more cold-blooded and crude than that. Unless the Africans draw the correct lesson they will find themselves subjected to a new dominion in which human rights and freedom mean nothing at all....The United

Nations has put the responsibility for the future of Rhodesia on to the British Parliament. It is therefore Parliament's responsibility and no one else's, and Russia should be told plainly that Britain would not tolerate intervention in a country for whose future the responsibility lies with her.

But the principal focus of Bilderberg discussion was an alliance with China for a "two-front" approach to war with the Soviet Union. So, visiting China and addressing the 6th Tank Division which guards Peking, Britain's Chief of the Defence Staff, Air Marshal Sir Neil Cameron, told his hosts that Britain and China shared "a common enemy, the Soviet Union." Cameron, the highest ranking military official from a NATO country to visit China, then spoke at an April 30 banquet in his honor:

Our two countries are coming more and more together. This must be good because we both have an enemy at our door whose capitol is Moscow.. There are men here with great spirit who will fight their tanks to the death if needed in the defence of China. Some of our problems are different, but one thing is absolutely clear to us, and that is the growing strength of the Soviet tank force. We must share, I believe, our common experience so that we are in the best position to take on the Soviet tank force if this should ever be necessary.

Cameron denied that he was "speaking for NATO."

I'm certainly not speaking for the British Government, except the British Government has authorized that I go to China and have discussions on defence philosophy with Chinese leaders.

Cameron's remarks, which were apparently not by Her Majesty's government, caused an immediate uproar in Britain. Norman Atkinson, member of the left-wing Tribune Group in the Labour Party and secretary of the Labour Party, called for Cameron's resignation. "His remarks are a direct contradiction of what Foreign Secretary Dr. David Owen said in the Commons last week." Atkinson further charged that Cameron's remarks would "put the skids under" current SALT negotiations between the U.S. and the Soviet Union. Defense spokesman Frank Allaun of the left-Labour Tribune Group said Cameron's remarks "showed contempt for detente," and that peace must remain the object of the British government. But the rightwing Labour Party group, the Social Democratic Alliance, accused the left of "verbal treachery," and one spokesman said that Cameron only stated what every ordinary man and woman in Britain knew to be true. Sir Ian Gilmour, the Tory defense spokesman said more simply: Cameron's remarks were "an extremely sensible thing to say."

That Cameron's remarks mirror the Bilderberg Society and therefore, "unofficial" British government policy, was clear in David Owen's statements to a May Day rally:

You need to put Air Marshal Cameron's visit in the context of a deliberate attempt to improve relations with China, but, as I said in the House, not deliberately and provocatively at the expense of our relationship with the Soviet Union....The whole purpose of NATO defence strategy is to deter hostilities in Western Europe by the Soviet Union and Warsaw Pact....I have not seen (Cameron's) exact words...(but) the Air Marshal must be responsible for what he says. He is a senior and respected figure. He went there to discuss aspects of defence cooperation, and I am sure that is what he intends to do.

Mr. Owen also spoke before the congregation of St. Andrews Church in Plymouth, and there he expounded the underpinnings of Bilderberg philosophy and British insanity — the worldview that denies the world...

I question fundamentally whether there are absolute values ultimately compatible with one another. I question whether there is a single final solution to the problem of how to live. I am very doubtful that there is one objective and universal human ideal. I don't believe there is a fundamental unity underlying all phenomena, a single universal purpose....I tend to believe, perhaps because I am a doctor and as such a behavioural scientist, that human nature and its values, though profound, and even sacred to the individual, are so personal, and those values so unique to the individual that there is not nor can there be absolutes in values....

38 Republicans Issue A Statement Of Kissinger's Views

"We believe the Carter Administration incorrectly interprets the intentions of the Soviet Union and its commitment to achieve conventional military and nuclear superiority to secure wide-ranging geopolitical goals," declared a 29-page policy statement by all 38 Republicans in the U.S. Senate, issued May 3. The statement attacked the President for refusing to confront the Soviets in Africa, for not giving the "internal settlement" for Rhodesia (Zimbabwe) a chance, and demanded better relations with China.

THE GOP

The Senatorial Republicans have thus publicly certified themselves to be British policy spokesman Henry Kissinger's band of bleating sheep. They should at least have had the honesty to admit that "their" policy statement in fact consists of statements made by Henry Kissinger, Lord Alec Douglas Home and others during and after the Bilderberg Conference two weeks ago.

Kissinger, only a week after he attended the top-secret Bilderberg policy session, was on Capitol Hill meeting with Republican Senators Baker, McClure, and Laxalt. The following day the Republicans issued their report, which was coordinated by the Republican Policy Committee. A source close to the Committee declared that "Kissinger does have influence," although he disclaimed any direct hand by Kissinger in writing the report.

Kissinger's "influence" was also seen in a speech given by former President Gerald Ford who told a national television audience last week that he strongly supports the "internal settlement" for Rhodesia, a British blueprint for a U.S.-Soviet showdown in Africa; Ford also opined that the Carter Administration was leading towards a "give-away agreement" in the Strategic Arms Limitation Talks.

Many conservative Republicans realize that they sound very much like Kissinger. Therefore they bleat: "Kissinger is a dead letter—he's just sounding like us conservatives because he knows we dominate the Republican Party and he wants a base," as a leading member of the American Conservative Union put it. What the same smart fellow should have added is that, indeed, he has become Kissinger's "base," and is now being led by the nose by the man who had been one of the conservatives' most hated enemies. If the Republican Party had any real leadership, it would be forcefully enunciating an industrial growth policy, and concentrating on ensuring U.S. collaboration with those forces driving for a worldwide economic boom—including the Soviet Union. But no, the sheep allow their paranoid anti-Sovietism to come to the fore, to Kissinger's delight.

Kissinger's Chorus

The following are excerpts of a statement issued by Senate Republicans May 3, as printed in the Washington Post.

"We believe the Carter Administration incorrectly interprets the intentions of the Soviet Union and its commitment to achieve conventional military and nuclear superiority to secure wide-ranging, geopolitical goals." The Administration was charged with failing "to understand adquately and communicate to the American people the nature of the Soviet threat."

"It is evident that no one, including the President, is in control of the foreign policy process," the Republicans charged. The president, personally, was charged, in part, with commenting "impulsively on critical foreign policy positions" producing a policy that is "a patchwork quilt without continuity... frequently charged at a whim without a glaring absence of toughness and firmness."

Around the world the administration was accused of:

"Feckless handling of the Ethopian-Somalia conflict (that) opened the way for the Soviets to carry out their naked geopolitical power play (in the Horn of Africa)... Failure of Middle East policy... largely attributable to a seemingly never-ending series of gaffes, miscalculations, imprecisions, indecisions and indiscretions of word and action... Placating (in Africa) the most militant common denominator in disputes such as Zimbabwe (Rhodesia) and Namibia (Southwest Africa)... (rather than) letting the moderates work out a solution themselves."

"(Following, in nuclear negotiations), a frightening pattern of giving up key U.S. weapons systems for nothing in return, (permitting) glaring deficiencies in NATO's defenses... timidly (failing to resist the) growing influence of Eurocommunism, and making America's European allies (feel compelled) to go their own way in defense... and make unilateral accomodations with Moscow."

Tidewater Strategists Fumble On Tax Cuts, Foreign Policy

Easton, Md.—Rep. Jack Kemp (R-NY set the tone for an otherwise uneventful gathering of national Republican figures here with a call for a "Republican renaissance" based on the American tradition of growth and economic progress.

The conference, organized by Senate and House Republican Campaign Committee Chairmen Bob Packwood and Guy Van der Jagt to discuss the Party's appeal to the electorate, had plodded through two morning discussions considering such weighty matters as revenue sharing and the use of the phrase "positive and vigorous" instead of "affirmative action." In this sort of atmosphere, it was possible for Jacob Javits (R-NY) to make an effort to transform the meeting into a cheering section for the Bilderberg Society. Just prior to the gathering, Javits had publicly demanded that the U.S. accept Great Britain's plan to replace the dollar as a reserve currency with London's "funny-money" SDRs.

But Kemp's appearance at the afternoon session changed the atmosphere. Kemp issued nothing short of a call to arms to the Republican Party to take responsibility for the growth of the Republic and republics throughout the world, and thus to return the GOP its historic base of blacks and labor. While Kemp clung to the silly notion that a tax cut will accomplish all of this, his intervention into the discussion period carried with it a qualitatively different thrust than even most Republican discussions of tax cuts. Against attempts to interject a call for a balanced budget and to focus only on the tax cut issue, Kemp said "the issue here is not balancing the budget, or any other means to the end. The issue here is the end result. To show the people that we are the party of growth and production and real meaningful employment. We have to rid ourselves of the Keynesian myth that high unemployment means lower inflation. As NAACP head Margaret Bush Wilson said, "more and more people working is not what causes inflation."

Javits, who had been billed by the press as the other half of a Kemp-Javits debate on tax-cut policy, could only mouth Republican-sounding phrases about the need for capital formation. One Senator commented afterwards, "He sounded so conservative. I told him he sounded to conservative."

A recent New York *Daily News* article reported that Kemp is already considered a surefire 1980 Republican candidate for the Senate seat held by Javits, whether or not Javits decides to retire. The same article noted that Kissinger, also seeking the Senate seat, was getting little support in Republican circles as "the Rockefellers and the Conservative Party are interested in Kemp's campaign."

The spirit of Kemp's intervention carried into the next day's discussion on defense policy. One senator stressed the need to defend the dollar and to ensure economic stability as perhaps more important than any other aspect of strategic policy.

Despite Kemp and his impact, the resolutions actually passed by the conference in all cases reflected a compromise with Javits' Bilderberg faction—the most innocuous middle ground positions of the party. For example, Resolution III (Tax-cut): "Resolved, we believe high tax rates and continued deficits are inflationary; we support substantial permanent reductions in federal incomes and capital gains tax rates in order to restore incentive, encourage real economic growth, and expand the reward for working, saving and investing; such private savings and incentives will increase job opportunities, enhance maximum growth and achieve a balanced budget." Or, Resolution V (Defense): "Resolved, that the interests of world peace will be best served by maintaining a balance of power involving conventional and strategic forces. The current Democrat policy of unilateral U.S. disarmament, in the face of mounting Soviet military aggressiveness, is a serious mistake. Therefore, in the vital search for peace, any agreement on arms limitations must fully protect the security of the United States and our allies."

Kemp: Make GOP 'Party Of Growth'

The following are excerpts of Representative Jack Kemp's speech:

. . . The truth is I am not really interested first and foremost in a Republican renaissance. What I'd rather have first is a revival of the American dream. But I am don't think we can get from here to there without a revolution in the Grand Old Party. . . .

Think about a wagon. It's a simple but forceful way of thinking about the essence of government. The wagon is loaded here, unloaded over there. The people are loading the wagon are the Republicans. The folks who are unloading it are the Democrats. The Republicans are the party of growth. The Democrats are the party of distribution. The system works best when each party is doing its job. What I am saying is that the system is breaking down because the Republican Party has not been doing its job. Instead of loading the wagon, some Republicans have stepped away to complain about the unloading job the Democrats have been doing.

. . . What is really necessary to the system is that the Republican Party become the dominant party in America. I mean this only in the sense that it is the party of growth and growth must dominate distribution. . . .

Let us not forget that when we are talking about growth we are talking about the American dream, about opportunity and fulfillment. This is real growth — realizing a potential. . . .

Because Democrats have dominated the system for generations, their idea of growth has become the orthodox one. They picture an America already gobbling a third of the earth's mineral resources, gobbling more. Growth is seen as the antithesis of redistribution, instead of its prerequisite. Growth must be fought and prevented, according to the new Malthusians. Otherwise the planet will be stripped clean to provide the handful of humanity that resides in North America with a three car garage.

That isn't Republican growth. It's what we get Republicans aren't doing their job, and the Democrats are trying their hand at growth. . . .

As Margaret Bush Wilson puts it, inflation is not caused by too many people working. Yet in Keynesian terms, the basic cure for unemployment is inflation. And the basic cure for inflation is unemployment. This is as close as the Democratic Party has come to understanding growth. . . .

Unhappily, this idea of an inflation-unemployment tradeoff is also one that has infected the GOP. . . .

Economic growth, real not inflated, can't lose, and the Democrats know it. The idea is powerful. When the NAACP went for growth last fall, and came out against the Malthusian energy plan cooked up in the Carter Administration, the Democrats acted as if there had been a sellout. But Republicans were just as shocked. It had not occurred to any Republican I know and it had not occurred to me that the NAACP would be in the market for growth and the idea would sell itself.

This I am convinced is only the first wave. There's a tidal wave coming equivalent to the one that hit in 1932, when an era of Republican dominance gave way to the New Deal. . . . We forget that until 1932 the GOP was the home of black Americans, the party of Lincoln, of economic growth, of civil rights, of equal opportunities. . . .

World leadership is something more than not doing wrong. If the Republican party is to make amends for the dropping the ball in the '30s, it has to take internationalism seriously in all its facets. Leading is something more than setting a good example. This I think was President Eisenhower's only failing as an internationalist. He wisely stitched together a series of defense alliances. But when it came to issues of internal policies of other nations Ike was strictly hands off. This would have been fine if the Democrats were of the same mind, but they were not. The Democrats, who do not understand how to load a wagon, were running around the world advising all the emerging nations, the underdeveloped nations, that the best way to load a wagon is to fill it full of debt. . . .

We can't blame Democrats for advising on economic growth if Republicans had not only forgotten what they knew but also refused, as a matter of policy, to be of help in the internal affairs of other nations. What has it gotten us? The Third World is now up to its ears in debt. It has not yet learned how to load a wagon. And it loathes the United States for having taught it so well.

No, the Republican Party has to take its show on the road. Foreign aid has to take different forms. We must advise the world about economic growth and transplant the American dream — a kind of new international economic expansion of trade and commerce and peaceful borders.

Vance: U.S. Security Tied To Developing Sector Progress

The following are excerpts from Secretary of State Cyrus Vance's speech to the annual convention of the League of Women Voters in Cincinnati, May 1:

The U.S. has a profound stake in its relations with the nations and peoples in the developing countries. Our response to their problems, needs and aspirations tests not only the quality of our leadership in the world but our commitment to economic and social justice....

Our foreign policy flows from what we are as a people, our history, our culture, our values, and our beliefs. One reason this nation has a foreign aid policy is that we believe we have a humanitarian and moral obligation to help alleviate poverty and promote more equitable growth in the developing world .... We can be proud we are a people who believe in the development of human potential ...

Foreign aid is clearly in our national, economic, and political interest. The success or failure of the developing countries to grow more food, develop new energy supplies, sell their raw materials, and curb their populations and defend themselves against aggression will matter to Americans.

Our economic health and security are more closely tied today than ever before to the economic well-being and security of the developing world. Progress there means more jobs and prosperity for the U.S. The non-oil-producing developing countries are a major market for American goods, taking a quarter of our total exports last year ... Our nation gained more than $7 billion from our private investment in the developing world in 1975, and in 1976... Our economy benefits as aid dollars spent here on goods and commodities .... The economic growth of the developing world is taking place primarily as a result of massive efforts by the leaders and the peoples of the developing nations. For many of these nations, the most critical factor in their growth and development are our policies toward trade, investment, commodities and technology. Our economic aid ... makes a crucial contribution to their well-being ....

In addition to America's economic involvement in the developing world, our political interest is strongly engaged as well. The developing countries are often key participants in the quest for peace. Regional stability and peace in the Mideast, Southern Africa and elsewhere cannot be achieved without the cooperation of the developing nations. Achieving progress on global issues which affect peace...depends in large measure on strengthening political ties between the industrialized and developing world. Our ties to the developing countries are essential in many other areas which affect our national security. ... The peace and stability we seek in the world cannot be obtained solely through the maintenance of a strong defense in concert with others. The social unrest which breeds conflict can best be prevented through economic growth and an equitable distribution of resources. As Pope John [illegible] o eloquently stated, "In a world of constant want, there is no peace."

We believe foreign aid can have a direct impact on economic growth and the maintenance of peace ...

Finally, because we recognize that science and technology offer many opportunities for expanding the development process, President Carter has proposed the creation of a new U.S. foundation on technological collaboration. This foundation will support the application of our research to development problems and it will improve the access of the developing countries to American science and technology. The health of our nation increasingly depends on the world economy. If we neglect international progress, we undermine the welfare of our own society ...

Young: U.S.Industrial Capacity 'Has Increased The Aspirations Of All Humanity'

ATLANTA — U.S. Ambassador to the United Nations Andrew Young addressed an audience of several hundred students and faculty at the University of Georgia's Law Day April 29 on the subject of "Making Peace Through Law."

Young's speech centered on his concept of the American system of law as a "constantly evolving" entity which makes possible peaceful economic development in this country, and serves as an efficient model for the Third World. "Law is a growing body of understanding," Young stressed, which must be seen as a "constantly evolving creative dialogue between men and government." After a discussion of the American civil rights movement of the 1960s — in which Young played a key leadership role — as a prime example of the "creative dialogue" which allows a society to change peacefully, Young emphasized that law is the final barricade to preventing the kind of civil disorder such as we see today in southern Lebanon and Northern Ireland. "I am just crazy enough to think that this (implementation of an evolving body of law which can change society without chaos and violence — ed.) can happen everywhere around the world."

Young then turned his attention to foreign policy, particularly to the problem of Africa. The particulars of the South African situation may differ from those of the U.S., he said, but the method for applying law is the same. The power of world opinion as applied through international law can bring about change in South Africa.... The recent creation of a new South African TV station will help focus South Africans on the outside world and force a reflection on the need for change. "Even the old Ronald Reagan movies" Young said, will have an impact by showing the discrepancy between the more advanced American standard of living and culture and the impoverishment of South Africa, thereby motivating the appropriate changes."

Elaborating on the Africa situation, Young pointedly noted that "The power of our army cannot solve everything. It can't bolster the value of our dollar. It cannot solve the $45 billion trade deficit."

The Carter Administration's Africa policy, he continued, is based on the reality of the international interdependence of nations: "Eight of the 15 metals and rare minerals that we need to keep our economy and technology running are derived from Rhodesia, South Africa, and Namibia.... What happens internationally with regard to policies and ideologies has tremendous economic consequences here. So we see our nation trying to bring about an international order under law for peace and change."

"What looks like an aggressive and ambitious foreign policy" on the part of the United States, he said, is actually an aggressive "mediating capacity" to build an international framework of legal agreements. This is the best way of assuring the U.S.'s future peace and prosperity.

"The great danger," Young stressed, "is not that Africa will go communist. I don't think that Africa will ever go communist. The great danger is that we might have a period of chaos." The "thin veneer" of an educated, intellectual leading stratum will be killed off, leading to a Uganda-like situation throughout the continent. In Uganda, Young said, a formerly prosperous, educated African elite was destroyed and has sunk back to a form of tribalism, making it nearly impossible to deal with that country today.... We've been working for years with Great Britain on the Anglo-American plan.... It doesn't make sense to have only a part of the people at the conference table. Especially when you leave out 45,000 people who happen to have automatic weapons. You create a climate of civil war.... We must take the time to get everybody at the table. We have been able to advance the cause of peace."

Young concluded by emphasizing the role of technology and improved living standards in fostering world peace. There are three fundamental factors, he said, which have increased the aspirations of mankind: (1) the "wonderful standard of living" in the U.S.; (2) the increase in communications technology; (3) "the enormous technical capacity (of the U.S. — ed.) to produce goods in volume heretofore unknown to man....This has increased the aspirations of all humanity."

Soviets: It Is Necessary To Go Further

The Soviet government daily's commentator, A. Bovin, who is personally as well as politically close to President Leonid Brezhnev, wrote an April 27 commentary assessing U.S. Secretary of State Vance's strategic arms talks in Moscow as a qualified success. Bovin strongly hinted that the Soviets are waiting and anxious for Americans to put their political house in order.

We excerpt Bovin's article:

In general, optimists have every grounds for saying that the visit of C. Vance was an important stage of the constant search for ways to limit strategic arms. Bearing in mind all the still unresolved questions, however, pessimists could observe with no less foundation, that the search for an agreement is proceeding less energetically and less rapidly than the situation requires.

Of course, the questions discussed in Moscow, especially the most important of them, strategic arms limitation, have no easy solutions.... But the reasons why the second round of Soviet-American strategic arms limitation talks (SALT) has dragged on so long (almost six years) lie not only in objective factors.

Unfortunately, during the last year and a half the Washington administration has introduced significant elements of instability and conjunctural fluctuations into Soviet-American relations....

Washington's inconsistent position on questions of Soviet-American relations has been repeatedly noted in the American press. The Wall Street Journal, for example, recently presented the following evaluation. The main advisors of the president — Secretary of State C. Vance and Assistant for National Security Z. Brzezinski — are of divergent opinions on how to deal "with the Russians." Vance supposedly prefers "calm diplomacy," while Brzezinski is pushing for "a hard approach." As for the president, the newspaper says that he is wavering and does not know whose advice to follow. The Russians, it continues, see these waverings and try to get the most they can out of this situation, demanding more and more concessions from the U.S.

We will not go into the situation in the White House. Let the Americans themselves figure that out. But it must be stressed that the demands, proposals and positions of the Soviet government have never departed from the principle of mutual security of the two sides....

It was not easy to achieve the results which have been achieved. Nor will the concluding stage of the second round of SALT be easy. But it is necessary to go forward. It is necessary to continue energetically to seek mutually acceptable compromises. C. Vance's visit left the impression that this is better understood in Washington today than it was yesterday. The upcoming talks will show to what extent this impression is justified.

Labor Party, Allies To Ask Treason Indictment Of Kissinger

The U.S. Labor Party's legal staff and a consortium of defense contractors and other interested individuals are now drawing up the evidence to indict former Secretary of State Henry Kissinger for treason against the national interest of the United States

The history of the discussion and debate of the treason clause of the Constitution during the Federal Convention and in the first years of the federal government's existence, as it faced threats of subversion from both British and French interests, makes a compelling case that the current activities of Henry Kissinger fall directly within its purview. Alexander Hamilton, in the Federalist Papers, described republicanism and strong federal government direction of foreign policy as the crucial guarantees of the continued existence of the United States. Congressional debate during the 1790s makes it equally clear that Congress was vitally concerned that *private* factions not succeed in institutionalizing control and direction of foreign policy outside the executive — particularly as the basis for running terror operations against the population. (That was precisely the intention of British-controlled French Jacobins at the time.) That was the impetus for the passage of a number of laws, such as the Logan Act, to define and make illegal conspiracies with treasonous intent.

As Chief Justice John Marshall noted in one of the Burr conspiracy trials, "crimes so atrocious as those which have for their object the subversion by violence of those laws and those institutions which have been ordained to secure the peace and happiness of society, are not to escape punishment because they have not ripened into treason. . ."

Kissinger's activities in controlling terrorist deployments, manipulating U.S. foreign policy, and acting as an agent for foreign interests in the United States as a whole constitute a treasonous conspiracy. Within the last 12 months alone, Kissinger has violated a number of statutes derived from the treason clause of the U.S. Constitution.

The formal bill of indictment will be presented in May to the Department of Justice, to the U.S. Attorneys in New York and Washington, D.C., to certain state attorney generals, and to the appropriate congressional committees.

The bill of indictment will show that Henry Kissinger has been in violation of the espionage laws and other statutes designed to protect national security. These laws include the following:

* The Espionage Act (18 USC 793) states that anyone who "lawfully having possession of . . . information relat-

ing to the national defense, which information the possessor has reason to believe could be used to injury of the United States or to the advantage of any foreign nation . . . willfully communicates the same to any person not entitled to receive it" is guilty of a felony.

* The Logan Act (18 USC 953) states that "any citizen of the United States, wherever he may be, who without the authority of the United States, directly or indirectly commences or carries on any correspondence or intercourse with any foreign government . . . with intent to influence the measures or conduct of any foreign government . . . in relation to any disputes or controversies with the United States or to defeat the measures of the United States" is guilty of a felony. The Logan Act was passed to prevent American sympathizers of French Jacobinism from embroiling the United States in the conflict between France and Britain in the 1790s. Although it has not been recently enforced, it was introduced in the U.S. Senate as a part of the new criminal code reform bill and passed by that body.

* The Foreign Agents Registration Act (22 USC 618) was passed by Congress "to protect national defense and internal security by requiring public disclosure by persons engaging in propaganda activities and other activities on behalf of foreign governments." The bill provides that anyone who acts as an agent or representative of a foreign power, or who at the request of a foreign power acts as a political consultant or engages in political activities in the interests of a foreign power must register with the Attorney General of the United States and file detailed regular reports of his activities.

* Federal officials are liable for investigation and prosecution on charges of obstruction of justice. Former Attorney General John Mitchell during Watergate and Attorney General Griffin Bell now have been charged with obstructing justice during investigations of so-called black bag jobs by FBI and other law enforcement officials. Kissinger, however, whose direct knowledge of the same operations during his tenure as Secretary of State is well known, insured, with the assistance of the chief Senate Watergating lawyer John Doar, that all investigations stopped at the door to his office.

A glance at Kissinger's recent activities make it perfectly clear he is acting in violation of these laws in the interest of a foreign power — Great Britain — and against the national security interests of the United States. For such violations, Kissinger must be investigated and prosecuted.

The evidence which can indict Kissinger includes, at minimum, the following:

* Henry Kissinger has openly and repeatedly interfered with American foreign policy in the Middle East. Using his knowledge of American national security planning, he has acted as an advisor to Israeli Prime Minister Menachem Begin and to Israeli Foreign Minister Moshe Dayan during a period when the Israeli government has been intransigent against U.S. policy for an overall peace settlement. He vigorously lobbied to defeat the Oct. 1 U.S.-USSR joint accord for a comprehensive Middle East peace which called for the reconvening of the Geneva peace conference. He is now attempting to sabotage the Carter Administration's arms sale package for Israel and the Arab nations. Pending in the U.S. Senate, the proposal is the first step toward a peaceful economic development program for the area.

* Henry Kissinger, acting as an advisor to both the Republican Party and the West German Free Democratic Party, has been a major public voice for the British intelligence-created issue of the deployment of the neutron bomb as a "defensive" weapon. This phony issue has one purpose — to undermine detente and eliminate the potential for a Strategic Arms Limitation agreement between the U.S. and the Soviet Union.

Other violations of the law are now under investigation by the Labor Party's legal staff which is accepting all dossier material on Henry Kissinger.

—*Felice Gelman*

Congress And The Plane Sales: 'Confrontation With Reality'

FOREIGN POLICY

After two weeks of much-publicized opposition in Congress to the Carter Administration's decision to sell jet aircraft to Israel, Egypt, and Saudi Arabia, Washington insiders believe that opponents of the package do not have the votes to block the sales. Instead, these sources say, they are concentrating on obtaining face-saving modifications in the deal to allow the vocal "Zionist Lobby" to claim a political victory.

Congress is presently "on a confrontation course with reality," as one observer told *Baltimore Sun* reporter Henry Trewhitt, a reality heavily underlined in testimony before the Senate Foreign Relations Committee May 3 by Secretary of State Cyrus Vance, Defense Secretary Harold Brown, and Gen. David Jones, Acting Chairman of the Joint Chiefs of Staff. Shooting down the main argument of the Israel Lobby forces — that the sale of the 60 F-15 fighters would pose a military threat to Israel — General Jones said bluntly that if he were an Israeli defense planner, the F-15s "would not be a major threat of consideration to me unless I were planning to attack Saudi Arabia. I would not consider it at all as an offensive threat to Israel."

Brown and Vance both made clear that the United States' future as a global power depended in part on maintaining strong friendships with the so-called moderate Arab nations, who "would feel their security very substantially threatened," as Brown testified, if Congress refused to permit the sale.

Sabotage Attempt

Although Administration spokesmen did not stress the point, the Arabs have been equally insistent on full U.S. commitment to a peace and economic development package for the Middle East, and view the plane sales as a barometer of that commitment.

Continuing efforts to destroy U.S.-Arab relations on all fronts were highlighted by Israeli Foreign Minister Moshe Dayan's visit to the U.S. last week, before which he announced that Israel would prefer not to have the U.S. aircraft if it meant a sale to the Saudis. Dayan's statement ran directly counter to the position of the Israeli government, and was subsequently withdrawn. Even fervently pro-Israel members of Congress were shocked by Dayan's blatant wrecking operation. "Dayan should shut up," said Rep. Benjamin Gilman (R-N.Y.).

A second sabotage effort was an "interview" with President Carter by reporter Trude Feldman, published by the *New York Times* News Service, quoting Carter as saying that Mideast peace "would be based substantially on Begin's self-rule plan" for the West Bank. As intended, the article created a momentary uproar in Egypt, but it quickly died down when the Administration explained that there had been no change in U.S. views on a Mideast settlement, and implied that Carter's diplomatic praise of Begin's contribution to a Mideast agreement had been distorted.

Surprisingly Mild

Observers at the Senate plane sales hearings described the questioning of Administration officials as "surprisingly mild" in view of the welter of statements from Congressional leaders opposing the package concept last week. A letter from Vance to Sen. Frank Church (D-Idaho), stressing that the Administration had no intention of interfering with Congress's legal power to review and vote on the sales separately but reserving the President's right to make the final decision on the sales after action on all three was considered, removed one obstacle, and subsequently Senate Majority Leader Robert Byrd and House Speaker Tip O'Neill backed the sales.

A "resolution of disapproval" co-sponsored by 22 of the 39 members of the House International Relations Committee yesterday was described as "purely conditional" by one member of the committee's staff, who explained that some of the cosponsors might well "reevaluate the practicality of opposition" if modifications including a commitment to future sales of F-15 to Israel were included in the package. The House committee will hold hearings on the sales beginning May 8, following Senate hearings expected to conclude May 5. If either committee fails to vote a disapproval resolution, the Administration will be well on its way to victory, since opponents of the sales will have to secure a floor vote in both houses by May 28 in order to block the sales.

— Don Baier

WASHINGTON WHISPERS

Anyone Want A Vice-President?

The other day, when the hotshots of the Washington press corps gathered outside the White House East Wing waiting for Jody Powell to brief them on the Camp David meetings, Walter Mondale passed through the crowd unnoticed. No sooner had Mondale passed out of sight than he ducked around the corner, ran back, and approached the throng of reporters once more, this time calling out, "hey, fellas, the Vice-President is coming through, he'll be here any minute, anyone want to interview him?"

Double Take

During a recent press briefing, when Jody Powell was experiencing yet another savaging at the hands of the Washington press hounds, he criticized a headline from the *New York Times,* saying he had never seen a headline that was completely truthful. One irate reporter jumped to his feet to query Powell, "you mean you've never seen a headline that tells the truth? What about the one, 'Carter Wins'?" Powell replied, "I thought it was true at the time, but I've had occasion to wonder since then."

Like A Bridge Over Troubled Waters

The latest affairs of Senator Ted Kennedy, the Young Pretender, have brought out the cheek among Washington wags. One clucked, "He may have gone from Chappaquiddick to chapstick, but it seems he still has problems with chippies. He's been advised to try chaps, but Jerry Brown has him (boxed in) there."

Sun Worship, California Style

Speaking of Jerry Brown, it seems that his sun worship is picking up recruits. Israeli Prime Minister Menachem Begin joined Jerry in the announcement of a joint California-Israel Foundation for Solar Research. Brown also announced that "former" Chicago Eight member Tom Hayden will play a major role in charting the state's development of solar energy, and will personally represent Brown at the Western States Energy Conference. The only heat anyone every heard Hayden generate before was on the end of a night stick.

Schlesinger Asks For Curbs...

Energy Czar James Schlesinger is always asking for controls, so this tidbit from Chicago should come as no surprise, A top officer of Commonwealth Edison was heard to say of a recent meeting with the Czar: "He told us to stop organizing for Clinch River (the Fast Breeder Facility at Clinch River, Tenn.—ed.) or else. His exact words were 'call your dogs off because I've got a worse bite than they do.' " Rabies shots may soon be required of all those traveling to D.C.

What Nixon Still Doesn't Know

U.S. Labor Party Chairman Lyndon H. LaRouche released the following commentary May 3 on the publication of former President Richard Nixon's memoirs.

The serialization of the memoirs of former U.S. President Richard M. Nixon this week in major press in Europe and the U.S. so far reveals Nixon to be unusually honest among those prominent figures who write in that genre. However, the excerpts also leave no doubt that Nixon still has no deeper understanding of the reality behind what actually happened to him.

In contrast to Nixon's memoirs, Costas Kalimitgis has produced a review of Kissinger's key role in the Watergate affair. This has circulated widely among well-informed circles, among other persons, both as a *New Solidarity* series and, currently, in the pamphlet *Expel Britain's Kissinger for Treason*. The period of months the Kalimtgis review has been in circulation has permitted the review to be studied and assessed by appropriate insiders. These insiders certify the facts reported by Kalimtgis to be the relevant facts of the matter, and have praised Kalimtgis for demonstrating the conclusion to which the facts properly point.

Unfortunately, President Nixon understands himself less accurately than Kalimtgis does. Although the memoirs are a most useful addition to the source material available, they show defects of a quite different nature than his bitter critics profess to lie there.

The Nixon case has two leading significances for matters of the moment. Importantly, forces allied with London, the *Washington Post*, and the Kennedy machine are currently committed to "Watergating" incumbent President Carter with the same methods and the same forces deployed against Nixon. Of the same, or greater order of importance: the most significant outcome of "Watergate" was not the downfall of the Nixon Administration, but the ravaging of the constitutional institutions of government by the Kennedy machine and its accomplices.

The most urgent point, from the standpoint of current practical problems, is to prompt major portions of the U.S. electorate and their leaders to understand how the weaknesses of presidents are exploited to damage vital U.S. interests to the advantage of the City of London. President Carter's vulnerabilities on this account are different from the personality defects of Nixon or Ford. Nonetheless, an understanding of the personality defects shared by Nixon and Ford helps us to understand the different sort of defects suffered by President Carter. It also shows why Senator Howard Baker is not "presidential timber," and why the more capable Governor John Connally has lately exhibited defects of manipulability which impair his qualifications.

The "Jock Syndrome"

Although it was the *Washington Post*, the Institute for Policy Studies rag-tag and the Kennedy machine which engineered the Watergate from outside the White House, it was Henry Kissinger, assisted by office boy Alexander Haig, who performed the Trojan Horse role from the inside. In this sense, it was Kissinger who destroyed Nixon, just as President Ford's fatal blindness to the Kissinger problem turned his August-October 1976 campaign into an emulation of a wet dish-rag's performance.

The common feature of Nixon and Ford which points most directly to their manipulability by Kissinger is located in the fact that both Nixon and Ford were trained as attorneys and were dominated by their reflections on their careers in college football.

We hasten to emphasize that the problem is not that Nixon and Ford had legal training. The problem which is more acute in Ford's case, is that their legal outlook was rhetorical and pragmatic, rather than governed by a sense of natural law, a true sense of constitutional law.

True, every person engaged in action-at-law generally, or facing charges in particular, deserves a competent defense. To the ignorant mind, the qualities of the attorney which qualify him to undertake advocacy are analogous to the moral indifferentism of the college debating-team practice, the ability to make a rhetorical case for either side of a difference with moral indifference. That latter expresses the tradition of legal and analogous practice traceable to the 4th century B.C. Athens School of Rhetoric of Isocrates (the mortal enemy of Socrates). That latter school of rhetoric is a feature of the school of moral sophistry in general.

To the Neoplatonist, it is the principles of natural law which are to be defended in each particular case. Included in the concerns of natural law is the importance of the individual person on account of the positive contribution that person is capable of rendering to society. The attorney defending an accused person (for example) is not only defending his client on that cited account: he is defending every other individual from an inappropriate understanding and application of the positive law.

For example, the guilty person must be proven guilty by appropriate rules of evidence and by appropriate application of positive law, so that the innocent accused must not suffer injustice. Beyond this standard of defense of the guilty, no advocate governed by natural law will go. He will not turn the defense of the principles of law in the case of a guilty person into an advancement of the cause of evil. It is not the person as such, not the person in the Hobbesian, Lockean, or Rousseauvian sense of axiomatic individuality, which is defended. It is the natural law which is defended, especially against the encroachments of arbitrary justice and against unconstitutional intrusions of positive law upon natural law.

There is nothing in the proper practice of law, even the proper, efficient defense of the guilty, which requires an advocate to degrade himself morally to the level of the college debating-society or the Rhetorical School of Isocrates. The pragmatic view of the law is an unconstitutional abomination in practice.

It is the wide streak of political pragmatism in both Nixon and Ford which obliges us to consider their legal backgrounds as directly relevant to their domination by a jock's self-image.

What I have to say on this point will be unpopular. It must be said nonetheless. What we have to consider is not only the flaws of Nixon and Ford, but the echoes of those same flaws within the electorate to the point that the electorate and its representatives did not intervene to defend the constitutional republic from the Kennedy-Kissinger-IPS subversion. The adult obsession with "competitive spectator sports" is a childish world-outlook which infects every aspect of the victim's processes of judgement.

Once the self-defeating flaws in the personalities of Nixon and Ford are viewed from this vantage point of psychopathology, the way in which the evil Svengali, Kissinger, manipulated both becomes immediately and clearly understood.

The Games Children Play

It is to a certain extent proper, and obviously so, that in the rearing of children we do not hold children accountable for the consequences of their *acts of omission* in the real, adult's world. We do not require children to contribute to their own, material support, to enlist in the militia, to aid the police physically in apprehension of perpetrators of felonies, and so forth. We do not require children to assume adult responsibilities. Childhood is a protected domain, set aside from reality at large.

Within the protected domain, instead of holding children accountable for adult responsibilities in the real world, the world in which acts—and acts of omission—have general consequences according to the real, natural ordering of universal cause-and-effect, we offer children the substitute of rules. If these rules are sensible, consistent and administered with reasonable flexibility, the game of being a child has a generally fruitful result for the development of the later adult.

This organization of childhood life centers around a phenomenon we sometimes term children's games. All childrens's games are fantastic, rather than real. Doll-play, children's sports, and so forth are a caricature of real life, within which—at best—the children rehearse and develop mental and physical aptitudes later to be transformed into the aptitudes of adults acting in the real world.

These games are surrounded by fear. That aspect of the matter is visible to a greater or lesser extent in all children's games. This feature of childhood usually expresses itself in the form of emotional crises during that in-between phase of life termed adolescence. The child is horrified by a prospect which insight generalizes as a terror of accepting the responsibilities of adult life. The connection is illustrated by the different character of adolescent's games—the difference between the "rougher play" of the "big boys" and the gentler sport of the "little boys." As children mature, the games become harsher in form, "more competitive," as if to ease the developing child into the harsh realities of adult life.

The fear intersects the identification of childhood—and children's games as a protected domain. Wherever an actual or symbolically aversive element is included in young children's play, it is required that something be included in the game which underlines the point that the game is not real. Just as Grimm's fairy-tales exemplify, children enjoy the most brutal sort of developments in fairy tales, on condition that the story is riddled with the obviously not real, and also on the condition that "everything comes out all right in the end." Play generally is defined as a protected domain (outside reality) in which behavior is ordered according to combinations of explicit and implicit rules of "fair play," and in which no one is accountable outside the game for what transpires within its framework as long as play conduct is within the rules of "fair play."

This childish element in games is underlined by "body-contact" forms of adults "competitive spectator sports." What is done within the precincts of the game not only by players but also by spectators, is cheered within that context. The same behavior in real life occasions a yelp for the riot squad and paddy wagons. This fact, when noted, is usually, wrongly accompanied by emphasis on the cathartic function of such arrangements. That function does exist, but to stress that point suppresses the more significant fact. The fact that such spectator sports represent childishness (adolescence at best) on the part of the players and a regression to childishness, at best on the part of the spectators.

The entertainment value of such sports is that they represent a flight from adult reality into childhood. They constitute a refuge from adult reality. They also reflect a childish yearning within the adult, yearning that adult life might be transformed into a childish game.

The philosophical correlative of such adult's childishness is *stoicism*. Stoicism, a synthetic religion created beginning approximately the 2nd century B.C., at the Egypt-based peripatetic executive of the Cult of Apollo, prescribes essentially that the universe is so constituted that a predestined order of things will occur despite any effort by the individual or group of persons to influence the course of events in the large to any contrary effect. The complementary feature of this cultish belief is that the utmost individual irrationality, or utmost irrationality of behavior by small groups has no significant effect on the course of events in the large. Hence, the individual is considered not accountable for any causal connection between his individual behavior and consequences in the larger scale. At most, the individual is accountable for the way his irrational behavior affects those similarly irrational persons immediately contiguous to him. That is stoicism, and also the moral-indifferentist doctrine of Heidegger, Popper, Sartre, Kierkegaard and our contemporary Maoist and environmentalist cults. They are concerned only by what immediately affects them, and demand that society be rigged in the local and small to the effect that their momentary irrational desires are least obstructed and offended.

Stoicism and the Isocrates School of Rhetoric are consistent expressions of the same Cult of Apollo which spawned and coordinated their development, the same cults which produced astrology, the Cult of Isis, the lesbian-maenad cults within the Isis-Dionysus-Corybante Phrygian cult of Dionysus, and so forth. The Stoic, or college-debating-society notion of law as mere rhetoric pertinent to local, interpersonal-transactional relationships, is an agreeable expression of the overall organization and philosophy of the Cult of Apollo.

The complementary feature of children's fairy-tales, children's games, "competitive spectator sports," and apollonian stoicism is the belief in magic. Gambling is an expression of galloping infantilism, in which "luck," belief in magic, rejection of reality, is the dominant, clinically-decisive feature. Gambling in connection with "competitive spectator sports" is exemplary of the superstition the childish part of the adult mind rightly perceives to be the crucial element within such sports. "Luck is with me." The baseball player's use of such neurotic-infantile expressions as the "good move" expresses the same element in a better-disguised form.

This feature of sports bears directly upon the correlation between sportsmanship and higher visibility of the manic-depressive syndrome in the jock. It is characteristic of participation in competitive spectator-sports that the player "plays to the crowd," seeks *mana* in life outside the sport for his successes within the sport. Winning the sport is viewed psychologically as gaining a magical power over the real world outside the sport. This sort of self-image feeds the manic-depressive tendencies within the individual and attracts those with manic-depressive tendencies toward the sports world.

The manic phenomenon within psychopathology is a sense of some inner magical potency, usually associated with an idea of "luck" which enables one to exert power over the world in behalf of one's desires by means located outside any lawful cause-and-effect connection. One assumes that within oneself this magical power propitiates the gods to cause those pagan gods to magically arrange events to one's otherwise unearned competitive advantage.

Since the real world is the fearful realm from which the manic-depressive is fleeing, the power of knowledge of cause-and-effect processes in nature is what is de-emphasized. That sort of power for rationality in the larger domain of reality is deprecated to the advantage of emphasis on the magical. This deemphasis on reason as the quality of the human personality leaves the manic-depressive with two alternatives. If he or she identifies in his or her person certain physical attributes—real or imagined—of competitive advantage, that aspect of the self is emphasized in the manic self-image. Thus, as complement to the male "jock," we have the woman who imagines herself the "Queen of May." The matching of the campus jock with the "popular girl on campus" is almost a typification of species-selection in matings among manic-depressives.

As the case of Nixon underlines, this element of childishness in the personality does not signify that such a person may not be an adequately efficient person in the real world outside the fantasy realm of sports. Some jocks develop into relatively commendable persons. The point is that the jock-mentality remains as a potential tragic flaw within their personality.

The Jock in Politics

There are, in general, two extreme sorts of personalities who rise to prominence in political affairs: those who achieve that position under the impulsion of *ambition,* and those who find themselves impelled to such position through the consequences of their *dedication.* The manic element converges emphatically on *ambition.*

In the cases of both Nixon and Ford, there is an element of dedication. It is not unusual, but the general case, that the leading politician in the United States combines both *ambition* and *dedication.* While I am not prepared to assess the degree of dedication in either Nixon or Ford, I have conclusive evidence that such an element of dedication exists in both. In Nixon's case, despite all his aberrations, there is a background of dedication to what we may generically term the "Whig outlook" on vital U.S. interests.

The point to be emphasized is that the British forces—the Kennedys, the IPSers, Katherine Graham, and Henry Kissinger—who engineered Nixon's downfall did so precisely because the element of dedication in Nixon represented a potential menace to the London forces' determination to destroy the United States. The corrollary point is that Kissinger, Kennedy, and others were able to manipulate Nixon for this purpose by playing upon Nixon's ambition, the manic, jock element of flaw in his personality.

Nixon was emphatically a heroic figure of dedication by comparison with the current behavior of Senator Howard Baker, and that of certain other ambitious personages competing for the 1980 Republican Presidential nomination.

On performance, *reality* has no perceptible influence in shaping the pattern of Senator Baker's recent political postures. Baker, together with others afflicted with the same disorientation, is seeking to become identified with an emerging "consensus" within the Republican Party machinery and electorate. What he proposes conforms to his efforts to compete in the game of "consensus" being manipulated by British influences such as Henry Kissinger, the Kennedy machine and the *Washington Post.* Baker is "playing the game," and is oblivious in fact—at least, in respect to his public performances—of the most vital domestic and strategic interests of the United States.

It is not my view that Baker is a bad man or not potentially a useful figure. Rather, it is clear, for the moment he prefers to concentrate on playing an adolescent sort of "competitive spectator sports"—even if this means consoling himself by remaining blind to the consequences of his behavior for the vital interests of the nation. Since I know something of how the game around the Republican National Committee is being rigged currently, I regard Senator Baker personally as a victim of manipulations, on which account he has my compassion and best personal wishes. However, as a political figure, his conduct is not to the good of the nation—nor is that of the disoriented former President Gerald Ford.

A President of the United States ought not to seek that office to gratify his personal ambition. He ought to seek it out of dedication or not at all. He ought to seek it for fear of the consequences to the nation of incumbency by an individual of less competence for the specific tasks facing the nation at that time. (Just so, President Carter must hold tightly to the presidency for fear of what would happen to the nation were Vice-President Mondale to succeed him.) For myself, realistically, I search the horizon for personalities who might be acceptably adequate for 1980 election to the presidency. The search so far turns up good men and women—among which the NAACP's Margaret Bush Wilson is the best in view so far—with generally disappointing results respecting visible contenders. There is too much ambition, and not sufficient subordination of ambition to dedication. I fear—in that sense—that I must be situated to become President in 1981. However, the important thing is not that I become President, but that my contention is strong enough to determine the shape of national policy and the selection of my competitors.

Nixon's vulnerability is that he was too much an ambitious competitor. He was so much focused on the game, which he misconcieved as a kind of game in fact, that the issues of dedication were left to follow in the rear. He lacked the dedication which would have enabled him to see the importance of heaving out the palpably insane and corrupt Henry Kissinger. By viewing politics as analogous to a football field, as a mixture of fair play and slugging covertly in the clinches to help the result, he was kept on a manic-depressive cycle by the minions of the London Tavistock Institute — at which Henry Kissinger was trained during the 1950s.

Nixon's Memoirs

Although Nixon "was there," and ought, therefore, to see at last the simple truth as reported by Costas Kalimitigis, Nixon's mind refuses to see the reality of his Administration. Rather, he attempts to advance an honest defense of himself—*although I was lured into the cover-up, I committed no impeachable offense*—within the terms of the game of Watergate as broadly defined by Kennedy-Graham fictions for credulous public opinion. He can not bring himself to say, "What an awful fool I was, and most of the American population besides, not to have realized what Kissinger, Kennedy, and Katherine Graham really represent." That latter insight and announcement would be the behavior of a man of *dedication.* Badly bruised, Nixon's ambition still dominates, he avoids any thoughts which, uttered, might mark him as a "poor loser," a "poor sport."

What Nixon writes concerning his role in Watergate is true as far as it goes. Relatively to his pro-Kennedy critics, Nixon is correct. If he refuses to see the larger truth, that is because he is still partially a jock, and refuses to look outside the rules of even a crooked political game, to see the real world outside the children's game he and most of the electorate continue to play.

London Trap: Turn 'Miller's Boom' Into 'Miller's Recession'

London has set in motion the next stage of its "bear-trap" — the plot to build up the U.S. stock market and then pull the plug, meaning a deflationary frenzy for the U.S. economy and a political coup against the President. Having first touted the stock market boom as the product of Federal Reserve Chairman G. William Miller's tightening-up commitments, London outlets from the *New York Times* to the congressional Joint Economic Committee staff have now announced that the rally cannot last and the inflation threat cannot be handled by the Fed, however staunch, alone. Sweeping austerity measures are in order, the argument goes, since the non-entity of a U.S. executive and the selfish parochialists in the U.S. Congress will not impose wage-price controls, etc., immediately. A "recession" — a dollar crisis and economic tailspin — will have to pave the way for full-scale austerity regimentation.

The market preconditions for the next bear squeeze have meanwhile been put in place. A new $3 billion syndicated dollar borrowing, on top of earlier loans, gives the Imperial Dominion as much as $6 billion to dump in exchange for other currencies. Further, the United Kingdom's May 5 hike in the minimum lending rate (equivalent to the discount rate) of 1.25 percent to 8.75 percent will supposedly justify Miller's continued interest-squeeze as an effort to "stay competitive" in attracting international funds; the 6.5 percent U.S. discount rate is expected to be hiked imminently, to the range of the 7.25 federal funds interbank lending rate — which in turn may be upped further.

The all-too-real lack of Administration economic policy is thus being used as a weapon to preempt proponents of a positive policy with a collapse, and to poison the international atmosphere. This lack of policy beyond Miller's strangulation of U.S. lending made it easy for the *Journal of Commerce*'s Friedmanite correspondent in Bonn to round up a whole list of West German bankers asserting that "the chances of a speedy dollar recovery are not in sight" because "not much more than lip service has been and most likely will continue to be paid to the inflation problem." A jittery retreat by Western European business leaders is as natural as it is undesirable when the only forceful policymaker they see across the Atlantic is Miller, whose antidollar, anti-industry credentials they know.

Reports are proliferating along the lines of Horst Siebert's in *Die Welt* May 2 that U.S. inflation means the July economic summit of Western leaders will be far more strife-ridden than anticipated — building up the climate of universal pressure on the U.S. to tighten up further. At the same time, a "deal" is being offered to Western Europe along the lines of its anti-inflationary psychological profile: Treasury Secretary Blumenthal insinuated to German Finance Minister Hans Matthoefer during their plane trip to Washington April 30 that when the U.S. takes a giant new austerity dose, the heat will be off the Federal Republic and its partners to "stimulate" their own economies.

Warfare by Shibboleth

Indeed, the essence of the whole bear operation is psychological. The target is the American business and financial leaders who could in short order clear the decks with a high-technology world development commitment that would create wholly reversed "market forces" for the dollar and dollar-denominated securities. The first phase of the cooperation had been to foster a scrimmage into U.S. equities which would remain vulnerably speculative so long as no national investment and export policy accompanied it. The rally was dubbed "the Miller market" to instill the impression that it stemmed from the Fed's morale-boosting inflation-fighting; soon enough (as detailed in the press excerpts below) the financial press's propagandists fraudulently announced that inflation is about to utterly explode. (In fact, the 1.3 percent April wholesale price index increase was due to food and jewelry categories, nothing else. The next issue of EIR will include a complete inflation analysis.)

As the dollar and the stock markets begin to sink again, and interest rates wreck housing and mortgage sectors as well as corporate activity, panic is supposed to set in — deepening the bear crunch while building up a "Maginot Line" readiness for austerity. This was laid out in so many words by a senior official of the congressional Joint Economic Committee on May 4 (see interview). It was also distilled with the appropriate euphemisms in the official press communiqué of the International Monetary Fund's Board of Governors, whose only statement of substance at the close of the April 29-30 meeting in Mexico City was: "In view of the risk of reviving inflationary pressures, the Committee noted the utility of policies appropriate to counter the predominance of cost-push factors in the current inflation."

Who Defines The Options?

The ugliest thing about this phase of the bear operation is not its executors' nihilistic intentions and deliberate economic fallacies (see "Britain's Bear Trap" in this issue of *EIR*) but the willingness of well-disposed, intelligent Americans to simply accept the idea that "there is no Administration" that can accomplish anything positive, and the U.S. must take the consequences. It is, unfortunately, not uncommon to hear middle-level executives mouthing verbatim the formulations of the International Monetary Fund's British economics staff, namely, that "local-constituency interests" and "pork-barrel politics" inevitably prevent anyone in the U.S. but the pro-London grouping around Henry Kissinger to take broad steps.

The current Barry Bosworth-Council on Wage and Price Stability "voluntary anti-inflation" calisthenics are geared to precisely intensify this atmosphere of outraged impotence. The *New York Times* underscores this with its editorializing that the only choice is between recession and the case-by-case "restraint" the *Times* knows can't work.

While the media run "double-digit" scare stories on inflation, the banker or businessman is pulled into the following loop — "there is no Administration economic policy, the Fed itself can't tackle all the causes of inflation, like wages, no jawboning can do it, the dollar will never stabilize till we beat inflation, we need more tightening and we might need wage-price controls and to do that politically would take a recession.

Responsible national leaders, however, are getting boxed in as well. Senator Russell Long, the Louisiana Democratic powerbroker, was given the "options" treatment at an intimate Brookings Institution-Treasury Department session April 21-22, where his aversion to 1974-style wage-price controls was played on in order to elicit at least temporary endorsement of the "Tax Incentive Plan" tax break/ wage bust tradeoff for corporations. Former Federal Reserve Board chairman Arthus Burns, in a May 1 Chamber of Commerce speech, burbled about salary cuts for the President and Congress plus productivity drives and fiscal responsibility. (The latter "options" game, involving Punch-and-Judy debates over tax cuts and spending cuts, received some wholesome redefinition at the Tidewater GOP conference; see *U. S.* section). Anti-inflation chief Robert Strauss himself, in a May 4 press conference, refused to approve Miller's crunch operations, or the inflation panic itself, but in the absence of export-led, industry-geared solutions it was his "Strauss zero, inflation 100" that made the news — along with skewed reports that foreign and domestic investors' switches out of Treasury securities will help drive interest rates higher.

On the international level, from London's point of view, once Western Europe has fallen into a "we-must-do-*something*" support for Schachtian austerity in the U.S., the rest of the world will be ripe for all varieties of Special Drawing Rights financial reorganization and deindustrialization by the dollar's enemies. What the U.S.'s friends are still doing for the U.S., is exemplified by Japanese Prime Minister Fukuda's invitation May 3-4 for billion-dollar U.S.-Japanese collaboration on developing nuclear fusion power — an invitation which also reminds America that during periods of technological expansion and high export growth we have had no problems of deflation *or* inflation.

Wall Street Journal, *"Economists Debunk Stock Market's Hopes for Easing of Inflation: They Fault Carter's Pleading for Voluntary Restraint, Say Fed Step is Too Late," May 2:*

Investors have obviously been heartened by the tough stance of G. William Miller . . . Yet the news on the inflation front continues far from favorable, and analysts see little hope that it will get much better . . . "I don't think the fundamentals have changed at all," says Irwin L. Kellner, vice-president and economist at Manufacturers Hanover Trust Co. . . . "The market is likely to retrace its steps and lose much of this recent gain."

Journal of Commerce, *"U.S. German Accord on World Growth is Taking Shape," May 2:*

. . . Hans Matthoefer, Germany's new minister of finance, flew to Washington Sunday on Treasury Secretary W. Michael Blumenthal's plane, for a day of discussions with high officials and congressional leaders Monday . . . Blumenthal told the press that he was encouraged by the support that he had received for America's efforts to deal with its fundamental problems of energy and inflation. Many delegates (at the IMF Interim Committee meeting — ed.) were clearly impressed by the decisive moves taken by the Federal Reserve to tighten the monetary reins in the past couple of weeks... The Americans and the Germans were in broad agreement on many of the technical monetary issues before the Interim Committee meeting....

Wall Street Journal, *lead editorial, May 4, "Chairman Miller":*

In his brief tenure as Federal Reserve Chairman, G. William Miller has quickly established himself as the best thing we have going for us in Washington. But the real test of Mr. Miller still lies ahead.

. . . We fear, though, that Mr. Miller's boldness in part reflects an appreciation that the problem he confronts is more desperate than has generally been recognized . . . One of the wisest things Chairman Miller told Congress was that if it wants to keep interest rates down, the thing to do is reduce the deficit and government borrowing demands....

New York Times, *"The Wages of Inflation," lead editorial, May 3:*

The most worrisome inflation news these days is that wages are rising at a faster clip than last year but productivity is not. Thus, as President Carter's voluntary anti-inflation policy takes shape, business is under increased pressure to accelerate rather than decelerate price increases and to ignore White House calls for restraint.

This unhappy prospect is due in part to pressure from recent, one-time increases in the minimum wage, unemployment insurance, and payroll taxes. But the continuing spur to wages is the catch-up process now under way, as nonunion workers try to match large wage gains won by unions in recent years. Such a catch-up is common at this stage of recovery from a recession, as unemployment falls and employers, anticipating labor shortages, give in to wage demands. Closing the large gap between union and nonunion wages would add a full percentage point to the inflation rage. There is little the Administration can do about that, however. For nonunion workers, catch-up has become a matter of equity.

More appropriate targets for the Government's deceleration effort are the big unions that come to bat in 1979 and 1980 . . . .

How can the leaders of the nation's most powerful unions be encouraged to risk their narrow personal interests, embrace the national interest and sign contracts for less than 10 percent a year in 1979? . . . .

. . . the regulatory agencies should exert pressure to keep major wage settlements down. For too long it has been the practice of the Interstate Commerce Commission, for example, to ratify whatever inflationary wage settlement the truckers negotiate by simply passing along the higher costs in rate increases....

If voluntary restraint fails, the nation will find another way to reduce inflation — but it will be the far more painful method of recession. It might be brought on by the Federal Reserve Board, trying singlehandedly... Voluntarism may be a weak hope on which to hand anti-inflation policy. But it is surely preferable to the alternative.

Wall Street Journal, *"Ask for that Raise Now," lead editorial, May 3:*

. . . Right now, the strategy is mainly demagogy, but it suggests a rising spirit of inflation panic in the White House, which yesterday raised its inflation estimates for 1978. Speaking to the newspaper publishers' convention in Atlanta this week, Mr. Bosworth threatened to subpoena business records as part of his inflation fight . . . No one seems to believe President Carter's protestations that he is against wage and price controls. And why should they when the Administration refuses to encourage fiscal and monetary discipline, and then sends Barry Bosworth around to give speeches about how the Administration is going to bludgeon people into accepting "voluntary controls"?

New York Times, *"Social Security and Tax Views of Senator Long," May 4:*

Senator Long worries a lot about inflation and thinks the President's voluntary anti-inflation program will accomplish little or nothing.

. . . To check inflation, Senator Long would use tax policy to get business to hold down prices and wages . . . In a recent radio interview, Senator Long said: ". . . That has been suggested by Mr. Okun (Arthur M. Okun), over at the Brookings Institution. He was once on the President's Council of Economic Advisors. He is a good economist; he is highly respected.

"That pitch always appealed to me, to say, 'All right, if you hold the prices down, don't let your price go above the average of all the other prices, we will give you a tax break that otherwise you wouldn't get.' . . ."

Journal of Commerce, *"Dollar Recovery Seen Unsustainable," by Jess Lukomski, May 4:*

German bankers have greeted the dollar's recent and very relative buoyancy with understandable relief. But virtually none is inclined to see it as the start of a sustained recovery . . . "The chances of a speedy recovery of the dollar are not in sight," says Helmut Hausgen, chairman of the Dresdner Bank's management board . . . the underlying mood suggests strongly that the outlook for the dollar remains dangerously clouded, despite the recent rebound which could prove "a quickly spent brush fire." For the basic problems of the U.S. economy still are there, point out German analysts . . . "We are concerned that not much more than lip service has been and most likely will continue to be paid to the inflation problem," point out German experts.

JEC: "Miller Wants a Recession"

The following interview with a senior staff official at the Congressional Joint Economic Committee was made on May 4:

Q: Do you think that the current tax legislation as Carter has proposed it will pass?
A: No. There is reconsideration about the social security tax going on. Sen. Nelson and Rep. Mikva are proposing that the disability and hospital tax be taken out from the payroll (social security) tax and be placed under general payroll revenues.

Q: Will this get passed?
A: No, but Nelson has made another proposal to have a three-year moratorium on the increase in payroll taxes. Rep. Reuss is supporting this proposal, and in fact, the JEC wrote a recent Reuss speech supporting Nelson.

Q: But how are you going to get conservatives to support the plan, because what you're talking about is increasing the federal deficit and the amount of Treasuries issued?
A: The conservatives don't disagree with larger deficits. Look, they want a bigger tax cut and you know what that means. Besides, what do they have to choose between, because they don't want the increase in payroll taxes.

Q: How do you account for Miller's tightening policy? Do you think he is putting on a show to convince people he's not Carter's boy?
A: Miller sees that Carter has no effective anti-inflation strategy, and it's going to require a recession ... Yes, I mean it, a recession. I know that's exactly what he wants and the sooner its done the less harm it will create. Miller practically said as much at the House Banking Committee hearings last month.

Q: When will this recession you're speaking of occur?
A: Maybe at the end of this year or the beginning of the next ... but it could occur sooner. Look at all the signs in the economy .... Carter doesn't know what he's doing and we are building toward the worse situation since Nixon got desperate enough to slap on wage and price controls.

Q: If we have a recession, there may be no stopping how deep it gets.
A: Yes, that's right.

Q: What about the Tax Incentive Program? I've heard that it has no chance of passing Congress this year.
A: Yeah, I know that the TIP plan doesn't have much chance of getting adopted this year. Besides, labor and business would probably sabotage it. However, if things get serious enough, then there may be a lot more consideration of the plan and swifter action taken on it. Something has to be done. If something isn't then we may have to have a tighter budget or tighter interest rates. The only alternative is wage-price controls.

Q: But who would accept controls?
A: Opinion polls show that most workers are willing to take lower wage increases. There's a good deal of sentiment for that. The major obstacle is the union leaders who won't go along because they think they're implicitly committing themselves to a frozen share of the pie.

"Europe Sees No Policy in Washington"

On May 4 EIR *interviewed an international specialist of a major New York bank.*

Q: Are you getting reports from Europe that the dollar recovery won't last?
A: Sure, it's common knowledge that we don't have any kind of government inflation policy. Everyone can see now that the Emperor has no clothes ... Raising interest rates, as Miller is doing, is not an economic policy. There's no trade, energy, or any other policy in Washington.

Q: So the Europeans may being pulling out of dollars again?
A: There is very much liable to be a capital outflow again, in, say three weeks or so ...

Q: That's a pretty short time frame; what do you figure will tick it off?
A: Continuing trade deficit, inflation figures coming out, in the middle of non-government in Washington. By June-July we could see the dollar back to the two deutschemark level, or lower....

Q: Will the Europeans blow up on this at the Bonn economic summit in July?
A: Yes, the U.S. will come in for heavy criticism, and the Japanese will also be hit hard; the yen will go up sharply ... So the Administration will have to intervene, sell more gold, support the dollar.

Q: But if there is no policy in Washington and an outflow begins, won't it be too big, because of the fundamentals, to stop a dollar crisis?
A: Yes. Then we'll have to go to wage-price controls, won't we ... I don't believe a word Carter says about avoiding this ... I tell you we need to get these peanut farmers out of the White House ....

Miller Starts Bank War To Hurry Dollar Crash

In his short tenure as Federal Reserve Chairman, G.W. Miller — the man who is being hailed as the conservative in the Administration by people who should know better — has already implemented precipitous measures which threaten the U.S. savings institutions and the residential housing market they serve.

BANKING

On May 1 at Miller's urging, the Federal Reserve Board in Washington voted to allow U.S. commercial banks to automatically transfer funds from a customer's savings account into his or her checking account in the case of an overdraft. The ruling effectively gives the commercial banks the right to issue interest-bearing checking accounts and affords a significant competitive advantage over savings banks. A spokesman for the United States League of Savings Banks (the national association of savings and loan institutions) said the League would immediately file suit against the Fed, charging Miller's agency with "deliberately usurping the power of Congress"; reversing by executive decree the Banking Act of 1933, which separated the powers and functions of savings and commercial banks precisely in order to terminate the cut-throat banking competition of the depression years.

Over previous weeks Miller had launched another severe attack on the savings banks, as well as U.S. industry as a whole, in aburptly raising short-term interest rates, and setting up the preconditions for massive disintermediation, the flight of deposit money out of savings banks into higher-yielding U.S. treasury securities.

Miller's efforts to suck money out of the savings institutions in this fashion, undermining their ability to go on issuing mortgages at current rates, appear only too deliberate. As market watchers will remember, Miller executed the first round of interest-rate tightening — raising the federal funds' rate target to 7 percent — two hours before the Treasury's April auction. As a result, two-year bonds, the main competitors of savings deposits, posted a highly competitive average 7.85 percent yield. At the May 2 sale of $2.5 billion of 10-year notes which yielded an average of 8.29 percent, a quarter of the bids were "non-competitive," that is, they were placed by private investors who were previously putting money in savings deposits. Traders expect that the two-year notes that will be sold the week of May 8 will carry an 8 percent coupon, so the Fed might as well call them "disintermediations specials."

Real Estate Bust

The deposit flow into savings and loan institutions in the first quarter of the year was already down 30 percent from 1977's level, and the net inflow is thought to have declined sharply in April. The S&Ls do not like to even imagine what will happen this month.

Though S&Ls, the principal lenders of mortgage loans, are expected to hold mortgage rates to one-digit figures as long as possible, the implications of the non-stop rise in interest rates and now disintermediation for the housing market are clear enough.

There are other destabilizing influences impinging on the inflated real estate markets. That market is still reeling from the 1974-1975 recession. In early May Chase Manhattan Mortgage and Realty Trust, the nation's largest REIT, disclosed that it had defaulted on over $38 million in note obligations and that the REIT may be forced into bankruptcy. Citizens and Southern Realty Investment Trust, the leader in the southern market, simultaneously made public its bankruptcy reorganization plans. While the pollyannas are talking about these developments as fallout from the last depression in the real estate market, they have a definite effect on market confidence and mortgage rates.

So do the continuing efforts of Housing and Urban Development Secretary Patricia Harris to force "Fannie Mae" (the Federal National Mortgage Association) to direct more of its mortgage-purchasing activities to low income housing market. As critics of Mr. Harris like Elliot Schneider of Gruntal have pointed out, her continuing threats to Fannie Mae since January 1977 have succeeded in pushing up the whole mortgage rate structure.

"Fiscal Conservative" Ruin

The negative implications of Miller's recent actions for the S&Ls "should not be underestimated," according to the industry analyst at one New York investment bank. Some 65 percent of these institutions' funds come from savings certificates, most of which mature within the next year. Any rapid process of disintermediation would force the savings institutions to dump their home mortgage paper massively on the national market, in an unloading of unwanted paper reminiscent of the 1929 stock market crash.

Not surprisingly, the S&Ls have taken the lead in denouncing Miller's latest moves. Federal Home Loan Bank Board Chairman Robert H. McKinney, a Ford appointee, promptly denounced both Carter's interest rate policy and his decision on overdrafts. The legal action to be initiated by the S&Ls will charge that the kind of practices Miller's Federal Reserve board just sanctioned are forbidden by the Banking Act of 1933. A spokesman for the League insists that only an act of Congress can change the provisions of that bill.

Miller's obvious strategy is to provoke all-out banking war, returning the banking system to the conditions which prompted the 1933 act. When Miller moved to sanction overdrafts, he in fact argued, "I think we regulate too much...If we believe in a market economy, we ought to let *it* regulate." As part of this Hobbesian war of all-against-all, the mutual savings banks are expected to lobby aggressively for the NOW (negotiable order of withdrawal-interest-bearing checking accounts for savings and commercial banks) account bill currently in Congress. The next phase of the "deregulation" scenario is vicious rate war.

The leading money center commercial banks, for their part, have not stopped raving about Miller's "fiscal conservative" interest-raising policies. The momentary payoff for the commercial banks is both Miller's latest hand-out to them (the overdraft ruling) and the large — 75 basis point — spread that the commercial banks are currently enjoying between the discount rate (the rate at which those banks can borrow funds from the Fed) and the higher rates they are now receiving for lending out those same funds to others. The commercial banks, however, will shortly find themselves without the present "free lunch" spread, and without an economy to lend to.

Mexican Plan Only Bright Spot At IMF Interim Meet

From evidence gathered thus far, it appears that the Mexican representatives at the April 28-29 International Monetary Fund Interim Committee meeting made up the only delegation which arrived with their heads still on their shoulders, rather than in their suitcases or even less savoury locations.

WORLD FINANCE

Speaking for that delegation, Mexican Finance Minister Ibarra laid on the table a proposal for the creation of a $15 billion internationally financed fund which would facilitate advanced sector investments in Third World capital goods production. Such a plan, he emphasized, would also begin solving the slump in advanced sector output, by escalating "potential demand" in those countries "which lack the financing to acquire and produce capital goods" at this time.

The Mexican plan received verbal acclamation from the Saudi Arabian delegate present, as well as from French Finance Minister Monory, who described it as "formidable," and suggested that a "careful analysis" be done of its provisions.

The problem, however, is that the Mexican fund proposal is still firmly *within* the framework of the IMF and World Bank — the two institutions that the Mexicans have recently vociferously attacked as obstacles in the way of Third World and global development. The limitations of the plan are not so much evidence of Mexican capitulation, but of a lack of the needed European support for such development proposals.

In effect, the Europeans, especially West Germany and France, sat mum when British Chancellor of the Exchequer Denis Healey came out with the incredible lie that the defense of the advanced-sector economies means jettisoning the developing nations, that "protecting the dollar would mean subtracting significantly from resources which should be channeled towards the development of Third World nations, (resources such as)...long-term and cheaper loans through the IMF and World Bank."

In their desperation at the lack of any coherent Washington plan to fully stabilize the U.S. dollar, the Europeans also appear to have been taken by Treasury Secretary W. M. Blumenthal's calls for a U.S. antiinflation policy. West German Finance Minister Hans Mattöffer, for example, was reported to have flown from Mexico City to Washington on Blumenthal's plane, forming an "antiinflation alliance" with Blumenthal "against" the equally insane calls of Chancellor Healey for U.S.-German reflation.

Equally upsetting was the rest of Monory's speech, in which he endorsed a program for energy consumption cutbacks in the United States, and attacked Japan as responsible for the weakness of the U.S. dollar because of Japan's high balance of trade surplus. Monory's endorsement of U.S. domestic energy austerity is all the more disturbing when it is coupled with three recent speeches by West German Chancellor Schmidt, in which Schmidt emphasized U.S. energy conservation — rather than advanced technology nuclear energy investment — as a necessary component of any global economic package.

In a private discussion May 3, a member of the U.S. delegation agreed that it was unusual for the West Germans and French to throw their weight behind U.S. austerity programs. He added, however, that the Europeans were doing this in an effort to "strengthen the Administration's (i.e. President Carter's) hand in dealing with the Congress....(Europe) is willing to accept slower economic growth, if it has to choose between that and inflation."

The irony of the Europeans' reactions is that outside of the confines of the IMF, France and West Germany and major private industrial groupings in both countries are known to be mobilized in a major attempt to economically develop key African and Middle Eastern countries, as stepping stones to a general economic recovery. Locations for this effort include the Sudan, Egypt, and Nigeria; in all three cases U.S. industrial interests, spearheaded by Nelson Rockefeller are strengthening their investment and export ties.

In sum, French, West German, and U.S. spokesmen are currently pursuing two completely contradictory policies: promoting Third World development "behind the scenes;" and endorsing a stringent recession policy for the U.S. economy at international gatherings — a policy which would make their own development schemes ineffective.

Monory's shortsighted remarks may also have been the result of the accession to the IMF chairmanship of French Central Bank chief de Larossiere. It cannot be excluded that "pragmatic" French government officials have been persuaded by the prospect of "shaping" the bankrupt, neo-Schachtian IMF.

No British SDR's

Meanwhile, the British-sponsored proposal to "substitute" international U.S. dollar liquidity with IMF "Special Drawing Rights" was rejected. The leading proponent of the "substitution" plan at the conference was Healey, who further claimed that "support of the dollar would signify protectionism on the part of the developed countries" against the Third World. Therefore, it is "of greatest importance to strengthen the SDRs so that they become the most important international reserve currency."

Healey's speech was a blatant enunciation of Britain's unrelenting drive to wipe out the U.S. economy, and install a virtual IMF dictatorship over U.S. finances. Although couched in Labour Party "anti-imperialist" lingo, Healey's program would entail converting dollar liquidity — both internationally and domestically — into an instrument for imposition of neo-Schachtian austerity.

Ibarra and Mexican Central Bank head Kolbek were most forceful in counterattacking the Healey plan, asserting that the dollar must remain the international reserve currency at all cost.

Mexico's Plan

The Mexican Government proposal at the Interim Committee of the International Monetary Fund was virtually blacked out of the U.S. press, and while the official text has not yet been released, on April 28 the Mexican daily Novedades *published an account of the plan, which is excerpted below:*

The Mexican proposal emphasized that there are clear indications...of low growth rates in the industrial countries, that will create a slowdown in trade, foment greater protectionism, and lead to stagnation in the demand for capital goods, at the same time that there is potential demand in the developing countries that lack the financing to acquire and produce capital goods...

"The debt structure of the developing countries is concentrated in medium and short-term loans and...the developing countries cannot continue financing development having to depend on bank credit. Even if this were feasible, the foreign currency inflows of these countries are channeled to satisfy debt service payments, instead of financing purchases of capital goods.

"The financing of long-term capital investment needs with medium-term resources does not constitute an appropriate principle of banking practice...

It was considered a matter of special importance that the developing countries will be the only countries with access to the proposed fund for their long-term capital needs. These countries will increase their demand for capital goods, which will stimulate the producers in the industrial countries and will contribute to the reactivation of the world economy.

Stimulus to Industrial Countries

Further, the resources of this fund will give a push to the capital goods sectors of the industrialized countries, which have suffered from insufficient demand, and will create new possibilities of investment for the surplus countries and contribute to establishing a better structuring of the assets and debts of the financial markets.

The Mexican proposal was approved in view of the consideration that for the industrial countries, it means the creation of jobs and stimulus to a stagnant sector; for the financial markets and the surplus nations, the possibility of carrying out a profitable investment; and for the many poor countries, the reestablishing of a pattern of firm growth and reconstituted financing.

Mexican Finance Minister David Ibarra Munoz told reporters as he left the meeting that the Mexican proposal was based on the unfortunate fact that the international community, up to the present, has not been able to establish a recirculation mechanism that offers long term financing. This financing will be taken advantage of by developing countries to acquire capital goods. In our judgment the perspectives of the world economy justify our adopting this focus, and we believe that the provisional committee, the Development Committee, and the World Bank should study the problem and take measures without delay in order to bring about an appropriate long-term recirculation fund.

Japan Invites U.S. Nuclear Imports: Fukuda Calls For Joint Fusion Research

Following are excerpts from an address given by Japanese Prime Minister Takeo Fukuda at a luncheon hosted by Japan Society and Foreign Policy Association May 4 in New York City:

. . . Japan and the United States conducted the series of economic consultations which began last fall and resulted in the Joint Statement of Minister Ushiba and Ambassador Strauss last January. The results were gratifying in that both countries, in a spirit of cooperation, reaffirmed our joint commitment to work together, each from its own position, for stabilization of the world economy.

ENERGY

It is important to note that the Ushiba-Strauss statement was based on the concept that these problems can be resolved, not through protectionism and the contraction of world trade, but through liberalism and world trade expansion . . .

Our target of 7 percent real growth this year is far higher than the growth target of any other developed economy. The Bank of Japan has reduced the discount rate to 3.5 percent to help stimulate domestic demand, and we are endeavoring to expand imports by slashing tariffs, liberalizing quota controls, expanding quotas on a number of products, liberalizing foreign exchange controls, expanding import financing, and related measures.

. . . The import-promotion mission we sent to the United States last March achieved considerable success by seeking out and buying substantial amounts of American products. I hope the United States will respond with a redoubling of your efforts to promote American exports to Japan. . . .

As a matter of practicality, the world economy should not depend for its health and stability on the United States alone, since this is a responsibility that must be shared among all the major developed countries. Nonetheless, the fact that U.S. economic power outrivals all others is unlikely to change in the foreseeable future. I count therefore on continuing U.S. leadership in such areas as the maintenance of free trade, stabilization of international currencies, and efficient utilization of energy resources.

The world economy is in the doldrums. The developing countries are suffering particularly severely. Never before has there been such urgent need to strengthen international cooperative efforts to resolve the economic difficulties facing the developing nations, and to promote their economic and social development. Both Japan and the United States, individually and in concert, must play increasingly important roles in this enterprise....

Technological Development Key

From this perspective, I should like to explore with you briefly the area of science and technology as a most promising opportunity for cooperation between Japan and the United States.

Modern science and technology, as our generations know very well, can either contribute immeasurably to human comfort and convenience, or can be the servant of war and destruction. Science can provide impetus to new productive activities, and serve as a prime mover in the future expansion of the world economy, or can waste our resources and threaten our survival.

Exactly because of this dual character of science and technology, I believe it is the duty of Japan, a nation dedicated to peace, to participate vigorously in cooperative international efforts to utilize science and technology solely for improving the standard of living of the world's peoples.

In the course of my discussions with President Carter, I made some specific proposals for scientific and technological cooperation.

Japanese-American cooperation is most urgently required in pursuit of the technical feasibility of developing nuclear energy for peaceful purposes, without the risks of proliferation of nuclear weapons. The importance of peaceful nuclear energy cannot be overemphasized, especially for a country such as Japan, which has no significant energy resources of its own, and ranks second only to the United States as an importer of oil

Japan, which experienced untold suffering brought about by the use of nuclear weapons, is deeply committed to the three non-nuclear principles — not possessing, not producing, and not permitting nuclear weapons to be introduced into Japan, and as a signatory to the Treaty, cooperates with the United States in international efforts to establish firmly in the world a nuclear non-proliferation regime....

When we consider the peaceful uses of nuclear energy, to secure safety is the indispensable prerequisite. Especially, as we realize that both Japan and the United States use the same type of nuclear power reactors, for Japan and the United States to cooperate together in the research for nuclear safety, so as to improve the safety and reliability of nuclear reactors, will indeed serve the common interest of both peoples.

From a longer-range point of view, the development of new alternative sources of energy invites expanded Japanese-American cooperation. Since world oil reserves are expected to come close to depletion at the end of this century, both our countries should strengthen our cooperative efforts for energy conservation and the development of new energy sources . . . . I should like to suggest nuclear fusion and solar energy as particularly useful areas for joint R & D, since both are considered to be ultimate energy sources for the future.

U.S.-Japanese Fusion Project

Fusion involves harnessing almost unlimited energy from a man-made process which employs the same principle by which the sun creates its heat and light in nature. It is, in effect, the creation of a miniature sun on earth. Japanese and American experts are already exchanging technical information in this field, but I should like us to take a step further, pooling our human and financial resources in a joint effort to realize an ultimate dream of mankind . . . .

Colossal investments in human and material resources are needed for research and development in all these areas. With a view to making more efficient use of limited resources available, and to make Japan-U.S. cooperation more meaningful, I wish to propose that Japan and the United States seriously study the establishment of a joint fund for the advancement of science and technology, to serve as a framework for international cooperation in these areas. I hope to pursue this idea with our American colleagues concerned, and I trust you and your countrymen will be responsive to my proposal.

Needless to say, there is no reason to limit such partnership in scientific and technological cooperation to Japan and the United States alone. The door could be open for participation in these projects by all countries which wish to cooperate with Japan and the United States to put science and technology to work for the well-being of mankind....

Book Review Part II

'A Tool Of Power: The Political History Of Money'

A Tool of Power:
The Political History of Money

by William Wiseley
John Wiley and Sons, New York, 1977.

by David Goldman
USLP Director of Financial Intelligence

The Cold War and the Monetary Mess

Why, despite upwards of $50 billion of postwar expenditures, did the United States find its economy and the dollar slipping by 1958? Most Americans still recite nursery rhymes about the "business cycle," including former Federal Reserve Chairman Burns and the Federal Reserve staff. But the RIIA and its tool, Dr. Wiseley, don't believe in such myths circulated for the benefit of the credulous, any more than trade war specialist Adam Smith believed in "Free Trade." These events in the economic sphere occurred, the RIIA says plainly, because Britain persuaded the United States to enter a Cold War against its best national interests. Secondarily, they occurred because the U.S. adopted a rentier, or financial investment, approach to European recovery, not a capital-goods export approach.

Who is responsible for this? Wiseley brags that Churchill and the Kissinger circuit sold that package to the dumb Americans, as this publication has also argued. In his words:

> Since 1949 the British Foreign Office has been ruled by Lord Strang. As Permanent Under Secretary he had persuaded himself that British power could be perpetuated by maintaining appearances long after the realities had departed. Strang and the Foreign Secretaries for whom he served as "eyes and ears" shared the belief that their unique inheritance, centuries of experience with Europe and its colonies overseas, had somehow endowed them with a wisdom the United States would respect. In their schemes for the future, British leaders would provide the tutelage and policy guidance, which Americans would pay the costs in men and money to defend Western Europe and its empires. Persuasively Winston Churchill and Lord Strang had

proclaimed that it was the "responsibility" of the United States to provide a "Pax Americana" for the 20th century.

Who, on the "American" side, carried out these orders, and perverted the Marshall Plan, which was to be the agency of European reconstruction, into an agency of Cold War?

> . . . William Yandell Elliot, a portly, often pompous professor of government . . . At Harvard University Elliot had an aggressive, ingratiating pupil named Henry Kissinger, who was still more ignorant of economics . . . Both Elliot and his protégé regarded the Marshall Plan as a political tool, whose moneys should be used lavishly. Neither understood how to employ economic aid properly, because they lacked any knowledge of the functioning of monetary systems. When American foreign economic policies fell into the prodigal hands of Elliot, Kissinger and their friends, the gold-exchange system inaugurated at Bretton Woods was doomed to eventual failure.

Elliot and Kissinger were the propagandists for the Strangulating policy of Cold War, out of Elliot's Government Department at Harvard, and Kissinger's Defense Studies Program, which yielded Kissinger's first book:

> Lavishly advertised, Kissinger's book appeared in 1957 and became the first American "best-seller" of its kind. That marked the beginning of the only peacetime military mania the United States had ever experienced. The worldwide crusade against Bolshevism became a patriotic duty for both American political parties. Even diehard isolationist Republicans were being persuaded that maintenance of costly armed forces abroad, both in Western Europe and the Far East, had become essential for the security of the United States itself.

Even though Churchill and the postwar Labour Government, in particular its Foreign Minister Ernest Bevin, had roped the United States into a confrontation policy with the Soviets, opportunities arose to put matters aright. Why did that fail?

> . . . to many Americans, the death of Joseph Stalin in March 1953 appeared to open the way for reconciliation of the costly disputes between the United States and the Soviet Union. In July of that year, deprived of Soviet support, North Korean and Chinese forces agreed to an armistice in the Korean War. Dulles then scheduled for February 1954 his first face-to-face meeting with the new Soviet leaders, in the equally troubled city of Berlin. It would be aborted. Thoroughly frightened that the United States might then withdraw its armed forces from Western Europe and thus compel them to supply the money for their own defense, in December 1953 the British and the French (then following British policy — DG) stymied his proposals for a European Defense Community.

This is oversimplified — the British also played an "anti-American," "independent Europe" side of the European Defense Community — but it is still an extraordinary admission.

As early as 1951, Wiseley reports, the Executive Board of the International Monetary Fund, supposedly the instrument of the dollar's world domination, had begun planning for an American bankruptcy under the burden of Cold War military expenditures, "to anticipate the day when the United States itself might need the Fund to cope with its excessive spending abroad." That indignity — the Fund makes loans in return for control over the borrower's economic policies — was proposed in earnest last April by Michael Blumenthal's Treasury Department.

The Vietnam War dealt the final blow to the American balance of payments and made the succession of monetary crises unavoidable. How did the United States get into it?

> Nearing the end of a long, unpopular war against Communist guerrilla forces in newly independent Malaysia, General Sir Gerald Templer and the British General Staff had therefore been quietly urging their American friends to intervene forcefully in South Vietnam, to defend not only Malaya but also Thailand, Singapore and the new nation of Indonesia against any further Communist expansion. Long after the departure of British, French and Dutch troops and colonial officials, European commercial interests and investments in Southeast Asia would remain extensive. As (British) Prime Minister, Harold Macmillan enticingly invited President Kennedy to protect those European interests. Rashly Kennedy would begin to do so.

Europe's Aborted Recovery

Wiseley's unabashed account of how Britain set the United States up for a fall through manipulating its strategic posture, and via British agents-of-influence William Yandell Elliot and Henry Kissinger, tells only half the story. The internal workings of American foreign economic policy fell into the same profile, starting with the 1944 Bretton Woods monetary conference.

Towards that black moment in American history, it is best to work backwards from the ensuing disasters in the postwar economy. Despite the best intentions of Secretary of State George Marshall, let alone the framers of the Export-Import Bank of the United States Act of 1945, America never achieved the necessary status as a world exporter. As Wiseley notes, "shortages disappeared but also the United States had been incurring deficits in its international payments accounts for every year since 1950." And this only five years after Western Europe concluded the most devastating war in history!

The ugly truth of the matter is that Europe rebuilt itself first on the muscle and bone of its exhausted population, and only secondarily through American aid, which paid for raw materials, food, and military support, rather than for capital goods. The West German population only regained its standard of living as of the Hitler regime in 1957; the British population remained on wartime food rationing until 1954. Americans had more than a humanitarian concern in this matter, when the U.S. economy hit its first big postwar recession in 1958. "In part that American recession had been caused by the overvalued dollar and the consequent weakening of American export industries," not unlike the late 1970s.

What exactly was the "overvalued dollar," the incessant debating subject until the dollar devaluation of 1971? The weasely author means, on the contrary, the *undervaluation* of Western European currencies and the Japanese yen, rigged by the British in 1949. With currencies artificially cheapened by roughly 40 percent, the European countries were at a disadvantage in buying American Capital goods — despite the flow of Marshall Plan aid — but at a realtive "advantage" in their role as exporters of underpriced goods. The real content of the currency valuation problem, therefore, was Europe's pay-as-you-go, bootstrap recovery.

More insidiously, cheap European currencies meant that while American corporations could not easily export capital goods to the European sector, U.S. dollars could purchase extra quantities of European capital goods and labor. The dominant pattern of American foreign investment in Europe was the financial takeover, rather than material support, which fed the accumulation of dollars overseas, and produced unnecessary bitterness in U.S.-European relations.

Under the upturned noses of the Anglophiles at the State and Treasury Departments during the Truman Administration, the British Treasury sank its own pound sterling, forcing the rest of the world to follow:

> Having held the pound at $4.03 for a decade (through the worst years of World War II — DG), the British government devalued it to $2.80 on September 18 (1949). Thirty countries followed suit within the next few weeks by devaluing their own currencies. Together they accounted for two-thirds of all world trade . . . American consumers enjoyed two decades of cheap imports and low domestic interest rates. American exporters and labor unions might soon have begun to protest (against export competition from war-shattered Western Europe!) if the North Koreans had not invaded South Korea in June 1950. Another war boom began.

We start to see how Dr. Wiseley's mind works, i.e., how his "Cold War" profile and his "rentier nation" profile dovetail. America had swallowed the whole hook. But it could not have happened except for the national disgrace at Bretton Woods in 1944, when the United States adopted an international monetary system shot through with the mentality of the accounting profession. The elaboration of a world dollar standard, backed by American gold, was not a Bretton Woods accomplishment; any fool who could add, and knew that America held half the world's gold and most of remaining industrial capacity, could see that this would happen. The problem was the International Monetary Fund itself, whose unnatural progenitor was British representative John Maynard Keynes.

Keynes brainwashed the United States by propounding an early variant of the IMF's Special Drawing Right, the supranational play money that Britain now officially wants to replace the dollar. "Both Keynes and the British Treasury were merely maneuvering for position," Wiseley comments, "to gain every possible world trading advantage for the pound." He got what he wanted, as reported, as of the 1949 "overvaluation of the dollar." What Keynes sold the United States was not his version of funny-money — which no one *then* "would ever consider seriously" — but the British *idea* of what a monetary system ought to be.

The utterly destructive premise of the International Monetary Fund is the British-system notion of "payments equilibrium," i.e., that a nation should pay out no more than it takes in. No matter that America had a giant's capacity for export *surpluses,* and Western Europe and the Soviet Union urgently needs massive capital goods imports, that is, a trade *deficit.* Real economic relationships were written out of the IMF rules. Europe and Japan followed that British prescription, and rushed to put goods onto the international market, at the expense of both their own impoverished citizens and America's export industries.

Keynes diabolically stampeded the U.S. into undersigning this "classical economics" notion of accounting, by demanding an even more horrible "Keynesian" alternative — the creation of international funny-money for unlimited financing of Britain's deficits.

That America let Keynes lead it by the nose is only slightly less amazing than the fact that American policymakers have not learned a blessed thing about the subject since then. Mesmerized by the words "payments equilibrium," Arthur Burns proposed cuts in government spending back in 1957, when the dollar first showed signs of weakness, the same nonsense he proposed 20 years later, when the dollar began its life-and-death crisis.

Blaming the Dollar Crisis on France

Britain's set-up of postwar events left Western Europe in the lurch. Real European interests, best summed up in De Gaulle's expression "Europe from the Atlantic to the Urals," could not tolerate Cold War interference with European-Soviet relations. To De Gaulle, who assumed power in 1958, the "Anglo-American "partnership" meant an arrangement in which Britain suckered the U.S. into policies which were antithetical to both American and Western European interests. But because London's long-term objective was to exhaust and eliminate American leadership, European leaders could not, in their own best interests, jump on a British bandwagon against the United States.

Author Wiseley cannot contain his glee while reporting the many confrontations between French and American leaders. But he is also terrified of De Gaulle, even in the latter's weakest moments, because De Gaulle was the one European leader — Adenauer was a possible exception — with the statescraft to break the U.S. from its London Svengalis. His terror emerges in public-school bitchiness:

> The price for the favors of Marianne has always been high. Often it has been excessive . . . The French have always been adept at getting something for nothing. . . . no help could be expected from the French. In French diplomacy, malice had become the guiding motive. . . . rather than cooperate with

his neighbors for their common good, he (De Gaulle) would become a wrecker to enhance his own standing and the influence of France in world affairs. . . . Having found that he could now defy the United States at will, without incurring any retaliation, de Gaulle became both bolder and more erratic. . . . (Pompidou's) self-righteous taunts were calculated skilfully to anger Americans and delight French Gaullists . . .

What all this overflow of abuse amounts to is that France got up at every International Monetary Fund meeting until 1969 and lustily denounced Britain's schemes to replace the dollar with Special Drawing Rights! Wiseley, in his choler, does not hide the fact the SDR was British from the get-go, starting with Keynes earlier version in 1944, through Britain's final success (through then Chancellor of the Exchequer Tony Barber) in getting the IMF to accept the funny-money standard in 1972.

Nor does he hide the sordid detail that America refused to go along with the SDR madness, even as a matter of principle, until Goldman Sachs partner Henry Fowler, a City of London-linked investment banker, took over the Treasury Department in 1965, and persuaded stupid Lyndon Johnson that it was the only means to finance the Vietnam War.

In passing Wiseley also reports that Britain started, in 1958, the European practice of cashing in dollars for American gold that ultimately led to bankruptcy in 1971; that Britain frustrated all American efforts to control the cancerous Eurodollar market (the accumulation of dollars in private hands outside the U.S.); that Britain entered the European Community in 1972 with the intention of staging a European confrontation with the United States' and that British Prime Minister Harold Wilson egged the Americans on in Vietnam, when General De Gaulle was attempting to find a solution to the war. In a rare flash of honesty, he admits that

There is one point, and perhaps only one, on which Americans and French have always been able to reach accord. It is almost impossible to hold *perfide Albion* to its most solemn engagements. The British are masters of the art of evading their international responsibilities and invariably leave the table before the waiter presents the bill.

One circumstance overrides all the myths about French-American emnity: all the official French proposals concerning the dollar crisis represented the best interests of the United States, even more than the official American proposals! That is why Wiseley has to lie outright about the events preceding Aug. 15, 1971, as noted above. France proposed a devaluation of the U.S. dollar against gold, that is, an increase of the official price of gold, in order to contain the dollar crisis. Had Nixon followed the advice of then President Pompidou in 1971, the world would have been spared the worst of the currency disasters that followed. Why didn't Nixon take that option? Wiseley answers inadvertently, citing the American explanation to the other nine major industrial nations on Sept. 3, 1971: domestic political opposition to a devaluation of the dollar against gold prevented it. Specifically, current House Banking Committee Chairman Henry Reuss, a British agent-of-influence heading at that time the Joint Economic Committee's Subcommittee on International Exhange and Payments, had the power to block Congressional approval of a change in the official gold price. Reuss had been screaming for suspension of American gold payments abroad, as well as austerity measures against the U.S. economy such as wage and price controls; Nixon and Treasury Secretary Connally capitulated and adopted his program.

But they didn't give it up for lost. At the postwar height of French-American understanding, Nixon and Pompidou met that December, and agreed to bring the dollar back to gold backing as fast as possible. The Nixon Administration's efforts to expand American exports through the Eximbank and the creation of the U.S.-Soviet Joint Economic Council would actually produce a U.S. payments surplus in 1972! There and then the pattern might have been broken, and the United States might have adopted a world policy based on leadership in economic development, close working relations with France, and entente with the Soviet Union.

At that point the same Henry Kissinger who had sold America on Britain's geopolitical snake oil 20 years earlier set in motion the sabotage process later known as Watergate.

Miller's Bear Trap

You've Seen It All Before

Federal Reserve Chairman G. William Miller's campaign to destroy the American economy is only the most contemporary in a long tradition of London black operations against American industry. What makes the passive business community's acceptance of Miller's "1929" scenario — "the recession that only Wall Street wants" in the boast of the *New York Times* — so reprehensible is that they've seen it all before. Nobody has the right to be duped this time around, when the existence of this country is at stake.

First off, leading business and political circles already have in their hands this newspaper's report that
1) Miller is not an industrialist but a British dirty operations specialist from the British Secret Intelligence Service-linked law firm Cravath, Swain, and Moore, infiltrating the industrial community.
2) Miller's successfully completed assignment as Chairman of Textron Corporation was to asset strip the New England Textile industry and set up the region for fascist economics;
3) Miller, as a protégé of Lazard Freres' hated Felix Rohatyn, was a prime mover in Rohatyn's fascist ENCONO economic program for the Northeast;
4) Miller's current actions, even by the standards of former Fed Chairman Burns's "fiscal conservatism," are conscious sabotage.

Business and Congress refused to act on the Labor Party's warnings during Miller's confirmation. Now the United States, including financial and industry leaders who know better, is walking directly into an economic collapse, to the drumbeat of British agent G. William Miller.

Is that surprising? Not with hindsight. We did it in 1921, when the Bank of England and its agent Benjamin Strong at the New York Federal Reserve Bank pulled a vicious monetary squeeze after World War I. We did it again in 1929, when the same two houses of ill repute set up an uncontrolled "bull market" followed sharply by an uncontrollable "bear market" (see *New Solidarity*, Feb. 21, 1978, "Britain Caused the 1929 Crash!"). The most recent big collapse, the 1974-1975 downturn, came after a British-organized commodities hoax, wild speculation on inventories of raw materials, and was followed by the inevitable crunch. Miller is currently running a repetition of the 1929 stock bubble, as a trigger this time for a general bust of the dollar.

Betting Against the U.S.

What Americans should ask themselves is, why does this country continue to walk into economic booby traps, even when most men of influence know better? Take a closer look at the current behavior of the American business community, and the answer is repellently obvious: from the biggest multinational company to the cheapest real-estate operator, each one is acting like a tourist in Las Vegas. Miller is setting investment conditions for the $60 billion or so in free corporate liquidity, the $500 billion in Eurodollar holdings, most of which belongs to multinational corporations or governments, and other investable funds. No investment is possible except in the context of an expanding economy, and no individual corporation can possibly define the context for an expanding economy. As Alexander Hamilton, the father of the American economy, demonstrated, the government's job is to extend credit to necessary fields of industrial growth, open up the world of foreign trade, sponsor scientific and technological advances, discourage speculative and other harmful economic activities. Knock this out, and individual corporations behave like donkeys, as they are doing now.

Anatomy of a Bear Trap

The 1929 crash occurred, in a sentence, because President Calvin Coolidge and Treasury Secretary Andrew Mellon permitted the New York Fed to hand control of the international monetary system over to London. By pledging American reserves to support Winston Churchill's 1925 attempt to revive the war-bankrupted pound sterling as a reserve currency, and channeling the huge volume of American foreign investment through London to refinance London's debts, the New York Fed and the Morgan bank shut off the world to American industry.

Between 1919 and 1929, the nation's capital stock had almost tripled, while productivity per worker in manufacturing industries had risen by 43 percent. The American economy stood as a giant against the rest of the world. Yet American exports rose by *less than one-fifth* over the entire period, putting a brick wall in front of American economic expansion. At a certain point capital investment had to grind to a halt, and the economy, heavily based on capital investment, would collapse. Recycling capital investment back into the U.S. sector without access to the world market was impossible. For example, the closing off of foreign markets to American agriculture, coming as it did immediately after the huge wartime gear-up for exports, threw agriculture into a depression through the entire 1920s, restricting the expansion of the American consumer market.

Unmatched since, the economic gains of the 1920s occurred despite the springing of a bear trap in January 1920. Between the November 1918 Armistice and the peak of price increases after the wartime inflation, money supply increased by 27 percent, feeding a price increase in that short period of 22 percent. The close correspondence between the rates of increase of price and credit is due to the circumstance that the New York Fed, then as in 1929 under the direction of British agent Benjamin Strong, was pumping money into the market at the dirt-cheap rate of 3.5 to 4 percent, and the money was used for commodity speculation.

Against the bitter objections of Treasury Secretary Carter Glass and most of the Federal Reserve Board in Washington, Strong and the Bank of England jointly shut off credit in January 1920, raising the Federal Reserve discount rate to 6.5 percent. Strong insisted that rates be kept at that level (equivalent, in present day inflationary conditions, to about 12 percent), until the "curve of wages, deposits, and prices, wholesale and retail, were more nearly together — on a much lower basis." For his part, Bank of England Governor Montagu Norman raved,

> We are determined to stop this mad march of speculation and expansion (of the U.S. — DG), whether it be in securities, real estate, commodities, or what not . . . at last the first step has been taken towards freeing Federal Reserve rate policy (from Washington's protests — DG).

They succeeded. The collapse of industrial production after September 1920 remains the steepest in U.S. economic history. Prices in world trade fell to only half their 1920 level. Apart from the temporary crippling effect on the U.S. economy, Britain derived one strategic advantage from the 1920 bust that cannot be underestimated: the collapse of world prices doubled the real cost (in terms of goods) of the war debts left after the Versailles Treaty, locking the world into a British-rigged system of debt-refinancing, the precondition for 1929.

Half a century later, as it became evident that the U.S. economy was in trouble, some of Wall Street's older inhabitants, e.g. J. Roger Wallace of the *Journal of Commerce*, began to warn that it looked like 1920 all over again — more on this below.

The Bank of England-New York Fed axis hit the United States with a double whammy after 1926, the precedent for the current Miller operation. In order to maintain Churchill's rotten sterling reserve operation, the New York Fed pumped out funds at a rate dwarfing 1919, dropping interest rates to 3 percent and permitting money supply to expand by the present-day equivalent of 40 percent per year. But from Britain's standpoint, the opening of the monetary sluice-gates had the "perverse effect" of buoying the American stock market, which took off that year. In 1928 American capital flooded into London's lending spree, by a record $1 billion; in 1929, the U.S. stock market boom not only absorbed all available credit in the U.S., but was devouring foreign funds as well.

The published exchange of cables and letters between Strong and Norman shows that the British demanded a crash, in order to save the pound sterling and break the United States, e.g. a Federal Reserve memo of Feb. 9, 1929 reporting the British plan for U.S. interest rates to

> be raised, at some unspecified time by a full one percent with a view to breaking the spirit of speculation, and then subsequently if necessary by another one percent, in order to provoke liquidation, and then after a fall in the stock market similar rate action at the sign of the next revival.

There ensued a ferocious battle between Strong's successor at the New York Fed, Benjamin Harrison, and the Whiggish Federal Reserve Board in Washington. Five days after the cited memo, Harrison and the New York Fed directors demanded an immediate increase in the discount rate increase, threatening to stay in session until Washington agreed. Washington refused. Contrary to the prevailing lie, circulated by John Kenneth Galbraith and others, that the Washington Fed was encouraging speculation, Washington was demanding that New York enforce a policy of restricting credit to the stock market, while issuing preferential credits for productive uses.

This the New York Fed, which then had more independent authority than now, refused to do. By summer 1929, more money was tied up in call loans to the stock market than went into capital investment in the course of the entire year. Reluctant and worn down by haggling, the Fed Board approved an increase in the discount rate on Aug. 9. Immediately, London investors pulled out of the market, leaving suckers in New York to pick up the chips as they fell. The week of Black Thursday — Oct. 24, 1929 — so much money flowed back to London out of U.S. stocks that the pound sterling rose to its all-time high against the dollar! Meanwhile, the bottom dropped out of the world.

1974

It would be too easy to attribute the dismal economic situation of 1974-1975 to the four-fold increase in the international price of oil, and to point out that British agent Henry Kissinger personally intervened in the December 1973 meeting of the Organization of Petroleum Exporting Countries (OPEC) to demand that OPEC push the oil price above $10 a barrel, against the wishes of Saudi Arabia's King Faisal. Kissinger's role has been documented in diplomatic cables, published by New Solidarity International Press Service, from former Ambassador to Saudi Arabia James Akins.

What pushed the U.S. economy over the edge, however, was the explosion of raw materials prices through 1974, denounced as a hoax at the time by this newspaper. British-sponsored institutions, starting with the Club of Rome, threw the world into a panic over a prospective "raw materials shortage." Following the successful OPEC price rise, the British-controlled United Nations Conference on Trade and Development (UNCTAD) was advertising its intention to create similar cartels for a half-dozen other commodities, or one big such cartel — the so-called "Common Fund." Former Kissinger aide and now Assistant Secretary of Treasury C. Fred Bergsten was writing in *Foreign Policy* magazine that the main strategic danger to the United States was the proliferation of such commodity cartels. Trilateral Commission chief Zbigniew Brzezinski was proposing to organize a "New International Economic Order" based on indexation of raw materials prices.

American economic policy was in the hands of decent men — William Simon, Arthur Burns at the Federal

Reserve, and Alan Greenspan at the Council of Economic Advisors — who behaved like somber idiots on the inflation issue. Events were out of their control. American corporations cheerfully ignored the Republican preachings and dove into the commodity gamble. Retrospectively, the numbers tell their own story.

Prices of wholesale goods in the United States rose by 22.7 percent during 1974, following the lead of the London Metals Exchange, where prices for such mundane products as copper, zinc, and lead had become the inflamed spirit of speculation. Copper prices, a good indicator, rose almost to $1.50 a pound (the metal now sells for roughly 70¢), and speculators and industrial users both accumulated a world privately held stockpile estimated at over 2.5 million tons, or close to a year of industrial requirements!

Corporations watched the cost of their materials rising daily, and dove in head-first. Inventories, despite flat and then declining economic activity, rose during 1974 by an all-time record 24 percent, so fast that Commerce Department estimates of inventories lagged by months. To finance that staggering level of stockpiles, corporations took on short-term debt at a record rate; their borrowing rose that year by 19 percent. Corporate liquidity had fallen, by all measures, to the worst levels recorded. Capital investment fell to less than replacement levels, whence it has not recovered.

New York's commercial banks fell for it, and lent tens of billions of dollars to Third World countries for new commodity production — financing, in the process, the commodity price boom on the London markets. The price boom, in turn, "justified" the panic about raw materials shortage. British psywar on this count was so effective that the price bubble did not break until six months after the wave of layoffs began in October, 1974. When the bubble did break, the New York banks were left — and are still left — with enough bad Third World paper to sink them.

What the sordid events of 1974 show is that it is not even necessary for the City of London to control in-place agents at high levels to manipulate the American economy; all that is required is that American leaders be sufficiently stupid. With control of the Fed, however, busting the U.S. is child's play.

The "Miller Boom"

What the *New York Times* cynically calls the "Miller boom" on the stock market is a psychological warfare blind for the benefit of the suckers. Miller plans to give U.S. industry and labor a one-two knockout punch. First, the rise in interest rates targets homebuilding, primary metals, sections of the auto industry, and other vulnerable sectors which form the core of the American economy — as well as capital goods, whose market depends on business borrowing for investment. Secondly, Miller and an assortment of British shills inside the Administration intend to set up an industry-labor confrontation, by attacking corporations for "inflationary practices," and labor for "inflationary wage increases." These themes have already been sounded by Miller ally Barry Bosworth, the former Brookings Institution staffer now in charge of the Council on Wage and Price stability.

For psywar purposes, Miller is picking up on the dollar's rise. Contrary to British plans to "dethrone the dollar," the European public and private sectors put a halt to the dollar's plunge, and started to shift funds back to the United States. The European move was coordinated with a factional attack against Treasury Secretary Michael Blumenthal, and the promotion of Ambassador Robert Strauss to membership in Carter's cabinet-level Economic Policy Group, which raised some hope that a powerful American export orientation would develop. This political maneuver left the British hanging; in the middle of last month, British banks decided to lean with the wind.

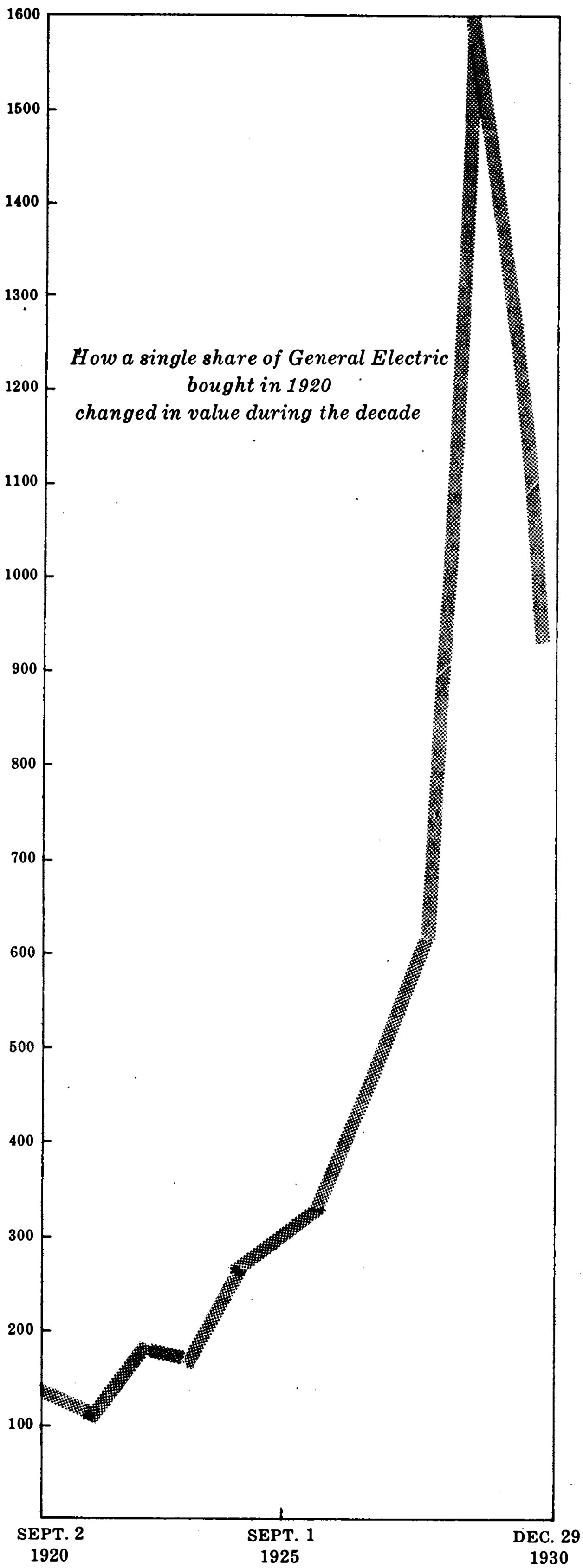
Momentarily, the rise in U.S. rates has had the effect of drawing funds back into the dollar to seek the higher income, especially from London, which probably had to spend $1.8 billion during April supporting the pound. Part of the reverse flow into dollars is moving into American equities. Of course, foreign purchases of U.S. stocks do not indicate optimism about the American economy. Rather, the dollar collapse has made U.S. securities so dirt cheap for investors holding appreciated foreign securities that the New York Stock Exchange looks like a garage sale. Roughly 10 percent of the new money coming into the stock market is foreign, according to most estimates — but this marginal share of the total has the same relationship to the rest of Wall Street as a judas goat has to a herd of cattle in the Chicago stockyards.

That is all there is to the "Miller boom." Barring the emergence of competent economic policy from Washington, the U.S. economy is preprogrammed for a major bust in the third quarter of this year. Crucial sectors, such as housing, are already in trouble. "The market's going up because Miller is fighting inflation" is the kind of thing junior account executives say over the telephone to sell securities to the mickies.

Meanwhile, every corporate balance sheet is hooked into Miller's roller-coaster cycle. The New York commercial banks, already in a weak position, are the worst. Their operating profits are almost nil; half of the banks' first-quarter earnings were derived from foreign exchange dealings and commissions, that is, from following London's lead and dumping the dollar!

Normally, foreign exchange profits are marginal. The weight of bad debt of developing countries is driving them down. In order to refinance over $100 billion of such loans (the true total is much higher than the published figure), the banks required an expansive credit environment, which former Fed Chairman Arthur Burns generously provided. However, the resulting excess liquidity situation, which was a factor in the dollar's weakness, turned international banking into a "borrowers' market." Banks could charge profitable interest rates to countries not likely to pay them back, e.g. Brazil. But loans to viable customers were so sought-after that banks could barely lend above their cost of funds; banking profits collapsed.

In the narrowest accounting terms, a credit crunch is good for the banks. Tight credit will create a "lenders' market," raising the difference between the interest rate banks pay for money and the rate they charge to lend it. A few months down the road, of course, the banks may not be able to find the cash they need to refinance Peru, Turkey, Zambia, Zaire, Portugal, Brazil, or other



countries who need to borrow afresh to pay current debt service! But Miller has gotten the support of a few chair-donkeys of the board of big New York Banks, including Chemical Bank's Donald C. Platten, by waving favorable changes in banking regulations in front of their noses.

However, if the United States adopted an aggressive policy for expansion of credit to the U.S. Export-Import bank and made large-scale development credits available to the countries in question, the banks would despise Miller's petty proposals. They would be too busy stepping up their trade credits to worry about spreads on lending.

Most of the corporate sector is in a similar contortion. In the case of a credit crunch, corporations get the short end of the stick, through higher interest rates. Nonetheless, corporations are punching Miller's scenario into their planning computers, setting up conditions for a real economic bust. The first-quarter burst of inflation, which brought the wholesale and retail price indices close to a 10 percent annual rate of increase, did an ironic service to corporations. Their profits resulting from price increases in inventories rose by $25 billion, compared with a $6 billion such rise in the third quarter of 1977 and a $14 billion rise in the fourth quarter of 1977.

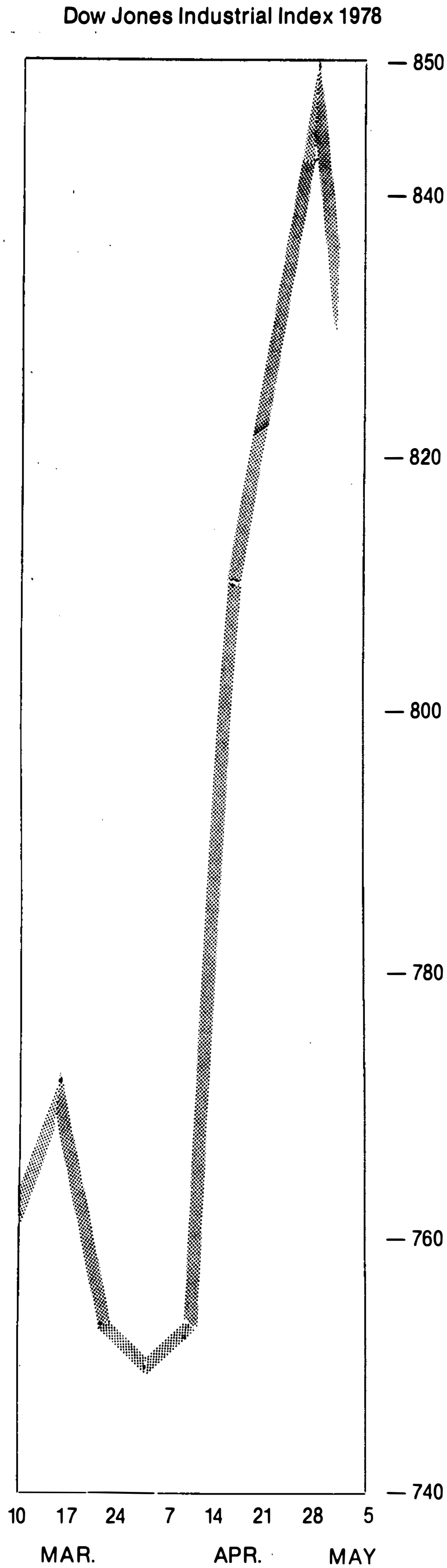
These figures represent pure paper fluff, not cash available to business. But without inventory profits, corporate earnings during the first quarter would have fallen back by 10 to 20 percent, producing a small panic.

In effect, the first quarter saw a small-scale repetition of the 1974 pattern. Reacting to the Chicken Little version of the inflation problem circulated by Miller's apologists, e.g. the *New York Times* and the economists of Manufacturers Hanover Trust, corporations began to stockpile inventories of raw materials they expected to pay more for later. The Treasury's program was to jack up the price of imported steel, which came into effect late in February, had a similar effect.

However, inventories of manufactured goods fell to a record low relative to sale during the first quarter, because industry is terrified of a slump. A modest revival is underway for the third quarter, because corporations have to buy goods merely to keep up the flow in the pipeline between factory and retail. Business loans to refinance the required inventories are rising at a 22 percent annual rate.

However, it is more profitable for corporations to use their spare funds for lending to other corporations than to invest either in inventories or in new capacity: commercial paper outstanding, or loans between corporations, is increasing at a stupendous 50 percent annual rate. The effect of higher interest rates will be, first, to choke off the required inventory buildup; secondly, to break the weakest elements of the corporate sector; and third, to choke off capital investment. During the first quarter, orders for new machine tools and other replacement goods rose significantly, while orders for new plant declined. A handful of industries with high capacity utilization are replacing worn-out equipment. However, the 3.6 percent annual rate of decline in productivity during the first quarter hints that even such replacement is not occurring fast enough.

Once the bare levels of capital-goods replacement are cut down due to higher interest costs, the United States will face a real inflationary crisis — not the propaganda version now in vogue at the Fed. This will coincide with



the first major industrial cutbacks, roughly speaking, in the third quarter. Most analysts already write off the homebuilding industry, predicting only $16 billion in new home mortgages during 1978, compared to $32 billion last year.

Long before this, Miller's bear trap will have sprung on the floor of the New York Stock Exchange, and the American population will be prepared — London hopes — for another round of economic collapse.

The Milton Friedman Syndrome

Few of the better-informed victims of this business will object to the foregoing. It will occur to the reader, "Why the hell does American industry still play Charlie-Brown-and-the-football with the City of London, 50 years after they should have learned better?"

To understand the psychological depths the American business community has sunk to, it is useful to examine the biggest scandal this side of 1929 in American economics — the reputation of Milton Friedman, Miller's most prominent defender.

The general public knows the elf-like Friedman as the conservative economic apostle, the advisor to the Goldwater campaign, the ex-officio high priest of the Nixon Administration (until his tight-money suggestions led to the Penn Central bankruptcy, whereupon Nixon informed the public "We are all Keynesians now.") Friedman's particular beef is big government, expansive government credit, big deficits, high taxes and so forth; his one argument that most college graduates are able to remember is that Federal Reserve manipulation of the money supply is the leading determinant of economic activity.

Nobody but a few black sheep in the business world believe any such thing, of course. Few businessmen would have the patience to wade through Friedman's magnum opus, *A Monetary History of the United States* (1963). If they did, they would become enraged at the frequent employment of a scholarly device known to the layman as mealy-mouthed lying. His conclusion concerning the 1929 crash, for example, reads,

> The bull market brought the objective of promoting business activity into conflict with the desire to restrain stock market speculation. The conflict was resolved in 1928 and 1929 by adoption of a monetary policy, not restrictive enough to halt the bull market yet too restrictive to foster vigorous expansion of business.

Friedman's work is overloaded with statistics concerning the circulation, velocity of turnover, interest rates, and types of money, but makes no pretense of showing *how* the economy uses money. The book is a treatise on the subject of how to change the subject. The man is not read, because he is unreadable.

To Friedman's advantage, few of his admirers are aware of his personal history, particularly his origins in the British-financed Vienna School of 1920s economists, which Fabian Society founder Sidney Webb brought over to London during the 1930s.

Yet, most businessmen you ask will tell you right off that their preferred economist is Milton Friedman.

Former Treasury Secretary William Simon's newly published autobiography sports an introduction by Friedman. Even the best of the Nixon Administration team, men who dirigistically organized an American export policy, will profess deep respect for Friedman.

However, Friedman's squeaky voice does speak for American businessmen, in the most unfortunate possible way. Despite the worst Schachtian excesses of Roosevelt's New Deal, continued regulatory harassment, and the threat of deindustrialization schemes of the Humphrey-Hawkins ilk, businessmen are not entirely antigovernment, as is the anarchist Friedman. On the contrary, there is broad support in business circles for the Labor Party's "big government" export program. Nonetheless, the businessman accustomed to using his pocket calculator instead of his brain will fly into a rage over government "harassment." Since the concept of American System economics disappeared with the McKinley Administration, American industry has gotten progressively hooked on "business cycle theory," "macro-economics," and other myths circulated for the edification of their planning department's computer. The absence of a competent government economic policy, which, among other things, has prevented America from ever getting a grip on the world markets it needs, has generated the worst kind of accounting outlook among business. With a handful of crucial exceptions, even the demand for such a policy among business circles has attenuated. For businessmen who cheerfully presented themselves to be brainwashed each year by the economic forecasters, or shamans, of the Conference Board of the National Bureau for Economic Research, Friedman's old organization, G. William Miller is a nightmare. "Tight-money men," "opponents of big government," and other strange creatures have been their great justification for acting like anarchists. That is why Friedman is tolerated, and also why businessmen pay a quarter each day to read the sententious editorials of the *Wall Street Journal*, although that paper "rarely provides a bit of news that is unknown to "the corporate grapevine," according to a *Journal* editor.

Now they are caught. Their entire mode of operating over a long period of years compels them to jump when G. William Miller lifts his little finger, even though they understand perfectly well that it is a long way down. The business community is going to have to act politically, for a change — or go out of business.

—David Goldman
USLP Director of Financial Intelligence

Izvestia Names Raskin, IPS As Behind Terrorism

The Soviet publication, *Izvestia*, official organ of the government has named and condemned key figures in Anglo-American planning and execution of international terrorism, notably Marcus Raskin, the former director of the Institute for Policy Studies in Washington, D.C. This is only the second time outside of the *Executive Intelligence Review* and the publications of the U.S. Labor Party that a major press outlet has identified Raskin's pivotal role in global terrorist activities.

The *Izvestia* article, which referred to an expose of Raskin and IPS which appeared in the Italian Communist-related journal, *Giorni Vie Nuove*, last summer, focused on Raskin-IPS connections to Italian terrorism, in particular the kidnap of former premier Aldo Moro. At the time of the *Giorni Vie Nuove* article, Richard Barnet, Raskin's co-director at IPS, went to Italy to strongarm the editors and succeeded in forcing the resignation of the author and a public apology. It is doubtful that Barnet will be going to Moscow this time.

The shortcoming in the *Izvestia* exposé is that it fails to distinguish between the terrorist and antiterrorist factions in the CIA. While it identifies Raskin's connection to the CIA, it does not identify his factional position in the "Left CIA," that is, what intelligence insiders know to be the American intelligence community's "British faction." It is in fact British Secret Intelligence Service networks that Raskin and IPS have had at their disposal for international terrorist deployment.

Nevertheless, the Soviet Union's naming of names — which even the Italian government has declined to do — has a potentially significant countervailing impact on future Anglo-American terrorism. The IPS-Raskin crowd have been principals not only in Italy, but in Franco-German terrorist atrocities, in the so-called Mollucan problem in the Low Countries, in the Japanese Red Army, the U.S. "Weathermen" and "Symbionese" terrorists, and so forth.

Of equal immediate importance, the exposé favorably affects the Italian and Middle Eastern political situations in an interconnected way. As stated in an April 27 communiqué of the Palestine Liberation Organization, which has been cleansing its own ranks of terrorists in the interest of new Mideast peace initiatives, "the Moro kidnappers in Italy were not only aiming at the Italian state, but also at the Palestinian cause, because Italy was playing an important role in achieving peace in the Middle East." The PLO mission's chief in Italy told the Italian newspaper *La Repubblica* April 29 that the Moro investigation should include a probe of the involvement of Israeli intelligence — very much a part of those British-dominated intelligence networks at Marcus Raskin's general disposal.

Against significant pressure, Italian Premier Giulio Andreotti has persisted in his refusal to make any concessions to Moro's kidnappers. He has had the support of both his own Christian Democratic and the Communist parties, and his handling of the crisis was praised last week by U.S. State Department representatives sent to Italy on an antiterrorist mission, and West German Chancellor Helmut Schmidt, who has offered Andreotti full cooperation.

The Italian Communist paper *Unità* this week implicitly attacked the Jacobin "power to the people" ideology of terrorism, an ideology given to the Red Brigades by such "sociologists" as Aquaviva, who has publicly urged a "new Jacobin Revolution" in Italy. *Unità* declared that those who seek to use terrorism to provoke a bloody "French Revolution" scenario will fail, because the working class and the Communists know a fake when they see one.

Izvestia: Raskin and "Blind Terrorism"

The following is excerpted from the April 30 Izvestia *article, "Letter from Rome, An Alarming Spring," by A. Krovopalov:*

. . . I don't want to dramatize everyday life in Rome. The local newspapers do this every day. Banner headlines and stories — one more disquieting and alarming than the other. The rush of dramatic events connected with the kidnapping of Aldo Moro remains the central theme of events in the political life in the country. This criminal act is not isolated, although it is the most shocking and serious. In Italy cases of terror and political provocation have become more frequent. A kind of escalation of violence is in progress. In the first three months of 1978, 913 terrorist acts were committed (in the same period last year there were 425).

The extremists of the "Red Brigades" have formally "signed for" the bandit attack on the leader of the Christian Democrats. This underground group is responsible for a whole string of crimes in the last few years. In Turin, some of their representatives are now on trial, among them Renato Curcio, called the godfather of the organization.

The main goal of "left" terrorism is to destroy the parliamentary majority in which the communists are participating. The hits are carried out against both the DC (Christian Democracy) and the PCI (Italian Communist Party). The broad masses of Italian workers understand very well that no matter what phraseology the extremists take cover behind, they are first and foremost enemies of the working class, adversaries of democracy.

The press puts the number of activists in the underground groups at several hundred. The terrorist attacks are carried out on such a professional level that some people think that the extremists from this organization use paid assassins. However the question of just who is using whom is not so simple. . . .

Here is what was asserted on the pages of the journal *Giorni Vie Nuove* last year: At the present time Marcus Raskin is concerned with Italy in the name of or on commission from the CIA. He has created two special departments of the Institute for Policy Studies in our country. The first is responsible for recruiting terrorists and their organizations. The second, exclusively for carrying out the actual operations. Besides this there is a third section, a so-called "Death Section," which hires professional assassins for the physical elimination of "undesirable individuals." The first section is headed by Eddie Grevels . . . It is said the employees of the Justice Ministry have succeeded in establishing that this hireling of Raskin was, in his time, one of the possible creators of the Red Brigades. Indeed, in 1968-1969 he lived for a long time in Trento, where he took a great interest in the problems of the students at the local university, especially in the sociology faculty out of which came Renato Curcio and other members of terrorist organizations.

M. Raskin is an entirely real person, who has been identified as one of the organizers of "blind terrorism" in Western Europe by someone extremely well versed in such affairs — General William Yarborough, himself a former CIA figure. From his admissions it follows that the American intelligence services, wishing to destabilize the situation in a given country and to prepare public opinion for the creation of a strong police dictatorship, continuously increase the number of extremist groups, masked under both "left" or "right" names.

As soon as the news of the bandit raid on Aldo Moro spread, reports appeared in the American press that the CIA was disassociating itself from this terrorist act. But not everyone in Italy was convinced by such "explanations." The journal *Panorama* recently noted that several groups are active in the organization and incitement of anticommunist activities in the Apennines. Among them are "Americans for a Democratic Italy," "Committee for Freedom of the Mediterranean," and similar dubious bureaus with loud names, bringing together political figures, diplomats, and intelligence cadres.

Among the quite "fresh" operations carried out by Washington "specialists" on Italy can be mentioned the visit to the USA of former head of Italian intelligence Vito Miceli. As early as 1972 this general received money from the Americans for carrying out the necessary "actions" during the parliamentary elections taking place at the time. Miceli was involved in the preparation of two fascist coup attempts and remains under investigation to this day. Miceli's official post is parliamentary deputy from the neofascist party of Almirante (the MSI — ed.). In the United States this guest openly said that NATO must not remain idle, that the present development of Italy demands that it take urgent measures.

What does he have in mind? One can only guess. As early as the 1950s and 1960s several secret plans were worked out in the NATO headquarters under various code numbers: OPLAN No. 100-1, "Operation Prometheus," "Document 70/5" and others. All these documents anticipated the lightning-fast seizure of power by the military with the support of the police, fascist bands and, if necessary, NATO formations. Who knows whether or not analogous extraordinary plans exist now, too, among the ringleaders of the North Atlantic bloc?

The streets of Rome are strewn with the slogans and placards of the neofascists.

In Naples a meeting was held for "coordination of activities" of neofasicsts from Italy, France and Spain. On April 20 hundreds of youth at this gathering raised their hands in a fascist salute and shouted: "If Moro is freed, then we will imprison him." Thus are united into one front the provocateurs and bandits covering themselves with "revolutionary" terminology, the secret services of the USA and NATO, and the neofascist forces. . . .

Andreotti:

Terrorists Oppose Economic Development Of Italy

The following is part of a statement made by Italian Premier Giulio Andreotti, which was broadcast over national television:

. . . The government's refusal to negotiate with the Red Brigades must be considered definitive . . . When one assumes government responsibilities one takes an oath to make the laws be respected; no one of us has the right to go beyond that limit . . . Those who have unleashed this offensive (the Moro kidnapping — ed.) want to destroy the system we have . . . The State is above us, even if it is an expression of the country's political and social life: indeed, there are many things to be innovated, but not with violence or bombs . . . The Red Brigades are fighting against the multinationals, but I want to launch an appeal to the multinationals to come to Italy, to invest in our country with every means, to solve the problem of youth unemployment. . .

. . . Given the rumors of the involvement of foreign secret services, the Italian government has contacted the Chinese, Soviet, Czechoslovakian, and U.S. embassies for explanations. But no foreign state has until now given to the Italian government the proof of those international connections of the Red Brigades that everybody is talking about. The U.S. press has accused the East; Russia and China have exchanged accusations. But apart from journalistic attributions no fact to sustain the accusations has been furnished, that is, not an ideal fact but a practical one. . . . We have not slowed down our government activity, and have even approved 50 law bills. Our intense international activity has equally continued. The state will continue to act . . .

PLO Cleans House In Quest For Peace

The following are excerpts from the April 27 Le Monde *article on the reassertion of Yasser Arafat's leadership of Al Fatah, the principal faction of the Palestine Liberation Organization. The article also makes note of the fact that Arafat may be the recipient of international support in his efforts to clean out dissident factions — possibly a prelude to the reintroduction of the joint U.S.-Soviet statement of October, 1977.*

. . . The crisis began on April 17 with the arrest in southern Lebanon of 120 Palestinian commandos belonging to the group led by Abou Daoud and Nagi Allouche, both members of the Fatah command council. The motive given by Arafat and Fatah military head Abou Jihad for this operation, is that Daoud's group had been infiltrated by the followers of Abou Nidal, the dissident leader of Al Fatah, currently living in Baghdad and presumed responsible for the death of Said Hammami, PLO representative in London, and the death of Youssef Sebai in Nicosia, Cyprus. (*At the time of Hammami's death, a PLO official accused British intelligence services of complicity in his murder — ed.*).

. . . The PLO objective in ordering the arrest of Abou Daoud was to preempt any further deterioration of the situation in the south, which could endanger the deployment of UN forces there and put into question the commitment made in this connection by Arafat during his meeting with the head of the UN (Kurt Waldheim — ed.). They also think that the failure of the Israeli military campaign in Lebanon, if it is used profitably, could once and for all mark the end of efforts to force the PLO out of a negotiated settlement in the Mideast. They therefore want to conserve their freedom of maneuvering without being put under pressure by the extremists.

. . . Did they obtain prior assurances concerning their participation in broader peace negotiations? No indication has been obtained in this situation although their adversaries claim that they had indirect contacts with Americans through the intermediary role of Romanian President Ceausescu and Saudi Arabia's Prince Fahd.

. . . To these charges, Arafat's faction answer that after the collapse of the "steadfastness front" following the invasion of southern Lebanon, the PLO must define a new strategy and has the right to demand a freedom of maneuvering at least as broad as that of Libya, which is preparing to reopen diplomatic relations with Egypt, or Iraq which plans to cooperate militarily with Saudi Arabia.

Arafat's Pre-emptive Purge

The following is excerpted from an article appearing April 2 in the Jerusalem Post:

. . . When Arafat agreed with Waldheim to declare a moratorium on fighting in the area last week, the alleged renegades (Daoud and his faction) reportedly planned to upset the pledge and start trouble by attacking both UN troops and the Israelis.

. . . A source said that there was a scheme to make Arafat appear unable to control even his own Fatah organization which was to have been enhanced by rumors accusing the PLO leader's closest ally in Fatah, Abou Iyad, of plotting against the chairman as well. There have been unsubstantiated rumors of such a split in Fatah for some time.

However, the sources close to the PLO leadership said that Abou Iyad, far from undermining Arafat's position of leadership, had played a major role in the move against Abou Daoud.

Arafat: Why Is Israel Afraid?

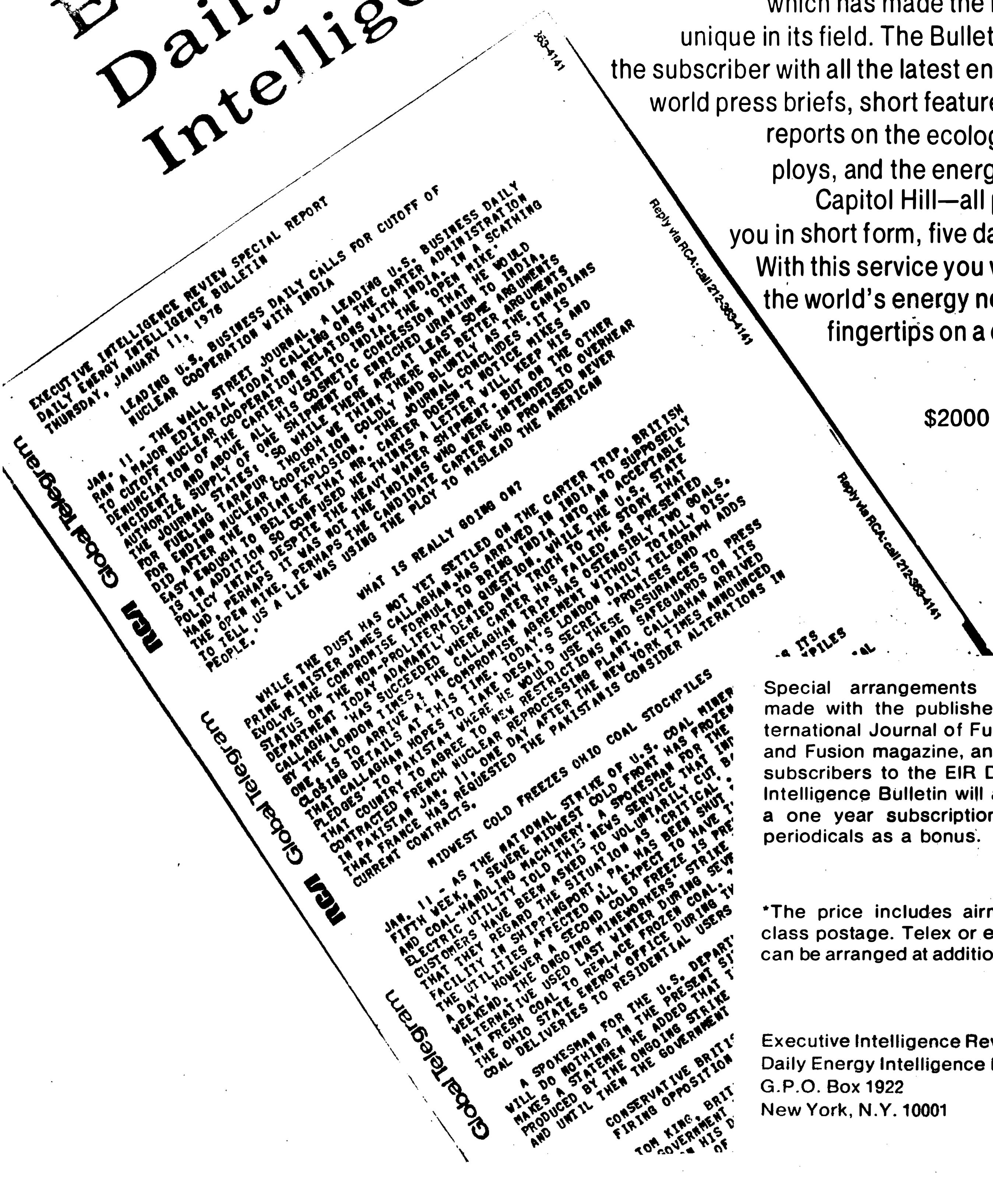
In a May 3 interview with New York Times *columnist Anthony Lewis, PLO leader Arafat said that the Soviet-American declaration of Oct. 1, 1977 could be "a fundamental basis for a realistic settlement . . . That is why I have referred to the American-Soviet declaration, because I feel the necessity of these two powers' guarantee to have such a new situation left in peace."*

On the question of Israeli fears, Mr. Arafat continued his answer with a series of questions.

Would you believe that Israel, which scares all the Arab states around it, is afraid of the Palestinians resistance movement? This state armed to the teeth, including nuclear weapons? Assume that a Palestinian state has been founded. Would you believe a state which is going to start from zero for the establishment of its institutions, its economy, culture, social problems — would such a state be able to form any serious threat against Israel?

Arafat also made explicit the PLO's willingness to reach an agreement with the Israelis over the question of territorial withdrawal. When Arafat's interpreter, Mr. Hout spoke at one point of "the establishment of a Palestinian state on any piece of territory liberated from our homeland," Mr. Arafat correcting him, said in English: "Liberated or from which the Israelis have withdrawn."

EIR Daily Energy Intelligence Bulletin


EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT
DAILY ENERGY INTELLIGENCE BULLETIN
THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO CUTOFF NUCLEAR COOPERATION RELATIONS WITH INDIA. IN A SCATHING DENUNCIATION OF THE CARTER VISIT TO INDIA, THE 'OPEN MIKE' INCIDENT, AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, THE JOURNAL STATES: 'SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR FUELING TARAPUR, THOUGH WE THINK THERE ARE BETTER ARGUMENTS FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES 'IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MIKES AND IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS POLICY INTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR THE OPEN MIKE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOY TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, THE CALLAGHAN TRIP HAS OSTENSIBLY TWO GOALS. ONE, IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DIS-CLOSING DETAILS AT THIS TIME. TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET 'PROMISES AND PLEDGES' TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTAN IS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER
FIFTH WEEK, A SEVERE MIDWEST COLD FRONT HAS FROZEN
AND COAL-HANDLING MACHINERY. A SPOKESMAN FOR THE
ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT IN
CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT B
THAT THEY REGARD THE SITUATION AS 'CRITICAL.'
FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT
THE UTILITIES AFFECTED ALL EXPECT TO HAVE T
A DAY, HOWEVER A SECOND COLD FREEZE IS PRE
WEEKEND. THE ONGOING MINEWORKERS' STRIKE
ALTERNATIVE USED LAST WINTER DURING SEV
IN FRESH COAL TO REPLACE FROZEN COAL.
THE OHIO STATE ENERGY OFFICE DURING TH
COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPART
WILL DO NOTHING IN THE PRESENT SI
MAKES A STATEMENT HE ADDED THAT T
PRODUCED BY THE ONGOING STRIKE
AND UNTIL THEN THE GOVERNMENT

CONSERVATIVE BRITI
FIRING OPPOSITION

TOM KING, BRIT
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OF

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