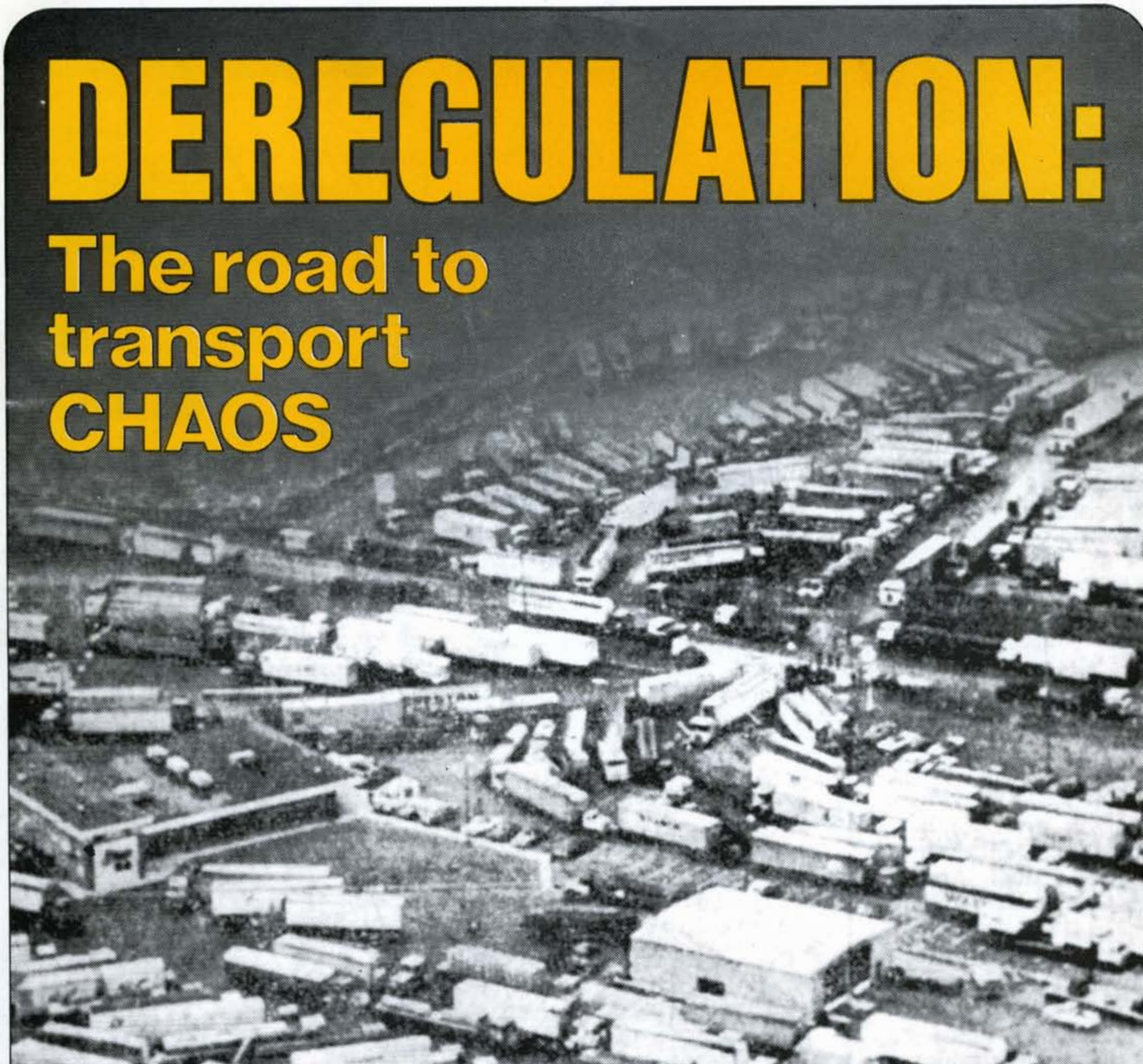
EXECUTIVE INTELLIGENCE REVIEW

Rotterdam swindle key to Tokyo Summit

June 26-July 2, 1979

DEREGULATION: The road to transport CHAOS



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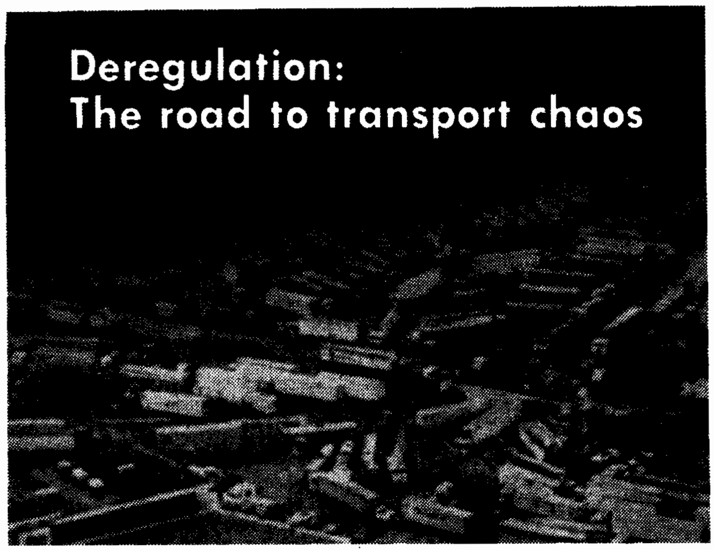

This week's cover story—our ECONOMIC SURVEY—is a study of the economic impact of deregulation of the U.S. trucking industry obtained using Lyndon H. LaRouche's Riemannian economic model. Many are skeptical of the claims of Sen. Edward Kennedy, Milton Friedman, and other deregulators, that a dose of "free enterprise" in trucking will save shippers—and the public—millions, but you will be shocked when you read just how big the losses charged against the economy will be if deregulation passes—losses projected by a computer programmed to take into account such factors as loss in service to smaller communities. In fact, the impact is so severe that after four years, the loss figures become so large that they are meaningless. For details, see our report which will appear in an expanded version in a forthcoming U.S. Labor Party brief, *Deregulation: a disaster worse than Vietnam.* **Page 16**

EXECUTIVE INTELLIGENCE REVIEW

IN THIS ISSUE

Rotterdam swindle key to the Tokyo Summit

Our SPECIAL REPORT this week features an analysis of the forces and policies that will shape the Tokyo economic summit by Lyndon H. LaRouche, Jr., *Executive Intelligence Review* contributing editor and creator of the Riemannian economic model. In addition to analyzing the policies and pressures on the leading participants in the summit, LaRouche projects the effects of what will happen if the British-sponsored policy of IMF conditionalities is endorsed by the summiteers as Western policy, and what will happen if on the contrary, French-sponsored policy of curbs on oil speculation and promotion of international development emerges. Plus: reports on fierce battles surrounding energy and international policy underway in Italy, West Germany, and a report on the policy thinking in France, which is leading the opposition to Anglo-American energy austerity. **Page 31**

Genocide in Kampuchea

A few weeks ago, a number of U.S. and British papers carried portions of a report by Polish journalist Wieslaw Gornicki portraying the horrors of the genocide committed by the Pol Pot regime in Cambodia. But these press deleted substantial portions of Gornicki's text, in which he connected the Pol Pot atrocities to China's plans to invade Vietnam, and explained how the policies of the Pol Pot government were a lawful outgrowth of the policies of the Maoist regime in China. In our ASIA section, we present, for the first time in the U.S., the full, uncensored text of Gornicki's report. **Page 45**

THIS WEEK

ECONOMICS

ECONOMIC SURVEY

SPECIAL REPORT

MIDDLE EAST

Vol. VI No. 25
June 26—July 2, 1979

U.S. defends Latin American crime networks

Last week, *Executive Intelligence Review* bared U.S. State Department contingency plans to send U.S. Marines into Nicaragua to prevent a seizure of power by the broadly based opposition to dictator Anastasio Somoza. This week, in our LATIN AMERICA report, we uncover the crime networks centered in the U.S.-based United Brands (formerly United Fruit) that the U.S. is trying to preserve, explaining why, as the Somoza regime staggers toward an apparent early end, the U.S. is frantically trying to preserve his hated National Guard policy state apparatus. **Page 51**

Coming next week...

In next week's issue, three major feature packages: Lyndon H. LaRouche's Riemannian economic model projects the effects of the oil hoax on the world economy—but also what will happen if the newly created "petrodollars" are recycled into international industrial developments. Plus, why the Senate should rafity SALT II—an a anlysis of the treaty prepared by strategic analyst Robert Cohen, and an in-depth report on the United Brands-centered drug and crime networks.

Energy war is on

As we prepare to go to press June 21, there are increasing signs that the United States and the United Kingdom will run into major opposition at the Tokyo monetary summit to their plans to sink the world into a low-energy, Malthusian nightmare.

West Germany's Chancellor Helmut Schmidt, until days ago playing the role of a compliant "Atlantic partner" willing to go along with the Carter Aministration oil hoax, has signaled what surprises may be in his pocket at Tokyo by scheduling a visit to Moscow before and after the summit. He is now calling for the June 27 meeting—bringing together the seven leading noncommunist industrial nations—to take up the idea of East-West cooperation for expanded energy production. Japanese representatives in Mexico on June 20 told the press, for the first time ever, that Japan endorses Mexican President Lopez Portillo's call for dealing with "energy as the responsibility of all mankind," and that the Mexican proposal would be a central topic of discussion at Tokyo. This followed reports in the Japanese press that French President Giscard would come to Tokyo with a "grand design" for world peace and development, and had undertaken a number of initiatives to organize Japan on board France's program for rapid nuclear energy development, ending speculation on the Rotterdam oil "spot market, and solving the oil problem through close cooperation between consuming and producing countries.

One day later, Giscard stunned a national French television audience by declaring that France was ready, in the event of an "energy war," with alternative sources of petroleum outside the channels controlled by the Anglo-American oil multinationals—a reference to the cooperative relationship France has worked out particularly with the Saudi regime.

The "war" has already broken out. One day after the European Community's energy ministers endorsed France's proposal for controlling the spot market, the oil multis walked out of oil-price negotiations with the Italian government and threatened to cut off supplies unless Italy accedes to a 50 percent price increase to consumers.

If those four countries—Japan, France, West Germany and Italy—use Tokyo to push through an energy growth policy, or, in case of a Tokyo stalemate go ahead with their own "grand design," the perilous spiral of the United States and Britain into fascism will be quarantined from pushing the rest of the world into full-scale war. The European and Japanese partners really don't have much choice.

The U.S. Congress, for example, is currently considering an amendment to the 1950 Defense Production Act, which would place all defense and energy decisions under direct presidential edict. This is equivalent to the Nazi enabling act of 1933 which gave Hitler full dictatorial powers. The pretext for the amendment is being provided by the Independent Truckers work stoappage and ensuing food shortages that have already resulted, in some states, in the calling out of the National Guard. At the same time, the U.S. Senate hosted Felix Rohatyn with his demand that a $200 billion boondoggle for synthetic fuels—pioneered not accidentally, by Hitler's Germany—be set up "binding on labor and business" and to be financed by Japan and West Germany.

A resounding "no" to such programs at Tokyo, and the concomitant decision to move full speed ahead with "Phase Two" of the European Monetary System to develop the Third World by recycling the growing OPEC petrodollar surplus into nuclear energy-based growth, would not only put Washington's victims of "energy war" on a winning footing. It would also bring quickly onto the side of such a peace and development strategy a host of progress-oriented Americans who are fed up with the Great Oil Swindle of 1979 and its political authors.

—*Nora Hamerman*

The Week in Brief

Secretary of State Cyrus Vance plans to send in the U.S. Marines to Nicaragua under the cover of an Organization of American States intervention force—to save the organized crime syndicate known as "Dope, Inc." that operates through the Nicaraguan National Guard.

Vance's call came June 21 in a plan to the Washington, D.C. meeting of OAS foreign ministers, where he insisted that an "inter-American peacekeeping force" be dispatched at once to oust dictator Somoza and set up an "interim government" that would save Somoza's National Guard from destruction. Other points in the program, a carbon copy of the one that guided the 1965 U.S. invasion of the Dominican Republic, included "embargo of all arms" and "relief and reconstruction funds."

The invasion plan is also a threat to Mexico. One month ago Energy Secretary Schlesinger at a Paris press conference said that the current "balance of forces" in Latin America would preclude a U.S. military intervention to grab Mexican oil, but did not rule out such action at a future point.

Nicaragua's National Guard is notoriously a key link in the international drug-running and terrorist network (see LATIN AMERICA).

* * *

The SALT II agreement has now been signed—but its chances of passing the U.S. Senate are seen as slim. Meeting last week in Vienna, President Jimmy Carter and his Soviet counterpart Leonid Brezhnev signed the new strategic arms limitations treaty which contains substantial concessions to U.S. interests, after seven years of tough bargaining.

Under the treaty's terms, the U.S.S.R. will have to destroy or dismantle about 250 strategic missile systems, while the United States, which has a smaller number to begin with, will have to destroy none. The Soviets agreed not to increase production of the controversial Backfire bomber. The Soviets also accepted American proposals banning testing or deployment of the Soviet SS-16 missiles, and for exchange of data bases on weapon systems—a first for the Soviet side.

Given all of these concessions, and given the fact that Brezhnev has made it clear the Soviets can go no further, why is a vociferous group of Senators both Democratic and Republican determined to force "amendments?"

The answer may lie in the fact that these SALT opponents—as well as certain pro-SALT advocates who hope to use the treaty as a springboard for a SALT III premised on stopping all technological advance—are also advocates of the "neo-Malthusian" global austerity policy.

The nasty irony is that if the United States adopts Sen. Henry Jackson's zero-energy-growth program, it won't be in any shape to sustain the arms race that will result when Jackson and Co. torpedo the SALT ratification.

* * *

Signalling that West Germany won't let relations with the Soviet Union go down the drain regardless of what Washington does, Chancellor Helmut Schmidt has decided to meet with Soviet leaders in Moscow before and after the June 27 Tokyo summit. The West German government made the announcement June 21, the same day Soviet Central Committee member L. Zamyatin arrived in the Federal Republic to host a forum of the Soviet-German Friendship Society.

Zamyatin, who holds the key post of director of Foreign Information, lauded West German-Soviet relations as a "model of partnership" which was forged last year with the historic summit between Schmidt and Brezhnev and has reached "a new quality."

* * *

The U.S. trucking industry would be effectively deregulated by 1981, if the legislative proposal jointly announced by President Carter and Senator Ted Kennedy is made into law.

The "Trucking Deregulation and Safety Bill" unveiled by Carter and Kennedy at a White House press conference last week stops just short of full deregulation, but incorporates many of the features of a full-deregulation proposal circulated by Kennedy.

Its principal features are: immediate removal of return-trip and intermediate stop restrictions and of restrictions on hauling of must regulated commodities by December, 1981; easier entry qualifications for most prime routes; elimination of the collective rate-making process. Each measure favors "independent" truckers over major unionized carriers.

The disastrous effects of such deregulation are analyzed in this EIR's ECONOMIC SURVEY.

* * *

Marijuana legalization opponent Fausto Charris of Colombia, South America will be arriving in the United States for a national organizing tour—despite the State Department's efforts to keep him away. Charris, the head of the 120,000-member National Agrarian Federal (FANAL) in Colombia, was originally denied an entry visa to the United States after he had been invited by the New York-New Jersey Anti-Drug Coalition to address a June 24 meeting in New York City.

The visa was finally granted June 21 after dozens of protests reached the State Department from religious, political, labor, academic and other leaders in the U.S. and Colombia.

The State Department's original pretext for denying the visa was "financial insolvency," although the Anti-Drug Coalition has guaranteed his expenses. But at the same time Foggy Bottom tried to keep Charris in Colombia, the U.S. Embassy in Bogotá invited a leading advocate of turning marijuana into a legal "cash crop" for Colombia, Ernesto Semper Pizano, for an extended visit to the United States. Presumably no pro-dope spokesman is considered likely to be "insolvent" by State?

OECD, Blumenthal demand 'sacrifice'

But Europe may cofinance petrodollar credits for Third World instead

The past week's array of public statements confirms that the Carter administration and the IMF are bent on using the energy shortage to shut down the economies of the advanced sector and underdeveloped sector alike. It is by no means certain, however, that they will be able to subtract the $30 billion-plus 1979 petrodollar surplus from world credit availability, short of war.

Not surprisingly, Arab financial policymakers are reluctant to turn over their oil receipts to either the IMF or the U.S. banks who have recently endorsed

INTERNATIONAL CREDIT

IMF control of international lending. According to Arab banking sources, Arab OPEC members are expanding their aid to the Third World through their own financial institutions and commiting large proportions of their remaining cash flow to European banks (see interview). While the Gulf states remain more oriented to sterling purchases at the dollar's expense, and deposits with London-affiliated Swiss banks, certain Saudi and other Arab forces are reportedly looking toward the financial correlative of the energy producer-consumer cooperation ... by France and West Germany.

IMF policy in the open

"There isn't any escape from the reduction of real incomes caused by higher prices for imported oil. Claims for compensatory increases ... in incomes will only make matters worse." This was the core of the final communiqué endorsed June 14 by the finance ministers—led by U.S. Treasury Secretary Blumenthal—of the Organization for Economic Cooperation and Development (OECD), the Western industrialized nation's forum. The communiqué embodies what the IMF and Washington have dubbed the "unlocomotive" theory—austerity for the entire advanced sector, with all the consequences that implies for Third World trade and credit.

Along with prescriptions for quickly jacking up the industrial nations' domestic oil prices to world levels, cutting oil imports over 5 percent (an oblique reference to Washington's bust-OPEC policy), and imposing drastic "conservation," the ministerial plan mandates "a cooling-off period" for the United States and "adjustment policies" for the advanced sector as a whole: "phaseout of uneconomic industries," "increasing the play of market forces," and "free trade."

The OECD meeting was billed by the press as a dress rehearsal for the June 26 Tokyo summit conference of seven Western leaders, and the outcome (except for the inclusion of nuclear power among the "alternative energies" urged by the ministers) was an impeccable duplication of Carter administration policy positions for the summit. Worked out with the International Monetary Fund (IMF), the plan specifies that (1) the U.S. deliberately "deflate," with IMF surveillance to ensure a sufficiently deep recession; (2) the $30 billion-plus petrodollar surplus and other international capital flows be diverted away from LDC investment and deficit financing, and into funding high-cost synthetic hydrocarbon projects in North America; and (3) Europe and Japan adopt austerity and "self-sufficiency" goals, abandoning the European Monetary Fund and its potential for channeling multibillion-dollar industrial development credits to the Third World.

The administration's perseverance in the synthetic fuels priority and its close consultation with the IMF in plotting a U.S. credit cutoff were first publicized by this journal. Treasury Secretary Michael Blumenthal, however, has made no secret of either his general policy direction or the degree to which it will override all remnants of the traditional American commitment to growth, advanced energy development, and the responsibility to disseminate them globally.

After some "tough months," Blumenthal told the London Internatinal Monetary Conference June 13, en route to the OECD conference, "an economic slowdown accompanied by an abatement of inflation" will reward his efforts. "Echoing the U.K. budget speech of Sir Geoffrey Howe, Britain's Chancellor of the Exchequer, with whom he conferred shortly afterwards," according to the *Financial Times* of London, Blumenthal said that the advanced sector must "change our fundamental approach to economic management," "emphasize the supply side" while holding down demand, and "liberate the U.S. economy from constraints bred of short-term expediency," such as the maintenance of living standards. Blumenthal's anti-Keynesian, free-market perorations on lagging productivity were followed by insistence on "conservation" measures that will send productivity into a secular tailspin.

Blumenthal then announced that the same policies must be applied to cut back international lending to the underdeveloped nations. Commercial banks cannot recycle petrodollars to the Third World without a banking collapse: "We must make sure these flows do not overburden individual institutions or we threaten the system generally," he said; the IMF and the central banks must "exercise adequate surveillance."

In one of what to date appear to be unanimous endorsements of this policy by the leading New York bankers, David Rockefeller June 13 revived Henry Kissinger's proposal for a $25 billion "safety net" kitty of funds to centralize conditional lending to industrialized nations in payments deficit. He also told the London-American Chamber of Commerce that private bankers should be forbidden to extend further LDC loans unless the IMF and its lending conditions are included in each consortium.

At the same time, the Third World is to be hit with slashes in the volume of U.S. import demand. In London and New York speeches, Blumenthal said that despite the 1979 increase in oil import costs, the U.S. trade deficit will decline by $6 billion—presupposing that swift, intense austerity and autarky measures will substantially shift U.S. trade patterns.

West German Chancellor Helmut Schmidt's right-hand man, Hans-Jurgen Wischnewski, tackled the issues in a June 15 speech to a Social Democratic Party meeting in Munich on "The Federal Republic's Responsibility in the World Economy." "International peace and security depend on stable economies," he said, bringing to mind the havoc inflicted by the IMF; "the worldwide division of labor also provides peace ... development aid must be given multilaterally and private industry should join in too."

Wischnewski, who is state secretary for the Chancellery, most directly challenged the IMF by stating that "Bretton Woods was necessary in former times but now it is no longer valuable. We need something like the Marshall Plan, which allowed the financing of German exports and gave cheap credits with low interest. ... That's what we need now too to develop the Third World. The developing countries need cheap credits to finance their imports and they need low interest rates."

For Arab authorities thinking along the same lines, the potential is clear enough. It is also clear that the ultimate Anglo-American veto of this policy is instigation of war. The financial and military breathing space that existed in 1967 and 1973 will not exist this time.

—Susan Johnson

'They will support the Third World....'

From a June 21 interview with an official of a leading Arab bank with French links:

Q: *Supposedly the dollar's weakness comes from Arab sales....*
A: After the three to four month gap in payments, the OPEC banks are pulling in extra oil funds. The Gulf states in particular want to diversify, they've bought lots of sterling, they see a negative effect on the U.S. economy from the oil prices.

Q: *This didn't use to be true of the Saudis; is it now?*
A: No, it's Qatar, Kuwait and so forth....

Q: *What's the propect for petrodollar recycling this time? The word is that private banks must be cut out and the IMF will handle Third World lending. Are the Arab members of OPEC willing to go along with that?*
A: No. On the contrary, they will make more use of their own institutions. They will subsidize the Third World and give it political support. The Islamic Development Bank is set for long-term lending; The Arab Monetary Fund is growing, it has a billion dollar capitalization now; the Kuwaiti Fund is involved in building up the Sudan, not to mention the Saudis' funds. They will have a low-interest policy.

Q: *Will Euromarket channels still be used for petrodollars too? Do you think Euromarket controls will go through?*
A: On the second question, they are impractical....

Q: *What if lending limits are imposed domestically in the U.S. and Europe on consolidated balances?*
A: Look, the Arab institutions can't handle the whole volume of funds. They are putting them through German and Swiss banks, in Eurodollar deposits, and a lot of money is going into France. Funds are being pulled out of the U.S., and put into gold. This is going to increase.

Q: *If there is this level of European and Arab coordination, and you think it has enough clout to hold off Eurodollar controls, doesn't it have something to do with the French and German support for a producer-consumer energy alliance, as opposed to the U.S. stand against OPEC?*
A: I can't comment on that, but I am very much aware of what you are talking about.

Remedy offered for dollar slide: recession

The dollar fell sharply starting June 18. By June 21, it had sunk to 1.857 marks, compared with a 1.915 average the week before, and 1.66 Swiss francs compared with 1.72. In yen terms, the decline was moderate; but the pound sterling rose from the $2.10 level to $2.13. Allegedly, the dollar's fall is due to continuing U.S. monetary expansion and the Fed Chairman William Miller's delay in precipitating a recession.

The underlying situation roughly parallels 1926-29, when the Federal Reserve was expanding the money

FOREIGN EXCHANGE

supply like mad, under an Anglo-American agreement to make sterling strong by comparison and maintain the pound's world reserve role—while the dollars piled up in a speculative pyramid. In 1929, Fed Chairman Benjamin Strong forced higher rates, London pulled out of the U.S. markets, and domestic speculators couldn't meet their call loans: Black Friday

This time the prearranged nature of the "recession" is being announced and applauded. G. William Miller has indeed refrained from crunching the money supply, while keeping the economy extremely vulnerable. Interest rates have recently moved downward, reflecting the short-term money supply bulge, and creating an important differential between New York and London.

Now, to defend the dollar, Miller is supposed to contract the money supply, hike interest rates, and gratefully accept the IMF's offer to supervise a recession. The borrowers and lenders who have rushed to the markets to get ahead of credit controls of higher rates will be placed under "surveillance." All this has been repeatedly urged by U.S. bank economists and columnists. The question then is whether the European Monetary System founders, especially West Germany and France, will stand by, let the dollar tumble, and advise the U.S. to take its contradictory medicine.

No one, least of all the IMF, actually believes a recession would be good for the dollar, any more than they believed their converse claims that Blumenthal's 1978 dollar-depreciations policy would be good for the U.S. economy. The choice for Europe is between letting the dollar go and making the EMS's European Currency Unit (ECU) into a "parallel currency" for "dollar substitution accounts"—a course openly urged last week by strategists like Robert Triffin who envison the EMS as an anti-dollar adjunct to the IMF—or consummating the EMS's original resolve to strengthen the dollar by concentrating foreign-held dollars into credits for mammoth Third World imports of U.S. and European technology. And the choice for OPEC leaders in the Middle East then becomes which kind of new Western leadership to align with.

For the first time during the week's dollar turbulence, the West German Bundesbank was reported June 21 to be heavily buying dollars after its token dollar support at the morning mark-dollar rate fixing. The Federal Reserve, in line with its November 1978 pledge, has also intervened substantially.

Within the EMS, the latest development was a row at the Luxembourg meeting of European finance ministers over the concessionary credit promised Ireland and Italy when they joined the system. Britain, which did not, insisted on receiving an equivalent loan; Germany and France refused; so Britain, as a European Community member, vetoed the other two credits.

At the same time, British entry this fall into the EMS continues to be mooted, along with British-inspired predictions that the EMS will fall apart (see below). The former contingency is geared by London to drawing Europe into administering austerity; the latter is their standard threat should the EMS activate its European Monetary Fund plan for gold-backed dollar financing.

—*Susan Johnson*

A 'parallel currency'?

In a June 15 article, "The EMS would not survive a dollar agony," *Les Echos reported on British scenarios to turn the European Monetary System against the U.S. dollar.* What is the future of the European Monetary System? Here are the views expressed by experts today at a colloquium organized by the Group for Economic and Financial Deliberations (GREF)...

Professor Robert Triffin of Yale set out the conditions under which the European unit of account, the ECU, could become a "parallel currency." "The European Fund for Monetary Cooperation (FECOM) would have to allow central banks to consolidate their dollar overhangs in ECU, in such a way as to preserve the liquidity of their assets," he said.

They would exchange these surplus dollars against fully liquid ECU accounts utilizable for balance of payments settlements; and FECOM could hold the funds it acquired in this way from the U.S. in a form which was traditional and indeed prestigious in the 19th century, that is "interest-bearing and offering an exchange-rate guarantee in terms of their denomination in ECU."

For M. Fredric Boyer de la Giroday, director of monetary affairs for the European Community Commission, the transformation of the ECU into a parallel currency will occur through an "evolutionary method."...According to him, it is above all necessary for public authorities not to obstruct this process, and even to favor the acceptance of ECUs by economic agencies and especially by banks, analogously to Eurodollars.

M. Geoffrey Maynard, economic director for Europe and the Middle East for the Chase Manhattan Bank, indicated the reasons why the new Conservative government in Great Britian is very likely to join the EMS.

The Tories seem more favorable toward the EMS than Labour was, and, he added, they see the advantage fo sterling appreciation and of a restrictive monetary policy....

M. Harold Van Cleveland, international economist at Citibank [coauthor of Atlantic Council and Council on Foreign Relations proposals for austerity and "controlled disintegration"—ed.] stated that the U.S. will remain the arbiter of the international monetary situation. "Without a monetary stabilization in the U.S.," he said, "European nations will be unable to maintain stable exchange rates among themselves."

WORLD TRADE

Europeans bypass multis in quest of oil

Have the Anglo-Dutch and Anglo-American major oil companies killed their proverbial golden goose?

A number of Western European nations, in self-defense against Seven Sisters oil price manipulation, recently deployed their diplomatic staffs to the Mideast to conclude bilateral state-to-state oil deals, completely bypassing the oil multis and their speculator friends on the Rotterdam and Genoa spot markets.

Most unsettling to the majors is the June 16 deal signed between the Italian state oil agency ENI and Saudi Arabia's oil agency, Petromin. The terms of the June 16 deal are that ENI will get an additional 2.5 million tons of crude oil in 1979, and 5 million tons in 1980 and 1981 each. The oil will be priced at the current official OPEC price of $14.55 per barrel, creating a considerable saving for Italy. (The current speculator-controlled spot price is $40 per barrel in some cases.)

Italy's ENI has also arranged for 3 million tons of oil from Iraq, 1 million from Syria, and a just-announced 1 million tons from Libya. This means that Italy has now more than compensated for the 7 million tons of oil that it lost from Iranian cutbacks. ENI is currently negotiating with Iraq to build a new refinery there, which may entail more Iraqi oil shipments to Italy.

The enraged oil multis are now threatening to launch an oil boycott against Italy—the same threat that was brought against Italy in 1974 and 1976—and earlier, when ENI was led by the Christian Democratic nationalist, Enrico Mattei. Mattei was aggressively pursuing the same panoply of state-to-state oil deals ENI is pursuing today. His efforts were cut short in 1962 when he died in a suspicious plane crash.

Italy is by no means unique in bypassing with increasing success the Seven Sisters and spot market speculators. In February, shortly after the Shah's downfall, Greece's Karamanlis government obtained oil from Saudi Arabia on a bilateral basis. Kuwait is reported to be directly supplying Japan. West German Foreign Minister Hans-Dietrich Genscher is now seeking similar arrangements for his country from the Saudis. Genscher was also just in Libya—whether the deal there goes through will depend on whether the Libyan government agrees to expand net production—and Genscher will be visiting Iraq on his return from the Tokyo summit.

—*Richard Schulman*

A 'wheat hoax' next?

Commodity columnists in the East Coast press have picked up the fact that grains and especially wheat prices on the futures markets were "going bananas," in the words of a trade source. As of June 15, cash wheat prices stood at $3.61 per bushel, up 6 percent from $3.42 in January, and up 12 percent from $3.21 in April 1978. Near July delivery prices showed the trend—climbing nearly 40 cents per bushel, or 10 percent, to $4.43 at Friday's close.

The speculation was fueled by assorted rumors having to do with a run-up in export demand for American wheat supplies. In the last two weeks, projections for a world wheat shortage and a drastic depletion of U.S. supplies have appeared in *Business Week* and the *New York Times.*

Since shortage hoaxes seem to be the preferred method for the Carter administration to put across its policies, it is plausible that this recent development is rigged to build steam behind the bill to establish a National Grains Board and the international wheat cartel for which it is a foundation-stone. The 1972-73 Soviet grain purchases, cited as the reference point for current developments, are of course a kind of lightning rod for the idea that the U.S. grain trade should be government controlled.

AGRICULTURE

True, the Soviet wheat crop is estimated to be down nearly 20 percent from a year ago—a fact which will undoubtedly increase U.S. wheat exports over the next year or two. True, also, that Argentina has about sold out its exportable supplies for this season, until December when Southern Hemisphere crops will again be available. True, Australia experienced some damage to exportable high-protein wheat, as well as transportation problems.

Ample supplies

But, as analysts in the USDA's Economic Research Service emphasized in discussions with *EIR*, the United States produces about 2 billion bushels of wheat a year and consumes a mere 7-800 million bushels domestically. As of April, American silos were stuffed with a 1.2 billion bushel supply—and the winter wheat now being harvested, projected at 1.4 billion bushels, is up a whopping 14 percent from 1978, despite government-imposed acreage restrictions. Furthermore, "intentions" for the spring planting, now almost completed, have risen 3 percent above month-earlier acreage estimates.

Far from a shortage crisis, the spurt in export demand will provide a spur to American grains producers whose productivity is virtually irrepressible, but who over the recent years have been bedeviled by falling prices. At $4.11/bushel cash, the government reserves are triggered, releasing the more than 500 million bushels into the market.

Ironically, as a spokesman for the National Wheatgrowers pointed out, the speculative activity in the wheat and grains markets is probably significantly prompted by the hoax that has hit hard in rural America. The "fuel priority" rating granted agriculture terminates on June 30—and no decision has yet been made to extend it to this one among the many industries heavily dependent on ample, cheap energy supplies. The crops are not threatened with sufficient fuel supplies this spring, but in the fall a new round of supplies is needed for harvesting the spring wheat and planting the winter wheat crop.

None of the commentators so assiduously puffing a shortage scare resulting from foreign purchases have mentioned this "factor" in the soaring prices.

A de facto wheat cartel?

Interestingly, one exporter, cited in a *Journal of Commerce* Commodity News Service (CNS) dispatch from Kansas City, reported that both Canada and Australia have deliberately held back wheat supplies, as he put it, "for market penetration, politics, or whatever, I'm not sure why, but some quantity has been saved for different reasons." The same source told the CNS that the Argentine junta had a similar stash, but he was unsure of its magnitude or how it would be handled.

These three countries—with the U.S., the top four grains producers in the world—have been meeting at the government level for two years to put together a wheat cartel to use as a political weapon. Touted as being modeled after and aimed at OPEC, the wheat cartel is a project that has been ill-received by American agriculture.

An effort is now underway to promote the scheme by means of establishing a U.S. "National Grain Board" to take sole jurisdiction over every aspect of grain exports, a prerequisite for effective working of the cartel. An executive member of the Bushel for a Barrel Committee, one of the Grain Board proposal's loudest advocates, told *EIR* that the export controls are really targeted elsewhere. "Actually, the Bushel for a Barrel isn't aimed directly at OPEC," the BFAB spokesman said. "They consume so little grain it wouldn't work." What we really want is to raise the prices for Japan and Eastern Europe. They can afford it.... As for the Third World, we aren't talking about food as a weapon. The Weaver bill would set aside funds for famine relief, or if Congress wanted to negotiate one-to-one deals, it could. But it's a disservice to those countries to sell them grain too cheap. Higher prices would encourage them to grow it themselves, to irrigate new land." Asked when they will get the funds to do that, he replied, "That's another question."

The bill, H.R. 4237, introduced by Rep. Weaver (D-Ore.) and 52 co-sponsors and the subject of two days of public hearings on June 5 and 6, is presently dormant, with no new action scheduled. Testimony on the legislation was, according to committee personnel, overwhelmingly negative—including, significantly, the major producer groups who were expected to be roped in on the guarantee of high prices.

—Susan Cohen

COMMODITIES

U.S. land policy fight may be oil multis boon

This year's U.S. Justice Department review of tendencies toward monopolization in the mining industry (a report Justice is obliged to put out annually since passage of the 1976 Federal Coal Leasing Act) doesn't bring a single U.S. mining corporation to task. Rather, the full venom of the report is directed against the U.S. Department of the Interior, which Justice calls the "biggest mining monopoly" in the U.S.

The grounds for the Justice Department attack are that Interior has oversight over that vast portion of U.S. land surface held by the federal government—one-third of total U.S. land surface—and that because of standing environmentalist legislation, Interior is refusing to give the land up for mining development.

Along the same lines, the General Accounting Office has just released a draft review of the results of joint work by Interior and the Department of Energy on non-fuel minerals leases. The draft was first presented during May hearings of the House Committee on Mines, where the GAO is reported to have lashed out at the paltry results of this collaboration between Interior and the DOE, leaving Interior Undersecretary Davenport speechless during her testimony.

On June 26, the House Committee on Mines will convene again, this time to review Interior's coal and coal-leasing policy. As one Committee staffer reported, "some interesting fireworks" are expected during that session.

From environmentalism to "big trusts"

The degree to which U.S. land development is presently hamstrung by environmentalist law is dramatized by the 1978 federal law suit, Hughes vs. NRDC (Natural Resources Defense Council). As a result of that suit, the NRDC, a privately-funded environmentalist organization controlled by Laurance Rockefeller, was given jurisdiction, or "final say," by the Department of Interior over allocation of leases on land bearing coal deposits.

Last month, when Interior Secretary Andrus announced that the federal government was going to issue leases for 1.5 billion tons of new coal development through 1981, Washington sources revealed that Andrus intended to hold private talks with NRDC to see if he could get an out-of-court compromise which would allow these leases to go through.

As ludicrous as present federal land policy is, however, all indications thus far are that Rep. Santini (D.-Nev.), his House Mining Committee, the GAO, and the Justice Department are launching attacks against the Carter administration to push a land policy which will have little benefit for the U.S. economy. According to Santini's staff, one of the major goals of the attacks underway is to force the Administration to repeal antitrust guidelines which currently hinder cartelization in the mining industry.

As matters now stand in the U.S. economy, however, any major push to allow greater trustification in mining can only benefit one group of corporations: the oil conglomerates, which are presently diversifying into raw materials. None of the other U.S. mining corporations—the largest included—are able to financially match the oil companies on bids for major land holdings, or on the expenditures which must be put into environmental protection equipment for new mines.

—Renée Sigerson

A progold policy for the U.S.?

At its June 11 annual meeting the Bank for International Settlements, the central bankers' central bank, decided to increase the valuation of gold on its balance sheet from the previous \$42.22 per ounce to \$208. The BIS move underscores the fact that the U.S. is one of the few major industrial countries which still maintains the fiction of a \$42 official gold price.

Earlier this year, the member countries of the newly formed European Monetary System agreed to pool 20 percent of each nation's gold reserves in a central fund and to value the pooled gold at a price closely related to world market prices, according to a formula devised by the French government. Although many EMS members continue to value the rest of their gold reserves at prices well below market price (most notably the West Germans, who price their gold at about \$75 in deference to the U.S.), the formation of the EMS represented a giant step toward complete gold remonetization. Even Britain, which has very little gold and which for years has cheered on the U.S. Treasury is its campaign to eliminate the "barbarous metal" from the world monetary system, revalued its own reserves to the market level less a discount of 25 percent on March 31 this year.

Despite gold's de facto remonetization, the Carter Administration has persisted in its anti-gold stance. The French daily *Les Echos* reported June 15 that U.S. Federal Reserve Board Governor Henry Wallich had made the following statement concerning gold at a recent conference of the Association for the Study of Economic Problems held in Paris. Asked what he thought of gold's monetary role, Wallich responded:

"Gold is at the bottom of the scale in central bankers' international reserves. It is in the right place. Central banks have to sell it to acquire other assets. Theoretically, it is possible to imagine that a central bank would like to make gold a standard, but in that case, why not potatoes as well?

"The essential thing in that context is to have an assured stock of gold, potatoes, or any other raw material in order to meet demands for reimbursement. Gold is doubtless a very interesting commodity, but it has a weaker and weaker role to play in monetary policy."

Commented *Les Echos*: "The U.S. sees such problems from a decidedly different angle than we do."

Ironically, the U.S. bias against gold, which began with President Nixon's August 1971 decision to sever the dollar's link to gold, has contributed mightily to the weakening of the U.S. currency during the 1970s. With approximately 265.5 million ounces in official stocks, the U.S. is still the largest single government holder of gold in the world, not counting the USSR, and stands to benefit heavily from a gold upvaluation. At present market prices of \$280 an ounce, U.S. reserves are worth \$74.3 billion. By comparison, the eight EMS countries together hold total gold reserves of 403 million ounces, worth \$112.8 billion at market prices.

Thus, if the U.S. were to join the EMS in remonetizing gold at market prices, approximately \$160 billion in additional liquidity would be created, literally "overnight." USLP chairman Lyndon LaRouche porposed last year that these upvalued reserves be utilized as the "collateral" for a major expansion in credits to Third World countries to cover their purchases of U.S. and European capital goods—a world economic recovery program.

The LaRouche plan must be distinguished absolutely from recent British proposals (see last week's column) which would restore gold's role but within a framework similar to the British-dominated nineteenth-century system. Under the British model, an economy which experienced a drain on its gold reserves would be cut off from access to international credit and would be forced to deflate. But, as LaRouche emphasizes, this British system is based on a fraudulent economic method: the expansion of paper credit is not in itself inflationary; inflation is caused by the failure to reinvest the nation's economic surplus productively.

—*Alice Roth*

BRITAIN

Britain clamps lid of secrecy on economic bad news

Investors tempted by high interest rates to increase their holdings of British pounds or buy up Government securities may be betting on a dead horse. The British economy is in such bad shape that Treasury forecasts on unemployment and inflation have been suppressed because of their "acute political sensitivity," according to the *Sunday Observer*. In addition, trade figures for May, published this week, would have been three times worse were it not for the camouflaging effect of North Sea oil revenues and the fact that strikes by the computer staff prevented up-to-date calculation of trade statistics.

Economic projections for 1979-1980 prepared by the British Treasury are so daunting that officials have been told by Ministers to shy away from any mention of them. Government departments, such as Employment and Industry, which normally receive detailed price and employment forecasts with their copies of the Exchequer's Budget, received no such breakdowns this time around. The forecasts, part of a batch of short- and medium-term assessments of Britain's economic prospects for the next five years, present a picture which the Tories have good reason to want suppressed.

The forecasts, leaked to the *Observer* and the *Economist*, present the prospect of an almost stationary economy, in which unemployment rises from 1.4 million to above two million, inflation builds toward 20 percent, and the balance of payments poses "permanent constraints" on further government spending.

The inflation predictions which *were* made public by Chancellor of the Exchequer Sir Geoffrey Howe, in financial statements accompanying the Budget, indicate that inflation will rise to at least 16 percent by the third quarter of 1979. However, one day later, the Secretary for Social Services was forced to disclose that inflation in the 12 months ending this November was expected to rise by another one and one half points to 17½ percent. Ministers are forcefully

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BANKING

Financial Times meet maps fire sale of U.S. banking system

The London *Financial Times* June 18-19 conference on World Wide Investment in the United States, held in New York, resembled a post-fire auction of the U.S. banking system. Conference addresses by conference chairman Lord Thomson of Monifieth, former British EEC Commissioner, Edward Palmer, Chairman of the Executive Committee of Citibank, and Frank Weil, U.S. Assistant Secretary of Commerce, told the largely British and Anglophile audience that the U.S. dollar is probably finished as the world currency. It might yet be saved, they said, if only a large part of the U.S. banking system and economy could be sold off to foreigners, generating a capital inflow into the dollar.

New York State Banking Superintendent Muriel Siebert, who has vigorously fought what she termed "foreign control of U.S. capital assets" in the case of Britain's Hongkong & Shanghai Bank's attempted takeover of Marine Midland, notably failed to lend any note of reason in her luncheon speech to the gathering. Focusing on the generalities of New York State's tax breaks for foreign investors, she failed to even mention the multiple foreign bank takeovers of New York banks.

In Albany, Siebert's political opponent New York Governor Hugh Carey, took the opportunity of the Superintendent's low profile June 20 to veto her "Takeover Bill" (New York Senate 3333) which would have given the New York State Banking Department the right to actually prevent foreign banks from buying shares of New York banks. (At present the Department may block the voting of such shares once purchased.) New York Senate supporters of Siebert doubt they have the votes to override Carey.

Siebert did tell *EIR* June 18 that, contrary to Albany rumors, she "didn't intend to let the Takeover Bill's possible defeat influence her decision on HongShang. "I intend to rule before June 30," she said, but refused to indicate for or against the takeover.

Dollar fundamentally weak

Lord Thomson first set the tone with his opening remark that the recent denying that inflation levels will go beyond 20 percent this winter, but they accept that there is a possible margin of error of at least two percent.

The Henley Center for Economic Forecasting has already computed that unemployment will rise to 3 million or more by the 1980s unless the government takes immediate action. Measures recommended by the Henley Center include compulsory national service and a switch from academic to industrial training.

The appalling trade figures for the first half of 1979 are seen by the Treasury not as a freak, but as the confirmation of a worsening trend. The picture outlined by the forecasts is "so unrelievably gloomy", says the *Observer*, that it has reinforced the Government's belief that the country is in danger of going into absolute economic decline. Even the staid London *Economist* admits that the outlook shows a "real slump in Britain, while the industrial world merely slows down."

The Tory government meanwhile still contends that all the economy needs is a cold douche of "free enterprise." But neither workers nor industrialists have yet been convinced that bankruptcies and lengthening dole queues caused by the withdrawal of state subsidies to the industrial sector can produce an industrial revival.

When Thatcher's Industry Minister, Sir Keith Joseph, took the message about "free enterprise and individual initiative" to workers at the Govan Shipyard in Glasgow last week, he was nearly booted out. Nine hundred jobs at the shipyard are scheduled to come under the government's knife. After visiting the Prestcold refrigerator factory where workers have been fighting a losing battle to keep the plant from being shut down, Joseph complained that Scottish workers shared the same "cultural" problems with their counterparts in Britain—a "bias against enterprise and an overwhelming assumption that salvation would come from the government."

Adding to Sir Keith's headaches, a three-day British Institute of Management conference entitled "Enterprise '79"—at which the commercial virtues of private investment were to be spelled out by entrepreneur Sir James Goldsmith, Michael Pocock of Shell Transport and Trading, and Sir Keith Joseph himself—had to be cancelled for lack of interest.

—*Marla Minnicino*

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year's collapse of the U.S. dollar is the major reason why the U.S. economy, especially its banking sector, is a "doubly good buy" at present, the other being the depressed U.S. stock market. Dollar weakness, he said, is fundamentally expected to continue, making these prospects even more favorable.

Following him, Citibank's Mr. Palmer outlined why this means that foreign banks should take over increasing slices of the New York banking markèt. "New York has been a beneficiary of the dollar's continuing long-term fall because it has encouraged increasingly foreign institutions to purchase banking assets here," he said, "thus turning New York into an increasingly international money center. Of course," he admitted, "the presence of U.S. banks in the world's top ten in terms of banking assets has slipped dramatically because of the dollar's decline."

This must be dealt with, Palmer said, by further deregulation of the U.S. banking system under proposals such as the New York free banking zone, which would turn the U.S. into another London Eurodollar market. "Our assets have been regulated, taxed and supervised down," he said, and we need the free zone to stop this.

U.S. Assistant Secretary of Commerce Frank Weil was equally eager to sell the U.S.—particularly to the British. He began by asserting, "We are too xenophobic vis-à-vis foreigners ... and have too many laws governing foreign investment. ... Since we have a serious shortage of technology in the U.S., we can benefit as we did 120 years ago when the British built our railroads, from new foreign investments in technology."

Foreigners should be allowed by new laws to purchase as much of the economy as possible, Weil contended. As his best example, he cited the pending purchase of Marine Midland by HongShang. "The foreign banks will own some 11 percent of U.S. banking assets ... once again, foreigners will lead us in investment here as they did in the 19th century. ... In this context, we must reconsider laws in some 20 states which now restrict ownership not only of banks but of land, industry, etc."

Winfried Spaeh, Executive Manager of Germany's Dresdner Bank in Frankfurt, was the only speaker to deliver even a weak call for the dollar to remain the international currency. He added, however, that the dollar's weakness "only underscores the importance of foreign banks' establishing a foothold in the U.S.," so as to have a secure source of dollars in the event of a major Euromarket crisis. For this reason, Spaeh said, he would "welcome the establishment of an offshore Eurocurrency market [free zone—Ed.] in the U.S."

—*Kathy Burdman*

Deregulation: the road to

Last week, President Jimmy Carter met with Senator Edward "Ted" Kennedy to discuss joint action on the deregulation of the American trucking industry. Next week, Kennedy is expected to introduce legislation that would fully deregulate trucking within the space of a few years' time, the Carter administration backing the bill.

The Kennedy-Carter bill is the outcome of a campaign for deregulation led by the "liberal" Brookings Institution, the "conservative" American Enterprise Institute, Hapsburg economist Milton Friedman, and the British intelligence Heritage Foundation among others. Some or all of these persons and organizations have taken a hand in drafting the proposals and the legislation, and admittedly, have employed the British trucking system as a model.

As one would expect of any application of British methods—look at Britain—trucking deregulation would be an unmitigated economic disaster for the USA, which is precisely what nine former Interstate Commerce Commissioners called it in a June 14 press release: "a prescription for national disaster ... hacking our transportation system into thousands of disjointed members ... a fragmented national transportation system that would lead toward the Balkanization of America."

The commissioners do not exaggerate. Below, we will detail what British System deregulation will cost the American economy—both the trucking industry worker and the consumer—through

1) costly inefficiency—$7.2 billion;

2) reduction of service to rural communities—$4.4 billion;

3) higher insurance costs due to higher accident rates—$3.5 billion;

4) cuts in wage scales of unionized Teamsters—$5.1 billion.

These costs of deregulation will run to more than $20 billion per year, or about $100 billion over the next five years. These are charges against the economy's ability to grow, large enough to cause economic disaster

In this section

This week's ECONOMIC SURVEY continues *EIR*'s precedent-setting reporting based on data prepared using Lyndon H. LaRouche's computerized Riemannian economic model. Prepared by a team including two authors of the bestselling exposé *Dope, Inc.*—Costas Kalimtgis and *EIR* economics editor David Goldman—labor editor L. Wolfe, Richard Freeman and Linda Frommer, our report on the devastating impact that deregulation of the trucking industry would have on the U.S. economy will appear in a substantially expanded version as a U.S. Labor Party brief, *Deregulation: a disaster worse than Vietnam.*

Back to the mob

There are two *primary* effects deregulation will provoke. One is gigantic, but calculable: the reduction of the overall productivity of the American economy. The other is perhaps even more gigantic, and beyond the range of calculation: the growth of the illegal narcotics traffic.

What it boils down to is handing the trucking industry back to organized crime, where it was in the 1930s, before the ICC and the Teamsters gave it back to the public. In the middle stand the "independent" truckers.

The independents cannot make a living without

transport chaos

consuming and hauling drugs. How much of their living, exactly, does this account for? No one knows precisely, but we can make a pretty sound guess. The volume of illegal goods traded in the United States is estimated at well over $250 billion a year. That includes $100 billion of illegal narcotics. Assume that the independents haul $100 billion worth of such illegal goods per year (actually, they haul virtually all of it). Then assume that the trucker takes 2 percent of the value of such goods. Since the best regulated carriers take about 1 percent of the value of the legal freight they deliver, 2 percent is close to the going rate for hot goods. That means that the independents take about $2 billion per year in payoffs for handling illegal goods. Estimates of the independents' legitimate income range from $4 billion to $6 billion.

The precision of any of these estimates is not important; it is indisputable that the owner-operators, by their own testimony and by the numbers, are locked into an outlaw existence. Handing the pick of the routes to this element represents a takeover of the legitimate economy by the illegal economy, including the drug traffic.

How much does Senator Kennedy know about this? The gentleman from Massachusetts took dope money during his last Senate campaign, in the form of a contribution from Joseph Linsey, Meyer Lansky's chief business partner in the New England area. Among the other things Kennedy wants to deregulate is the marijuana traffic; he is one of the Senate's most vociferous advocate of marijuana deregulation.

There is a sinister continuity in the Kennedy family's attitude toward the trucking industry and the International Brotherhood of Teamsters. The entire "Get-Hoffa" squad, from hitman Walter Sheridan on down, of the old Kennedy Justice Department now works for the two best-identified "legit" outlets for organized crime and narcotics trafficking in the United States. These are the convicted racketeers of Emprise (renamed Sports-Systems) and Resorts International and its subsidiary, International Intelligence. The Kennedy family's roots in the underworld go back three generations, and most prominently to old Joe Kennedy's bootlegging partnership in the infamous Renfield Syndicate of the 1920s. What does the Kennedy family *not* know about hot freight? Organized crime got taketh away from, and organized crime wants it all back.

What is the economic damage of the destruction of the minds of half the youngsters—the proportion of American youth who use illegal drugs—in this country? How much does half a generation earn during its productive lifetime? Turning the transportation industry over to Dope, Inc., is a big step in a hellish path that will cost the United States tens of millions of lives and tens of trillions of dollars. The numbers are shattering, beyond comprehension.

However, there are costs we can calculate, which are horrifying enough in their own right.

Transport and productivity

There are two things wrong with the argument for deregulation.

The first is that the would-be deregulators lie about *what* the industry is. Secondly, they lie about *who* the industry is. Every one of them treats the complex, technologically advanced distribution system as if it were mere road haulage. This is nonsense. Next, they assume that since the industry is mere road haulage, one competitive unit is the same thing as another. In fact, there are 17,000 regulated carriers who have worked their way into the last quarter of the 20th century, and about 100,000 owner-operators who haven't, and couldn't possibly. In what high-technology, capital-intensive industry can a businessman get a start with $25,000 in capital, less than the cost of the most modest family home?

Having lied, the deregulators feel confident in saying "that in a free market the quality of service would depend on customer needs and desires, that it would certainly not necessarily be worse than it is now and would probably be better in remote areas, and that regulation has fostered both monopoly and costly inefficiency." The speaker is Dr. Thomas Gale Moore, high priest of Adam Smith at the Herbert Hoover Institute at Stanford University, the thinktanker whom the deregulators quote most often. Apart from his prestige position at the Hoover Institute, Dr. Moore is the leading theoretician for the so-called Libertarian Party, a kook group led by one Roger McBride. The Libertarian Party wants to deregulate trucking, deregulate the rest of the economy, eliminate income taxes, legalize prostitution, sodomy, pederasty, and the dope traffic.

Moore is especially shameless about his ideological warp: he explicitly praises Britain's ten-year-old system of trucking deregulation as a model for the U.S. That recommendation takes a considerable amount of courage in view of the state of the British economy, the industrial world's basket case of obsolescence. Even so, the best he has to say about British trucking is that "The effect of the 1968 Transport Act on the British trucking industry has not been great. Profits have apparently remained stable ... prices have tended to decline, and service quality has been little affected."

Dr. Moore, so to speak, slit his throat with his own pencil by making such a statement. It *is* true that overall British trucking rates fell ever-so-slightly after deregulation, relative, of course, to other prices. (During the same period, American freight rates—relative to other prices—fell by a staggering 38 percent in the Middle Atlantic rate conference).

Deregulation leads to lower freight costs, Moore asserts—or does it? Another more discerning expert on the trucking industry points out that in the case of Britain, overall rates may have fallen, but for a simple reason: the British trucking industry has pathetically low levels of capital investment. To be precise: full truckload rates fell by 10 percent, while less-than-truckload rates—for the kind of shipment that requires distribution terminals—rose by a staggering 40 percent!

The only reason that overall rates for motor transport fell in Britain is that the British carriers are too backward to handle less than a full truckload under most circumstances. That is an impressive indictment of the British trucking industry, and the British economy in general. A truckload is usually defined as five tons of goods, although modern rigs can carry up to four times that amount. In the United States, most freight travels in less-than-truckload volume—which means a merchant can order a shipment weighing a few hundred pounds and get 24-hour delivery. In Britain, the same merchant or other shipper will wait for days until a full truckload to his area is filled. The difference is that in Britain, motor carriers make practically no investment in efficient terminal facilities. In the United States, half of carriers' expenses pay for terminal facilities.

In a 1976 critique of deregulation, the Interstate Commerce Commission's Bureau of Economics calcu-

Dereg will 'Balkanize' U.S.—former ICC members

Nine former members of the Interstate Commerce Commission issued a state-ment June 14 warning that plans to deregulate the U.S. trucking and transportation industry would lead toward the "Balkanization" of America. The nine were Owen Clarke, Robert J. Corber, Abe McGregor Goff, Dale W. Hardin, Alfred T. MacFarland, Donald P. McPherson, Robert W. Minor, Rupert L. Murphy, and Charles A. Webb. Excerpts from the statement follow.

We are former members of the Interstate Commerce Commission whose combined service in that agency totals 71 years and five months. Our service spans the period beginning July 10, 1953 and ending August 31, 1978.

This statement is published in the hope that it may clarify a few basic issues in the current debate on regulatory reform for surface transportation. Our statement implies no criticism of incumbent Commissioners. Sharp differences of opinion exist within the transportation community on the extent to which surface transportation should be regulated. Such differences exist among ourselves....

The conflicting claims of individual carrier action and creation of a system of transportation were first resolved by Congress some 92 years ago. The Congress rejected rampant individualism, on the one hand, and, on the other, state socialism and nationalization of transportation. Charting a safe course between license and regimentation is not a problem peculiar to transportation but the consequences of navigational error are devastating.

There is an essential difference between an industrial cartel and a carrier rate bureau. Members of an industrial cartel have no obligation to create and to operate, for example, a national steel system, a coordinated electronics system, or an integrated system of supermarkets. On the contrary, our economic Magna Charta, the Sherman Act, prohibits any such form of cooperation because it is unnecessary and would deprive the public of the benefits of relatively unrestrained price competition. On the other hand, the concept of a national surface transportation system comprised of privately lated what would happen to American trucking rates if the United States took the British route. The ICC applied a 10 percent rate decrease to the $13.6 billion in currently regulated truckload deliveries; it then applied a 40 percent rate hike to the $21.4 billion worth of less-than-truckload (LTL) shipments. The result is a net *increase* of $7.2 billion, or more than 20 percent!

In Britain, average delivery time is roughly 96 hours; in regulated (and technologically advanced West Germany), over comparable distances, delivery time is roughly 24 hours, or one-quarter as much. Delivery time in the regulated American industry, adjusted for much greater distances, are in the same range as the far-superior West German performance.

Britain is, of course, a special case, and it is not sufficient to say that deregulation in the United States will have the identical effect; in Britain, so many things have gone wrong that it is misguided to attribute any feature of economic breakdown to a single cause. However, all the evidence from the United States shows that deregulation means the elimination of advanced terminal facilities capable of efficiently handling LTL shipments.

This is not merely what the American Trucking Association says will happen. That is what has happened. Two states, New Jersey and Delaware, have been deregulated for intrastate haulage long enough to bear examination. In both states, not one trucking company will accept less-than-truckload shipments in intrastate commerce. Deregulation has prevented the carriers from making the required investments in terminal facilities.

Again, the question is, who is being deregulated? Deregulaton means giving 100,000 semi-outlaws unrestricted access to every transport route in the country. That is why the American Trucking Association is so terrified of the deregulation plan. It is not a matter of whether individual companies stand to gain or lose; possibly, some of the larger carriers might gain at the expense of less efficient rivals. However, the industry as a whole—and its service to the public—would suffer. What industry spokesmen emphasize most often when they speak of deregulaton is the danger of pure chaos. After five years of high fuel prices and borderline existence, the independent truckers would leap into now-restricted markets like a pack of baboons inviting themselves to a church picnic. Under present conditions, the owner-operator must do business on terms set by the regulated carrier—at least during the daytime. To a great extent, he hires out to major carriers, in return for a percentage of the revenue on a specific haul. Deregulation would turn the tables. The independents would flood the most lucrative routes with lower bids.

In 1976, the American Trucking Association asked carriers what they thought would happen under deregulation. Asked whether a temporary rate war would break out, the carriers responded as follows:

Very likely	79.2 percent
Possible	17.8 percent
Unlikely	3.0 percent

Asked whether there would be eventual increases in shipping costs to consumers, the response was:

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owned carriers of different modes necessarily requires the system to be guided by collective action subject, of course, to whatever degree of regulation may be necessary to protect the public interest.

No developed nation has ever denied itself a national system of transportation. The systems are either owned and operated by the government or created and managed by the cooperative action of privately owned carriers under governmental regulation....

Our concern is not that total deregulation would revive "the law of the jungle," or "cutthroat competition," or return the common carrier industry to its condition in the Great Depression. In passing on the extent of deregulation, our concern is that the public may not fully understand the necessity for retaining a national system of transportation. No such system could exist in the total absence of regulation because the antitrust laws would condemn the collective activities required to make it operable.

Savings inflated

The savings generally attributed to total deregulation are inflated if it is assumed that users of transportation will be protected to the same extent as consumers of goods and other services. If the industry were made fully subject to the antitrust laws and fair trade legislation, litigation in the courts and before the Federal Trade Commission could be costly, time consuming, and confusing, again assuming that the full range of consumer protection is to be accorded to transportation users.

Although we doubt that total deregulation would return the surface transportation industry to its condition in the 1930s, it should not be forgotten that the condition was appalling. A rail transportation system existed but it was debilitated and much of it in bankruptcy. No motor common carrier system existed in any meaningful sense.

Although we differ among ourselves on the optimum degree of economic regulation for surface transportation, we are unanimous in believing that a national transportation system must be preserved and that the Congress should address this issue as soon as possible. Neither the Commission nor the courts can revitalize the nation's surface transportation policy without Congressional guidance....

For almost a century, surface transportation has functioned as a

Very likely	75.1 percent
Possible	20.3 percent
Unlikely	4.6 percent

D. Daryl Wyckoff of Harvard University painstakingly gathered data on the independent truckers through thousands of questionaires; his published results provide the most accurate available profile of the independent truckers' operations.

According to Wyckoff, the independent trucker normally pays slightly over 5 percent of his total expenses to a broker who arranges a shipment of unregulated goods, such as agricultural produce. If the independent, who does not have authority to carry regulated goods, chooses to work on a rural route carrying exempt goods, his fee to the broker is quite low. However, if the independent contracts with a major carrier to carry regulated goods, he typically pays 25 percent and more of this total expenses in return for authorization to haul on a regulated route.

Why would the independent shell out one-quarter of his total expenses to work an ICC-regulated route, when finding exempt goods only costs 5 percent? The reason is that the major intercity routes are far more profitable than rural routes. This is the reason for the ICC's system of route authorization: to operate on the more profitable routes, a carrier must also agree to operate on the less profitable routes. Otherwise, the less profitable routes would get little or no service.

Although the big motor carriers do not report how much of their profits come from different types of routes—often, the same haul includes both intercity and less traveled areas—we can obtain a pretty good approximation of what the difference is. Wyckoff estimates that the independent will pay from 25 to 40 percent of his total expenditures to obtain temporary use of a route certificate, instead of a 5 percent fee for a broker who finds exempt commodities for shipment. This implies that hauls on the major intercity arteries are 20 to 35 percent more profitable.

That range is a good enough estimate for our purposes. What stands out is that the industry's total profit margin was only 16.4 percent in 1977. In other words, the industry's overall profit margin was *less* than its profit margin on the major intercity routes. (If the profit margin on these routes was not in the range of 25 to 40 percent, no independent trucker would go near them, for obvious reasons). Judging from these numbers, the regulated carriers often absorb a *loss* in hauls to rural routes in order to obtain the privilege of operating on the most profitable routes.

Now it is clear what deregulation would set loose. First of all, the independents would no longer have to pay for route authorization on the most profitable hauls. Since they are now paying over 25 percent when they contract out to regulated carriers, they could cut rates on such routes substantially—although only on full truckload deliveries. The regulated carriers would have no choice but to cut rates in tandem, eliminating the profit margin on the profit-making portion of their business.

The big question is, what will the destruction of the American system of regulated road transport—high wages combined with high capital investment—do to

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national system. In the beginning, it was sufficient to outlaw discrimination, to require just and reasonable rates, and to permit the railroads to satisfy those commands by collective action. When it became necessary to create a more highly integrated system, the Congress responded with the Transportation Act of 1920 to curb unnecessary expansion and to encourage rationalization of plant. When, for constitutional and for other reasons, the States proved unable to foster a national motor carrier system, the Congress enacted the Motor Carrier Act of 1935. Water carriers were recognized to be part of the national system by the Transportation Act of 1940, which also provided a charter for the fair and impartial regulation of the rail, motor and water modes.

A multi-modal system

That charter, called the National Transportation Policy, has served as the touchstone of regulation for 39 years. At the heart of the policy is the conviction that surface transportation should be regulated as a multimodal system, not as a horde of disconnected carrier enterprises. The 1940 Congressional declaration of the National Transportation Policy has as its sole objective: "To ensure the development, coordination, and preservation of a transportation system that meets the transportation needs of the United States...."

... The essential difference between common carriers and businesses not subject to economic regulation is that carriers must work within a system which serves all other businesses, regions, localities, ports and the traveling public, without discrimination and at reasonable rates. No transportation concept has won greater support than intermodalism; the idea that not only carriers but also modes of transportation should work together in forming a national system so that any commodity can be shipped from any point to any place by any means with a minimum of trouble and expense. For transportation the concept is sound, as shown by the remarkable growth of piggyback and other intermodal movements....

Balkanization of America

If carriers, subject to the supervision of the Commission, are denied the opportunity to consult, confer, and take collective action, the carriers will not be the principal losers. The

the nation's economy? Within months, the system of distribution terminals would begin to decay. Within a few years, the industry would be thrown back to the obsolescent condition of its British counterpart; the terminal system would cease to exist. Delivery time would increase several times over. A good rough measure of the rise in delivery times can be derived from the British example. After deregulation hit Britain, delivery time rose from about two and one-half days to four days for an average shipment. However, Britain's starting point was far inferior to the present-day American system of transport. The longest haul in the British Isles, London to Glasgow, is no farther than Los Angeles to San Francisco. "And if you can't make LA to Frisco an overnight run," stated a spokesman for a leading California carrier, "you're out of business." A much better comparison is West Germany's typical twenty-four hour delivery time and Britain's ninety-six hour delivery time. As American terminal facilities fold up for lack of maintenance, the delivery time of most goods will rise by a factor of four.

For an economy as advanced as that of the United States, a rise in delivery time from West German levels to British levels means a collapse of productivity. However it is measured—usually as output per man-hour—*productivity is a function of time*. The time it takes raw materials to become fabricated materials, or fabricated materials to move through an assembly line, or parts to move from one plant to another, or finished product to move to the wholesaler, or wholesale goods to move to the retailer, is the measure of the nation's productivity. There is not a single product of the U.S. economy that does not depend on motor carrier deliveries.

We can measure the increase in the time it takes a single commodity to move through the economic cycle of production and distribution, and see precisely what effect deregulation—the quadrupling of delivery time for road transport—will have on productivity. Then, using the LaRouche economic model, we can determine what effect the deregulation-caused decline in productivity will have on the nation's economy over the next several years.

Average delivery time by motor carrier in the United States is now approximately one and one-half days. Measured against the time that a commodity now spends in a manufacturer's inventory, a pretty good measure of the length of the production cycle, delivery time is an insignificant factor. Typical inventory time is now roughly 39 days, measured by the inventory-to-sales ratio. Delivery time adds only one-twentieth under the regulated system.

However, if delivery time increased by a factor of four, as we project under deregulation, delivery time would count for almost one-sixth of the length of the production cycle. That constitutes a staggering reduction of the nation's productivity. In the terms of the LaRouche economic model, each year, each section of the economy which depends on road transport would yield one-sixth less surplus tangible product, that is, tangible output in excess of basic maintenance requirements. Each year, that much less output would be available for new investment, export, or improvement of living standards.

Is the projection of a fourfold increase in delivery time

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losers will be shippers who no longer have a voice in the ratemaking process; ports denied rate equalization; and producers of countless commodities who can no longer compete on the basis of price because of their inability to overcome local disadvantages. A fragmented national transportation network would lead toward the Balkanization of America. The barriers to commerce imposed by State boundaries, which the Founding Fathers leveled by the Commerce Clause of the Constitution, would reappear in the form of barriers raised against the free flow of goods from mode to mode and from carrier to carrier.

We recognize respectable arguments can be made both for tightening or for relaxing economic regulation of surface transportation. Total deregulation, however, poses the question whether the nation would be better served by a national system of surface transportation or by no system at all. A decision on a question of such import will not be durable unless it is made by Congress.

Nothing more clearly reveals loss of faith in a national transportation system than the proposal in the Railroad Deregulation Act of 1979 (S. 796) for a Railroad Transportation Policy as an exception to the present National Transportation Policy. If such an exception is sound, separate policy statements for the bus, trucking, water carrier, and freight forwarder industries followed by interment of the multi-modal National Transportation Policy would appear to be a logical extension. Secondly, the bill would split the rail system into its component parts by repealing the requirement for joint rates and by emasculating the conference method of rate-making. Hacking our national transportation system into thousands of disjointed members is a prescription for disaster. Once the system is dismantled, its rebuilding would be as difficult as construction of the Tower of Babel, and for the same reason.

In transportation, as in communication, the system is the solution.

an exaggeration? Probably, it is an understatement. In the United States, the average over-the-road haul is about 600 miles. In Britain, the average haul is 68 miles, or slightly over one-tenth as long. To maintain the world's speed record for delivery, the American trucking industry uses the most skilled labor and the most advanced facilities in the world. For this reason, America is one of the only places in the world where speed and reliability of delivery may be taken for granted by the farmer, the consumer, the manufacturer, and the retailer. The transport network is like a machine, each part of which is kept in top working order. Remove the current levels of investment in the terminal system, and reduce investment to below breakeven level, and the machine will fall apart.

For purposes of calculation, however, we will make every possible concession to our adversary's argument, erring, if at all, on our adversary's side. Our computer simulation of the effects on the economy of deregulation is programmed to calculate only an increase of 1.5 days to 3 days on American trucking's average 600-mile haul. The results are those we have described above.

Reduction of service to rural communities

One-fifth of American economic life is conducted outside the major metropolitan centers, according to the U.S. Department of Commerce. Because the economic statistics of many metropolitan areas are inflated by suburban sprawl, the agricultural, mining and manufacturing importance of non-urban areas is disproportionately greater than the Commerce statistics show. When we speak of rural America, we have in mind the world's most productive agriculture, a high proportion of all manufacturing facilities, and sufficient mining capacity to meet most of the raw materials requirements of American industry. No other country in the world has succeeded so spectacularly in bringing outlying areas into the mainstream of economic life—and certainly no other country of America's great size.

For the citizens of this country who live and work in rural areas, transportation has not been a matter of concern—not, in any case, until the threat of deregulation came along. Two-thirds of America's communities are served exclusively by truck transport, and America's truck transport is the best in the world. The inventory of goods available to a consumer or parts or materials available to a manufacturer in these communities is on a par with the selection available in urban centers, because of quick and cheap truck transport. Even communities served by rail depend on trucks for most consumer and manufactured goods. Railroads do not usually accept shipments of less than 10,000 pounds—about what is usually called a "truckload" in the motor carrier industry. Most of these communities' needs are served with less-than-truckload shipments.

Because of the success of regulation—both the formal kind of the ICC and the less formal kind of the International Brotherhood of Teamsters—most Americans do not have to think of what they have to lose in efficient transport. If they visited other countries, such as Britain, Americans would be shocked by the contrast. There are no waiting lines in front of stores in the United States; no layoffs and short-time work because of parts that have not arrived; no shortages of retail items because of transport bottlenecks; no sudden variations in price depending on the whim of independent truckers. That is what the citizens of most countries, who depend on gypsy bands of independent truckers, put up with. Each shipment must be negotiated at wildly fluctuating prices; transport may be prohibitively expensive, or simply not available. In fact, transport is one of the single greatest barriers on the development of the rural economies of the world.

Motor transport created the map of the United States. Henry Ford did not manufacture cars—he manufactured cities. The Model T, strong enough to pull a plough and tough enough to take dirt roads, transformed collections of farming hamlets into new metropolises. Mere agricultural service centers became manufacturing centers. Instead of the backward, ignorant peasantry that has been the great drag on all other nations, America developed an educated, prosperous, forward-looking farming population, just as at home with machines as with livestock. This was not an accident, but the deliberate, aggressively fought-for policy of men like Henry Ford. And at each turning point in America's grand scheme of development, transport linking each section of the country together like the veins and arteries of a human body was the means of development itself.

What sort of damage the wanton amputation of the extremities of the body of the American Republic will cause, can barely be guessed at. It isn't simply a question of losing such-and-such an amount of overall industrial efficiency. Hitting at the economic life of rural America damages America's century-long chosen path of development: the transformation of outposts of advanced farmers into industrial cities. Not merely the capacity to expand, but the capacity to expand in the best way, and to the best places, will be in great jeopardy. The inestimably great efficiencies of maintaining chains of industrial feeder plants dotted through agricultural areas—the layout of America's industrial heartland in the Midwest—would cease to exist. Many essential rural communities would have to return to the mode of economic life of a century ago, if indeed there were any position to fall back to.

We have already shown why rural America would face amputation if deregulation were to come into effect. All the organizations which represent this vital section of America are fighting deregulation as if they

Table 1. Projected effects of trucking deregulation on value of U.S. industrial output, 1979-1987 (in trillions of constant 1979 dollars).

Year	Industrial output, no deregulation	Industrial output, with deregulation	Lost output
1979	$1.860	$1.860	$0.000
1980	1.996	1.990	0.006
1981	2.212	2.110	0.102
1982	2.244	2.167	0.077
1983	2.541	2.237	0.304
1984	2.708	2.218	0.480
*1985	2.923	2.320	0.603
*1986	3.154	2.360	0.794
*1987	3.404	2.408	0.996

The costs of trucking deregulation in terms of lost U.S. industrial output were calculated by a computer using Lyndon H. LaRouche's Riemannian economic model. Indicative of the model's ability to locate "qualitative" as well as quantitative nodal points in economic processes, the values in lost output for the years after 1984 (marked with asterisks) become so large as to become quantitatively meaningless: at this point, deregulation will have degraded the U.S. industrial economy to a fundamentally lower level of operation, in which dollar comparisons with previous levels of economic activity are meaningless.

were fighting for their lives. The National League of Cities, for example, passed this resolution at its December, 1975 annual convention:

> WHEREAS, this nation has the greatest transportation system developed in the history of any nation and,
> WHEREAS, the system now serves most communities with adequate freight service, and
> WHEREAS, deregulation threatens freight service to many small communities across this nation,
> NOW THEREFORE BE IT RESOLVED, that the National League of Cities opposes the deregulation of common carriers since it poses a threat to continuance of services to small communities.

There is absolutely no question that regulation would cut off rural America. The hard facts prove it. In 1976, the American Trucking Association asked its members, "If regulated transportation were eliminated, to how many communities do you estimate you might stop service?" Of the respondents to this survey, 70.4 percent "would cut off some or all of the communities they now serve, and would reduce the average number of towns they serve from the present 84 to an estimated 58," the Association study found. And 82.4 percent of the respondents said that an "eventual decrease in transportation service, especially to small communities" was "very likely." According to 75.1 percent, "eventual increases in shipping costs to customers" were "very likely."

The distribution of answers to the question concerning elimination of service to small communities was as follows:

No Communities Eliminated	29.6%
Up to 10% Communities Eliminated	5.3
10-14% Eliminated	21.7
25-49% Eliminated	22.1
50-99% Eliminated	18.5
All Communities Eliminated	2.7

That was the view of the trucking industry three years ago. Without regulation, trucking companies would eliminate small communities merely because they cost more to service than large population concentrations.

It would be instructive to take the same survey again now, when truckers face a guerrilla war by 100,000 hungry independents. Under conditions of war for the lucrative routes, it is likely that the industry would cut off even more small communities than indicated above.

How would smaller communities function under such conditions? With regular service eliminated, customers would have to contract with independent truckers for special shipments at exorbitant rates. Less-than-truckload shipments would be out of the question, even though less-than-truckload shipments are now the most common form of delivery to small communities on regulated routes. The increase in costs would be enormous, in the range of the 40 percent increase that LTL shipments registered in Great Britain after deregulation, if not higher.

Assume that the non-metropolitan communities that account for one-fifth of American economic activity also account for one-fifth of the $35 billion regulated trucking industry. Their current bill would be $7 billion. If their costs rose by 40 percent, the increase would be *$2.8 billion.* Even at this price, service would be less frequent—since the carriers willing to take the business would not conduct less-than-truckload deliveries. Business would have to stockpile more inventories to make up for the infrequency of service. In 1976, the Interstate Commerce Commission estimated that this would cost an additional *$250 million* (adjusted for economic trends since 1976, the figure would be about *$400 million*).

The damage is not yet accounted for. According to the Interstate Commerce Commission, 45 percent of the business in small towns is retail trade. More than any other sector, retailing depends on frequency of service and on less-than-truckload shipments, At least a portion of the retail trade in small towns would not survive the elimination of regulated deliveries. Again, to bend over backwards in giving our adversaries the benefit of the doubt, we will only assume that 1 percent of the economic activity of non-metropolitan areas would be lost due to deregulation. One percent of $400 billion is $4 billion.

All in all, the cost to rural communities would exceed $7.2 billion. Part of this cost, the $2.8 billion cost due to higher freight charges, we have already counted in the $7.2 billion figure for the total rise in the nation's freight bill, based on an Interstate Commerce Commission projection of what the British model would mean for the United States.

Combining these two figures (without double counting), the immediate cost of deregulation so far is $11.6 billion per year.

The evidence is so unmistakable in the case of rural communities that the deregulators, backhandedly, concede that there may be some problems. One says that "if a subsidy were required to ensure rural service, direct government subsidy would probably be preferable to the haphazard system of rate regulation and restrictive entry." This is a strange proposal from a group of people who claim that their intention is to limit government waste and bureaucracy. The thought of the Department of Transportation attempting to work out schedules of subsidies for tens of thousands of different commodities shipped to the 38,799 American towns without rail service is horrifying from the standpoint of cost-effective administration. In effect, the deregulators cannot defend their position.

Reduction of Teamster wages

If outlaw conditions prevail in the trucking industry, union drivers will ultimately have to accept outlaw wages or lose work.

Hourly rates for independent truckers are now one-third to one-half less than the combined wages and benefits paid to union drivers under the Master Freight Contract and the Chicago Conference. Independents and IBT drivers make roughly the same amount per year. However, the independents drive an extra 25,000 to 75,000 miles per year to get it.

Depression economics means wage cuts. To be rigorous, it would have to be assumed that the Teamsters would take a cut down to the highest point of the independent truckers' scale, or a 25 percent outright reduction. To stay on the conservative side of such estimates, we will assume a 15 percent pay cut. Currently, the 350,000 Teamster drivers covered by the Master Freight Contract, the 100,000 drivers covered by the Chicago Conference, and 700,000 drivers covered by other agreements, earn about $34 billion in combined wages and benefits. A 15 percent pay cut would cost these drivers $5.1 billion. This figure does not include the impact on the other 2 million members of the Teamsters. We will leave those implications aside.

The total annual cost of deregulation is now up to $16.7 billion.

Senator Kennedy and other zero-growthers would argue that a pay cut represents a *savings* to the industry, while other economics would quibble about the effect of the pay cut on aggregate consumers' demand. But the importance of the trend-setting Teamster pay scale is immediately evident to every American trade unionist. The International Brotherhood of Teamsters has done more than any other union in setting standards for advancing living standards. Not only trade unionists have an interest in preventing the trade union movement from being thrown back forty years; the Teamster pay package is a foundation-stone of what is best in the American economy. Cut back the system of highly-paid, productive transportation industry employees and the efficiency of the entire system will collapse. But that drawback is not unique to Kennedy's plans for the Teamsters. It is the content of the entire package for the motor carrier industry.

If this prognosis for the health of the International Brotherhood of Teamsters under a regime of deregulation sounds extreme, consider what the nether side of the trucking industry—the beneficiary of deregulation—really looks like:

Safety and insurance costs

Seventy-five percent of all independent truckers, according to an Interstate Commerce Commission study, drive between 75,000 and 175,000 miles a year. This requires driving between 14 and 18 hours a day. According to another study, 44 percent of the independents regularly exceed the ICC's legal limit of 10 hours driving per day. Frequently, the independents exceed the legal speed limit. Just as frequently, they use drugs. According to data collected by Dr. D. Daryl Wyckoff, most independents use drugs at one time or another, and 40 percent use drugs "occasionally" or "regularly."

Let us examine what the roads would look like if all trucking safety standards fell back to the independents' lower level.

In 1977, the large regulated carriers drove 14,381 billion highway miles. At the current safe standard of the union driver, or 0.2 accidents per 100,000 miles, it may be estimated that the carriers suffered about 290,000 accidents. For the most part, the lower rate also applies to owner-operators when they lease to the common carriers. Many of these owner operators are themselves members of the union, and work to union safety standards when driving for a large firm.

If the lower safety standards prevalant among the jungle side of the trucking industry replaced the above accident rate, the new accident rate would be over 11 million! Since the Bureau of Motor Carrier Safety publishes statistics on the fatality and cost to property of accidents, we can show what the effect of reducing safety standards would be:

	Number of accidents	*deaths*	*damages*
Under IBT Safety Standards	290,000	26,000	\$2.49 billion
Under "independent" Safety Standards	1,015,000	92,365	\$7.3 billion

If safety standards went all the way down, the annual death toll to truckers would increase by 66,000, approximating the American casualty rate during the Vietnam War.

Of course, no matter how bad industry working conditions become, Teamster drivers will not resort to the extreme levels of drug use that promote the far higher accident rate among independents. In all probability, the accident rate will not rise by three and a half times. But it will rise sharply. To be on the conservative side, we will assume that the accident rate will double under deregulation, because large carrier-drivers will have to remain on the road for longer than the statutory limit of ten hours. Most accidents occur in the period of excess driving hours.

If this conservative assumption is correct, the deregulators will be responsible for an *additional* 290,000 accidents per year, an additional 26,000 deaths, and an additional \$2.49 billion in property damage per year. Assume an average \$40,000 settlement for each fatality, and the monetary cost rises by another \$1 billion, to \$3.5 billion per year.

Perhaps it will take a period of one or more years for the deterioration to take full effect. In that case, the first-year cost of deregulation would be smaller. However, over five years, the number of fatalities would almost equal the list of Vietnam War dead.

The annual cost of the side-effects of deregulation is now \$16.7 billion plus \$3.5 billion, or \$20.2 billion.

The final cost to be figured in is the additional cost of insurance.

According to the Interstate Commerce Commission, insurance accounts for only 2.4 percent of the total expenses of the regulated and unionized section of the trucking industry. As a percentage of 1977's total expense of \$34.2 billion, this would amount to an insurance cost of \$821 million. Approximately two-thirds of this covered property damage and one-third covered liability (property insurance protects the cab and the person of the driver, and liability insurance protects the trailer and cargo). These insurance rates, far lower than comparable expenses for a private car owner, reflect the high safety standards enforced by the International Brotherhood of Teamsters.

However, according to insurance companies who specialize in trucking insurance, owner-operators are considered an intolerably bad risk for liability insurance. Their rates are roughly three times in excess of those of the regulated carriers (which corresponds roughly to the already-reported higher rate of accidents among owner-operators). Assume, conservatively, that the insurance costs of the industry would double under the regime of deregulation. It would cost the industry more than \$900 million a year (adjusting the 1977 figures for inflation to express the cost in 1979 dollars).

Our total cost is now \$21 billion and over.

Probably, the full effect of deregulation in terms of higher costs and deteriorating safety standards would not take effect immediately. To be on the cautious side, we assume that it would take three years for the section of the trucking industry that represents an unpleasant relic of the 1930s to overwhelm the rest of the industry. In this case, the first-year cost would be \$7 billion; the second-year cost would be \$14 billion; the third-year cost would be the full \$21 billion, and so on to \$489 billion over five years. Since these additional costs would have to be paid out of industry's earnings, which would otherwise be invested, the actual cost to the economy—as measured by the LaRouche economic model—will be considerably higher. Even adjusted for inflation, the cost of trucking deregulation will far exceed the total cost of the Vietnam War.

LaRouche model shows dereg effects

As stated above, the LaRouche Economic Model demonstrates that the lower economic growth which would result from trucking deregulation would cost the American economy a stupendous $489 billion in lost output over the next four years. Table 1 illustrates exactly how much industrial output would be produced each year under two scenarios. The first scenario assumes no changes in present economic conditions, including continued regulation of the motor carrier industry. The second assumes no changes *except* for deregulation of the motor carrier industry.

It must be emphasized that this $489 billion is *not* lost Gross National Product. Gross National Product is an essentially useless measure of economic activity, because it includes every form of economic wastage, from government and private-sector paper-shuffling to casino gambling. (If Senator Kennedy succeeded in his plan to legalize the marijuana traffic, the result would be the biggest spurt of economic growth in American history under the Gross National Product measurement—because the $50 billion of that illegal drug now sold every year in the U.S. would be added to the Gross National Product figures. Undoubtedly, Kennedy would then propose to hold down inflation by cutting the pushers' wages!). If we were to measure the loss in Gross National Product terms—the way the same academic fakers who want deregulation would—the figure would be substantially higher.

It should be added that the cited $489 billion loss is in 1979 dollars—or about equal to one-sixth of this year's expected output. Of course, that figure is the sum of the losses to production in each year. Over four years, trucking deregulation means $489 billion less in home consumption goods, capital investment, and social services. To be precise,

- Investment in services will lose $262 billion;
- Investment in expanding or improving the living standard of the goods-producing workforce will lose $38 billion; and
- Investment in production facilities, including replacing or modernizing plant and equipment and purchasing raw materials, will lose $188 billion.

Above, we demonstrated that increased cost of service, accident costs, insurance costs, and general inefficiency in the economy can be estimated with a fair degree of precision. We found that the increased direct charges resulting from deregulation would come to $21 billion. We also found that delivery times would rise substantially, within the range indicated by the difference between current British and West German levels.

To estimate these charges' effect on the nation's economy, the LaRouche model shows how they interfere with the way the economy reproduces itself. Every extra dollar spent on transporting goods is a dollar less paid for hiring new workers, purchasing raw materials or energy, or expanding plant and equipment. Even worse, every extra day added to the "turnaround time" of the economy—the time it takes to complete the production and distribution cycle of a single commodity—decreases the economy's productivity.

The LaRouche model, developed by Fusion Energy Foundation scientists and U.S. Labor Party economists according to the U.S. Labor Party chairman's specifications, is uniquely qualified to handle this kind of problem. The type of model employed by academic economists makes two fundamental blunders. First, it expresses everything in terms of Gross National Product; this enables the academics to argue that there will be no problem if the economy's energy supply shuts down, *if* we open up enough gambling casinos—because GNP will still be the same. Secondly, these models do not pretend to show how the economy works. Instead, they rely on the likelihood of coincidences repeating themselves. For example, if for a certain period of years inflation seems to coincide with the appearance of sunspots, the academics would feel within their rights to write an equation for the "correlation" between inflation and sunspots! That is not an exaggeration, but the precise recommendation of John Maynard Keynes himself.

LaRouche's model, by contrast, shows how real wealth is actually produced. The model divides the economy's tangible output (or the output of any smaller part of the economy) into three types of goods. The first are goods used by industry to purchase raw materials or machines, or *constant capital.* The second are consumption goods paid to goods-producing workers, called variable capital. The third are goods used in the service industries, either to build office buildings or pay office workers and the like. Overhead costs of all kinds, including military production and production of so-called antipollution devices, are included in the final category, which is designated by the small letter, d. These three categories show how productive the economy is, namely, how much tangible output is produced by a certain amount of labor of the part of goods-producing workers. By calculating the *productivity rate* of the economy on this basis, the model can show the effect of changes in productivity. For example, if the introduction of new technologies enables the same amount of labor to produce more tangible output, the model can project that economy's rate of growth into the future by programming in the higher rate of productivity. On the other hand, if additional transportation times makes the economy less productive, the model can do the reverse, and show the decline in productivity.

Also, if additional overhead costs, such as anti-pollution expenditures, military spending, *or* transportation costs occur, the model can show the impact directly. By deducting the amount of goods that can be reinvested into new production and adding this amount to the overhead cost, the model shows the impact of less productive investment over time.

In each case, the model's purpose is to make the *productivity of labor* the determining question in economics. It is a *causal*, rather than a "correlative" (i.e., coincidence) model, in that it shows the real cause-and-effect of production of tangible wealth. In this case of trucking deregulation, it shows the effect of the various costs and inefficiencies described in the previous sections.

The model and productivity

We will explain how we estimated these effects, and then explain a series of graphs illustrating the development of the U.S. economy with and without deregulation.

1) As noted above, the extra charges to the economy resulting from deregulation will amount to over $21 billion, including

a) Increase in freight costs—$7.2 billion;

b) Reduction of service to rural communities—$4.4 billion;

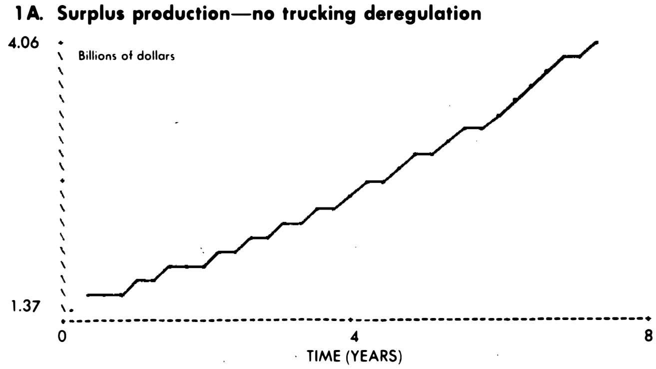
c) Higher insurance and accident costs—$3.5 billion;

d) Cuts in union wages—$5.1 billion.

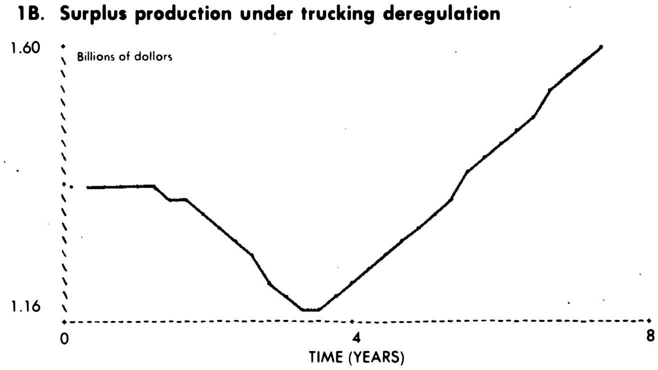
These costs now become charges against the rest of the economy, that is, against reinvestment of each year's surplus production into new constant capital and variable capital. This reduces the economy's future ability to reproduce itself.

2) As explained above, productivity in the economy is a factor of time, and an increase in transportation time can become a significant factor in decreasing the economy's productivity. Since average delivery time in the United States is now about 1.5 days, according to numerous interviews with carriers around the country, and inventory time of goods is on average 39 days, transportation is an insignificant factor. However, if time increased substantially, transportation would become a major inhibition on productivity. We estimated above that under deregulation, delivery time would worsen from West German levels to British levels—or by a factor of four. For use in the model, however, we adopted the most conservative approach possible, and

1A. Surplus production—no trucking deregulation



1B. Surplus production under trucking deregulation



The difference between the economy's surplus production—output above and beyond maintenance costs—with and without trucking deregulation is portrayed over an 8 year period. Under deregulation (1B) the amount of surplus output suffers a sharp, absolute drop taking years to recover.

assumed that transportation time would merely rise by a factor of two. It was decided to use the lowest reasonable estimate, and give the adversary the benefit of the doubt.

To reiterate: the scenario on which the assumption of increased transport time after deregulation rests is the following. Unlimited market access would give 100,000 independent truckers entry into the most lucrative trucking routes. Since these routes are the ones that provide most of the profitability of the carriers (rural routes which carriers must serve under ICC regulation are marginally profitable), the massive entry of the independents into these markets will sharply lower the profitability of the major carriers. Collapse of profitability of major carriers will prevent investment in expansion and maintenance of the most advanced terminal facilities, which account for the very low delivery time in the United States.

Equating "turnaround time" in the economy to productivity, and assuming a rise in total turnaround time (inventory plus transportation time) to 42 days from 40.5 days, the model is programmed to show a 4 percent drop in productivity over four years after deregulation (4 percent equals 40.5 divided by 42).

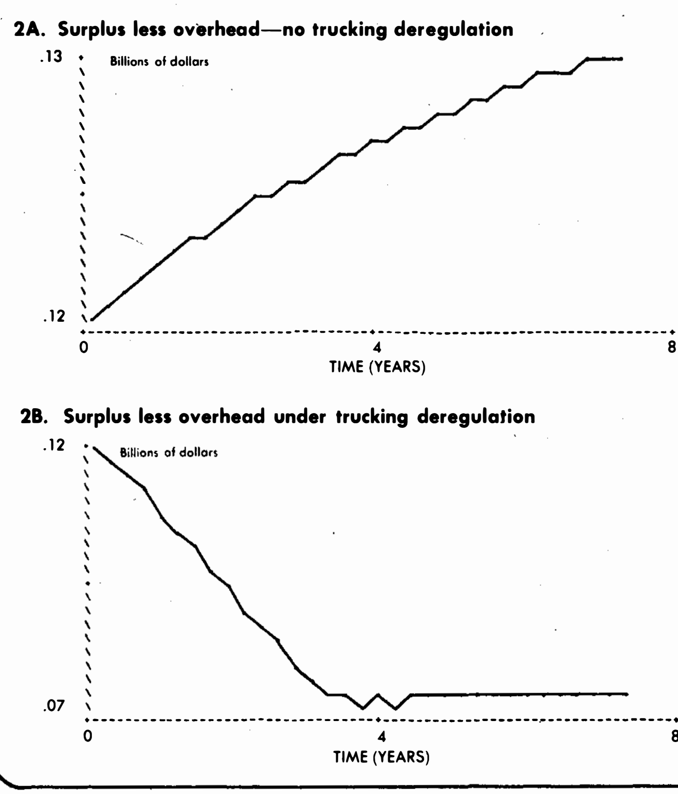
The results are shown in the accompanying graphs. Graphs 1A and 1B show the difference between the economy's surplus production (output above and beyond replacement costs). Under deregulation, the amount of surplus suffers a sharp absolute drop, taking years to recover its rate of growth.

Graphs 2A and 2B are far more revealing. They show what happens to the LaRouche model's basic economic index—the "free energy" of the economy. These graphs chart what happens to the rate of surplus production compared to maintenance costs, or,

$$\frac{\text{surplus production less overhead costs}}{\text{CONSTANT CAPITAL PLUS VARIABLE CAPITAL}}$$

This ratio shows not how fast the economy is growing or slowing down, but what its future growth potential is at any point in time. If the amount of surplus production is falling sharply at any given point in time relative to the existing maintenance costs of the economy—overhead, constant capital and variable capital—then the country is in real trouble. Graph 2B, the deregulation case, is the best measure of what Senator Kennedy's plan would do to the United States. It shows that even after the level of surplus output (shown in Graph 2A) has started to rise after several years of collapse, the economy's "free energy" still has not recovered.

The remaining graphs show the consumption of goods-producing workers, or variable capital, under the two cases, and the level of new investment in raw materials and plant and equipment. Graphs 3A and 3B show the effect on variable capital; Graphs 4A and 4B show the effect on constant capital.



By comparing what happens to the rate of surplus production in comparison to maintenance costs with and without trucking deregulation, these graphs show, not how fast the economy is actually growing or slowing, but what its future growth *potential* is at any point in time. The ratio is

$$\frac{\textbf{Surplus less overhead costs}}{\textbf{Constant plus Variable capital}}$$

The graphs are based on data that include a constant 6 percent inflation rate through 1987; therefore, the numbers that appear on the graphs are larger than the deflated numbers listed in Table 1.

It must be emphasized that Graphs 1A, 2A, 3A and 4A do not show what *should* happen to the U.S. economy. They merely show what *would* happen if the economy continues to drift along at the basic growth rates and with the same criteria for reinvestment of surplus that have prevailed over the past 10 years.

Although the projection of present conditions into the future looks good by comparison with what would happen if deregulation made things worse, this is by no means an ideal scenario. Far from it: Under a LaRouche Presidency, the rate of growth of the U.S. economy would be several times that shown. Introduction of new technologies, financing of exports of high technology goods, elimination of speculation against the dollar and on other financial markets, large-scale production of nuclear energy, and other planks of LaRouche's 1980 platform would produce rates of growth this country has not seen since the height of the production mobilization of the Second World War.

Point of no return

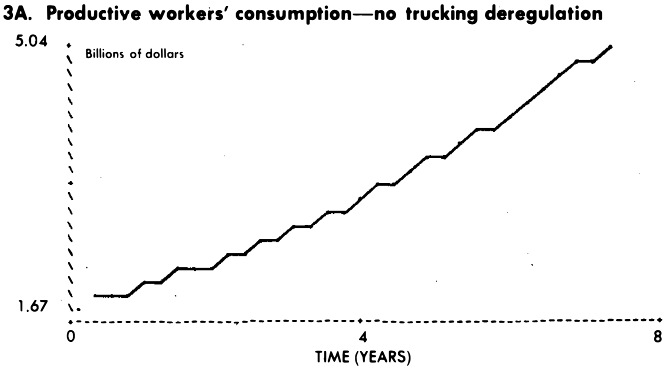
There is a second result of the model's results, just as important as the results of the first five years of deregulation reported above. This result cannot be reported in numbers, because, after the first five years of economic dislocation, the numbers jump off the board. If we continue adding up the costs, we reach the astronomical figure of several trillions of dollars of output by the seventh and eighth years after deregulation comes into effect.

What this shows is that the American economy will have broken down, past a type of point of no return. The transportation infrastructure will have been destroyed, and with it, the basis for economic reproduction. The computer-generated graphs indicate this by showing that the crucial free energy ratio—investable surplus divided by constant capital and variable capital—remains flat on the floor after the fourth year. No economy can run under such conditions.

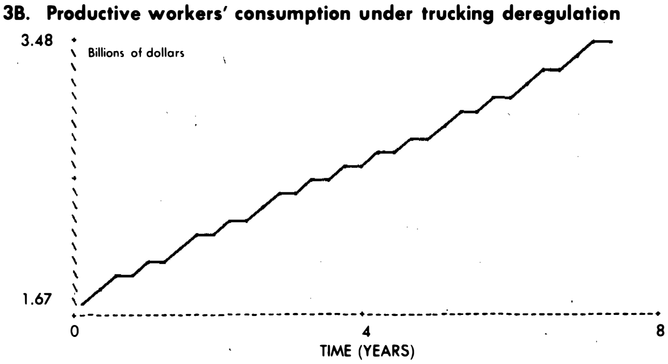
Fundamentally, the costs of this form of breakdown crisis are *unpredictable*, past a certain point in time. Visualize what deregulation means: major sections of the American continent cut out of economic life, assembly-line shutdowns due to slow and erratic deliveries, lines in front of food stores, and other earmarks of a Third World economy. America will have lost a half-century of economic progress. Economic dislocation will run wild, in an uncontrollable chain reaction.

The LaRouche model was designed specifically to demonstrate what the ultimate consequences of economic policy will be. At the point where numbers shoot off the graphs, the model has flashed an alarm signal that an irreparable disaster is just down the road.

3A. Productive workers' consumption—no trucking deregulation



3B. Productive workers' consumption under trucking deregulation



The comparative effects of trucking deregulation on the consumption of good-producing workers, or variable capital, is shown. Deregulation means a decline in the rate of growth.

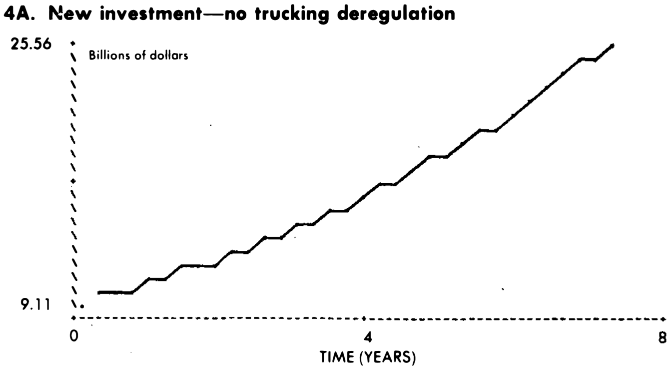
The coincidence models of the Wharton School, which cannot distinguish between a machine tool and a slot machine in their Gross National Product printouts, are totally incapable of producing such results. The Wharton School economist is like a man in a canoe who ignores evidence that a waterfall is just around the bend, because he cannot detect any change in the depth of the water!

In fact, so-called economic models of the Wharton School type have few pretenses of predicting economic developments. *They are a device for blinding policymakers to the real consequences of their decisions.* Because they merely string together historical coincidences in the behavior of data that is in any case meaningless, the Wharton model and its siblings can be rigged to show any result the econometrician cares to. In particular, these models shut out the consequences of policy disasters, and, by their intrinsic prejudices, rule out any major improvement in the economy which would violate old patterns of behavior.

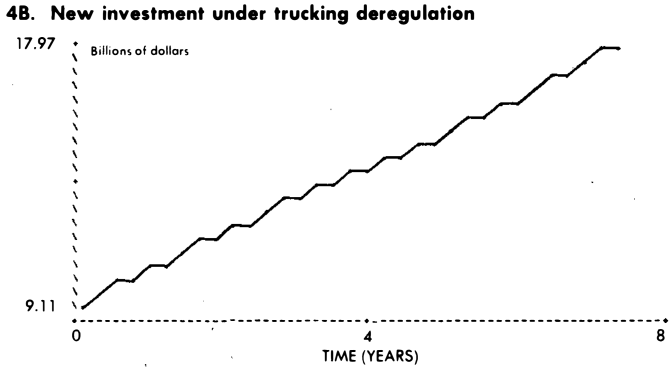
Wharton and its imitators have run a highly effective form of deception politics against the American business community. A case in point is the National Farm Bureau's stand in favor of trucking deregulation. Although the Bureau's activities are mostly to be praised, it has made the mistake of buying the Wharton School's model of the agricultural economy, and missed the boat on some of the most pressing economic issues. More than any other organization, the Farm Bureau—once it cuts Wharton out of its budget—has an obligation to fight Kennedy's deregulation plan. Its members, whose high standard of agricultural technology depends on efficient transport and distribution through rural areas, would suffer more than any other American constituency through the amputation of rural areas from the nation's transport grid.

Beyond the petty level of the number-bound assistant professors who crank out the Wharton School's predictions, at the level of the elite gentlemen who provide their employment, there are no such illusions. The mother institution of the Wharton School and other econometric fakers is the New York Council on Foreign Relations. In a remarkable burst of frankness, the Council on Foreign Relations earlier this year published a set of book-length volumes collectively titled the "1980s Project." The project benefited from the direction of Michael Blumenthal, Cyrus Vance, Richard Cooper, and other men who are now cabinet officers in the Carter administration. In their published account of their views on the next decade, these gentlemen glibly predict the "controlled disintegration" of the world economy. In no way do they object, at least not qualitatively, to the results of the LaRouche model's evaluation of their stated policies.

4A. New investment—no trucking deregulation



4B. New investment under trucking deregulation



The comparative effects of trucking deregulation on the level of new investments in plant and raw materials is shown—a significant slowing in the rate will result from deregulation.

Rotterdam swindle key to Tokyo summit

Writing in the June 17 issue of the *New York Times*, London *Financial Times* correspondent Henry Scott-Stokes offered the following thumbnail view of impending anarchy at the June 28-29 Tokyo monetary summit.

Scott-Stokes gloated. France's President Giscard d'Estaing, he said, is seen as so totally dependent on foreign petroleum that he "will defer to the U.S. now that the Arab world is divided by the Camp David Treaty." On Chancellor Helmut Schmidt, Scott-Stokes continued, "West Germany, a great believer in market forces, will agree to ration supplies under the gun of higher prices." As for Mrs. Thatcher's crew, he observed: "Britain will be the luckiest of all, since it will be totally self-sufficient in the black gold, due to the North Sea bonanza."

In this section

Our SPECIAL REPORT this week features a pre-Tokyo summit analysis by contributing editor Lyndon H. LaRouche, Jr. who is also a candidate for the presidency of the United States. LaRouche's article, "Rotterdam swindle key to Tokyo summit," outlines two paths that European leaders can take in the face of London's deliberately manipulated oil hoax: either capitulate to the policy of "IMF conditionalities" or move to Phase II of the European Monetary System.

LaRouche has commissioned a Riemannian economic analysis of the impact on the world economy of both options which will appear in a forthcoming issue of *Executive Intelligence Review*.

But as our coverage of the fight in Europe indicates, France also sees the Rotterdam swindle as the key issue at Tokyo and President Giscard may very well get the support he needs to buck London and Washington from West German Chancellor Helmut Schmidt.

We do not insist either that Scott-Stokes is entirely accurate, nor would we sign an affidavit certifying him to be entirely sane. Those points of caution noted, his remarks do indicate the current thinking among "mad dogs and Englishmen" on the Tokyo affair.

Unfortunately, there is a hint of truth in what Scott-Stokes observes concerning the apparent postures of the Schmidt government. If one is to believe Graf Lambsdorff's public defense of the Rotterdam oil-swindle is not misinformation published to deceive the British and Washington, it would appear that London has succeeded in creating a policy rupture in the Giscard-Schmidt alliance.

Responding in opposition to President Giscard's demand that the nations act to halt the super-monopolistic price swindle on the Rotterdam market, Graf Lambsdorff sanctimoniously defended the swindle, arguing that such monopolistic thievery was a noble expression of his principles of "free-market economy."

Oil swindle triggers world depression

The British are correct in one point. The Rotterdam oil swindle is the only real issue now on the agenda for the Tokyo monetary summit. If Italy blocks with Mrs. Thatcher against both Paris and Bonn, as Mrs. Thatcher was working frantically to accomplish this week, continental Europe's independent role will be monstrously weakened. If Schmidt refuses to support Giscard on measures to crush the Rotterdam oil swindle, the Paris-Bonn alliance will tend to be ruptured, whether Chancellor Schmidt intends such a result or not.

For my own part, I have instructed my associates to conduct a computer run, calculating the effects of the oil price rise on the world economy. The computer study will examine the current oil price rise under two, alternative conditions. The first condition studied is the effects of the oil price rise under continued rule of the world markets by the International Monetary Fund (IMF). The second condition is the effect of the price rise if (a) Giscard and Schmidt use Tokyo to launch "phase two" of the European Monetary System—the

European Monetary Fund (EMF), and (b) if a significant portion of the increased petroleum revenues are recycled through a combination of purchases of high-technology capital goods and purchases of gold-denominated bonds issued by the EMF.

The results of this study are being provided to governments as well as key business and trade-union groups as part of my own contributions to factual materials available at the Tokyo summit.

The accompanying statistical table, compiled by the New York City and Wiesbaden staffs of the *Executive Intelligence Review*, gives a rough indication of the horrible results the Rotterdam operation threatens to create in the world's economy.

Note particularly the cases of Brazil, Greece, Peru, the Phillipines, Portugal and Turkey. Under "IMF conditionalities," the effect for Brazil, Peru and Turkey mean a quantum increase in hunger, infant mortality and epidemic disease. Peru will begin to suffer some of the genocidal reduction of its population already underway in the Mont Pelerin Society's "economic miracle," Chile. Note however, that Brazil, Peru and Turkey are not "least-developed countries" (LDCs). In the LDCs, the combination of the Rotterdam oil price swindle with IMF conditionalities means roaring famine, epidemics and social chaos.

Continuing to refer to the accompanying statistical table, the *Executive Intelligence Review* staff reports the following facts concerning the calculations used.

The figures for the oil-import bills of nations have been based on last year's adjusted figures, combined with an estimated 1979 average price of $19 per barrel plus a $2.50 per barrel service charge: a total average price of $21.50 per barrel. The debt service figures are based on Bank for International Settlements (BIS) plus World Bank published data. The BIS and World Bank data are used temporarily, until more accurate data can be compiled.

Through preliminary computer runs against the economic model, the staffs have projected a $109 billion increase in the world's oil bill for 1979.

Going beyond the data shown in the table, the staffs have completed the following, further preliminary calculations. They have taken into account a projected $53 billion increase in world payments for coal, plus a projected $33 billion increase in the aggregate price paid for eight key nonferrous metals. This gives a projected total of $193 billion increase for 1979 in combined added costs of fossil fuels and eight nonferrous metals.

The staff has also taken into account an estimated decline of between 3 and 4 percent in world GDP. This drop is calculated through a comparison of the present situation with the effects of Federal Reserve Chairman Arthur Burns' credit-crunch during the last oil crisis. Burns' credit-crunch caused an 8-to-9 percent drop in the GDP. For the moment, the staffs are projecting only the most conservative amount of decline, 3-5 percent. This means a $350-400 billion drop in the current GDP of between $7 and $8 trillion: in total, a conservative estimate of a $600 billion drop in the world economy during the remainder of this year 1979.

The fact that the $600 billion drop is a very conservative estimate is supported by a glance at the column in the accompanying statistical table labeled "Oil and debt service as a percentage of current foreign

Oil hoax will trigger depression

Country	Projected 1979 Oil Import Bill & Debt Service (bns. of U.S. $)*	Oil & Debt Service as % of 1978 Export Earnings	Oil & Debt Service as % of Current Foreign Exchange Reserves
Brazil	15.4	121.3%	154.0%
Chile	2.0	83.3	181.8
Greece	4.3	143.3	477.8
Korea, Republic of	7.3	57.5	347.6
Pakistan	1.3	86.7	260.0
Peru	2.3	135.3	575.0
Philippines	3.7	115.6	264.3
Portugal	2.3	100.0	176.9
Turkey	4.6	200.0	657.1
Zambia	0.6	60.0	1,000.0

Assumes a 48 percent rise in the average price of imported oil during 1979 (i.e., an average crude oil price of $19 per barrel plus $2.50 in shipping and other charges). Debt service payments include principal and interest payments falling due in 1979 to both public and private creditors.

"President Giscard shows outwardly a more balanced, more accurate understanding of the nature of the inseparable connections among monetary, nuclear and detente policies."

exchange reserves." Here, we are considering the monetary impact of the crisis, as compared with the economic effects indicated in the other columns. The "reserve leverage" against the world economy caused by the oil price rise alone is much greater today than during the last petroleum-price crisis. In fact, without the launching of the European Monetary Fund immediately, the combined effects on the cost of other world market commodities threatens to trigger the worst depression in modern history—beginning this year.

Further results of the preliminary computer study will be made available during this week, in addition to special computer studies being prepared on request of serious governmental and business organizations in the same connection. Meanwhile, the kinds of preliminary figures identified here show the general magnitude of the disaster the Rotterdam price-swindle is threatening to trigger.

Depression is not necessary

There is nothing "inevitable" in the threatened new world depression. The last Great Depression, triggered by the 1929 New York Stock Market crash and the 1931 London floating of sterling, was also not necessary.

Karl Marx's famous analysis of the causes of cyclical depressions was based on Marx's grossly mistaken belief that the British economic system of Adam Smith and David Ricardo was the model-of-reference for determining the lawful features of a capitalist economy. To the extent that the world's monetary system is dominated by the City of London, or by British monetary policies imposed by a combination of London and Manhattan financial interests, Marx's analysis will tend to be corroborated in appearance.

However, as Alexander Hamilton, Henry C. Carey and Friedrich List—among others—have shown, the post-1660 British economy is not an industrial-capitalist economy, but is a semi-industrial-capitalist economy dominated by feudalist political and monetary institutions. Under an industrial-capitalist system of the form outlined by Hamilton, Carey and List, there is no boom-depression cycle inherent in capitalist development.

This fact was most recently proven by the U.S.A.'s war-production mobilization of 1940-1945. If we substitute "dirigist" production of high-technology capital goods for production of war material, study of the 1940-1945 U.S. war-production mobilization shows how a modern industrial capitalist economy functions successfully.

The inflationary effects of a war-production economy are structural, arising from the fact that cannon are not edible and that tanks are neither good machine-tools nor chemical plants. From the standpoint of the economy itself, war-production goods are not only sheer waste, but their production loots the productive structure of the world economy at its most vulnerable points.

This is illustrated by using Marx's own economic categories in a slightly modified form. If we let s signify surplus tangible product of the economy as a whole, and let c and v represent, respectively, constant capital as a whole and the cost of the productive (tangible goods producing) labor-force as a whole, we have the critical ratio $s/(c+v)$, or what Marx names "the rate of profit." However, we must also account for such socially necessary but nonproductive services as administration, engineering, hygiene, medicine, education, and basic municipal services plus waste; we have the following adjustments to the ratio $s/(c+v)$.

The net portion of total product available for reinvestment is (s-d). Let s′ stand for (s-d). Then, the ratio we require to indicate the potential of a national economy for both current profitability and economic growth is given by functions of the ratio $s'/(c+v)$. These are, in fact, sophisticated functions of a sort which are mathematically soluble in terms of only Riemann's mathematical physics. However, for purposes of laymen, let it be assumed that the functions are what university engineering undergraduates think of as "exponential functions."

On condition that advances in technology are reflected in expansion and replacement of productive plant, equipment, machinery in manufacturing, transportation, energy-production, and agriculture, the effect of reinvestment of s′ is a growth in average productivity of the economy per-capita, leading to rises in per-capita consumption-income available, and still permitting a rise in the ratio $s'/(c+v)$. This demands that the value of the ratio $s'/(c+v)$ be sufficiently high in the first place—in other words, that the ratio of capital-investment per member of the labor force be sufficiently high.

Clearly, if we expand combined services and waste at a greater rate than we expand investment in high-technology industrial and agricultural capital, d will grow more rapidly than s, and the ratio $s'/(c+v)$ will tend to become negative. Since war-production falls under d, not under c, v or s′, the convergence of $s'/(c+v)$on negative values ensues, and we have thus the familiar consequence of war-production inflation. However, if the same volume of production is shifted from war-production to high-technology capital-investment goods, the result is secularly deflationary, and high potential rates of growth profitability and economic growth result.

Obviously, given a suitable value for the ratio $s'/(c+v)$, whether the economy stagnates in its productivity ratios or grows is determined by the rate of advancement of science and applied advances in technology. So, in the case of 19th century Germany, Kekulé, Liebig and Göttingen were the indispensable complement to the effect of the customs-union and other work of Friedrich List in making Germany an industrial power.

At slow rates of technological progress in the world economy, as since World War I, a new economic boom can be generated only by emphasizing investment of existing, relatively advanced productive technologies in the relatively underdeveloped sections of the national economy or in foreign markets. Existing technology applied to such underdeveloped regions results in great leaps in per capita output-rates in the sectors of the world economy targeted for such high-technology investments. The economic boom in the world economy set into motion through investment in raising the productive output levels of less developed sectors and subsectors of the national and world economies creates the kind of capital-goods-producing boom in capital-exporting sectors which, in turn, fosters high rates of technological progress in investment in capital-goods production.

The common problem of the United States, Japan and Germany during the period from World War I to World War II was that the British colonial system, combined with the dominant monetary role of the City of London, prevented those industrialized nations from exporting high-technology capital goods at sufficient rates into what we now term the "developing sector."

President Franklin D. Roosevelt was keenly aware of this fact, despite rotten anglophile elements such as Treasury Secretary Henry Morgenthau in his cabinet.

At Roosevelt's Atlantic Charter and Casablanca conferences with Prime Minister Winston Churchill, Roosevelt drove Churchill to the point of apoplexy by the following statement of Roosevelt's postwar economic policies.

Roosevelt instructed Churchill that the United States was not going to war for the purpose that American soldiers would once again die to save the British Empire, as in World War I. Nor was the United States going to tolerate the old British Empire in some new, thinly disguised form. To make his point clear, Roosevelt instructed Churchill that the United States was not going to tolerate any further continuation of "British 18th century methods"—i.e., no more of the economic and monetary policies associated with Adam Smith's *Wealth of Nations*. The postwar policies of the United States, Roosevelt instructed Churchill at both the Atlantic and Casablanca conferences, was to develop the entire world using "American methods." At Casablanca, Roosevelt displayed the map of Africa, outlining as an example of his policy, the high-technology development of Africa's Sahel into the breadbasket of all Africa. Churchill, and his Casablanca sidekick Lord Mountbatten—the Mountbatten Roosevelt described to Churchill as "that bastard"—were near to the point of a stroke.

Unfortunately, the anglophile mice and rats in Roosevelt's government diverted even the Roosevelt administration away from the course outlined at the Atlantic and Casablanca meetings. Nonetheless, Roosevelt's proposals, as detailed by his son and companion at those conferences, were sound. If the U.S. had organized its war-debt at the end of the war on the basis of the policies of Alexander Hamilton, and if the U.S. had launched a worldwide capital-development program, using the production of capital goods to replace war-material production, and had quickly infused German industry with the capital to make its important contribution to this effort, the result would have been a worldwide "economic miracle" soaring to new heights to this present day.

Roosevelt had excellent empirical evidence to support his proposals. The United States had gone through a totally unnecessary depression during the 1929-1939 period. If the United States had been willing to confront Britain during the 1920s and 1930s, to force open high-technology development of what we today term the "developing sector," either there would not have been the Great Depression—or the Hitler regime—or during the 1930s, the economic recovery could have been started at any point. The 1940-1945 war-production experience proved this—and proved, once again, the soundness of the economic policies of Jean-Baptiste Colbert, Alexander Hamilton, Henry C. Carey, and Friedrich List.

Prospects for a world boom

If the statesmen at Tokyo can manage to get their lips and eyes away from the foot of Mrs. Margaret Thatcher, the Tokyo summit could be the launching of the greatest worldwide economic boom, the greatest and most durable economic boom in history.

There are approximately presently three billion and soon more people in the developing sector, a labor-force approaching one billion persons. Using what Roosevelt described to Churchill as "American methods," we can assimilate millions of this potential labor-force into modern production annually, raising the levels of output from the present few thousands of dollars maximum, to Western industrial levels. At the same time, using irrigation, drainage, desalination, fertilizers, modern agronomical science, we can raise the levels of output of agriculture by orders of magnitude—even with the existing level of technological culture of most of the peasants throughout that sector.

"Although Schmidt's policy lacks coherence, he has intelligence, courage, executive qualities, and the ability to correct wrong judgments."

The potentials are staggering. By working to increase the numbers of hectares tilled by farmers, and by absorbing excess farm labor in industrial production, we generate a vast, expanding future labor pool for industrial production as the ratios of rural-to-urban employment are pushed in the direction of U.S. standards over the coming half-century. By the end of this century, we can have readily quadrupled agricultural output, while reducing the ratio of the agricultural labor-force and can project the development of a modern industrial labor force in the order of magnitude of a quarter-billion persons or larger.

As both consumer and capital goods industries emerge to meet local and regional needs within the developing sector, the ratios of employment in the presently industrialized nations will shift away from consumer-goods production into high-technology capital goods, and the component of the employed population represented by scientists and engineers will increase even more rapidly than investment in expansion of capital-goods industries.

Thus, over the next quarter-century, in the presently industrialized nations we shall deemphasize so-called services employment, except for medical, teaching, enegineering, and science occupations, and shall considerably expand the ratio of the potential labor-force employed as productive, skilled operatives in industry and related occupations. In other words, as we approach the point that the world's population is raised to modern technological standards, the source of new increases in per-capita wealth and investment-opportunities will be a "dirigist policy" for maximizing the rates of scientific and applied-technological progress.

This requires an abundant source of cheap energy: nuclear energy. It requires hundreds of billions annually in new sources of cheap, long-term credit for capital investment and related commerce. This credit can be generated by using the gold-based currencies of the EMS to issue long-term, low-interest bonds which soak up the excess liquidities held by central banks and other, connected institutions. This can succeed, because a gold-based bond of 2-3 percent yield is a better investment than a 15 percent yield in today's floating rates market of double-digit inflation.

The obstacle to overcome in launching such an export-boom is the IMF. Under the domination of the world monetary system, especially with the neo-Schachtian (i.e., fascist) policies known as "IMF conditionalities," the world is doomed to depression, and thus more or less inevitable to the early outbreak of nuclear war. The debts of depressed nations must be reorganized through, chiefly, issuance of gold-based long-term bonds of very low interest rates, negotiable as reserve-assets within a new monetary system centered around the European Monetary Fund. Debt moratoria on IMF, World Bank and related London-market interlocked categories of debt will probably be necessary, a measure which will not cause disruption of the private banking sector of any nation but Britain.

Obviously, if the New York commercial banks accept forward-redeemable bonds, negotiable as reserves, for foreign debt-holdings, this procedure will not injure such banks, but will transform a dangerous overhang at their present portfolios into a high-grade reserve asset. If the Carter administration and the New York banks stubbornly insist on committing monetary suicide, that will not be the fault of the EMF backers.

If Britain is incapable of effecting economic recovery of its ruined industrial economy, the British would be well-advised to place themselves temporarily under the rule of Ireland, the fastest-growing economy of the European Community.

Schmidt's policy

One must be cautious in reading Chancellor Helmut Schmidt's early future policy intentions from such evidences as the propaganda of Graf Lambsdorff. The Federal Republic rebuilt its economy with the combination of hard work and a certain calculated slyness in the ranks of the nation's leading patriots. This slyness is reflected in the fact that the Federal Republic has a few competent political leaders, but does produce a number of important statesmen of which Schmidt has made himself something of an example since late 1976.

Two examples of this quality in Chancellor Schmidt are notable. First, there was Schmidt's handling of the problem of international terrorism during 1977 and 1978. Prevented, by political pressures, from going openly against the "background of terrorism," the Chancellor cooperated in an excellent way with France's President Giscard, and either cooperated with or outmaneuvered other forces. Although Schmidt's antiterrorist measures were inadequate, they were otherwise successful in dealing with the most immediate aspects of the problem.

Second, there is the case of the Giscard-Schmidt "conspiracy" in launching the European Monetary System over the last half of 1978. Although Schmidt, like Foreign Minister Genscher, is constrained by the well-known internal problems of the SPD and FDP, and although some of Schmidt's advisors urgently require employment in less important positions, Schmidt's instinct is often in the direction. Although his policy lacks coherence, he has intelligence, courage, executive qualities, and the ability to correct wrong judgments.

To that extent, we concede that Schmidt's private intentions may be far better than anything we would be justified in believing from the pattern of his recent public performance.

It appears that Schmidt has traded away Europe's urgent monetary and general-energy-policy interest to London, New York and Washington, in an effort to drag London and Washington reluctantly behind himself and President Giscard on two issues to which Schmidt has given the greatest priority, the maintenance of detente, first, and Paris-Bonn nuclear-energy policy a poor second priority. That was the gist of Schmidt's public performance during and after this humiliating treatment at the hands of the Carter administration, during his recent visit to the United States.

Although President Giscard shows outwardly a more balanced, more accurate understanding of the nature of the inseparable connections among monetary, nuclear and detente policies, neither Schmidt nor Soviet President Brezhnev have shown publicly a competent understanding of those connections.

This weakness in the manifest outlook of Moscow and Bonn is key to the parade of diplomatic pageantry performed in Vienna during this past week. The controlling forces behind the U.S. government have no intentions of continuing detente—at least, not as Brezhnev understands detente, or as Schmidt, in a different way, understands the policy. However, those same powers behind the scenes have decided to encourage the poor, "lame duck" President Carter to sign the papers. The SALT II will not go through the U.S. Senate—at least, not during the session of the U.S. Senate, and the signing of the papers will not slow down in the least the Thatcher-Carter escalation of confrontation with the Soviet Union and Cuba on nearly every front. Nonetheless, Washington and London estimate that poor discredited Carter's signing the papers will contribute to keeping Schmidt, Brezhnev and others politically "off balance."

If there is one thing on which Schmidt, Wehner and perhaps even Brandt are agreed, it is the need to prevent that total destruction of Germany which is the most-undisputed result of a nuclear war. Although the Soviet leadership is prepared to fight a nuclear war to win it, if no other acceptable choice is available to them, Brezhnev reflects a powerful impulse to avoid such a war, and a willingness to perform some humiliating flip-flops to extract a semblance of war avoidance policies and practices from the certifiable lunatics of London, Washington, Jerusalem and Peking.

In Schmidt's case, as long as Schmidt is either unwilling or senses himself unable to confront London and Washington with the accomplished fact of an overtly independent European bloc led by France and the Federal Republic, Schmidt is left with little choice but to cling rather desperately to wishful thinking on the detente issue. He will tend to trade away as much as is required to bargain for detente policy from London and Washington.

In Brezhnev's case, we are reluctant to attribute any reading of his own mind as our final, perfect judgement on the matter. However, Soviet policy does adapt itself considerably to the kinds of policies expressed variously by IMEMO and Boris Ponomarev. For ideological reasons, one powerful faction in Soviet policy-making clings to the lunatic view that the issues of EMF versus IMF are merely reflections of "trade-war" impulses or, more generally, tendencies toward "inter-imperialist rivalries." Such misguided ideologues in Moscow watch, one by one, developing nations subjected to hideous destabilizations and to "IMF conditionalities" worse in clear ultimate effect than Nazi looting policies. Moscow watches three billions of the human population being projected toward the genocidal goals of the Club of Rome, and yet professes to imagine that the conflict between the EMF and IMF is merely a matter of "imperialist rivalries." Some Soviet leading circles have a corrected view of the economic, if not monetary side of this issue, but many powerful influences, such as those reflected by Boris Ponomarev, do not.

Consequently, Brezhnev is presently pursuing an official Soviet policy which foolishly asserts that the signing of arms agreements blunts the driving impulses toward war.

So, in their quite different ways of approaching the matter both the Brezhnev and Schmidt governments are apparently obsessed by tragic wishful thinking on the subject of disarmament and related agreements. The obsessiveness of this wishful thinking prompts them often to grab fiercely to any wisp of mist which suggests proof of conclusions to which their wishful thinking impels them.

We hope that the public appearances are proven mistaken in our poor view of Schmidt's current perceptions of the real driving forces toward war. The performance of the BRD delegation at Tokyo will show us the truth of the matter, one way or the other.

—Lyndon H. LaRouche, Jr.

France is out to shut down Rotterdam

French President Giscard d'Estaing, who has stated that the success of the June 26 Tokyo summit of Western leaders would depend "solely on whether a solution to the energy problem was found," is forging a European bloc to face down the British and the U.S. and their agenda for strongarming submission by industrialized nations around the fabricated "energy shortage."

One day after Western Europe began closing ranks behind French policies for shutting down the Anglo-American multinational oil companies speculation operation known as the Rotterdam spot market, the oil multis threw down the guantlet by threatening to cut off oil supplies to energy-dependent Italy.

As both the Europeans and their enemies in the British-centered alliance of financiers and aristocrats who run the "Seven Sister" cartel have broadcast, the Rotterdam oil swindle is the only real item on the Tokyo agenda.

A year ago, Europe's leaders met at the Bremen premeeting to map out their strategy for announcing the formation of the European Monetary System at the Bonn summit. In the forefront were French President Giscard and West German Chancellor Helmut Schmidt. The question at Tokyo is whether Europe's EMS co-founders will team up again to break London's Rotterdam swindle and move the new monetary system into Phase II: the formation of a new European Monetary Fund to finance worldwide industrial and agricultural development.

At the pre-Tokyo meeting last week in Strasbourg, energy ministers of the European Community adopted a new proposal, part of a French program, to curb oil prices and halt speculation by registering and publishing transactions of petroleum products.

France is further warning the Europe might have to set up its own oil exchange—to function with government surveillance—if the United States and Japan do not cooperate when the European proposal is presented at Tokyo.

The day following the EC energy ministers' agreement, June 19, the oil multis struck back at the weakest of the continental European powers going to Tokyo—Italy. The Seven Sisters demanded that the Italian government approve a rise in oil prices to consumers by 50 percent, and when Italy offered a 25 percent rise, the multis walked out of negotiations threatening a cutoff of supplies.

Strasbourg strategy

A French memorandum covering energy policy included these proposals:

- Starting this week, there is to be a weekly pulication of prices and quantities of refined or crude oil production handled through the Rotterdam market.
- A register is to be set up listing prices and quantities of oil products transactions within the Community, to be mandatorially published and made available to any government. (The West Germans with the British and others conceeded a conditional approval, pending Japanese and U.S. agreement at Tokyo.)
- The French also proposed tough measures to prohibit overpriced transactions on the Rotterdam market, with Italy and Belgium in agreement.
- While European leaders agree with France that "the EEC has a better chance of dialogue with the OPEC oil producers without the participation of the U.S. than with it," according to a French press report, West Germany was reported as insisting that contacts had to be "informal," demanding that French Energy Minister Giraud (and his Irish counterpart) only meet Saudi oil minister Yamani after Tokyo so as not to give the impression that the EEC is "going it alone," writes the West German press. (That meeting has been scheduled for June 30 in London.)
- France also drew agreement, in principle, with Giscard's call for the institution of a common fund to help non-oil producing countries develop their own sources of energy.
- Finally, the French propose an international energy saving plan that would involve declining ceilings on oil imports on the strength of nuclear energy development). The British and others have so far disagreed, demanding specific energy austerity measures to reduce consumption. "Unless nuclear programs are vigorously pursued" say the French, "there will be no economic growth in future years and the cohesion of the whole international economic system may be put in doubt," reads an excerpt quoted in the June 18 Financial Times.

In a televised address prior to the Strasbourg meeting Giscard told the French population: "... We are going to propose a joint resolution to our partners. ... It has already been discussed by the Ministers of Energy of the Nine who modified certain aspects of it. ... I consider that it is fundamental that we reach an agreement; fundamental for all of us, for our economic and social interest and fundamental for Europe because on this subject we are all in the same situation. ... I have high hopes we will succeed."

West German participation

The French are fairly confident, judging from commentaries in the leading French financial daily *Les Echos* of June 20, that though the battle will be rough, they will succeed in winning over the West Germans on the energy issue. In fact, Chancellor Schmidt's recent push for nuclear energy development indicates just such an agreement.

Schmidt has called for the Tokyo Summit to create a world-wide energy conference with the participation of the East bloc, and is backing this call with a major proposal for a pan European power grid as one solution to energy problems in both East and West. With the news that the West German leader has scheduled a stop in Moscow both before and after the Tokyo meeting, Schmidt is expected to deliver a surprise or two to the British-U.S. axis in Tokyo.

Behind the upfront battle on the control of the spot market, the French strategy for Tokyo and beyond is to strive for the emergence of a Europe-Africa-Mideast bloc—the signal for "phase II" of the EMS: the European Monetary Fund. Political commentator Paul-Marie de la Gorce directly reflected Giscard's thinking in an explanatory article June 20 in *Le Figaro*. First, de la Gorce notes that not all Europeans have the same interests: "There are in Europe British and Norwegian oil producers who have the greatest interest in price hikes, especially since their crude is one of the most expensive to produce, or gas producing countries like Holland who indirectly profit from it."

He defined Giscard's policy as "a return to the idea of cooperation with the oil producers, which France had put forward in 1973-74. The government had then attempted to create a convergence between its own interest and those of the producers: one of the instruments used were long-term oil supply contracts at stable prices, while all possibilities for equipment contracts were explored. ..."

De la Gorce concludes that Giscard is encouraged by the Saudis, and has recruited Algeria (soon to be visited by Foreign Minister Jean François-Poncet) to the idea of political dialogue between Europe, Africa and the Arab world to lay the foundation for economic cooperation agreements.

—Garance Phau

Giscard: 'peace-oriented world organizations must be created'

The following are excerpts from the Japanese daily Asahi Shimbun's *report on their exclusive interview with French President Valéry Giscard d'Estaing.*

President Valéry Giscard d'Estaing of France Tuesday proposed the creation of peace-oriented new world organizations....

Giscard said that many of the existing world organizations could be called legacies of World War II and that they were consequently marked by war. He said peace-oriented new world organizations different from them must be created.

The French leader said he was expecting the Japanese to play a role in Asia in this respect....

The President, who initiated the annual economic summit of major industrial democracies and the chairman of the EC summit, said the energy issue was the most serious of those confronting the world now.

He stressed that the energy question can never be solved without solidarity among the consumer nations and cooperation with the oil-producing countries.

Giscard said the success of the coming Tokyo summit solely depended on whether ways of solving the energy problem could be found. He added he was not only looking forward to a successful conference, but he was going to Tokyo with the strong resolve to make it a success....

Speaking in an impassioned manner, Giscard said the difficulty of the energy question was that it could not simply be left to market forces. Changes in the demand-supply situation could immediately worsen unemployment and would have an overall social and economic impact. Therefore, short-term policies could not succeed no matter how much effort was made, unless a measure of long-term balance was achieved, and, on the problem of oil, that the consumer countries should voluntarily refrain from self-seeking competition and instead act together, in addition to urging that the oil-producing countries try to increase their output.... France has raised strong objections to the recent U.S. decision to introduce a $5 per barrel oil import subsidy.

In the interview, Giscard said this decision must be scrapped. At the same time, he severely criticized speculative oil purchases on the spot market by some industrial countries....

France puts priority on the development of nuclear power.... Nuclear power was the only alternative source of energy which France could possess at least for the next 15 to 20 years.

The President said he wants to make French civilization one of the most advanced in the modern world. He also said that Europe must build a new kind of organization by itself....

Miki: 'Japan should act more positively' on energy question

On June 9, the Japanese daily Yomiuri *published its interview with former prime ministers Takeo Miki and*

Italy: direct oil deals prompt multis blackmail

Representatives of the Seven Sisters oil multinationals walked out of oil-price negotiations with the Italian government on June 19.

The multis rejected Italy's price package, threatening that if they couldn't get a better offer they would cut off supplies to their distributors. Such a move would create chaos of disastrous proportions in Italy.

Industry Minister Nicolazzi, who represented the government at the negotiations, said that if supplies were stopped, "severe measures" would have to be taken against the companies. U.S. presidential candidate Lyndon LaRouche urged that Italy's "severe measures" take the form of total nationalization of the oil companies.

How the blackmail shaped up

Italy is facing an oil shortage, but the situation is far from desperate. On June 16, the national oil and gas company ENI signed a deal with Saudi Arabia for extra supplies of crude for 1979 through 1981 ENI's president, Giorgio Mazzanti, is now in the Middle East negotiating similar deals with other oil-producing nations. His efforts have so far assured 3 million tons a year from Iraq and 1 million from Syria, over and above the 2.5 million extra from the Saudis. This will go far toward filling the 7-million-ton shortfall created by the collapse of Iranian production.

However, on June 16, the same day Mazzanti closed the deal with the Saudis, the Seven Sisters sent announcements to all of their Italian distributors saying that next month, supplies would be short "due to the international situation." The distributors associations responded that this was a "clearly speculative maneuver" aimed at securing higher prices.

Price negotiations between the government and the companies started June 18. The government's offer was a price increase of 25 lire (about 2 cents) per liter for diesel fuel, with the companies guaranteeing scheduled deliveries; and no increase in the gasoline price. As Industry Minister Nicolazzi put it, "gasoline reserves are sufficient for all of 1979; therefore, no change will be necessary in the price of gas." The government further insisted on adherence to the agreement of last May 28, whereby 35 percent of all oil refined in Italy be nationalized. The multis' response was to break off negotiations and threaten to strangle supplies.

Political counterattack?

If Premier Andreotti takes LaRouche's advice and nationalizes the multis, he could deal with several other pressing political problems at the same time. The most urgent question now facing the government is how to create a stable successor for itself in the shambles left after the national elections of June 3.

Both leading parties, Andreotti's Christian Democrats (DC) and the Communists (PCI), took a beating at the polls. Both parties face internal chaos, with the leadership under attack. The "Communist question," that is the PCI's demand to enter the government, plus the ongoing terrorist plague, are pushing Italy toward a left-right polarization that could destroy the state.

An Andreotti nationalization move would be like turning on a light in a dark room. The PCI's ultraleftists would be undercut, the entire party would be brought into line behind the nationalization—providing a starting point for creating a durable government based on cooperation between the two major parties.

—*Mary Sonnenblick*

Takeo Fukuda concerning the upcoming Tokyo summit. Below are excerpts.

Q: *The energy problem has a political background which runs deep. Since the Rambouillet summit, the situation in the world has changed considerably because of the changes in Iran, Saudi Arabia's alienation from the U.S., the military advancement of the Soviet Union and Cuba, the expansion of Soviet naval power and other developments.*

Miki: The oil crisis originally arose from the fact that the Arab countries used oil as a strategy by linking it to the restoring of peace in the Middle East....

The restoration of peace between Egypt and Israel has made the Middle East situation unstable....

We industrialized countries want oil from Middle East countries, but it is important to those countries that they develop themselves to carve out a new future.

If advanced countries teamed up against the Middle East countries, it would not settle anything for the advanced countries....the advanced countries must foster a dialogue with each other.

Q: *Isn't it extremely difficult for all advanced countries, which are under different circumstances, to get into step with each other at an economic summit?*

Miki: ... We must tackle this extremely difficult problem in real earnest. French President Giscard d'Estaing often flies to Mexico and the Middle East countries for talks with officials of these oil-producing countries. Japanese leaders should act more positively to seek more oil for their country....

Germany: parties mobilize for nuclear energy

Within the last week, both West German governing parties, the Social Democrats and tiny Free Democrats, have shown unambiguous support for nuclear energy and have challenged the environmentalists and zero-growthers within their own ranks.

The Free Democratic party convention in Bremen June 15 gave FDP Chairman and West German Foreign Minister Hans-Dietrich Genscher a five to one margin in support of nuclear energy after he told the convention that peace and prosperity depends on the development of nuclear energy. Besides nuclear energy, there is no alternative to coal, gas or oil."

On June 19, Herbert Wehner, the Social Democratic parliamentary caucus chairman, warned environmentalists in the SPD: "Do not play around with issues like this one... the energy issue determines the economic existence of the BRD, and the country's ability to maintain its industrial capacities."

Both the FDP and SPD party moves are designed to back up Chancellor Helmut Schmidt in his fight against antinuclear forces in both his cabinet and the two parties that form his governing coalition. In the cabinet, the major opponent of nuclear energy is Economics Minister Count von Lambsdorff, a member of the Mont Pelerin Society, vice-chairman of the FDP, and the strongest supporter of the speculative activity on the Rotterdam oil market, which, he says, merely reflects the workings of the free market system. Lambsdorff has his own followings among environmentalist FDP members. But in the SPD, the major party figure attacking the Schmidt government's nuclear program is its chairman, Willy Brandt, the protector of the SPD's zero-growth "left wing."

Lambsdorf countered

Schmidt has moved against Lambsdorff in several ways. He has strengthened his own base in the SPD by having Egon Franke, the leader of the pronuclear "Sewer Workers" faction of the SPD, state that "Schmidt must remain chancellor for many years to come." Then, while Lambsdorff was justifying higher oil prices at the June 13 cabinet meeting, Schmidt interrupted with the criticism that "this has little to do with the fact that the energy issue is one of the fateful decisions." After telling the cabinet that "wars, starvation, and natural catastrophes will occur without cheap energy," he told Lambsdorff that, as Chancellor, he will no longer support "opportunism" on the energy issue.

Later, at the FDP's June 19 convention that Lambsdorf attended, party chairman Genscher delivered a forceful pronuclear address, even though Lambsdorff was backing a resolution against a nuclear waste reprocessing plant at Goerloben, and insisting from the convention floor that oil price increases were "necessary." A 50-person pronuclear caucus surfaced at the convention, insisting that the Gorleben waste plant be built. To top off the environmentalist rout, Genscher let it be known that the FDP economics minister in the state of North Rhine-Westphalia, Hans Riemer, was being asked to resign because his environmentalism was costing the FDP votes.

After the convention, which ended on June 17, Foreign Minister Genscher visited Libya, where he secured an agreement for increased oil deliveries to the BRD and then returned to Bonn to meet with the Tunisian foreign minister. On June 23, Genscher will visit Saudi Arabia, and will visit Iraq after he returns from the Tokyo summit. Although Genscher's topic is clearly the economic one of securing cheap oil supplies, he is not taking Economics Minister Lambsdorff along on any of his trips.

Euroenergy grid

The SPD is handling its own environmentalists with a two-pronged attack. On the same day that Wehner laid down the party line on the necessity for nuclear energy, a member of the government-linked Ebenhausen think-tank published an article in the prestigious *Europa Archiv* on "Pan-European Cooperation in the Energy Area—A New Start for East-West Cooperation." The article used a computer analysis of the future problems facing both the Soviet Union and the West in energy to advocate a pan-European electricity grid, power plant hook ups across borders, and interlinked natural gas lines as the maximally productive and efficient energy system for both East and West Europe. The Soviets proposed such a system in both 1971 and 1975, the article states, and such a grid is the only way the East bloc countries can both increase their energy input and their exports to the West. Chancellor Schmidt is a member of the Board of *Europa Archiv*.

Wehner has already begun to implement the party line through two maneuvers that have the SPD environmentalists into a rage. The SPD party presidum has decided to call a party convention in December on the themes of "Human Growth" and "Securing the Peace." All resolutions will be screened and limited to the two topics before they reach the floor. This will prevent the SPD meeting from being flooded with antinuclear resolutions as in the past. The SPD state organization in Baden-Württemberg, headed by environmentalist Erhard Eppler, was disciplined June 20 when the SPD-dominated DGB state trade union federations said that it would withhold support if Eppler continued to use the SPD state organization to organize against nuclear power.

—*James Cleary*

U.S. and London plan invasion of Persian Gulf

Last week, a special advisor to U.S. National Security chief Zbigniew Brzezinski, told a European audience that Washington is prepared to invade the Persian Gulf to secure vital oil supplies. Professor William Griffith of the Massachusetts Institute of Technology, speaking in Munich, West Germany, justified such action on the basis of a potential Soviet move into the Persian Gulf to seize the oil fields.

Timed with the Griffith speech, the London-based Institute for the Study of Conflict released a report warning again of imminent Soviet aggression in the Gulf and called for a Euro-American strike force to defend Western oil supplies.

U.S. Energy Secretary James Schlesinger and Defense Secretary Harold Brown have also uttered declarations to the effect that the "reds are on the move" and the U.S. is prepared to counter. Such statements fit with the oft-publicized scenario of "Soviet expanionism" which Great Britain has used as a pretext for its past colonial domination of the Gulf region.

Brzezinski is expected to take this military plan to the Tokyo summit of the seven major industrial nations on June 28, according to a well-informed Washington source. No doubt, the European and Japanese participants of the summit, who are looking to cooperation with the Middle East oil producers, will be more than a little leery of such schemes. The same source noted that the only way Europe and Japan will ever accept such a plan is if there was a real threat to the flow of oil from the Gulf.

Producer-consumer cooperation

A number of members of the Organization of Petroleum Exporting Countries—most emphatically Saudi Arabia—have either finalized or are negotiating direct sales to consumer nations, bypassing the multinational oil companies. This pattern has prevailed more and more since the beginning of the year following the shutdown of Iranian oil exports which led to a massive speculative binge on the international spot markets—notably Rotterdam—which the OPEC nations resoundingly condemned. Both Indian and Brazilian sources say that OPEC is already selling oil at a lower price to state-owned companies than the multinationals in order to penalize the multis for market manipulation and profiteering with OPEC oil—a major factor in the current oil price hike and gasoline shortage in the United States.

The Saudis are known to be considering increasing their oil output from the present 8.5 million barrels a day to 9.5 mbd after the June 26 price setting parley of OPEC. A New York oil analyst stated that whether or not the increase comes about, the Saudis will continue to lessen their sales of crude oil to the four partners of the Saudi service company, the Arabian American Oil Company (Aramco) in favor of the Saudi state-owned company, Petromin. The Saudis intend to continue to negotiate direct oil sales through Petromin, which is unprecedented.

The Iranian wild card

The efforts of Saudi Arabia and the Europeans to undercut the monopoly of multinational oil companies in the world petroleum markets represents a serious potential threat to plans by the City of London and its Carter administration allies to generate political chaos and economic collapse by deliberately manipulating the supply and cost of oil. Since its inception, the oil monopoly—often termed the Seven Sisters—has been a key tool of international geopolitics.

Both the Washington-based *London Oil Reports* and the *Financial Times* of London this week smugly reported that any Saudi production increase would be deliberately offset by a decline in Iranian oil production. London is confident that Iranian oil production will be reduced—with the complicity of the fanatical regime of Iranian strongman Ayatollah Khomeini. Not only is Iran the catalyst within OPEC for a radical anti-Western crude oil price hike, but Khomeini's Islamic fundamentalist government represents the greatest threat to the stability of the Persian Gulf and, most importantly, the Saudi royal family.

Numerous Washington analysts, both civilian and military, agree that a U.S. military invasion of the Gulf without a viable pretext is not likely. But a disruption of the government of an Arab oil producing sheikhdom or radical attack on an oil tanker in the strategic straits of Hormuz at the mouth of the Persian Gulf by the Khomeini-connected Islamic fundamentalist Muslim Brothers or radical leftists would provide the necessary pretext.

Ousting Khomeini

Both the Saudis and their European allies are aware of the problem of future security for the oil fields and the sovereignty of the nations of the region. For that reason, according to sources, certain European and Gulf interests are clandestinely working with Iraqi support to replace the Khomeini regime as soon as possible. In recent weeks the aging Ayatollah has been discredited for his total mismanagement of Iran economy and his government's inhuman repression.

According to an Iranian source, a number of former Iranian monarchists, generals and members of the secular Republican National Front have begun the process of unseating Khomeini and his band of reactionary Mullahs. The Iraqi regime is known to be cooperating to some extent in this effort as well as certain French interests. This source noted that within the groupings presently coalescing around the task of ousting Khomeini there is as yet an unresolved power play which makes predicting the outcome of an eventual coup difficult.

According to Eric Rouleau in *Le Monde*, June 11, there are three probable results of a coup: 1) a democratic-republican government which would include the National Front; 2) a Libya-style government and continuation of religious rule; and 3) a right-wing Chile-style military dictatorship. Iranian sources close to the National Front indicate that if the first alternative comes to pass, former premier Shahpur Bakhtiar may likely become Iran's premier again. Both the Iraqi News Agency and New York sources confirm that Bakhtiar has returned to Iran following a brief exile in Europe. Recently the radical Ayatollah Khakali called for Bakhtiar's execution because he was the last premier under the Shah prior to the Shah's January ousting.

Khomeini's attacks on Iraq

Recent harsh verbal attacks which Khomeini and members of Premier Bazargan's government have launched against Iraq also confirm Khomeini's fears that Baghdad may be conspiring for his overthrow.

In the last 10 days, both the labor minister and the interior minister have threatened the Iraqi regime. Labor Minister Darius Farouhar threatened Iranian military action against Iran's neighbor citing Iraqi support for the Khuzestani Arabs that are calling for autonomy.

Over the last month Teheran and Baghdad have, on a number of occasions, traded verbal attacks. Arab sources note that the powerful Iraqi military could easily crush Iran given the fragmented state of the Iranian army.

London this week let it be known that Khomeini may soon bite the dust, a reflection of its own anxiety about an Iraqi-French backed coup to install a National Front government. A series of predictions appeared in the London press to the effect that the right-wing military option was the most likely outcome of a coup d'etat in the troubled state of Iran.

—Judith Wyer

U.S. designs military strike force plan

Below, a source who assists a prominent Washington oil consultant states his own knowledge of Washington's preparations for a Persian Gulf invasion and the growing polarization between European consuming nations and Washington over the energy issue.

The situation is dreadfully serious. I fear that there is a growing tendency in foreign policy and defense establishments that SWAT-type strike forces should be formed for the Gulf. We will lay on the table at Tokyo that we have these plans. The plans are in place, they are quite detailed, and can come into effect under a number of possible scenarios.

The reason these plans will be presented at Tokyo, albeit in a low key sort of way, is that the Europeans and Japanese are convinced that the American intention is to let prices go up and up, in order to allow for the development of alternatives. The Europeans and the Japanese perceive this as American policy, and see the U.S.'s aim as that of coming out on top at some point in the future in the alternative energies game, with Europe being relatively beggared....

The military strike force idea is designed by the Carter administration to assuage such apprehension. The administration is trying to say to Europe that under no conditions will they let the West be blackballed over energy. The French and Germans are likely to resist the idea, but the Japanese might under certain conditions of short supply agree to it if, say, there were a major shortfall due to a coup in Saudi Arabia, or any other supply interruption.

In terms of real scenarios in the Gulf, the real fear is not the Soviets, but an internal coup in Saudi Arabia, a case where one branch of the royal family will line up against the other, creating a confused situation about who is in control. There is a great concern over radical officers deciding to seize power à la Libya. Also you have the problem of the immigrant population such as the Yemenis who could stir up trouble for purely inter-Arab reasons. So the big concern is that there will be a split in Saudi Arabia, and the U.S. might line up on the wrong side. The U.S. might actually intervene to protect the oilfields, on the pretext of defending one side against the other.

Britain harks back to colonial days

Clare Hollingworth, defense correspondent of the London Daily Telegraph, *covered the newly released study from the Institute for the Study of Conflict on future Soviet aggression in a June 18 article which follows.*

So concerned is the West by the ever rising cost of petrol that Russia's threat to Persian Gulf oil supplies appears to have passed virtually unnoticed.

According to a report published today entitled The Security of Middle East Oil by the Institute for the Study of Conflict, the Russians have the capability to deny oil in a global crisis which could imperil our survival.

The distinguished group of experts who produced the report includes Vice Admiral Sir Louis Bailey, the former head of Military Intelligence, professors Max Beloff, Leonard Shapiro, and Hugh Seaton Wat-Thompson, formerly head of the British Advisory Mission to Vietnam, and Brigadier W. F. K. Thompson.

The experts all agree that Britain can no longer mount the type of operation which served to protect Kuwait against the threat from General Qassim, prime minister of Iraq in June 1961. But they ask: "Might not Britain begin to think once more in global terms?"

They add that Britain still retains a position of influence within Oman, at the mouth of the Persian Gulf, where we might provide a small force of say, a battalion or less, which would help to ensure the security of the states through which every oil tanker from Saudi Arabia, Iran or the Gulf States must pass.

The authors obviously believe contingency plans should be drawn up to enable American and European forces—not necessarily under NATO arrangement—to go to the Middle East on short notice.

Iran charges Iraqi-Shah conspiracy

The clandestine National Voice of Iran on June 7 launched a round of attacks on Iraq for what it claims as outside meddling in the affairs of Iran's Islamic fundamentalist government.

During discussions which representatives of the different political and social organizations, Vice Admiral Madani (governor general of the oil rich Khuzestan province—Ed.) said that individuals in Kuwait and Iraq, who had received sums of money from the former Shah, put this money at the disposal of elements in Iraq to be used for purchasing arms for opponents of the Iranian Government. Furthermore, some sources mentioned the secret visit of Ardeshir Zahedi and his futile attempts to carry out all kinds of conspiracies by using former SAVAK and CIA agents. By taking all these facts into consideration, political observers review and discuss in the same vein the sad events in Khuzestan and the border violations of the Iraqi fighter planes.

Same game, different players—Iraq

The Iraqi newspaper Ath-Thawra, *organ of the Arab Socialist Ba'ath Party on June 12 warned the rulers in Iran against any attempt to destabilize the country.*

Ath-Thawra advises these rulers not to play the game which the Shah of Iran played with Iraq. The paper addresses these rulers by saying: "Do not play the harmful game and do not be taken in by illusions. This game is much more dangerous than you imagine and are led to believe."

Ath-Thawra recalls that Teheran media and leaders used to say against Iraq during the Shah's reign. The paper says that a review of that period will show that the biggest slogan raised at that time by the Shah's regime in Iran against Iraq was the slogan of religion, and that among the most important tools that regime used against Iraq were men who were counted among the clergy.

We must mention this paradoxical fact because strangely enough the game is being repeated although the player is different.

Ath-Thawra stresses that the great danger threatening the Arab nation during the Shah's reign resulted from two causes. First, attempts to prevent Iraq—which constitutes the strongest military power in the Arab East—from carrying out its role in confronting the Zionist enemy; and second, Iran's role of a policeman in the Arab Gulf and its assertion of this role by occupying the three Arab islands.

Turkey bows to the IMF

The government of Prime Minister Bülent Ecevit of Turkey, after months of resistance, has accepted the International Monetary Fund's conditions for "aid." Under the IMF terms, the Turkish lira will be devalued by a whopping 78 percent, with more such devaluations likely, since the government has also agreed to bypass the cabinet in their implementation. In the future, devaluation of the currency will require only a unilateral decision by the Finance Ministry.

The acceptance of these austerity measures is almost certain to bring down Ecevit. Commodity shortages, 70 percent inflation, and 25 percent unemployment have turned much of his constituency, including whole sections of his Republican People's Party, against him. Combined with new price hikes which range from 25 to 65 percent for gasoline, iron, steel and alcoholic beverages, the devaluations strengthen the position of opposition leader Süleyman Demirel, a conservative, and his neo-Nazi collaborator Alpaslan Türkes of the Nationalist Action Party, who are seeking to overthrow Ecevit.

Should a Demirel-Türkes coalition be installed, the country's submission to the IMF would be ensured. As well, Turkey, a strategically critical country, would almost certainly be returned to the status of a NATO bastion against the Soviet Union. With its economy in ruins as a result of the International Monetary Fund's austerity package, Turkey will be subjected to the same Muslim Brotherhood chaos that is destroying Iran.

How the IMF blackmailed Turkey

For more than a year, Ecevit refused to accommodate the fund, hoping that West Germany or France would provide an alternative to the International Monetary Fund via the new European Monetary System. Germany did force through a resolution proffering large-scale aid to Turkey in January, but the package was subsequently blocked by the Organization for Economic Cooperation and Development. Ecevit's government conceded to IMF rule at a time his country's reserves were depleted and the needed credits were not forthcoming due to the IMF's pressure on West Germany and France. Without an international campaign of support for Ecevit's efforts to withstand IMF blackmail, the Turkish economy was effectively cut off from foreign credits since Ecevit assumed power 18 months ago.

Now that an agreement with the IMF has been reached in principle, commercial bank lending as well as credits from the IMF, World Bank, and the Organization of Economic Cooperation and Development are expected to open up. Early this month, the OECD had linked an offer of $1.5 billion in aid to Turkey's compliance with the IMF austerity demands.

IMF not satisfied

Well aware that Ecevit does not have the clout to fully implement austerity, the IMF is behind the Demirel option to topple Ecevit. Ecevit has not gone far enough, the British press trumpeted last week, pointing out that Turkey's new austerity measures do not contain a wage and price policy, credit ceilings, and restrictions on the public sector enterprises. "Doubts are growing ... as to whether the new devaluation of the currency, under pressure from the West, will be enough to rescue the country from its economic plight," the *Financial Times* of London wrote last week.

Will government survive?

The Ecevit government is hanging in power by a thread with conjectures that it will be overthrown within days circulating widely. Within the past month, three ministers have quit his cabinet to join the opposition and half a dozen deputies have defected from his party, leaving him with less than a majority in parliament.

Opposition leader Demirel is maneuvering to pull off a vote of no confidence in Ecevit. So far, the Prime Minister has managed to block Demirel's designs by having the Republican Peoples Party boycott parliament, thereby preventing a quorum and blocking any debates or votes from taking place. With parliament scheduled to recess on July 3, Demirel is reportedly intensifying his efforts to oust Ecevit by that date in an attempt to prevent Ecevit from reinforcing his position during the four-month recess and to open the way for new elections—elections that Demirel would most likely win.

The June 14 *Financial Times* editorial diabolically queried whether the Ecevit government can be saved. "The question remains," the editorial states, "whether the 'emergency aid' and other funds will arrive in time to save the Government of Mr. Bülent Ecevit...."

"It is a dangerous situation. So far the army has made it clear that it does not want a repeat of its involvement in politics in the martial law period of 1971-73—though some commanders, particularly in Istanbul, have been pushing a harder line recently. The main apparent gainer is the Nationalist Action Party. ... It is not in a position to seize power, though Mr. Demirel makes it clear he would be prepared to form a fresh coalition with the NAP."

—*Nancy Parsons*

Genocide in Kampuchea

The depth of hell created in Kampuchea during the reign of terror of the Chinese-sponsored Pol Pot regime is still being uncovered. As the new government of President Heng Samrin struggles to rebuild life in that Southeast Asian country, it is also uncovering the full horror of what occurred—not only the millions who were killed but the systematic destruction of all signs of intellectual life, of literature and culture, of industry and science—at the hands of Pol Pot's Red Khmer forces.

The following article, written with great passion and skill by Polish journalist Wieslaw Gornicki following his recent visit to Kampuchea is, to date, the most powerful public account to have appeared on the reality of this genocidal regime. Appearing in truncated form in some U.S. newspapers, we reprint here the full text as it appeared in a publication of the World Peace Council and in the June 3 issue of the Indian weekly New Wave.

What happened in Pol Pot's Kampuchea is now taking place in Iran, in Nicaragua, in southern Africa—and with accelerating vengeance.

Those Anglo-American policymakers who disguise their continuing support for the remnant of Pol Pot's forces in terms of playing the geopolitical "China card" against the new Phnom Penh government and its Vietnamese allies are endorsing the Cambodia Dark Ages model for the entire Third World. One need only look at the events in Uganda, where the Tanzanian army, like the Vietnamese in Kampuchea, overthrew barbarian Idi Amin and installed a new Ugandan government to the cheers of the world. Perhaps, we ask, if China had supported Idi Amin would we have heard cries of "violation of international borders" from the United Nations and Washington.

For almost five weeks, between the end of January and early March 1979, I was in the Indochinese peninsula for over three weeks, in liberated Kampuchea and then twice on the Chinese-Vietnamese front-line. First in the vicinity of Lang Son. Then for several days in the province of Lao Cai.

Three times in my life I have been shot at. For the first time, by the Nazis during World War II in Warsaw. For the second time, by the British invasion forces, while I was covering the war in Egypt in 1956. For the third time by the Chinese artillery near Lao Cai. I brought with me a shrapnel from a Chinese howitzer, caliber 130 mm, which was fired at us when we arrived at a Vietnamese outpost 2 kilometers north of a village called Phu Loi. I still hear the artillery barrage and the twittering of jungle birds, interrupted by explosions.

It is not my intention to report here the military side of the Chinese intrusion into Vietnam. It would require much more military knowledge than I have. Neither can I bring myself to describe the sufferings of the Vietnamese civilian population driven out by the Chinese artillery fire from the towns and localities along the border. What I have seen there may be compared only to the most dramatic scenes remembered from my childhood in Nazi-occupied Poland.

I have seen an old woman dying in the road in the dust, with relatives standing helplessly about her. I have seen another woman giving birth to a child in the middle of the crowded town of Dong Mo, some 40 kilometers south of the frontier. I have seen half-naked children running around to find some food for themselves and their parents. I have seen a family weeping loudly because they had to slaughter their only food supplier, a pig. The pig was no longer able to walk miles and miles. People must walk. Chinese artillery fire is quite precise and sometimes it reaches people who think they are safe. I am a professional and I know pretty well the standard vocabulary of war reporting. Yet this time it is extremely difficult for me to find the proper words to describe the valiant, persistent, intransigent, devoted Vietnamese soldiers defending their homeland.

All of them are young, or very young. They have got only one life, only one youth. Yet this is the second consecutive Vietnamese generation that has had to fight and to endure all the hardships of war. This is the 46th defensive war in the history of Vietnam. As of Feb. 17, 1979, Vietnam has entered its 36th year of incessant wars against foreign invaders. People who were born during the first armed struggles against the Japanese occupation forces in 1943, have grown-up children now, who now must do the fighting. How long will it last? How many times more must the Vietnamese nation resort to arms to defend its independence and sovereignty? Is there a limit to the sufferings and sacrifices of a single nation?

I have spoken to many Vietnamese soldiers along the front line. There is no way of knowing how many of them are still alive. As a matter of fact I feel quite uneasy while talking about it.

After being in Indochina at the beginning of 1979, I have realized for the first time what the Chinese "emperors of ants" have actually in mind when they claim the concept of a "new society." For the first time I have realized the scope of meaningless words contradicted by the most atrocious practices. The so-called Chinese model of social life should now be seen in a new light—that of the Vietnamese frontier and that of Kampuchea. One cannot and should not separate the present Chinese aggression against Vietnam from what the Chinese puppet regime did in Kampuchea, with full Chinese acquiescence and approval.

I have seen many atrocities and much human suffering—probably too much of the ravages of war. Yet never before did I witness anything comparable to Kampuchea these days. I doubt whether I will see anything like that in the future—unless China unleashes another war of total annihilation.

Kampuchea is the only place in the whole world and a unique example in modern history where the madness of a doctrine has brought about almost total annihilation of a country and its people. No war destruction even approaches what the Pol Pot-Ieng Sary murderers have done to their own nation. After what I have seen in Kampuchea, I may definitely say that Maoism is not just one of the many political theories of the 20th century. It is not a proposal. It is not a revelation, as some young people thought a decade ago. It is nothing but an ideology of genocide—premeditated, comprehensive, ruthless genocide. All the rest is either naive platitudes or sophisticated word-gimmickry, to which many of us were attracted because of our yearnings for things pure and unequivocal.

This is not a sweeping statement. I happen to have known Southeast Asia for two decades. Ever since the mid-1950s I have been closely following the developments in that region. I am no stranger to Calcutta, Bangkok, or Jakarta. There is no other part of the world of which I am more fond. For many years I have been fascinated by the pattern of the Chinese revolution. I have never allowed myself to ridicule Chinese specifics or their strange way of doing things. The basis of my thinking about Southeast Asia has been laid by the books of Joseph Conrad and obviously by *La condition humaine* by André Malraux. All my life until recently I have been an admirer of the Chinese revolution, its faithful follower, its ally. Even in the first year of the "cultural revolution" I was desperately trying to find some justification for the barbarity and omnipresent madness. No more. Never more. The spell is gone. If I am saying all this today, it is not out of political expediency nor is it motivated by current political needs. It is the expression of the most bitter of all my disappointments. It is a painful and, yes, tragic revision of my previous convictions. I don't think I am the only one forced to revise it all.

I have brought with me two pieces of Chinese-made machine gun munition. The first one I found in a trench at the front line near the Vietnamese town of Lao Cai, occupied by the Chinese. The other comes from a Kampuchean town of Prey Veng. All the inhabitants of this town were exterminated to the last person. At present, that town is nothing more than a spot on the map. Nobody will ever return here. Prey Veng is already partially invaded by the jungle. There are narrow paths instead of once busy streets. There is a place there where I have seen about 200 human skeletons, bones, and skulls. Some of the skulls still have corroded nails in the forehead or in the eyeholes or on the top of the head. Arm bones are still strongly tied by barbed wire. There is one skull that has three regular holes from bullets. Apparently, the dying man was struggling with his henchmen, and he had to be silenced by shooting. It is near his skull that I found the other bullet.

Two bullets. Same Chinese sources. Same political motivation. Same purpose. I have seen hundreds of munition cases marked with Chinese characters and the infamous number "800." They mean that the Pol Pot henchmen may count on 800 million Chinese siding with them. There were not 20,000 Chinese advisers, as previously reported, but well over 30,000. They heard the grass whisper; they kept a record of every single event there. The Chinese ambassador in Phnom Penh was actually commander-in-chief, main political commissary, the czar of economic life, chief ideologist, the master of life and death—general overlord. If Deng Xiaoping claims now that the Chinese leaders were "not informed" about the events in Kampuchea—he lies. Blatantly and shamelessly. One must rule out absolutely the possibility that the Peking leaders did not know about the extent of extermination and destruction in Kampuchea. Just the contrary. It is in Kampuchea that all the theoretical premises of the Chinese "cultural revolution" were put into practice. It is there that this criminal experiment has been carried out completely to its logical end.

That is why I feel the moral and intellectual obligation to tell the story of Kampuchea today. It is a story beyond mere journalistic reporting. It is a conversation with one's self about the limits of a utopia and about the lessons that we all have to draw from the history of those four horrible years. No matter which culture we belong to, Kampuchea has become a common cause for all humanity, irrespective of ideological commitments and divergent political views.

It may be said that Kampuchea in 1979 in a way reminds us of the "time machine" of H.G. Wells. From any given point in this unhappy country one may see simultaneously the most remote past of the human race—the stone age, that is. And at the same time one can have an idea what the world would look like if the

Maoist doctrine were ever to have its way on a global scale.

One day I will write a book on Kampuchea. A bitter, soul-searching essay on how one should keep away from glittering slogans. But right now I want to be as brief as possible and confine my observations to basic problems facing liberated Kampuchea today. Today—and, indeed, for many, many years to come.

The consequences of genocide

It is estimated that the Pol Pot regime, haunted by its own theory of "overpopulation," has exterminated no less than 22, more probably 25 percent of the Kampuchean population. All figures are approximate, of course, for the latest census in Kampuchea was taken in 1962 and the current transmigration of population makes it the more difficult to establish correct and precise figures. However, I am inclined to believe rather the upper bracket of estimates. I have seen with my own eyes no fewer than 2,000, probably 3,000 human bodies, skulls, and skeletons brought together in one place. Mass graves are almost being discovered daily. Some localities are completely extinct. It suffices to walk for half an hour in any town to discover remnants of people, not known to the authorities.

When it comes to the people with any degree of education above the primary level, the extermination rate reaches approximately 80 percent. The Pol Pot murderers have achieved a unique record of the 20th century; they have reduced the population by one-fourth, while at the same time increasing the illiteracy rate from 60 to an estimated 93 percent. According to the Maoist doctrine, knowledge of reading and writing was inevitably a proof of "mental corruption." Even basic knowledge of any foreign language was sufficient to cause one to be classified into lower categories, which meant, in practice, slow starvation. As a result, Kampuchea today, for all practical purposes, has no educated cadres. The new government estimates that there are six doctors, about 20 teachers, and not a single engineer. All others lie in mass graves.

I do not think anybody will ever be able to tell the whole truth about the Pol Pot atrocities. It needs the pen of a talented fiction writer to condense it all into meaningful and readable matter. I am helpless in that respect. In Prey Veng I have seen 14 concrete holes, 430 centimeters deep each, used probably as sewer entrances; 13 of them are filled to the brim with broken human bones and skulls. In a 14th hole of the same depth, which has a concrete bottom, one may see something that not even the Nazis invented: liquid man—human bodies dissolved under the tropical sun into a dark, heavy liquid. The surface of it is covered by billions of black and yellow worms. Three skulls, lighter than the liquid, float freely in the liquid remnants of people, about whom we know nothing and will never know.

In the village of Phoum Ang in the province of Svay Rieng I was present during the unearthing of a woman, rather young and whose body was relatively well preserved. Her long dark hair could partly be seen inside her skull, for she had been killed with an iron bar that had cracked her head. In the town of Kompong Trabak I have seen the mutilated skeleton of a man. His skull lay about three meters from the rest of his bones. No one can tell whether he had been beheaded or whether hungry rats had been feeding themselves on his body.

I have seen a documentary film shot by the Vietnamese military film unit in December 1978 in the Vietnamese province of Tay Ninh, a few hours after the sudden intrusion of Pol Pot troops. This film is not for public showing; and no wonder! Few people may stand looking at about 20 little children, aged two to six, put on bamboo sticks like flies on a pin. Or watch dead women with sharpened bamboo sticks in their crotches. Or see men's bellies ripped open. If it were not for what I have seen in Kampuchea with my own eyes, I could hardly believe the pictures I am talking about.

"Maoism is nothing but an ideology of genocide—premeditated, comprehensive, ruthless genocide."

Destruction of the social structure

The consequences of genocide committed by Pol Pot murderers will have a lasting impact on Kampuchean people for several generations. There is not a single family in Kampuchea that survived "year zero" untouched. There is not a single village, not to mention the towns and cities, that may be repopulated to previous proportions. As for educated people, the losses cannot be compensated for till the end of this century.

The theory of "overpopulation" was not merely an intellectual utopia for the Pol Pot regime. There are grounds to believe that they had prepared, on the advice of the Chinese, a comprehensive plan for reducing the population of the country by half. Not only by sheer extermination, but by all conceivable means at their disposal. One of those means is annihilation of the family. There was not a single married couple that survived those four years in the same place; separation of husbands from their wives was an iron rule to which there were no exceptions. Marriages were abolished and forbidden. This is probably the reason why one sees in Kampuchea today very many children above the age of six and very few below four years of age. It is safe to assume that the birth rate in Kampuchea between 1975 and 1978 dropped almost to zero. I did not find any evidence of collective marriages, reported earlier by the foreign press. However, it is evident from all the talks I had with the survivors that any approaches between a man and a woman were punishable, firstly by the reduction of the food ration and, if this does not work, by death.

I spoke with Mrs. Dom Phonh. She is 49 but looks like an octogenarian. She has no teeth and her deeply wrinkled face moves nervously while she talks. Mrs. Phonh was a midwife: for the Pol Pot regime this was a particularly undesirable profession; for the midwives help to increase the population instead of reducing it. Mrs. Phonh comes from the town of Kontua in the province of Kandal. Her husband was a bricklayer, her oldest son was a gas station attendant. I have used the past tense as virtually all her family has either been exterminated or died of starvation. She is all alone, has no home, no family, not a single document and actually no biography, for she refuses to think or to speak of her previous life.

I spoke to Mrs. Pen En, a teacher of mathematics in Siem Reap. She was separated from her husband only a few hours after the Red Khmer units entered the town. She knows nothing of her husband, but she has every reason to believe that he was subjected to particularly cruel treatment and executed. His "sins" were unforgivable: he was a college graduate, worked as headmaster of a school, spoke two foreign languages, and was active in the Soviet-Khmer and French-Khmer associations. As for Mrs. Pen En's children: two daughters, aged 12 and 15, died of starvation in a commune of Vanh Son, some 150 kilometers from the place where their mother was resettled. Another daughter did not survive a march of death from Siem Reap to the southeastern part of the country. She died in her mother's arms.

Stories like that may be told by hundreds or even thousands. The Pol Pot regime with its inhuman idea of "total transparency" and "boundless collectivism" managed to destroy the basic tissue of society. It will take years before new families are founded and old ones heal their wounds.

Starvation

It is true that by reducing the number of inhabitants in Kampuchea and by imposing slave labor, the Pol Pot regime accumulated in 1977 a certain surplus of rice. This was vociferously noised abroad by the Chinese press as "a victorious achievement." However, as of 1978 the shortage of food was already so acute that China had to feed the cadres of Angkor, for nobody was interested in the hunger down in the countryside. Starvation was one of the most desirable means to reduce the population. I have spoken to about 20 people who were given, in the communes, Categories III and IV. I managed to meet only one single person with Category II. (Category I was reserved for the cadres of Angkor and illiterate peasants.) In Category III the daily allocation of rice never exceeded 130 grams per head. Category IV was still worse: 90 grams of rice, no fish, no fruits.

With this starting point one would hardly expect prosperity. It has to be added that the Red Khmers deliberately destroyed about 20 percent of arable land in southeast Kampuchea by draining water from the paddies. It will take at least one generation to reconstruct the intricate water supply system over there. Moreover, the fleeing Chinese advisers took with them a considerable amount of rice reserves.

I spoke with Mrs. Chan Kanh Nha, who is the only surviving woman doctor in all of Kampuchea. She had managed to take refuge in Vietnam. Her husband, who was a professor of medicine, was hanged without delay as soon as the henchman discovered that he had studied in Paris and Moscow. Her two daughters, aged four and six, disappeared forever in the havoc of evacuation from Phnom Penh. Mrs. Chan is now acting minister of health in the new government. According to her estimates, the daily consumption in Kampuchea today does not exceed 450 calories a day, while the lowest possible intake in that climate should not be lower than 1,100 calories. Along the main routes, I have seen thousands of peasants returning to their former home sites. These people have practically nothing to eat. They cook tiger grass, bamboo sprouts, or tiny fish caught by children in nearby swamps. The deficit of protein reaches monstrous proportions. It may well affect future generations. I really do not know how international assistance can be organized, but one thing is sure: the world must make every conceivable effort to help the Kampuchean people, unless we want to be guilty of the crime of indifference.

Health

Medicine, both Western and Oriental, was the public enemy No. 1 to the Pol Pot henchmen, for it prolongs human life while they wanted to get rid of as many people as possible. That is why they displayed so much blind fury in exterminating the doctors, nurses, and midwives. There is not a single hospital left in Kampuchea.

In Phnom Penh I have visited the Preah Ket Mealen hospital. I have seen there several people, victims of the most sophisticated tortures by Pol Pot henchmen, people who survived only by miracle. I have seen a young man whose leg bones are broken in 11 spots. The only help that he can get in the hospital is a bamboo stick, which is attached to his leg with a packing string. No pain-killing drugs whatsoever. No calcium to speed up the recovery of his bones. Not even enough bandages to stop his wounds from bleeding.

In Svay Rieng I visited a provincial hospital which had been equipped with a very expensive X-ray scanner, donated by the French Red Cross. It has been deliberately broken to bits with a hammer and destroyed beyond reconstruction. The director of this hospital was forced by the Red Khmers to sweep the courtyard. The "commander" of this hospital, appointed by Angkor, was 13 years old. His only instruction was to get rid of the medical personnel and to destroy as much equipment as possible without the use of explosives.

In another Phnom Penh hospital built by the Soviet Union for 80 million rubles and equipped with the most modern medical equipment by the French, Swiss, Swedish, and West German Red Cross, I have seen virtually tons of expensive drugs, surgical instruments, and medical supplies—broken, trodden, stepped on, crushed by hammer blows. On the second floor of this hospital there is an empty room still covered with human blood, with scattered human hair. It is in this room that I found a peasant's knife used for cutting sugar cane. It is still covered with the blood of an unknown victim. Nobody knows who was executed in this room, or for what reason. This new "surgical instrument" was used everywhere to break human necks and skulls, because the Red Khmers were under strict Chinese orders to save munition and employ only traditional instruments of torture and killing; China is a poor country, mind you. In several villages I have seen the beginning of the beginnings: primitive medical stations with practically no medical equipment and obsolete foreign drugs of dubious utility. The lack of skilled medical personnel may be disastrous if the lack of food, giant migration, and the omnipresent decaying bodies bring about an epidemic.

"There are grounds to believe that the Pol Pot regime had prepared, on the advice of the Chinese, a comprehensive plan for reducing the population of the country by half."

Economy

Kampuchea is the only country in the world today where there is no money and no currency with any purchasing power whatsoever. On April 17, 1975 Pol Pot abolished all money "once and for ever," as he had put it. The National Bank in Phnom Penh was blown up 24 hours after the Red Khmers seized control of the capital. Until this day the streets around the National Bank are littered by millions and billions of riels. It is nothing but trash. No one may say when any currency will be reintroduced to Kampuchea and on what economic basis. Moreover, there is no barter trade of even the simplest sort. No shops, no street vendors, nothing to sell—what is lacking is a primary merchandise of all economies, food.

Actually, there is no economic life at all. All the industry is totally destroyed. I visited a brewery in Phnom Penh, which for the last four years was taken over by the snakes and rats fighting constantly with each other. It is interesting to note that this brewery, which once employed 700 people, was the property of the second richest man in Kampuchea, after Lon Nol. He was a Chinese businessman, Tsien-tai. As such he deserved to be executed on the spot, with no delay. Apparently there were some notable exceptions to their doctrine. Tsien-tai has safely emigrated to China. Reportedly the Chinese government sent a special plane from Peking to bring their beloved son back home, together with his family and uncounted cases of gold and jewelry.

Even the smallest shops, repair stations, and artisan workshops are meticulously destroyed. All electrical cables are cut, plugs are broken, electric motors have their rotors unwound. The stockpiles and reserves are depleted. Agriculture for all practical purposes has come to a standstill. A transmigration of enormous magnitude is still going on and no one is in a position to tell when it may come to an end.

I do not want to tell here sensational stories; this is no occasion for making juicy headlines. Yet for the first time in my life I have been walking on silver. There is a street in downtown Phnom Penh—I do not know its name, for all street signs were destroyed—in which the silversmiths had their shops. All their products are torn to pieces, piled on the sidewalks and driven over by jeeps.

Communication

Total isolation of every individual and absolute control over minds and bodies are essential to the Maoist concept of "new social life." It has been applied practically during the "cultural revolution" in China, about which we seem to know very little. However, we may deduce what was taking place in China in the early 1960s just by comparing it with Kampuchea, where the Pol Pot people were somehow more efficient than their Chinese masters. Accordingly, railways in Kampuchea do not exist any more. In the central railway station in Phnom Penh I was walking along a train that for the last four years had been standing in the very same place. The rails are covered by grass and wild banana bush. Streets of all Kampuchean cities are littered with battered bicycles and broken motor-scooters, for private communication of any sort was a serious crime against the "supercollectivism" that Dr. Pol Pot had in mind. Highways were murdered in the same nefarious manner as the people have been. Virtually thousands of little trenches have been dug across all main highways. One cannot travel in Kampuchea today, except by robust military vehicles. Even so, the average speed does not exceed eight kilometers per hour, as the driver has to apply brakes every 50 meters or so.

The destruction of all means of communication had an ideological background behind it. The Pol Pot people came to think that any form of uncontrolled exchange of views or even words between the people is potentially harmful to the "cause of revolution." I have spoken to many people, who for more than four years had not the slightest idea what actually happened in Kampuchea. Possession of a radio receiver was punishable by death. Same, for speaking in foreign languages. Same, for reading any scrap of printed paper. Even between neighboring communes there was no communication of any sort except by the commanding groups of Red Khmers.

It all makes Kampuchea even today an almost inaccessible country. There is no gasoline supply, no repair shops, no spare parts for any car, no way of moving around. The fury of the Pol Pot regime directed against modern civilization was almost completely successful in destroying even such means of communication as were known to the human race thousands of years ago.

Cultural heritage

I have said that there is not a single book left in all Kampuchea. There is an exception to this, though. I went completely alone into the compounds of La Bibliothèque Nationale situated next to the once famous hotel Le Royal. For the first time in my life I witnessed a deadly fight between a domestic pig and a black Asian rat. The fight took place in the main reading hall of the library, among priceless first printings of Theophile Gautier, early French geographical reports, complete editions of Shakespeare and volumes of American poetry, donated by the United States Information Agency. It may be safely assumed that the contents of the National Library have been saved from the fire services of special squads only because the Red Khmers were planning to sell those valuable treasures for hard currency. However, all the books there have been urinated upon, splattered with mud and excrement, and partially torn to pieces. I spent about two hours in the National Library walking among the shelves, all alone, brooding over rarest first editions and wondering whether there is any limit to barbarity.

On July 7, 1978 the Chinese ambassador to Phnom Penh at a reception given in honor of Chinese specialists had gone out of his way to acclaim "exemplary achievements of revolutionary forces of Democratic Kampuchea in the field of culture and education."

Some achievement, indeed.

Just opposite the National Library is the once famous Lycée Français, thought five years ago to be the best secondary school in all of Southeast Asia. I walked through the corridors of what used to be a school and what amounts now to nothing more than a rubbish heap. Microscopes broken by hammers, books and maps burned out by the sulphuric acid from car batteries, school records thrown into the courtyard, movie projectors dismantled, with broken lenses and their little motors ripped out in the same manner as the murderers used to rip out human stomachs. In one classroom, I saw chalked on a blackboard an inscription that now appears quite cynically: "less vacances."

All towns and cities of Kampuchea are littered by miles and miles of film and recording tapes. The Red Khmers were under positive orders to destroy every image from the past and every single recording. I have brought with me about 40 centimeters of a movie of which I know nothing. There is a beautiful young woman holding a baby in her arms. It is really difficult to tell what harm such a movie could do to anyone.

The Pol Pot regime made it a severely punishable crime not only to talk about the past but even to possess anything that could remind one of the past. Buddhist and Catholic clergymen were executed within the first week after the seizure of power. Whoever had been engaged in teaching anything whatsoever was placed in the lowest category or assigned to work which was tantamount to slow death. The boundless fury with which the executioners attacked the past as such was probably much more efficient than the respective folly during the "cultural revolution" in China; yet its zeal was born of the same insane theory that the future must start at point zero. It is only now that I am able to grasp the abysmal cynicism of Mao Tse-tung when he was talking about the inevitability of World War III. It's not only several hundreds of millions of living people that he was ready to sacrifice. It was also our common past, our human history of many centuries, our supranational heritage.

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One cannot visit Kampuchea these days without one's reflections going far behind normal reporting of things seen. One has to get rid of professional habits. One has to ask one's self certain questions that the writers of yesteryear used to describe as the ultimate ones. What is it all about? What purpose had to be achieved? After all, Pol Pot was a graduate of one of the most renowned universities in the world; Ieng Sary was about to finish his doctoral thesis at the University of Paris. They were not trained henchmen. It was their Maoist utopia that led to genocide. It was an intellectual folly or mental blackout that spelled out untold sufferings and death for two million human beings. One cannot remain indifferent to the intellectual premises that logically lead to genocide.

U.S. defends Latin crime networks

State Department seeks to save Somoza's National Guard for United Brands

With the announcement that a Government of National Reconstruction has been formed by the opposition forces in Nicaragua—and the overthrow of dictator Anastasio Somoza imminent—the Carter administration is making a desperate bid to enforce an "interim solution" which would bring Somoza's hated National Guard intact through the present crisis period and reestablish its control over the next Nicaraguan government. At stake is not the 40 years of personal rule by the Somoza family, which the Carter administration has already given up for lost, but rather decades of control over a vast drug-and-crime financial empire which extends from the Guatemalan/Mexican border to the jungles of Colombia.

That empire, effectively a series of "banana republic" fiefdoms largely run under the auspices of the United Fruit Company (now United Brands), is policed by the Condeca military alliance of the Central American dictatorships, of which the well-armed and well-financed Nicaraguan National Guard is the backbone. The leaders of that empire, a who's who of organized crime, include United Brands chairman Max Fisher, "fixer" and arms merchant I.I. Davidson, and Meyer Lansky, godfather of "Murder, Inc." A military victory by the Sandinista Liberation Front and the dismantling of the Somozan National Guard could unravel United Brands' control over the entire region, and perhaps shatter the empire for good.

The decision of the Carter administration to convoke an emergency summit of the OAS last week, therefore, had little to do with concern for the security of the Nicaraguan people, or that of the region. Rather, the OAS member states were being set up to sanction the invasion of Nicaragua by a Carter administration acting in the interests of United Brands. The flimsy cover for that invasion will be, as it was with the Dominican Republic in 1965, "an inter-American peace-keeping mission."

The Carter administration's call for Somoza's resignation has fooled no one, for Latin America has long identified Teddy Roosevelt's despised "Big Stick" as official U.S. foreign policy. Warning of an imminent U.S. military intervention into Nicaragua, Venezuelan ex-President Carlos Andres Perez declared last week: "Now that the revolution is near triumphing," the U.S. talks of intervention. "But when the defenseless population was being killed there was no interest in ending the bloodbath."

Reconstruction victory nears

International recognition of the new Nicaraguan government is expected shortly from several Latin American countries. Panama and Ecuador have joined Costa Rica and Mexico in breaking relations with the Somoza dictatorship this past week, and similar action is under discussion among the other Andean Pact nations.

Militarily, the Somozan National Guard has been unable to beat back the Sandinista Liberation Army's advances, despite the much touted "counteroffensive" designed to disguise Somoza's near defeat and justify an "intervention." The surrender of the National Guard garrison in Leon, Nicaragua's second largest city, is seen as the first major crack in National Guard morale, and complete defeat of the Guard is regarded as imminent by most observers.

Significant sectors of Nicaraguan territory are under the control of the Reconstruction Government, and provisional authorities have announced that local civilian governments are being set up throughout the liberated zones. The Sandinista capture of the crucial southern city of Rivas—where the new government of Nicaragua is to be established—is viewed as the beginning of the end for Somoza.

The National Reconstruction government is made up of a five-person ruling body representing the full range of Nicaragua's opposition forces. Sergio Ramirez is a member of the prominent professionals Group of Twelve; Alfonso Robelo is from the "Frente Amplio," a coalition of the most conservative opposition layers in the country; Moises Hassan represents the National Patriotic Front, a coalition largely of labor, student and liberal professional layers; Daniel Ortega Saavedra is of the Sandinista Liberation Front; and Violeta Barrios is the widow of the murdered owner of the newspaper *La Prensa*, Joaquin Chamorro.

United Brands' drug empire

Since before the turn of the century, Central America has been used as a crucial operations base and deployment center for Zionist-British arms and drug-smuggling internationally, as well as a drug plantation area for shipment to the United States. That empire has cost incalculable numbers of lives, as the continued existence of its control over Central America is enforced through a policy of murder and starvation of the region's population.

The story of United Fruit, known and hated throughout Latin America as "The Octopus," sums it up. Operating as the British East India Company of the Caribbean, United Fruit has been headed since its Rothschild-funded founding at the turn of the century by the same Zionist Mob-Boston Brahmin combination that runs Dope, Inc. in the United States down to the Chairman of the Board today, Detroit's Max Fisher.

Drug Enforcement officials estimate that over 20 percent of cocaine coming into the United States enters the country on United Brands ships. United Brands owns the world's largest private navy and its own air fleet. Owning hundreds of thousands of acres of land throughout Central America, the Caribbean, and northern Latin America, United Brands people admit that bananas represent only a small portion of company activities.

Whenever United Fruit sovereignty in the area has been challenged they have responded with one policy up to this day: shoot 'em. The Guatemalan coup of 1954, directed from United Fruit headquarters in Boston, was run against the Arbenz government because it ordered the expropriation of all uncultivated lands—affecting nearly 85 percent of United Fruit ownings!—and imposed a labor code on the company's treatment of its workers! Tens of thousands were massacred within the first weeks of the coup. United Fruit's genocide policy has continued unaltered. An estimated 35,000 people have died in Guatemala since 1954 in "political" deaths alone.

The original Somoza (the present dictator's father) was installed by U.S. Marines in the early 1930s as the central policing agent for the United Fruit empire throughout the area. Somoza's role as a mercenary for the drug- and arms-running cabal was so blatant that he granted ambassadorial status to one Yehuda Arazi, a Zionist arms smuggler working under the British Lord Orde Wingate's direction in the Middle East in the late 1930s. Arazi, as "Nicaraguan ambassador," could ship millions of dollars of military equipment from the United States to the British-run Haganah terrorists in Palestine!

Sandinista Commander Eden Pastora warned last weekend that some 30-40,000 Nicaraguans will probably have died by the time Somoza is overthrown. Over 150,000 refugees have already been forced into camps as Somoza's Guard levels every city it cannot retake.

Reconstruction government spokesmen have warned that the population will continue to fight if foreign intervention is sent to maintain Somoza or his National Guard. If U.S. troops are sent, the death toll in Dope, Inc.'s empire will soar even higher.

—Valerie Rush and Gretchen Small

What the U.S. State Department is defending

U.S. State Department policy in Nicaragua was most succinctly summed up in a "Delphic" dispatch filed to the *New York Times* by London *Financial Times* correspondent Alan Riding, who is notorious in the Mexico City press corps as a British-American intelligence stringer. Reported Riding: "Opposition sources said that once they [Mexico, Costa Rica, etc.] had recognized the povisional government, these countries might seek intervention by the Organization of American States to negotiate a cease fire and peaceful transfer of power. *This would avoid the destruction of the National Guard and President Somoza's Liberal Party in exchange for the departure of the dictator*" (emphasis added).

The National Guard which the U.S. State Department wishes to preserve intact is internationally abhorred for its barbaric tactics against the Nicaraguan population. Just days ago, the Guard commenced a new tactic of "leveling towns and villages" under the control of rebel forces with continued air raids and heavy bombings. These have left several provincial towns and cities completely destroyed. Not even schools, hospitals or Red Cross refugee centers were spared. Hundreds have been murdered and thousands wounded; tens of thousands have been left homeless.

The Guard, which has been consistently dropping napalm bombs into the peasant-populated mountain regions of the north for many months, is also noted for its members' vicious rape tactics on women and children. Those who are not killed instantly or sexually abused by the Guard, are subjected to other, brutal torture tactics; imported from Chile and Paraguay military torturers have been hired by the Somoza Guard as trainers and advisors to add horror to Somoza's "war of extermination" against the Nicaraguan population.

State Dept. attempts to bar antidrug leader from U.S.

The U.S. State Department crassly underscored its role in protecting drug and crime networks operating in Latin America, when it attempted this past week to bar Fausto Charris Romero, a leader in the fight against drug proliferation in Colombia and internationally, from the United States. Charris, the 29-year-old secretary general of Colombia's National Agrarian Federation (FANAL), had been invited to address a June 24 meeting in New York City of the New York-New Jersey Anti-Drug Coalition on the battle to rid Colombia of marijuana production and allow the country to enter an era of modern industrial development. When Charris applied for a visa at the consular offices of the U.S. embassy in Bogota on June 22 and again on June 25, he was told there was "insufficient evidence" to prove that he intended to return to Colombia—despite the fact that he would be traveling to the U.S. in his official capacity as FANAL's secretary general and had letters of invitation from the New York-New Jersey Coalition—and was denied a visa on the grounds of "financial insolvency."

An intense mobilization of members and supporters of the New York-New Jersey Anti-Drug Coalition, and its allies around the U.S., forced the State Department to reverse its decision after a flood of telegrams and calls of protest to Washington and Bogota. Charris will be speaking at the June 24 event as scheduled.

However,the attempt to deny Charris a visa was not, as one State Department spokesman lamely explained, a "misunderstanding" or "everyday occurrence." A Mr. Lyn W. Curtain of the Bogota consular office admitted to one caller that there were "other reasons" for the visa's denial that he "was not at liberty to discuss."

The "other reasons" are these. The State Department policy makers including Cyrus Vance, Luigi Einaudi of the Policy Planning staff, and Undersecretary of State for Inter-American Affairs Viron Vaky, support policies of genocide and drug proliferation. This is reflected by their determination to prevent by any means necessary, the destruction of the Nicaraguan National Guard—to maintain intact the drug and gunrunning apparatus set up in Central America by "Dope Incorporated" decades ago. Similarly in Colombia, the State Department has sat back and watched Alvaro Gomez Hurtado, a proponent of marijuana legalization and military dictatorship, systematically replace constitutional rule with military "justice" and a widespread campaign of torture and repression.

A respected leader

In his capacity as the secretary general of FANAL, and as a respected leader in Colombia's organized trade union movement, Fausto Charris has agressively attacked Alvaro Gomez's proposals for making Colombia a legalized producer and exporter of marijuana—an "export" which would largely flood the United States—and has identified these prodrug forces as the leading proponents of a de facto or de jure military takeover, for which Charris has come under vicious attack within Colombia, as well as the State Department through its attempt to deny him entry to the U.S.

Colombia's Labor Minister Marin Bernal, a political ally of Alvaro Gomez who is backed by Gomez-linked factions within the organized labor movement, recently revoked FANAL's juridical status on phony legal grounds and granted it to a rump grouping also calling itself FANAL. The leaders of the latter grouping, financed by Jesuit circles within Colombia and abroad, answer to Alvaro Gomez, as indicated by their stated support for marijuana legalization "to help Colombia's peasantry" and for the labor-intensive agricultural policies Gomez advocates.

The case is now being appealed before the Colombian Council of State, and no decision has yet been handed down. However, the U.S. spokesman at the consular office in Bogota was quick to cite as reasons for the visa denial the charges by Alvaro Gomez's followers that Fausto Charris had misrepresented his job and legal status. While Fausto Charris was finally granted a visa, in the time since then he and his family have been subject to harrassment outside their home; and the Bogota offices of the two airlines on which Charris had reservations confirmed in New York informed him on June 23 that both flights were "sold out."

The clearest proof of where the Vance State Department's involvement in this case is the following. Shortly, Ernesto Samper Pizano, director of Colombia's large financial association ANIF, will be traveling to the United States in order to promote marijuana legalization for both Colombia and the United States. According to the State Department's Colombia desk officer, Samper—who evaluates the U.S. drug problem on the basis of reports received from the National Organization for the Reform of Marijuana Laws—is a "respected economist" in Colombia. She added that since the Department was not responsible for the "personal views" of individuals seeking entry to the U.S., Samper could not be barred from the U.S. on that basis.

—*Cynthia Rush*

Church-state relations take

In recent months a series of statements and actions from sectors of the Catholic Church in Mexico have brought historically tense Church-State relations in that nation into the most serious crisis in decades.

The points of confrontation chosen by preponderant factions of the clergy center on Church reentry into active political life, which is banned by the Mexican Constitution, and on the Mexican Church's opposition to the government's progressive development policy, aimed at using Mexico's rapidly-growing oil revenues to fund large-scale industrialization and urban-centered social improvement.

The political reactivation of the Church coincides with increasing direct and indirect pressures on Mexican oil from Washington and London geopolitical factions. Nationalist commentators in Mexico have been quick to suggest there may be a link.

Of particular note is the insistence on the part of the Anglo-American interests who prefer to see Mexico's oil coopted into a North American strategic reserve, that Mexico must curb its development strategy or "suffer the fate of Iran." Mexico may not be able to reconcile its oil-spurred "modern" sector with its more backward peasant layers, goes this rationale for destabilization; the result could be "mass opposition movements." Novelist and intelligence stringer Carlos Fuentes, in a February exposition of this scenario, declared that the role of the Ayatollah Khomeini's "Moslem Revival" in Mexico would be assumed by a Church-led upsurge.

Underscoring their conscious commitment to this strategy, top Anglo-American spooks from the Yale Divinity School, Washington's Middle East Institute, and a mysterious outfit called "Probe International," convoked a two-day conference in New York June 14-15 on the theme "Religion, Politics and U.S. Business abroad. "The two central topics at this single conference: the Muslim Revival and Church-State conflict in Latin America.

Cristero Rebellion

The model for the kind of Church-abetted destabilization of Mexico's progressive secular government now underway is the late-1920's counterrevolutionary movement known as the Cristero Rebellion.

In December 1925, less than a month after then Mexican President Calles moved to assert government regulatory power over U.S. and British oil interests based on Article 27 of the 1917 Constitution, this rebellion, under the slogan "Viva Cristo Rey!" was unleashed in the more backward areas of the country.

It was only "resolved" three bloody years later through the offices of U.S. ambassador and J. P. Morgan partner Dwight Morrow, who first negotiated a partial rollback of the oil legislation and then succeeded in "mediating" a solution to the rebellion. Morrow's activities were closely supervised by the Council on Foreign Relations in New York.

Church-State separation

The Cristero Rebellion took place against a history of over 100 years of bitter Church-State dispute. In 1857, after decades of struggle by republican forces against a tenacious Church-landowner alliance, the Reform Constitution of Benito Juarez decreed the abolition of Church property held in mortmain and broke the Church control over education.

These measures ensuring firm separation of Church and State were further strengthened in the 1917 Constitution, a product of the 1910-1917 Revolution.

Under the clear language of the 1917 Constitution, the State has full power over the Church in temporal affairs. But the Church has corresponding freedom in religious matters.

In the constructive balance thus struck, the Mexican state has undertaken with notable success to build up industry and other productive forces in a fashion that is fully congruent with the concerns for economic development stated in Paul VI's encyclical *Populorum Progressio*.

Now, upsetting this constructive balance, "left" church factions proclaiming the "theology of liberation" have joined forces with the most "right-wing" oligarchical church factions in seeking renewed, direct political participation for the Church. Their common front extends equally to attacks on the government's development programs for "displacing" the peasant and "neglecting" backward peasant agriculture.

Their room for action is increased by a two-year old program of political reform that is nearing its first test during congressional elections the first week in July. Three parties—the Mexican Communist Party (PCM), the Socialist Workers Party (PST) and the Mexican Democratic Party (PDM)—are newly qualified to join

a nosedive in Mexico

with four previously enfranchised parties in the balloting.

The predominant form of unconstitutional political interference has been to seize the pretext of PCM participation to warn voters not to vote "communist." In numerous areas of the country, clergy are giving signals to vote PDM—the reactionary party which is the direct continuation of the Cristero networks of the late 1920s.

—*Timothy Rush*

What the Mexican Church is saying and doing

Jan. 25-Feb. 11, 1979. Latin American Bishops Conference (CELAM III) meets in the Mexican city of Puebla. Mexico City archbishop Ernesto Corripio Ahumada calls for priests to have the same political rights as the common citizen, an explicit violation of Article 130 of the Mexican Constitution which prohibits the participation of the Church in political affairs.

Mid-April. Corripio Ahumada expresses concern for the "human rights" of peasants in the Southeastern oil state of Tabasco. These are peasants, manipulated by grasping local politicians, who are attempting to stop national development efforts in order to preserve backward subsistence agriculture.

May 7. The bishops of Papantla, Veracruz, San Andres Tuxtla and Tuxpan charge that the "immoral" Mexican politico-economic system must be reformed, to eliminate such "aristocratic" unions as the oilworkers. Says one: "We bishops have the duty of denouncing an oil boom which ... only favors an elite."

Week of May 14. The Mexican Episcopal Conference (CEM) meets in Tlaxcala, east of Mexico City, to discuss implementation of the CELAM resolutions. The secretary general of the conference, Alfredo Torres Romero, provides the keynote theme: "He who does not participate in politics is a sinner. We must have the moral authority to tell the people which road to take."

Mazatlan bishop Miguel Garcia Franco: "Mexican Catholics cannot and should not vote for the Mexican Communist Party in the upcoming elections, as this act would be in violation of their faith. I have not said nor will I tell anyone for whom to vote; I will only caution my congregation for whom not to vote."

Tlaxcala bishop Luis y Munive Escobar, referring to the PCM: "I am not going to tell my congregation to take poison." At the Tlaxcala conference, Hermenegildo Ramirez Sanchez, bishop of Huautla in the state of Oaxaca, endorses the use of hallucinogen drugs among Indian populations "for they are seeking by such means to move closer to God."

May 15. Hermosillo archbishop Carlos Quintero Arce calls on the Church to "evangelize within the Mexican Armed Forces."

June 1. Ernesto Corripio Ahumanda, newly appointed cardinal by John Paul II, officiates at a special mass organized by the Mexican branch of the infamous Sovereign Military and Hospitaller Order of the Knights of St. John of Jerusalem (Knights of Malta). Corripio appropriately preaches that "pain is a blessing of God," in keeping with the Order's role in fomenting barbaric civil strife in such nations as Lebanon. In open activity unprecedented in Mexican political memory, the Order distributes signed leaflets announcing the mass throughout Mexico City.

June 2-10. Lavish funds from the Church-linked Banco de Comercio and other right-wing sources finance a media blitz around Pope John Paul II's trip to Poland. When the Pope leads a congregation in the singing in Polish of a church hymn which was adopted by the Cristeros as their anthem, right-wing Mexican TV commentators lament the fact that few Mexicans now remember the words.

June 7. Francisco Ramirez Reza, official spokesman for the Mexican episcopate, for the first time openly calls for modifying the Mexican Constitution to allow renewed Church political activity. This is a question of "human rights" he asserts. "If so many modifications have been made in the Constitution to adjust it to the political and economic necessities of the country, it is necessary to think about the right of the representatives of the Church."

"Mini" Davis-Bacon repeals afoot on Hill

While a wholesale repeal of the Davis-Bacon Act, which assures union wages and working conditions on all federally funded construction projects, is unlikely in this session of Congress, efforts are afoot to gut the bill through piecemeal attacks on the legislation. The Senate will be voting after the July 4 recess on the fiscal year 1980 military construction authorization, which contains language waiving Davis-Bacon on all military construction projects. That amendment, sponsored by Texas Republican John Tower, passed the Senate Armed Services Committee by a vote of 11 to 4, receiving support from all the Republicans on the Committee as well as Sam Nunn (D-Ga.), James Exon (D-Neb.), and Independent Harry Byrd, several weeks ago.

A Tower spokesman reported that there is a fighting chance of passage on the floor this year because of widespread concern over the budget deficit. "The Department of Defense testified that they could cut costs by 10-20 percent on all construction projects without Davis-Bacon, and that is a powerful argument for both Republicans and Democrats who are concerned about the size of the military budget," the spokesman said.

Similar efforts to waive Davis-Bacon on other FY1980 authorizations have so far died in committee, or in one case, on the House floor. As he has in the past, Tower again put forward an amendment to the Housing and Community Development Authorization in the Senate Banking and House Urban Affairs Committee this session waiving Davis-Bacon on all housing projects financed by the Act. That amendment failed by a vote of 8 to 7. A more restricted amendment waiving Davis-Bacon on rehabilitation projects, known as "sweat equity" projects, was put forward by Utah Republican Jake Garn. It failed by a vote of 7 to 6. Both Tower and Garn are cosponsors of the legislation for full-scale repeal of Davis-Bacon, which is not expected to move this year.

An amendment similar to the Garn Amendment waiving Davis-Bacon on sweat equity projects was brought to the floor of the House on June 6 by Idaho Republican George Hansen. It was defeated by a vote of 244 to 155, but picked up surprising support from such Democrats as Al Ullman and Robert Weaver, both of Oregon, who supported the amendment on the grounds that Davis-Bacon was preventing Indian rehabilitation projects from proceeding.

Besides efforts to waive Davis-Bacon on particular projects, there is a quiet move developing to gut the legislation through administrative reforms. Most of the significant labor-protecting aspects of the legislation, such as determination of prevailing wages, work standards and job classification are implemented through administrative procedures. Though it is not likely to be done under the current Labor Secretary and with the Carter administration dependent upon labor backing for Carter's reelection, numerous Republican hopefuls, including John Connally and Howard Baker, have indicated that they would be amenable to the correction of such administrative abuses."

Synthetic fuels push picks up steam

From $2 billion in federal purchasing guarantees, to $3.4 billion in accelerated project funding, to the creation of a $75 billion government corporation, the legislative push for synthetic fuels has rapidly reached enormous proportions. Sen. Pete Dominici (R-NM) and ten other cosponsors introduced S.1376, the Synthetic Fuels Production Act of 1979 on June 19, 1979.

The bill will create a Synthetic Fuels Production Authority with a capitalization of $75 billion to assist private firms with the construction of commercial-sized oil shale, coal gas, and coal liquid plants, along with similar facilities to produce synthetic or alternate fuels. Stating that his legislation is patterned after the proposal put forward by the late Nelson Rockefeller, Dominici reasons that "whether we like it or not we are slaves to the whims and wishes of a few Arab oil sheiks. An oil-addicted America has no choice but to go along with outrageous but constant price increases. This measure is, I think, our last chance to get out from under this stranglehold." Dominici fails to note, however, that the diversion of resources to the production of synthetic fuels will in itself be enormously inflationary, both in terms of oil prices and in terms of inflationary pressures in general.

Cosponsors of the legislation include Democratic Senators Jim Sasser (Tenn), Richard Stone (Fla), Patrick Moynihan (NY), and Bennett Johnston (La). Republicans besides Dominici are Mark Hatfield (Ore) and Ted Stevens (Ala). A spokesman for pro-nuclear Sen. Sasser said, "We were so glad to get this legislation, we have felt so frustrated about being able to take any Congressional action about the energy crisis."

This panic atmosphere has fueled a proliferation of hearings on synthetic fuels. The Economic Stabilization Subcommittee of Senate Banking Committee, chaired by Michigan Senator Don Riegle, held hearings on June 20 on the Cutler-Ignatius-Zuckert plan to create a $200 billion "Manhattan-style" push for the production of synthetic fuels. Similar to the Dominici legislation, this proposal is basically only a larger version. Testifying at the same hearings was Big Mac chairman Felix Rohatyn, who recorded his wholehearted support for the Cutler-Ignatius-Zuckert proposal. Rohatyn added that West Germany, France, and Saudi Arabia should be "requested" to help subsidize such a project. He also bluntly called for a "social contract" approach by labor and industry in holding down wages and prices involved in such a project. Rohatyn noted that his "Energy Corporation for the Northeast" (Encono), which is scheduled for July hearings in the Senate Energy Committee, would integrate nicely with the Cutler approach.

And on the same day, Energy Committee chairman Scoop Jackson began the first round of hearings on S.1308, the Energy Supply Act of 1979—his more "modest" proposal for an acceleration of synthetic fuels projects as well as an additional $3.4 billion of funding.

The end of July portends to be a critical time for this legislative push. Jackson has stated that he will report out some form of his legislation by August. Banking Committee chairman William Proxmire stated on June 20 that the Banking Committee will wrap up action on the various pieces of energy legislation before it by late July, including the Moorehead proposal to ensure $2 billion in federal government purchases of Synfuel, under the Defense Production Act. Given the crush of the SALT debate starting in September, and the lack of action in the House of Representatives so far, it is not likely that substantial synthetic fuels legislation will emerge this year. But look for rapid and major action early next session.

Carter backs solar energy plan

President Carter announced June 20 that he is aiming for 20 percent of U.S. energy needs to come from solar energy, an extremely expensive and inefficient, low-energy-yield source. Carter is redefining solar power as well, to include such 19th century energy sources as wind power, water, and wood—the whole gamut of "renewable" resources. Carter declared that he was committed to spending more than $1 billion in fiscal year 1980 for solar and other renewable energy programs.

Energy Secretary Schlesinger himself underscored the fact that such a transformation of America's energy sources would turn the country back to economic levels of decades ago when he wrote in a private memo to Carter that the solar power program should be proposed "to challenge America's industries, institutions and the public." To reach this goal, Carter is supporting legislation sponsored by Congressman Neal (D-NC) for a Solar Development Bank, which would work with private commercial banks to fund money for solar projects. In some cases the loans would be government subsidized and in other cases guaranteed against default, thus creating major government boondoggle mechanism for financial bailouts of carefully selected companies and institutions. Neal's bill provides for $450 million through 1982. Similar bills have been introduced by Senators Morgan (D-NC) and Durkin (D-NH).

Low-wage youth jobs bill in the hopper

In the next two weeks (D-Mass), a close ally of Senator Ted Kennedy, will propose legislation for a national commission to study the feasibility of creating a national youth srvice. What Tsongas is aiming at is creation of a national youth service program which would hire young adults for a year or two after high school at low-wage jobs, providing a pool of cheap labor. Tsongas's plan, according to his aides, stems from a report written by the Commstudy of a National Youth Service, funded by such appendages of the Council of Foreign Relations as the Rockefeller Foundation, the Potomac Institute, and the Ford Foundation. Tsongas is distributing the report to every social studies teacher in Massachusetts and plans a conference of high school students and teachers on his proposal in October in Massachusetts, to drum up support.

—Barbara Dreyfuss and Susan Kokinda

Ethics are challenged

UAW's attorneys bow out of trademark suit

Attorneys for the United Auto Workers terminated the adjudication of a major legal ethics question this week when two law firms and an attorney employed directly by the union withdrew from their representation of the UAW in a $30 million trademark suit, *UAW vs. National Caucus of Labor Committees, et al.* The attorneys involved, the New York firms of Patterson, Belknap, Webb and Tyler and Cowan, Leibowitz, and Latman and UAW attorney Stephen Schlossberg, made their announcement before a federal judge while consideration of their ethical behavior was pending for Supreme Court review.

At issue was the effort of the UAW to assist their trademark case against the NCLC by attempting to instigate federal government investigation of the organization and by employing an admitted FBI informant to infiltrate the NCLC's attorney's offices, steal materials prepared for the legal case, and then testify as the surprise star witness for the UAW. Those tactics appear to coincide with UAW intentions, revealed in a letter made public under the Freedom of Information Act, to use the lawsuit to bankrupt the NCLC, its political opponent.

The UAW's desire to pursue the case appears to stem from the efforts of the union's president, Doug Fraser, to form a labor alliance dedicated, in his own words, to "class war." This so-called Progressive Alliance is scheduled to be merged with the Citizens Party, now being created by environmentalist groups, the Institute for Policy Studies, and Stanley Weiss of Rio Tinto Zinc. It wants to run environmentalist Barry Commoner or Ralph Nader for President to pull enough labor money and support away from the Democrats to insure the victory of probable Republican candidate Alexander Haig. Labor endorsements flowing in to the LaRouche campaign backed by the NCLC have seriously endangered the entire environmentalist strategy.

Disqualified in 1977

Cowan, Leibowitz and Latman and Mr. Schlossberg had been disqualified from participation in the case by a December 1977 opinion of a U.S. Magistrate, Kent Sinclair. The UAW appealed that finding to U.S. District Court Judge Lawrence Pierce who agreed to hold an evidentiary hearing. The union then retained the Patterson firm to represent them in the evidentiary hearing. A senior partner in the Patterson firm is Harold Tyler, former Deputy Attorney General of the United States. While Tyler was Deputy Attorney General, the Justice Department was solicited by Schlossberg to pursue an FBI investigation of the NCLC. Schlossberg claimed the NCLC was planning the assassination of Nelson Rockefeller. Tyler authorized the FBI investigation continue, and reviewed confidential files on the NCLC and its political disputes with the UAW which are still unavailable to the NCLC itself. The first review of the investigation of the NCLC after Tyler's resignation from the Justice Department resulted in the termination of the investigation.

The NCLC asked the court to disqualify the Patterson firm also because of Mr. Tyler's previous official involvement with the parties to the legal suit. The Patterson firm refused to remove itself and answered the charges with personal attacks on the NCLC attorney.

While the UAW apparently believed it had lost the political fight to gain an advantage in the case through its selection of attorneys, the request to withdraw from the case attempted to preserve the right to have their tainted informant, Rose, as a star witness. They asked that the NCLC motion, filed in 1977 to either disqualify the attorneys and Rose or to dismiss the entire case, be dismissed as moot.

Judge Pierce refused to grant that request, ordering the UAW's new trial attorneys to submit a letter describing how they intended to use Rose while shielding the case from the taint of his illegal and wholly unethical activities.

The ethical questions raised by the UAW's conduct, although largely removed from the jurisdiction of the court which will try the trademark case, are still pending before the disciplinary boards of the Washington, D.C. and New York Bar Associations.

—*Felice Merritt*

Teamsters committee calls for debate on U.S. presidential qualifications

The Teamster Committee to Elect LaRouche President on June 18 issued an open letter to Teamster General President Frank E. Fitzsimmons which applauds his and the IBT Executive Board's decision not to endorse a 1980 U.S. presidential candidate at this time. The letter also urges a thoroughgoing debate within the union on the qualifications for a U.S. presidential candidate. The letter will be mass circulated.

A presidential candidate, the Committee states in the letter, "must be judged on both the issues and on whether he is the kind of man who will do as he says on issues after he is elected...."

Commenting on the Executive Board's action in not endorsing a candidate at this time and how this affects the Committee's activities, the letter states: "All we have ever asked is that Mr. LaRouche be fairly and carefully considered on the same basis as other candidates. Our business [as the Committee—ed.] is to carry out a dialogue on these issues and qualifications in order to educate the general membership and officers to prepare them for this most important choice. The dialogue and education is what is most important now. The choice of a candidate, we agree, must come later...."

Since its formation nearly a month ago, the committee has sparked an intense debate within the union over who the Teamsters should endorse for President. Upwards of 1,000 Teamster members have helped circulate nearly one half million copies of leaflets announcing the Committee's formation and plans and the recent endorsement of the LaRouche candidacy and the anti-drug fight by Teamster General Organizer Rolland McMaster.

In response to the many questions and rumors—including many deliberately false statements—about the committee's intentions, the committee has decided to restate its purpose emphatically to President Fitzsimmons and Teamster members: "The committee's reasons for forming are and have been at all times to educate Teamster members and officials on the qualities needed in a presidential candidate for 1980. We state clearly that our choice for President in 1980 is Lyndon H. LaRouche of the U.S. Labor Party. Our broader educational purpose is to educate the Teamsters on the nature of the crisis facing Teamsters and the labor movement in the country...."

Reliable sources in the Teamsters report that Teamster President Fitzsimmons and the executive board are being wooed by representatives of various presidential candidates. Most prominent among these is former Governor John Connally, who is trying to represent himself as a friend of labor despite his support—albeit sometimes covert—for antilabor policies like the repeal of the Davis-Bacon Act and deregulation of the trucking industry. The presence of the TCELP has already thrown a monkey wrench into the plans of wheeler-dealers like Connally.

In another open letter to Fitzsimmons being circulated by the Committee, Lyndon H. LaRouche analyzes the potential for a Labor Party victory in the 1980 elections and the fissuring apart of the two party system. The current situation, says LaRouche, requires that new institutional machines be built to give the American people a chance to speak with a loud and powerful voice on policy matters affecting their lives. The Teamsters have an important role to play in this process. LaRouche cautions the Teamsters against the efforts of individuals like Connally, who will try to sway them into betraying their responsibility to the members and the republic.

The Teamster committee makes a similar point. "In 1980, we cannot pick a President who will promise to give the Teamsters preferential treatment, while their overall policy brings the country to ruin. We must pick a President by understanding the mental and moral qualities that must be assumed by a President. We do not see those mental and moral qualities in the other candidates. What we do see in people like Mr. Kennedy and Mr. Connally are cheap promises to woo us into their administration, promises they have no intention of keeping...."

—*L. Wolfe, New York and Scott Elliott, Detroit*

LaRouche to Fitzsimmons

The following are excerpts of a June 17 open letter from 1980 presidential candidate and U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. to IBT General President Frank E. Fitzsimmons.

Dear President Fitzsimmons:

About now the national leadership of the International Brotherhood of Teamsters is coming under massive pressure from the White House, the Kennedy machine, and Governor John Connally. The fear among these forces is that the IBT will move in the direction of future endorsement of my candidacy. They, like the Christian Science Monitor, estimate that with Kennedy's early candidacy threatening to split the Democratic Party, a large section of organized labor, as well as former supporters of President Nixon's 1968 and 1972 candidacies, will begin to pull sections of the Democratic and Republican parties behind a LaRouche candidacy.

The issue is not just the November 1980 election. If I secure a strong position among constituencies representing 10 or 20 percent of the potential voters by September-October 1979, and go on to have potential support from among constituencies representing from 20 to 40 percent of the voters by February 1980, this pressure will lead to changes in the direction of our nation's policy even a year before the November 1980 election....

You and I, who have been in the organizing business for a long time in this country, know that most citizens have two sides. When they are disgusted with Washington, or with this or that trade-union leadership, most of our citizens tend to adopt an "every man for himself" outlook. Since they believe that they are not represented by the powerful, leading agencies, they turn their backs and minds on the big issues.

However ... let the typical American citizen know that he or she has some big agency which does represent him or her on the big issues, and these citizens are on the phone, giving instructions on national or world policy to their people in the state house and Washington, or they are very frisky in their advice to the union leadership on such matters as conducting negotiations or running a strike.

The "secret" of my campaigning is based on understanding those two sides of our fellow-citizens. My job is to talk directly to as many of them as possible. That is the meaning of a "labor party" as I understand it and practice it. A durable democratic republic, of the kind that ours was created to become, requires that political parties be more than a bunch of smart-alecks, wheeling and dealing tradeoffs for the votes of blocks of constituencies. We need to create the kinds of parties in the United States in which the average working citizen, as well as the citizen who wishes he could find a decent job, is directly and efficiently involved in debating the policies of the federal executive and Congress. The core of my support must come from those trade unionists who wish to keep the United States a democratic republic and a place for opportunities to advance to skilled employment, and from those so-called minority groups which are ready to board what some of us used to call "the American dream."...

Now, permit me to get down to the hard dirt of the problem hitting the IBT at this moment—the matter of former Governor John Connally. On first meeting, Connally sometimes shows his attractive side. He is without question, the brightest and slickest of the presently-announced candidates of either the Republican or Democratic Party. Alas, that is not all there is to John Connally....

The man is admittedly bright, but a slippery chameleon. To know where he stands, you need only know to whom he is playing up at that moment, and who, in general, Connally views as controlling the house in any particular game. Right now, Connally is running as a stalking horse for General Alexander Haig, the predicted next President—at least the prepicked President in the opinion of Rita Hauser and the rest of the crew running Connally's campaign.

Connally, together with George Bush, is running to wreck the Reagan machine. Haig, who is even smaller than Connally in mind than he is in stature, is being groomed and projected as "the man on the white horse" to unify the scrambled Republican Party, and to win the election through aid of Kennedy's wrecking of the 1980 Democratic Party.

Let us push Connally and other such diversionary matters aside.

Let us also use that muscle to alter the course of national policy on key issues right now. Let us crush this "dereg" swindle, together with the oil swindle. Let us get back to producing nuclear energy and end the selling of drugs to our children. I am not proposing, of course, that we turn the executive branch over to the IBT. I am insisting that with a Connally, a Haig, or a Kennedy in the White House there wouldn't be an IBT much longer. The same choice confronts most other Americans. We don't have to have this oil swindle. We don't have to have an energy shortage. We don't have to have a depression. We can slow down and halt President Carter's double-digit inflation without turning the country more or less fascist under some "little general."

Like any other American citizens who discover the real issues and actual alternatives, IBT members ought to support my candidacy simply because they are Americans.

Fraternally,
Lyndon H. LaRouche, Jr.

Truckers' strike triggers 'crisis management' scenario

The violent national "shutdown" by Mike Parkhurst and Bill Hill's independent truckers has triggered a scenario that could quickly lead to a "crisis management" Federal Emergency Management Agency dictatorship in the U.S. With logistical support being given by Parkhurst's command center in Van Nuys California, the truckers are deploying according to the following profile:

- **Choke off fuel supplies.** Fuel depots and distribution points have been targeted in several states, shutting off the already slowed flow of gas and diesel fuel; blockades of truck stops which supply interstate truckers—including Teamsters—are underway in nearly 40 states, again shutting off or restricting access to needed supplies of diesel fuel.
- **Choke off food supplies.** Timed to coincide with the harvests in California and Florida, the independents have at this writing virtually halted most shipments via truck by these two key agricultural regions; some have been diverted to rail, but the national rail system simply cannot handle the volume. Food is spoiling; meat is rotting; and dairy products are being dumped because they cannot be transported to market. Department of Agriculture officials call the potential losses "breathtaking, almost too much to be believed. ..." Shortages will develop unevenly. Small towns not serviced by chain stores—whose private truck fleets continue to run—will be hit first, as will the smaller, local stores serving ghetto areas in the East and Midwest. This situation creates the potential for food riots.
- **Random terror**. Sniper incidents along interstate highways have risen to more than several hundreds a day, with sections in the Rocky Mountain region resembling shooting galleries. At least one driver has already been shot to death, and several critically wounded. This terror—despite some arrests and national guard deployments—is forcing many drivers who do not support Parkhurst's operation to shut down for fear.

Rubber Workers accord exceeds Carter guidelines

The United Rubber Workers and Uniroyal, Inc. reached a tentative aggreement early this week on a three-year contract, ending a six week strike. The agreement could pave the way for an industry-wide settlement in negotiations that involve 58,000 URW members.—it is very close to a tentative agreement reached last Friday with the B.F. Goodrich company, the fourth largest tire maker in the nation.

According to Peter Bonmarito, the URW president, the agreements with Uniroyal and the B.F. Goodrich Company substantially exceed the "voluntary" federal wage and price guidelines aimed at holding settlement this year to no more than 6.5 percent.

The Firestone Tire and Rubber Company has signed a "me too" letter agreeing to be bound by the terms of whatever agreement the union designates as its master contract. This leaves the Goodyear Tire and Rubber Company, the industry's leader, the last company among the Big Four tire maker without a settlement.

The Rubber Workers settlement includes what is described as a very lucrative Cost of Living adjustment formula, a one cent perhour increase for every 0.26 percent increase in the Consumer Price Index. The rubber formula is regarded as the best obtained yet by any major union.

Although there has been no official reaction so far from the Presidents Council on Wage and Price Stability, the settlements with Uniroyal and the Goodrich company probably mean the voluntary program is finished, some industry sources say.

The Administration's wage guidelines program is likely to be even more seriously challenged when the one million member United Auto Workers Union opens contract talks later this summer with the Big Three auto manufacturers. Doug Fraser, the UAW's president, has termed President Carter's guideline program a meaningless scrap of paper that would have no bearing on the union's talks with the industry. The UAW, Fraser states, will seek at least to match the URW in winning a new COLA formula for its members.

In addition to the UAW contract talks, several electrical unions and the construction trades are opening new contracts talks this month, and what emerges is likely to further challenge the President's program.

—L. Wolfe and M. Moriarty

Northeast energy hoax is going to get worse

This week the states of Massachusetts, Connecticut, Rhode Island, New York, and New Jersey moved to implement emergency gasoline rationing. The rationing plan, worked out in secret sessions by New York State Energy czar James LaRocca, ,is aimed at creating the climate of mass panic and confusion needed to escalate the current oil hoax to severe economic austerity in the U.S. while causing a policy rupture with oil supplying countries.

New York Gov. Hugh Carey, whose brother is an oil multimillionare (albeit bankrupt), announced June 19 that "the principal enemy is not the oil companies" but government refusal to deal with the Organization of Petroleum Exporting contries.

Behind the strategy is a tightly coordinated effort by Energy Secretary Schlesinger, proponents of the so-called Econo—the Energy Corporation of the Northeast—headed by Felix Rohatyn, Senator Ted Kennedy, and New York's LaRocca, to starve the New England area of the OPEC oil it is heavily dependent on.

A private memo from Schlesinger to White House advisor Jack Watson predicted June 6 that next winter a shortage of heating oil would force Northeast residents to abandon their homes in large numbers. This is supposed to hit particularly hard in depressed regions, providing the population relocation essential to implement Rohatyn's Encono plans for work camps that would mine coal in Appalachia.

This comes in the midst of reports that oil deliveries are being turned back because gasoline storage tank farms are filled to overflowing. One source at a tank farm said recently "it's common knowledge that the tank levels are higher than normal out here." According to a source at a major East Coast oil refinery and storage depot, Port Elizabeth-Newark, large oil tankers quietly pull into the Bayonne, N.J. port floating high—that is empty. The same tankers are then seen leaving the port in with full cargoes-presumably excess oil stocks which are being secretly funnelled out of the country so they can be traded on the rotterdam spot market. There the U.S. oil companies can repurchase the oil with a $5 per barrel government subsidy thanks to Sen. Kennedy and James Schlesinger.

A report from the U.S. bureau of Customs and Census also indicates the enormity of the hoax. i shows that crude oil imports in the U.S. for April were the highest *since 1975!* yet, U.S. oil refiners have dropped operations from 91 percent of capacity to 85 percent.

NRC names environmentalist to inquiry commission

The *Washington Post* announced the appointment of Mitchell Rogovin by the Nuclear Regulatory Commission to serve as Chairman of theIndependent Investigating Committee on Three Mile Island at a fee of $450,000. The *Post* report, dated June 18, then quoted the nuclear energy group, Atomic Industrial Forum, as saying they would support Rogovin's efforts "because he has no ax to grind."

How did Rogovin who was previously counsel to the antinuclear power Common Cause gain such a position? The answer, this news service discovered, was that few of the NRC staffers were aware of Rogovin's background.

Currently a member of the New York Council on Foreign Relations and a fellow of the Institute for Policy Studies, Rogovin has served as General Counsel of the latter which is heavily involved in environmentalist and terrorist organizing. Fewer NRC members were knowledgeable of the role Rogovin's law firm—Rogovin, Stern and Huge—has played in an environmentalist law suit in California which called for the denial of access to federal water supply to ranchers who own more than 160 acres.

One NRC commissioner was openly shocked saying, "Mr. Bickwit the NRC's General Counsel submitted Rogovin's name." Interestingly, Mr. Bickwith, who is close friends with Colorado environmentalist Sentator Gary Hart, came to the NRC after having served as counsel to the Senate Commerce Committee's subcommittee on the environment. Interestingly, a spokesman at the AIF later contested the *Washington Post's* claim that they backed Rogovin's appointment as counsel to the Commission. "We didn't tell the *Washington Post* that we backed Rogovin... but I'll find out who did."

—*Bill Engdahl and Mary Gilbertson*

U.S. Negri supporters attempt to block Moro murder probe

This week, the Committee Against Repression in Italy (CARI), an openly proterrorist grouping organized to defend arrested Italian Professor Toni Negri, made its first attempt to intervene to stop the collaboration between Italian antiterrorist officials and experts in the United States in the prosecution of the murderers of former Italian President Aldo Moro.

On June 20, a Michigan Circuit Court granted a temporary restraining order to Martin Glaberman, one of the organizers of CARI in the United States, to Italian magistrates from contacting a voice identification expert, Dr. Oscar Tosi at Michigan State University. Glaberman, who has known Negri since 1964 when the two were teaching at the University of Berlin, filed the suit on the grounds that Negri was not in the United States to defend himself.

While a hearing is scheduled for Friday, June 22 for a permanent injunction, the Italian daily, Il Tempo reported today that the case had already been thrown out of court. The magistrates are meeting with Tosi in an attempt to establish further verification that the voiceprints of Toni Negri are the same as those of a Red Brigade caller who was made contact with Moro's family during his kidnapping to deliver the Red Brigades' terms. The voice tapes are only part of the evidence against Negri; other evidence includes written correspondence between Negri and underground groups and individuals.

Glaberman claims to have filed the suit at the behest of "a mutual friend of Negri's, an Italian," but refused to name the individual. However, Negri's attorney, Bruno Leuzzi Siniscalchi, is presently at Glaberman's home, along with John Trumper, a British national who teaches linguistics at the University of Padua, where Negri was an organizer of the "autonomy" group, an above ground support network for the Red Brigades. Since Negri was arrested on April 8, along with some 20 other Autonomy leaders centered at Padua University, Padua has become the headquarters of CARI's Italian affiliate.

CARI is not a simple support operation. Many of the leading figures in the organization are leaders of affiliated autonomy groups in the U.S., Canada and West Germany, and have worked along with Negri to build an international network of communication and logistics for the West German Baader-Meinhof gang, as well as the Red Brigades.

Government funds armed camps; race riots heat up

The *Executive Intelligence Review* has learned that over $240,000 in government funding has gone to black and white racialist groups in Boston and Philadelphia for so-called "community patrols." The funds, ostensibly allocated to provide "career training" to youth for jobs in the security field and to add to "community safety," have in fact created armed camps in these two cities where racial incidents have exploded into violence several times in the last month.

In Philadelphia, community officials have reported extreme racial tension following a shooting incident in which a white sniper shot at three black children, killing one. In Boston, where racial battles have periodically erupted since 1974 when court ordered school busing went into effect in South Boston, there have been several occurrences of gang violence in recent weeks.

Allocations of $200,000 have been funnelled through the Law Enforcement Assistance Administration (LEAA) in Philadelphia to groups affiliated with black nationalist Imamu Baraka. A large section of the funds is controlled by the House of Umojaa, a Baraka-allied operation in Philadelphia which organizes gangs and has worked with the psychotic cult, MOVE, which was involved in a shootout with Philadelphia police last spring. In Boston, $40,000 has been channeled through the office of Mayor Kevin White to the "South Boston Marshals," a vigilante group which has led the violent opposition to the Boston busing plan. These operations were first proposed by British intelligence operative John Rees in 1967 following the Newark, New Jersey riots. Rees, who later became staff director for Rep. Larry McDonald (D-Ga) operated through a dummy corporation called National Goals, Inc., and attempted to get government funding for arming white and black patrols in the two segregated areas of the city "to keep the peace."

—Michele Steinberg

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Italy from Saudi Arabia	Petromina agrees to deliver to ENI an additional 2.5 million tons crude oil in 1979, 5 million a year in 1980 and 1981 (at $14.55/barrel)	$1.3 bn	II	I
Algeria from Poland and Japan	Two integrated fertilizer chemical plants will be built by a consortium of two Japanese and one Polish firm	$400 mn	NAv	Contract signed
Philippines from Finland & Sweden	Pulp & paper mill	$400 mn	Scandinavian Bank (London)	Loan promised
Algeria form Japan	Ishikawajima Heavy Industries and C. Itoh & Co. Ltd. will build a paper plant at El Kala	$225 mn	NAv	Order ~~received~~
Nigeria/Benin	Joint cement factory to be built in Benin	$95 mn	NAv	I
Libya from France	Societe Francaise de Techniques et de Cooperation will reclaim 33 sq. mi. of desert for agriculture	$90 mn	NAv	II
Egypt from W. Germany	A cement kiln will be built by Polysius AG, a subsid. of Krupp	$64 mn	NAv	Winning bid announced
Soviet Union from France	Technip to supply 2 construction materials plants for Moscow suburbs	$16.95 mn	NAv	I
China from U.S.	Peking will build 50 bn electron-volt accelerator (4th largest atomic particle accelerator in world) with U.S. technology	NAv	NAv	Agreement signed 6/12/79 in Peking
Poland from Italy	Poland-Fiat cooperative venture for production of 30,000 to 50,000 units/yr	NAv	NAv	II
Zambia, Zaire and Angola from various	Modernization of Benguela Railroad	NAv	$27 mn from various	Loan promised
Poland/W. Germany	W. Germany's Krupp and Poland's Polimex-Cekop agreement for scientific, economic, and technological co-operation, with emphasis on mechanical engineering, plant construction, and raw materials	NAv	NAv	I
Nigeria from Italy	Impressit will construct dam for Sokoto River Authority	NAv	Kuhn Loeb Lehman Bros.-led $100 mn 8-yr loan	Loan being organized
Nigeria from W. Germany	Additional new credits for Warri steel complex	Over $1 bn	$628.5 mn credit from 4 German banks	I

Abreviations:
U = Undetermined
NAp = Not applicable
NAv = Not available

Status:
I=deal signed
II=in negotiation
III=preliminary talks

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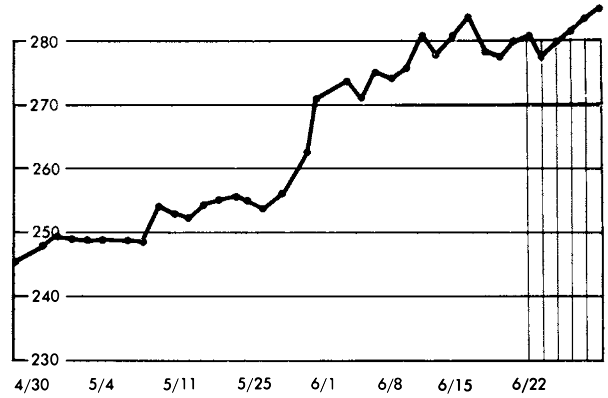
Gold

London afternoon fixing

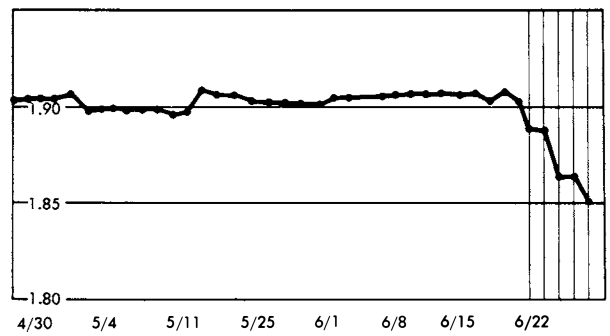
June 18	278.00
19	280.30
20	281.35
21	282.30
22	283.45



The dollar in deutschemarks

New York late afternoon

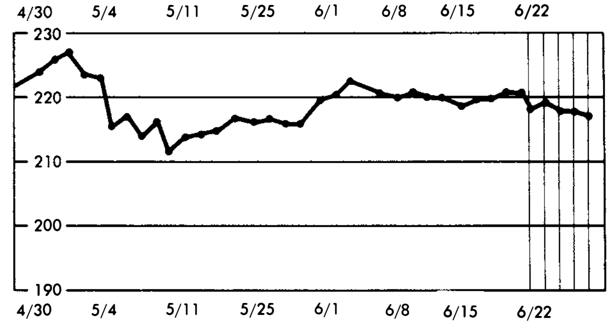
June 15	1.8875
18	1.8849
19	1.8625
20	1.8653
21	1.8581



The dollar in yen

New York late afternoon

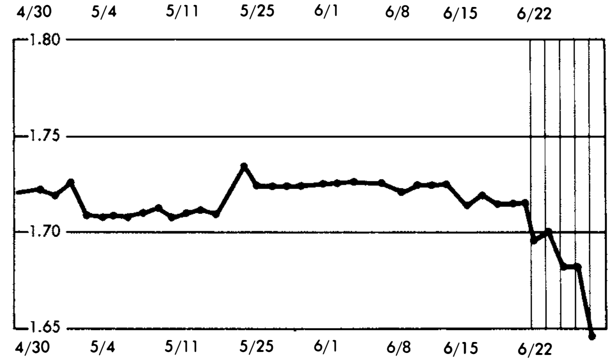
June 15	218.92
18	219.35
19	218.05
20	218.80
21	217.60



The dollar in Swiss francs

New York late afternoon

June 15	1.6970
18	1.7020
19	1.6765
20	1.6770
21	1.6475



The British pound in dollars

New York late afternoon

June 15	2.1105
18	2.1030
19	2.1235
20	2.1310
21	2.1470