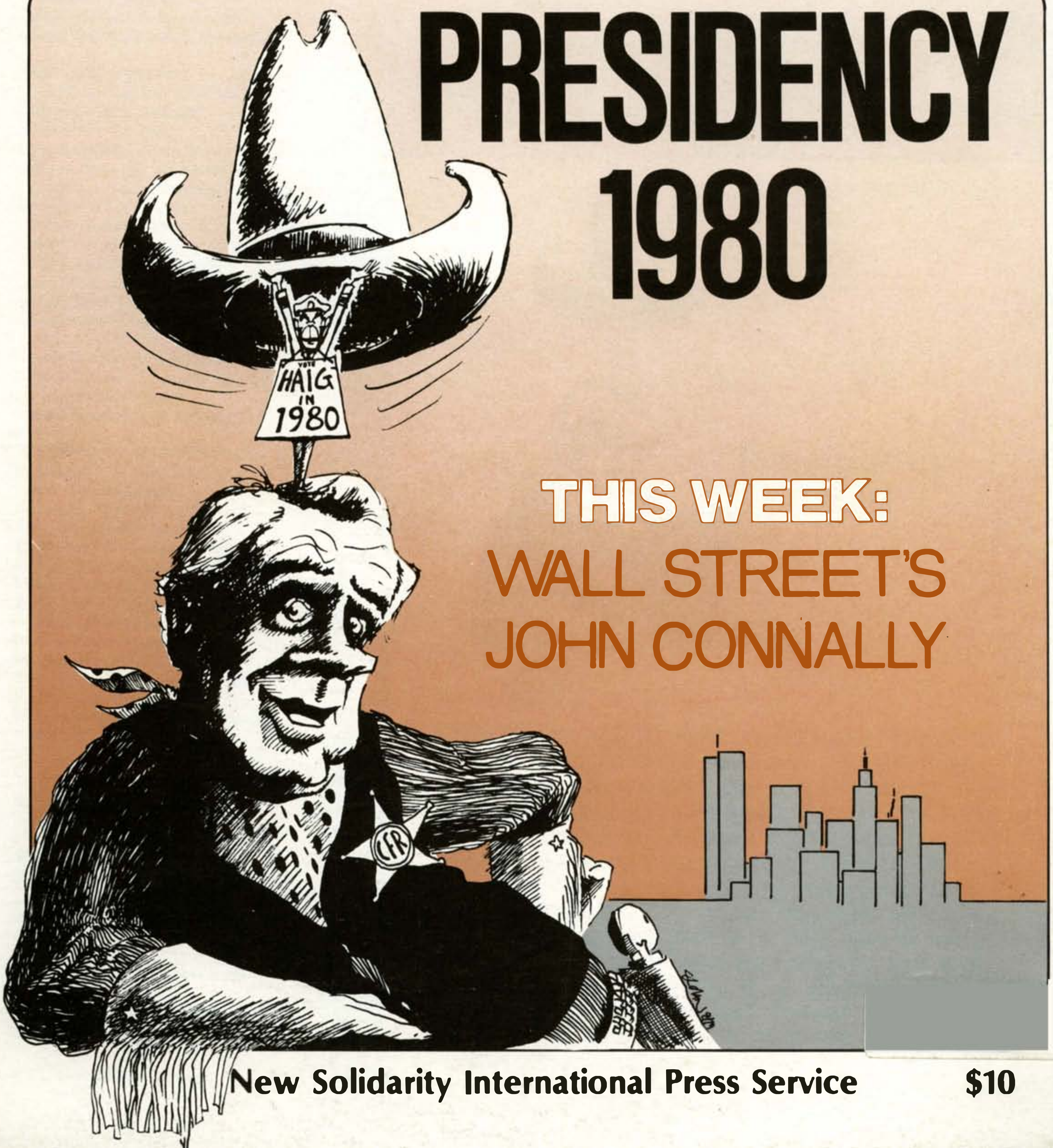
Behind the Heating Oil Swindle

EXECUTIVE INTELLIGENCE REVIEW

Aug. 28-Sept. 3, 1979

PRESIDENCY 1980



THIS WEEK:
WALL STREET'S JOHN CONNALLY

New Solidarity International Press Service $10

[THIS PAGE IS INTENTIONALLY BLANK]

Executive Intelligence Review is
published by New Solidarity
International Press Service
304 W. 58th Street
New York City, N.Y. 10019

Subscription by mail for the U.S.:

3 months—$125, 6 months—$225,
1 year—$400

ISSN 0 146-9614

EXECUTIVE INTELLIGENCE REVIEW

Presidency 1980

This week's U.S. REPORT begins a series of reports on the personalities and issues in the 1980 presidential campaign with a critical look at John Connally, the Texan from Wall Street. Currently tabbed by New York Council on Foreign Relations insiders as the backup option to General Alexander Haig, should the Kissinger-sponsored general's still undeclared quest for the nomination falter, Texas-based "Big John" has a New York pedigree going back to the days when he served in Naval Intelligence under the tutelage of Paul Warburg and Robert Murphy. In our report: Connally's ties to LBJ, his role as Nixon's Treasury Secretary, his links to the Rostows, and more. (Coming next in our series, Ronald Reagan.) **Page 16**

IN THIS ISSUE

Behind the heating oil swindle

Who's behind the sudden and unexplained jackup of heating oil prices in the Northeast, and why? This week's ENERGY report, prepared by Executive Intelligence Review's widely respected Energy Editor William Engdahl, explores the convenient connection between the fuel price rise and the energy program of Senator Edward Kennedy. Included: Kennedy's secret meeting on entitlements with Senator Claiborne Pell and James Schlesinger last spring, a look at S.730, the Encono legislation backed by Kennedy and Senator Jackson, and the connection to the policy of "planned shrinkage."

Page 23

Polish problems

"Poland — development or IMF conditionalities" is our ECONOMIC SURVEY for the week, and shows that even the Communist nations are suffering because the International Monetary Fund still exists. Poland does have some problems of its own making—some beastly bureaucratic tangles in coal, transport, and investment priorities—but mostly, these consist in not knowing the difference between a "Bukharinite" with curious links to IMF backers in the West, and other decent fellows in the party who sincerely desire industrial development for their nation. Some house-cleaning is in order—there, and here. **Page 48**

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

ECONOMICS

U.S. REPORT

ENERGY

EUROPE

PRESS

Vol. VI No. 34
August 28-September 3, 1979

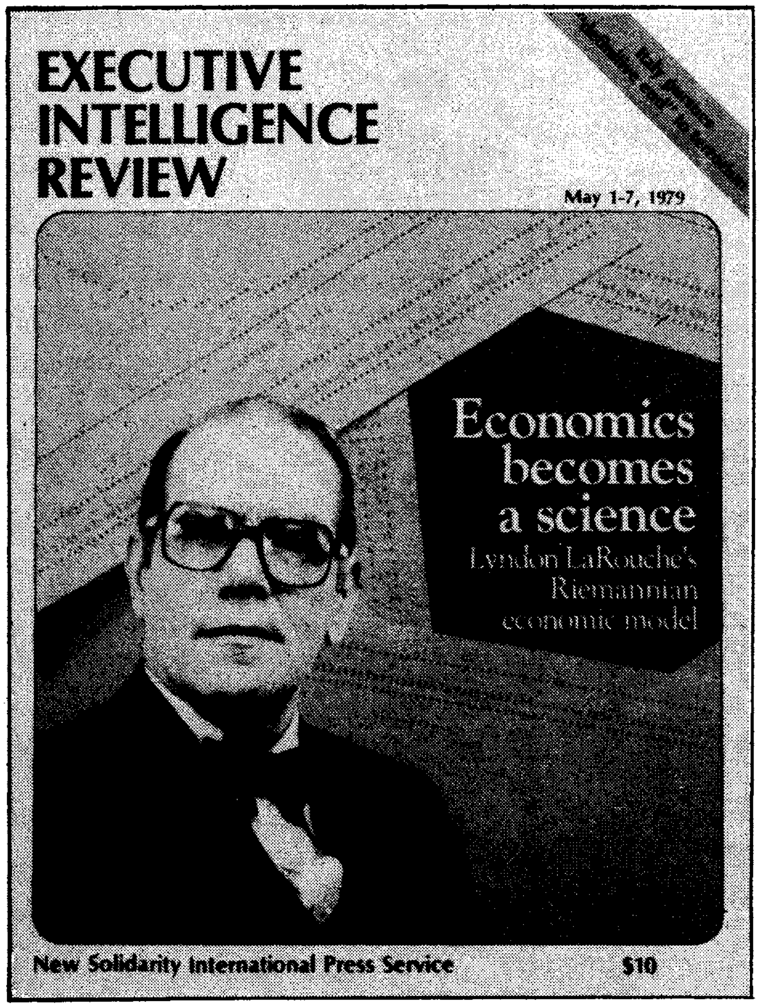
Nicaragua reconstructs

Will Nicaragua radicalize? "Nicaragua's Revolution: A month in power," establishes the humanist-republican tradition that the new government is pursuing with a full account of the junta's progam to rebuild a nation. Their struggle to receive the aid to do it is also discussed in "Will Nicaragua radicalize?", a question that only the U.S. government has the power to answer by aiding, or not—they will, if we won't. Plus: rounding out our LATIN AMERICA report, "A high command on Latin energy" has been formed by several agencies linked to the New York Council on Foreign Relations, and they have lots of resources suddenly at their disposal to influence energy policymaking. Who and what are they—and why will many Latin countries deliver quick protests over what they have just done? **Page 39**

August doldrums

The Congressional Calendar continues its recess this week, but will resume publication with our next issue.

Executive Intelligence Review will not appear next week, the week following Labor Day. We will resume normal publication the week following.



Method = Information²

An intelligence service is only as good as its method, because information that's selected by method is information that's worth more.

Executive Intelligence Review has the method—the computerized Riemannian Economic Model pioneered by Lyndon H. LaRouche, Jr., which for the first time explains why investment decisions based on high technology work best. And we bring you the information, 50 issues worth every year, including such exclusives as the first full-length interview with a leader of the new Reconstruction Government of Nicaragua, the first full analysis of the Alexander Haig presidential candidacy and what it means, an exclusive computer economic analysis comparing Jimmy Carter's latest energy program to other possible alternatives, and much more.

Leading corporations and governments around the world make sure their executives and officials read the Executive Intelligence Review. Isn't it time you did too?

Subscribe now!

Don't miss another opportunity!

Special **3 month** introductory half-price subscription offer—$65 (regularly $125)

6 months	**1 year**
$225	$400

Central America, West Indies, Venezuela, and Colombia:
3 mo.-$135 6 mo.-$245 1 yr.-$450

Western Europe, South America, Mediterranean, and North Africa:
3 mo.-$140 6 mo.-$255 1 yr.-$470

All other countries:
3 mo.-$145 6 mo.-$265 1 yr.-$490

Special offer, U.S., Canada and Mexico only.

I would like to subscribe to the
Executive Intelligence Review for
☐ 3 months ☐ 6 months ☐ 1 year

Please charge to my
☐ Mastercharge No. ____________
Interbank No. ____________
☐ VISA No. ____________
Signature ____________
Expiration Date __
☐ I enclose $ ______ check or money order.
Name ____________
Address ____________
City ____________
State ____________
Zip ______

Make checks payable to **Campaigner Publications, Inc.,** distributing agents of New Solidarity International Press Service, and mail to Campaigner Publications, 304 W. 58th Street, New York, N.Y. 10019
Credit Card holders call toll free 800-621-5809
24 hrs. a day—7 days a week.
In Illinois call 800-972-5858.

Murder, Inc. targets LaRouche

Two weeks ago, this review in a cover story "Supergate" revealed how the *New York Times,* the mysterious Office of Special Investigations of the Justice Department, and Congresswoman Elizabeth Holtzman, among others, were conspiring to set up presidential candidate Lyndon H. LaRouche, Jr. for assassination with a front-page story in the *New York Times* slandering LaRouche and his associates as "Nazis."

The predicted slander has now appeared, although not (as yet) in the august pages of the New York "newspaper of record." The Aug. 26-Sept. 2 issue of the New York City weekly *Our Town,* a "freebie" distributed through banks and other outlets particularly on Manhattan's East Side, carried a cover feature titled "Nazis on the Rise" and describing Lyndon LaRouche as the new Hitler and a "threat to American Jews."

The publication of the slander coheres with warnings from U.S. and Middle East intelligence communities that LaRouche would be identified as one of the world's leading "anti-Semites," and targeted for a George Wallace-style hit by international networks connected to fugitive Knesset parliamentarian Flatto-Sharon, wanted on fraud charges in France.

It is hardly accidental that *Our Town*'s incitement to murder hit the streets in the same week that LaRouche's campaign workers opened up headquarters in Manchester, N.H., beginning a campaign for next February's primaries in that state that seasoned political observers think could well become the "wild card" upsetting Council on Foreign Relations plans for a rigged Kennedy-Haig or Kennedy-Connally 1980 presidential contest.

The U.S. Labor Party, of which LaRouche is national chairman, filed a $20 million libel suit on Aug. 23 against *Our Town*'s publisher and editor Edward Kayatt, the purported author of the article by Dennis King, and Manhattan Media Corporation. The party also delivered an emergency complaint to New York District Attorney Robert Morgenthau demanding criminal proceedings against *Our Town* and police protection for LaRouche.

Publisher Kayatt stated that his attorney Roy Cohn was handling the entire affair. It is well known in New York journalistic circles that Cohn controls *Our Town* editorial policy.

Cohn is directly connected to Permindex, the entity linked to the New Orleans Mafia and Division Five of the FBI, that was named by New Orleans District Attorney James Garrison as the agency responsible for John Kennedy's 1963 murder. Permindex was also implicated in the 1968 assassination of Martin Luther King, and was expelled from France by President de Gaulle for some 30 attempts on his life.

Roy Cohn in 1959 became president of the Lionel Corporation, working with chairman of the board, Joseph Bonanno. Lionel Corp. was an initiating stockholder in Permindex. Cohn has been attorney for recently gunned-down mobster Carmine Galante, for Joseph, Thomas, and Carlos Gambino, and for Studio 54, the discotheque busted by New York City police as a cocaine depot.

Moreover, as the *New York Times* reports, *Our Town* recently received $25,000 from John Loeb, Jr. for a big promotional campaign starting with the issue containing the LaRouche slander. Loeb's father is a brother-in-law of Edgar Bronfman. Bronfman family interests are represented in Permindex through the corporation's chairman of the board, Major Louis Mortimer Bloomfield, the Bronfman family attorney.

A book written under LaRouche's direction, *Dope, Inc.: Britain's Opium War Against the United States*, and targeting these merchants of death is well on its way to becoming a trade bestseller. It has catalyzed a powerful national movement to stop drug-running at its highest levels. Now, Dope, Inc. wants to hit back, even though in the process it has been forced, for the first time, to admit that LaRouche's presidential bid is a very serious threat indeed.

—*Nora Hamerman*

The Week in Brief

A new series of Israeli strikes into southern Lebanon has led to growing concern in Washington and throughout the Middle East that an Israeli-Syrian war is in the offing. According to a well-informed Washington source, "Everybody who knows anything in Washington knows that Israel wants to provoke a war with Syria. That is what their tactics add up to in Lebanon. They think they can knock Syria out in a few days and avoid Soviet reaction."

An Arab diplomatic source made

the assessment that "war is inevitable between Israel and Syria if the current minimal Washington restraints on Israel are removed. For now, Washington is using the threat of war to keep the Saudis in line, but soon all bets could be off."

The sources say that southern Lebanon has been transformed into a maze of Israeli-constructed roads and communication grids, including a recently installed radio station for the forces of renegade Colonel Saad Haddad which is broadcasting anti-Syrian war propaganda throughout Lebanon. Israel's raids, according to the Lebanese government, have hit upwards of 40 villages, leaving scores dead or wounded.

* * *

President Sanjiva Reddy has dramatically resolved the lingering political crisis in India by ordering new Lower House elections for late November or December. Reddy's decision came hours after India's 24-day Prime Minister Charan Singh abruptly resigned after losing the support of former Prime Minister Indira Gandhi's Congress Party.

Gandhi pulled the plug on Singh when Singh, an avowed ruralist, appointed World Bank-linked politicians to his cabinet in open defiance of Gandhi's growth and technology oriented policies.

The Indian elections will have a far-reaching impact on the Third World, especially on the Indian Ocean littoral states. In next-door Pakistan, the military junta will now be compelled to hold the elections it promised for Nov. 17, and enormous pressure has been generated by Gandhi's sympathy for the junta's chief prodevelopment opponents, murdered Prime Minister Bhutto's very popular People's Party.

* * *

With U.S. influence in the Middle East at an all-time low following Camp David and the recent Andy Young affair, Great Britain is making a bid to pick up the pieces. Arab sources at the United Nations report the existence of a "Caradon plan," named after former British U.N. Ambassador Lord Caradon who is the author of Resolution 242. Caradon, currently touring the Mideast, is pushing the idea of a West Bank "trusteeship"—British mandate No. 2—after an Israeli withdrawal.

* * *

And U.S. foreign policy is plummeting in another oil-producing region—this time closer to home, in Mexico, just five weeks before Jimmy Carter and Jose Lopez Portillo are due to meet for their third summit. The target of Mexican ire this time was the lies about U.S.-Mexico gas negotiations circulated by the State and Energy Departments.

Columnist Joseph Kraft, a well-known Foggy Bottom conduit, reported that Lopez Portillo had met with U.S. Ambassador Patrick Lucey and agreed to a specific price level of $3.40 per thousand cubic feet in exchange for U.S. "concessions" on undocumented worker and trade issues—only to then disavow the agreements.

In an official communiqué Aug. 17, the Mexican Foreign Ministry stated that *no* accord was near because the United States was refusing to seriously discuss pricing formulas; that it is "completely inexact" that Lopez Portillo would accept a specific price rather than Mexico's formula for pricing tied to the equivalent price of imported oil; and that "it is likewise totally false" that the Mexican President "should have suggested or accepted" linking gas prices to issues such as undocumented workers or trade.

* * *

During a short "working meeting" in Poland, West German Chancellor Schmidt achieved what the Italian press called an unprecedented quality of discussions between an Eastern and a Western European country. Schmidt and Gierek agreed to the concept of regular top-level meetings and established "a close interdependence between economics and politics."

Schmidt sees the stability of the entire region and especially East Germany as tied to that of Poland, and hence offered credits to help ease Poland's critical economic situation (see ECONOMIC SURVEY). The joint communique called the deepening of economic ties "of fundamental importance for all aspects of ... bilateral relations."

Another key topic of the talks was the Vienna MBFR disarmament talks. According to Italian press, Schmidt wants to capitalize on Poland's history of promoting European disarmament that goes back to the early 1960s Rapacki Plan. Schmidt told Gierek that if the Warsaw Pact agrees to reduce its arms buildup, European NATO members may be able to avoid committing themselves to a nuclear modernization program.

Bonn sources say the Schmidt government is strongly committed to making progress on the MBFR talks.

* * *

An open fight surfaced in the Colombian press this week between and opponents of legalizing drugs as "cash crops." Colombia's two leading dailies interviewed Fausto Charris, Colombia agrarian-labor leader who became internationally known during his recent U.S. and Mexico tours for his aggressive organizing against legalizing marijuana production and consumption (*EIR*, July 10-17). Charris told of the formation of a National Anti-Drug Coalition in Colombia and plans to convene an international conference against drugs in Bogota next November

A three-page feature was simultaneously carried in the Colombian paper El Tiempo praising the U.S. pot lobby's *High Times* magazine as "the only U.S. media that gives favorable coverage to Colombia, even if it is about our marijuana." *High Times* is planning to reciprocate—by publishing an exclusive interview in its November issue with banker Ernesto Samper Pizano, Colombia's leading drug legalization advocate who is currently in the United States as a State Department guest.

Wheat exports—a set-up in Duluth

Two key points should be made concerning the seven-week-old strike at the Greak Lakes port of Duluth-Superior, Minnesota, which now threatens one-fifth of U.S. wheat exports through the Great Lakes. The first is that the strike is part of a deliberate economic warfare plan to disrupt not only the U.S. but import-dependent grain consumers abroad, especially Third World countries slated for "population reduction."

AGRICULTURE

The tactic is a series of strikes clogging transportation bottlenecks created throuugh decades of underinvestment and asset-stripping of American railroads, ports, waterways and shipping. The end of August could see a strike of the Rock Island Railroad as well as a strike of all U.S. flagships.

The second point is that there exist proposals to solve the immediate Duluth emergency and America's profound transportation decay, a solution benefiting labor, industry and agriculture in the U.S. as well as underdeveloped nations on the edge of famine. Contributing Executive Intelligence Review editor and international economist Lyndon LaRouche, Jr. recently outlined (1) a call for the federal government to immediately buy up the U.S. grain surplus and ship it to Nicaragua, Cambodia and other needy countries, moving toward a full gear-up of high-technology exports; and (2) a plan for industrial and infrastructural development throughout the 500-mile radius surrounding Chicago, rapidly upgrading navigation, rails and irrigation.

The Duluth setup

On July 6, 580 grain millers walked out at one of the eight elevators in Duluth. The union had accepted the operators' offer of a paltry 21.5 percent wage increase over three years in the proposed new contract, but with inflation nearing 14 percent, demanded a cost-of-living provision. Citing President Carter's austerity guidelines and the fact that none of the millers at their other terminals have COL clauses, the operators remained adamant. By July 25 all eight elevators were struck and Duluth-Superior was vitually shut down.

With up to 4,000 grain-filled rail cars backed up in the terminal, the Duluth Port Authority has embargoed any further deliveries. Fifty to 70 percent of these cars are the new jumbo grain hoppers, already in very short supply throughout the grain belt because of the gross inefficiency of the railroads, the predatory practices of railway car leasing companies, and the huge demand from farmers who have been storing two to three crops waiting for grain prices to rise high enough to cover their costs. On top of this, a record wheat harvest is now in progress, while corn has hardly begun to hit the markets.

No end to the Duluth impasse is in sight. Contract negotiations are at a complete standstill, and observers believe that a September settlement would be a miracle. The northern Lakes begin to freeze in early December; if a settlement is not reached soon, millions of bushels of grain will be left to rot on the farm or in transit.

Farmers who rely on the Duluth-Superior port—especially those in Minnesota and North and South Dakota—are facing financial ruin, and not only because of the strike. For several seasons they have been unable to sell their grain because of prices that do not even cover their costs. They have scraped along on government subsidies, waiting for prices to rise high enough.

When the price of wheat soared this spring beyond the \$3.29 per bushel "trigger" level—the point at which government subsidies cease—farmers rushed to sell their grain on contract deliveries to the major grain companies and large cooperatives before the price fell. Once these companies had a large proportion of the contracts in hand, they cornered the wheat futures market in Chicago, driving prices up to \$5.00 per bushel, in part using the big Soviet grain purchases as a cover.

Meanwhile, local farmers are getting hit with price discounts for their grain caused by the strike. The rail car squeeze gloated over by the London *Economist* (see below) has led to increased use of more costly truck transportation, while storage facilities owned by the grain companies are discounting prices further because of the shipping uncertainty. First robbed by selling at lower prices, farmers are now losing 70-80 cents per bushel in added costs and discounts; in many cases they are not breaking even. According to Charles Rhoades of the National Association of Wheat Growers, farmers in the tri-state area have lost $740 million so far in price cuts alone.

A large number of farmers in this area cannot afford to ship their wheat to other ports, and their farms have virtually no storage capacity. Rhoades estimates that 25 percent of Minnesota's current wheat crop—20 million bushels—will be left to rot in the fields, with even worse effects in North and South Dakota if the strike is not settled. Since Duluth-Superior processes 76 million bushels of grain per month, the loss just in terms of crops would be on the order of $1.5 billion.

Potential food shortage

Duluth-Superior normally handles 41 percent of all Great Lakes wheat exports, and seven percent of all U.S. grain exports. Three to four percent of these exports could be lost if the strike continues. Hit most severely would be nations in Africa, as well as continental Europe. The Soviet Union has already placed $4.5 billion worth of orders with Canada and Australia, in part because of the strike. Mexico stands to lose 50 percent of its normal sunflower seed imports.

Further labor provocatios that would disrupt food supply and goods shipments are looming as early as the end of August. The Organization of Masters, Mates, and Pilots is threatening "job actions" if a backlog of 50 grievances is not resolved. If a strike follows, all U.S. flag ships would cease operations, imperiling in particular domestic freight shipments.

At the same time, the Brotherhood of Railway and Airline Clerks may be forced into a strike against the Chicago-Rock Island Railroad, the only railway in the U.S. that has not accepted the new nationally negotiated labor contract. Rock Island, under the control of asset-strippers (see Transportation) who have no interest in a settlement, carries 17 percent of all American grain shipments.

The scope of this de facto "food weapon" is further indicated by the nearly 20 percent drop in Canadian wheat exports for the year ending July 31, estimated by the Canadian Wheat Board. Despite bumper harvests, the world's second biggest wheat exporter is "having to turn down millions of tons in orders because the grain cannot be physically delivered," according to the Aug. 18 *New York Times*. This is a deliberate policy on the part of the Canadian government, which in turn is still essentially run by the British Crown. The government, which owns the Canadian Pacific and Canadian National Railroads, has let the number of grain-hauling cars drop by almost 25 percent over the past eight years, replacing only half the cars retired, despite the expansion of wheat export orders. According to the Wheat Board, perhaps 10 million tons more could have been exported this year with adequate service for Canada's rail-dependent farmers—who are that much poorer, while the rest of the world is that much hungrier.

—*Steve Parsons*

London loves the loss

From the London Economist, *Aug. 11, "Boxed in":* ...Mountains of wheat, instead of moving smoothly by boxcar towards the ports, are piled up in the main streets of small towns in Kansas and South Dakota. The silos are filled to bursting. At the grain market in Minneapolis, where farmers were rejoicing not long ago at the prospect of wheat prices exceeding $4 a bushel, the price has fallen by 40 cents; for once the elevator operators have bought the grain from the farmers, they have slim hopes of sending it anywhere else.

For many years, transport problems have followed regularly on America's record harvests. There is never enough handling capacity available in the right place at the right time, even though the need for it can be predicted long in advance. Nor is the reason for the shortage generally understood. Sometimes a particular bottleneck will appear temporarily. This year, for instance, a strike by elevator workers at the ports of Duluth and Superior on the Great Lakes, which handled 10 percent of last year's grain exports, has idled 3,000 loaded grain cars at the docks. An appreciable amount of this grain was destined, in fact, for the Soviet Union. Ships coming through the Great Lakes to receive it have already been turned back.

The more general shortage, however, is of the boxcars that take the grain by rail between the country elevators and the terminals. The difficulties here seem to be endemic. Because the railways, for the past decade, have been sunk in an economic gloom which has only just been brightened by the petrol shortage, both the track and the rolling stock have been neglected. Few lines have been more ignored than those which go out to the corn towns of the Midwest, far away from the main industrial centers where the hauls are frequent and profitable. A grain town only needs its share of boxcars at a certain time of every year, but the cars cannot quickly be diverted from their main-line runs.

It is often difficult to find the cars at all. To begin with, there are fewer than there used to be. The number of standard boxcars has fallen by 25 percent since the beginning of last year. They are being replaced by "jumbo" hoppers, favored by shippers because of their greater capacity; but the smaller elevator companies find they cannot use them, while their sheer bulk makes it impossible for these hoppers to reach the centers of the older cities.

Up to a tenth of the boxcars, besides, are owned by private individuals who merely lease them to a railway, taking them away again if the need seems greater somewhere else. This use of boxcars as a mobile investment not only puts up their price; it also scatters them at random round the country, making it difficult to trace them in an emergency....

Hodges Junior: no better than Senior?

On June 28 Luther Hodges, Jr. was confirmed by the Senate as Undersecretary of Commerce, the number-two post in the Commerce Department.

The *New York Times* has been so eager to get Hodges into the number one post—at present occupied by Juanita Kreps—that it ran an interview with Hodges in its Aug. 11 edition in which he was featured as the new "Commerce Secretary."

But the more egregious falsehood in the *Times* article was the claim that under Hodges the U.S. will

WORLD TRADE

enjoy export development and "a fundamental rebuilding of American industry." The career records of both Luther Hodges, Jr. and his late father, Luther Hodges, Sr.—Commerce Secretary under President John Kennedy—suggest the contrary.

Field hand

To understand the son it is necessary first to understand the father. Luther Hodges, Sr., governor of North Carolina during the 1950s and Commerce Secretary under Kennedy, was a hireling of the British-aristocracy-worshipping Marshall Field family of Chicago, in southern parlance, a "Field hand." Hodges Sr. spent over 30 years holding various executive posts with Marshall Field, having become general manager by 1939 of all 29 of the company's textile mills in the U.S. and abroad.

During World War II Hodges directed the $4 billion textile-pricing program for the U.S. Government's Office of Price Administration. He was hardly the most disinterested person to have been selected for that job, and that he accepted raises interesting questions of ethics with regard to the rigid ethical code he promulgated in his later book, *The Business Conscience.*

When Kennedy was elected President, Hodges Sr. became JFK's Commerce Secretary. His specialty was campaigning to reform the allegedly unethical, aggressively success-oriented behavior of American industrialists—a campaign which was one of the most insidious aspects of the Kennedy administration and which helped to pave the way for the creation of the New Left and "Drop Acid, Drop Out" counterculture. The whole business is laid out clearly in *The Business Conscience,* which appeared in 1963. In it, Hodges sanctimoniously contrasted his own virtues with the behavior of disgraced Eisenhower aide Sherman Adams, who had accepted some gifts.

Hodges Sr. boasts how he threw the Business Council out of the Commerce Department (for three decades this conclave of 100 businessmen had had a close working relationship with Commerce). In its stead, Luther Sr. launched a "Business Ethics Advisory Council" of 25 businessmen. The chairman of this Ethics Council was William Decker, chairman of the board of Corning Glass Works, controlled by a prominent Knights of St. John family, the Houghtons. The Ethics Council's report, *A Statement on Business Ethics and a Call for Action,* issued in January 1962, was further backed by a Harvard Business Review-published "social-science-style" profile of the alleged ethical laxity of the American businessman, conducted by Rev. R. C. Baumhart, a Jesuit priest. Hodges enthusiastically endorsed both reports and was furious when they were ridiculed by the Business Council. The "profile" was entirely based on questionnaires mailed to graduates of the Harvard Business School, as though the Harvard MBA program spoke for U.S. enterprise.

While founding the movement against the two-martini lunch, Hodges was ultimately committed to more strategic matters. Toward the end of the Eisenhower administration, there were growing networks of businessmen, not to mention officials in the administration itself, who realized it would be both good business and good politics to dump the Cold War in favor of a healthy dose of expanded East-West trade. One means these U.S. circles were using to get around the British-promoted anti-East bloc export measures was to export to Western Europe for re-export to the East bloc. Against these circles, the ethical Hodges Sr. fulminates: "I feel certain that no responsible businessman in the United States opposed our efforts, fully sanctioned by law, to keep strategic goods out of Communist hands."

Like father, like son

Luther Hodges, Jr., an economist by training, is one of the country's specialists in the sabotage of bank industrial lending and of governmental dirigist credit. Relying on his father's clout as a trustee of the University of North Carolina, Luther Jr. took his BA in economics at Chapel Hill, his MBA at Harvard Business School, and a teaching post back at Chapel Hill. Junior first co-authored a Chapel Hill-issued monograph published in 1962 under the title, *Financing Industrial Growth: Private and Public Sources of Long-Term Capital for Industry*—a skillful attack on dirigist industrial-development efforts by federal, state, and local credit agencies in the U.S. The outlook is specifically that of the Council on Foreign Relations' blasts against the "neomercantilism" of Japan, West Germany, etc.—except the arguments in this case are bent against U.S. regional industrialist networks. Attacking all systematic long-term governmental credit issuance to industry, Luther Jr. and his co-author write that such governmental bodies "at most ... can provide 'spot assistance' to selected industries and communities." Regional subsidies to industry, Hodges Jr. avers, revive the discredited "mercantilistic" and "infant-industry" arguments of a bygone era. "Both the 'mercantilistic' and the 'infant-industry' arguments are essentially short-run solutions, for any period of time an area cannot sell to others more than it buys from them, and, clearly, infant industries must one day grow up...."

In a second book, *Bank Marketing: Iext and Cases,* written while Hodges Jr. was a senior VP at North Carolina National Bank (NCNB), the large Charlotte, N.C.-based institution, Hogdes Jr. spins out the fairy tale that shortly after the Industrial Revolution, overproduction set in, forcing businessmen and bankers to adopt a "marketing orientation." Business success now consists, according to Hodges Jr., in offering old products in a new package or with new ancillary services.

The book, intended as a textbook for bank officers, is rife with case studies from Hodges' own NCNB and Citibank, both of which have increasingly committed themselves to this "service" concept.

In the introduction to *Financing Industrial Growth,* Hodges Jr. states that the monograph was begotten as a counter to the endeavors of a number of rural-based states to foster industry to raise state standards of living. Hodges Jr. opposes such endeavors with the thesis that the highest per capita income comes not from economies with high proportions of industrial operatives but rather in economies with proportionally large service sectors. This, of course, is the thesis of the speculative international interests who created the real estate side of the "New South"—a swindle in which the origins of the careers of James Earl Carter, Reuben Askew, and Luther Hodges, Jr. himself are to be properly traced.

—*Richard Schulman*

INTERNATIONAL CREDIT

IMF loosens up ....a little

The International Monetary Fund has liberalized the rules for members' drawings on its compensatory financing facility. The IMF facility is mandated to lend to members in balance-of-payments difficulties because of "temporary export shortfalls," and thus it chiefly applies to Third World nations. The liberalization, such as it is, betokens the Fund's effort to contrive "a more human face," as London financial writers put it earlier this year, and regain some moral authority while maneuvering to keep the European Monetary System's lending to the Third World in its current piecemeal, limited stage.

Strictly speaking, the IMF compensatory facility does not lend, but allows members to withdraw portions of their membership deposits, or quotas, with the fund. Until Aug. 2, members could draw a maximum of 75 percent of quota. Now they can draw 100 percent, if the IMF is "satisfied that the member has been cooperating with the Fund in an effort to find appropriate solutions for its balance of payments difficulties." The U.S. State Department recently said off the record that it considers this tantamount to unconditional drawing privileges.

The facility was established in 1963, "liberalized" in 1966 and again, after the first oil-price hoax, in 1975. Since 1975, 3.4 billion Special Drawing Rights—in current dollars, about $4.4 billion—have been drawn, according to the Aug. 20 *IMF Survey.*

The same issue of the *Survey* gives one indication of what prompted this "liberalization," with a special feature on the Arab Monetary Fund. The article describes the AMF's $40 million in loans over the past nine months to five member-nations—Egypt, Sudan, Mauritania, Morocco, and Syria.

The Survey ostentatiously insists that "The AMF is not intended to be a development aid institution and is mainly concerned with financing balance of payments deficits of its member countries," although it is well known that Sudan, in particular, has derived real development benefits from the AMF's loan. Arab sources in New York and continental Europe have repeatedly stated to EIR over the past few months that the Fund will be enlarged to play an important role in helping Third World countries survive the energy cost squeeze, and could also be an institutional channel for cooperation with the European Monetary System—"rather than just handing the petrodollars over to the EMS," as one banker put it.

—*Susan Johnson*

IMF policy fuels speculation in U.S.

In a confidential memo dated May 29, but released in summary form by the *New York Times* this week, the International Monetary Fund (IMF) called for the U.S. to pursue pro-austerity, anti-inflation policy. "The anti-inflation effort," the IMF memo states, "would be aided a great deal if the Government would resist forcefully the pressures of cost- and price-raising measures of the kinds just mentioned"—referring to agricultural price supports, minimum wage adjustments, and protectionist quotas.

The IMF memo is the kick-off for a "controlled U.S. recession" that would not hit across the board or be "free-falling," but would rather selectively wipe out targeted heavy industry while promoting the broadest forms of speculation. This policy was emphasized by the *New York Times* in a lead editorial Aug. 17 titled "Fighting Inflation With a Dull Knife," which stated that the U.S. government must pursue deregulation in the food, trucking and maritime industries. The deregulation of the trucking industry would not halt inflation, but would, as a forthcoming special study by this news service details, have a devastating effect on the U.S. transportation net and economy. The *Times* stated that this broad, sweeping deregulation would be a phase in what the *Times* labeled a "fundamental restructuring of the U.S. economy."

Clarifying what this "restructuring" will look like, ultra-liberal Keynesian economist James Tobin from Yale University has proposed that the U.S. government should pursue a tight budget, but loose monetary policy. While not stating this, the actual purpose of Tobin's policy is to create enough monetary volume for financing British corporate takeovers of American companies and for financing speculation, while crunching needed budget items.

The way this restructuring of the U.S. economy is proceding was indicated by the announcement in the Aug. 21 *Wall Street Journal* that Thomas Tilling, Ltd., which is a $2 billion conglomerate that specializes in buying up U.S. companies, is launching a massive acquisition campaign in the U.S. In barely two years, Tilling has accumulated 11 companies worth $216 million in the U.S. Tilling has targeted auto parts producers; oil rig companies; electronics companies—companies which made it through their first 7 to 10 years of difficulties and are now about to take off, and, as Tilling explains, will yield 20 percent return on investment per year. The deputy manager of Thomas Tilling, Colin Draper, said Aug. 21: "I've been interested in invading the U.S. since" World War II.

Speculative markets

At the same time, money is pouring into highly speculative forms of money market instruments which emphasize the capability of disintermediating funds from one hot paper-pyramiding operation into another, on a moment's notice. For example, the 65 money market funds, which totalled only $10 billion in assets at the end of 1978, now total $31.48 billion, growing at the rate of $1 billion per week. The money market fund is a mutual fund that, for a small monthly share investment by a small investor, buys positions in large denominated instruments, such as mortgage issues, commercial paper and Treasury bills—all short-term, but high yielding. A second hot item is the new twist on the housing market, which emphasizes the money to be made not only from trading on the secondary mortgage market, but now the loan shark role of pooling mortgages from many banks and selling them to institutional investors. This is underwritten by the *off-budget* U.S. government agencies like Fannie and Ginnie Mae. Thirdly, it is now profitable to invest in railroad cars, the front end of a package that also includes leasing them. For a $50,000 investment, states Lucille Boston, a former fashion buyer, one gets a one-time tax deduction of $2,000; an investment tax credit of 10 percent; and then depreciation for a span of years.

This speculative game remains lucrative only as long as the rate of inflation is higher than the cost of borrowing, meaning that a negative interest rate exists, and inflation marginally outstrips the amount of interest one has to pay back. This game is being skillfully rigged by new Fed chairman Paul Volcker.

Industrial side

On the industrial side of the economy, with a few notable exceptions, the economy is being force-fed a recession, beginning with the British targeting of Chrysler Corp. Layoffs in the U.S. auto sector reached 80,000 Aug. 18, making the total already half the level of depth of the 1974 collapse. Chrysler Corporation's announcement of a further 1,900 layoffs followed General Motors' revelation that it had dropped 28,000, or more than double the figure released last week.

At the same time, the new orders received by manufacturers of durable goods fell in July to a seasonally adjusted $71.92 billion, a drop of $4 billion from a month earlier and more than $10 billion below the level of spring of this year.

Nor, gloats the London *Economist*, will the U.S. be able to resist this restructuring. States the weekly's Aug. 11 issue: "The Carter Administration, like the Nixon, Ford and Johnson Administrations before it, does not have an industrial policy. This freedom (sic) is an American strength."

—*Richard Freeman*

'Off budget' borrowing Fannie Mae's delight

With all their fuss about slashing the Federal budget deficit, fiscal conservatives have not made one peep about reducing the size of the government's enormous *off-budget* borrowing. This year off-budget or federally assisted borrowing, as it is called, will top $30 billion for the second year in a row. Again the main beneficiaries are the government agencies and government-sponsored private enterprises which assist the mortgage market and prop up this nation's vastly inflated real estate values.

The entities in question are the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Bank Mortgage Corporation ("Freddie Mac"), and the Government National Mortgage Association ("Ginnie Mae"). Ginnie Mae is a government agency, while her cousins are government-sponsored private enterprises. All three discount government-insured mortgages, selling them to institutional investors and some private investors in the secondary mortgage market. The Fedral Home Loan Banks make direct loans, known as advances, to the federally regulated savings and loan institutions to keep them flush with lendable mortgage funds.

The argument is made that these government-sponsored mortgage associations provide a lifeline to the housing market and construction industry by injecting liquidity into S & Ls and other mortgage lenders. This is a good public relations formula. In actuality, by placing unlimited governmental borrowing power behind the home mortgage market, these entities have fueled the real-estate speculation which has priced the average homeowner out of the market. Nor, the way they presently operate, do the secondary mortgage markets necessarily foster new construction. Only around 20 percent of single-family homes that are sold each year are new homes—some 80 percent of mortgages issued finance the resale of old homes and housing.

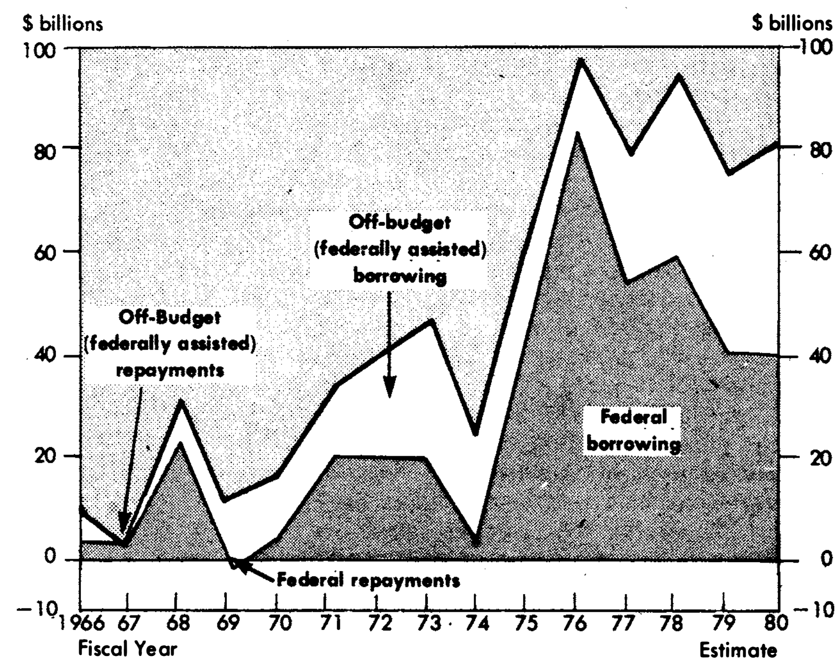
In 1978 Fannie Mae and Freddie Mac increased their combined purchases of mortgages by $8.2 billion over 1977, while the Federal Home Loan Banks upped their net advances to the S & Ls by $11.1 billion. This $19.3 billion net increase in credit advanced accounted for the entirety of the rise in government assisted borrowing that year.

In the current calendar year, total federally assisted borrowing (borrowing by the government-sponsored enterprises and government-guaranteed borrowing) is expected to be just a shade below 1978: $33.4 billion versus 1978's $35.4 billion.

To a certain extent, the discounting activities of Fannie Mae and her friends are being taken over by the private mortgage companies. These organizations will pick up riskier conventional mortgages, which are much larger and are not insured by the government. With personal income eroding and down payments on homes shrinking, such mortgages are the order of the day. As we reported two weeks ago, there has been a late-summer flurry of issues of so-called mortgage pass-through securities by private mortgage companies like the Milwaukee-based MGIC—"Magic"—and S&Ls such as the Gibralter Savings Association, along with a rush of prestigious investment banks into the mortgage broker field. As one investment banker put it, "This is the new growth area in the economy."

In 1978 off-budget borrowing represented about a third of the total; this year, off-budget borrowing will run almost *one-half* of the total. Fiscal conservative forays against the budget deficit will remain highly suspect until they tackle the off-budget borrowing.

The off-budget borrowing balloon



Midwest rails: the local bailout gambit

Several Midwestern railroads, in some cases faced with bankruptcy, are undergoing reorganization and selective abandonment of their lines. A diverse array of proposals is being discussed by various representatives of shipping companies, railroad employees, unions and regional, state and local county boards. The converging solutions all represent disaster for Midwest farmers and their communities. They are being given a choice between losing all service or underwriting local syndicates to bail out the lines, with speculative windfalls for the "investors" and shoestring freight facilities for the shippers.

With the exception of the Burlington-Northern, the largest U.S. railroad in total mileage, every Midwestern railroad is making plans to reorganize its rail lines by cutting out service to "unprofitable" areas. With a Federal bailout for these Midwest railroads unlikely, Midwest rail service that is deemed unprofitable may share the same fate as New York City apartment buildings. In New York's real estate speculation game, the landlords as managers of the deteriorating housing stock connive with the banks to gain the highest free-market rent price while neglecting basic maintenance until final abandonment and dumping of the accumulated mortgage debt on the tenants. The directors of the holding companies that own the railroads after years of neglecting rail maintenance, are getting out of the transportation business and moving into more speculative ventures—including real estate.

Three railroads in trouble

Among "financially distressed' railroads, the Chicago, Rock Island & Pacific, placed in receivership four years ago and undergoing reorganization ever since, is not a blameless victim. Its chief shareholder, Henry Crown, "father" of Chicago's Loyola University, cannibalized the railroad's existing equipment and made no major capital investment for at least ten years. Crown, the boss of Chicago's old Crown-Lundheimer mob, was prevented by the Interstate Commerce Commission from selling off the railroad's equipment for scrap; he rigged the Rock Island's bankruptcy proceedings to install his Loyola crony William Gibbons as trustee in 1975. Now the Rock Island is threatening to shut off 17 percent of all U.S. grain shipments (see Agriculture).

Another Midwest railroad, the Chicago, Milwaukee, St. Paul & Pacific ("Milwaukee Road") filed for bankruptcy in Dec., 1978. On Aug. 10, 1979, Stanley E.G. Hillman, courtappointed trustee for the Milwaukee Road, submitted a five-year reorganization plan which would dispose of 6,400 of the 9,800 total miles of Milwaukee Road track and eliminate 40 percent of its employees.

The situation of the Milwaukee Road points up the disastrous consequences for everyone who depends on the freight service for income. The Milwaukee Road's dilemma is being blown up in the press to scare Midwesterners into picking up the tab on the accrued debt service of rolling stock on the lines. The original Hillman abandonment plan for Milwaukee Road called for cutting service to North and South Dakota except for the Fargo line. The *Journal of Commerce* reported Aug. 10 that the Milwaukee Road had reached an agreement with the state council of South Dakota under which the state will provide $2.3 million to repair the 677-mile line from Jonathan, Minnesota to Miles City, Montana.

A third case is the Illinois Central Gulf Railroad which is owned by IC Industries, whose annual report makes no secret of the conglomerate's desire to sell off the bulk of its rail holdings. Illino ls Central submitted a reorganization plan last winter; the ICC rejected the abandonment plan, IC Gulf is appealing and a decision is due Oct. 1.

In Wisconsin, the abandonment proposal is expected to go through. According to the Milwaukee Sentinel, the Dane-Green County Rail Transit Commission has set up a $106,000 budget to be raised by their county boards for purchase of the track and first-year repairs. Pointing up the speculative game involved, the Sentinel reports that "a Madison based investment group wants to run trains on the lines if the two counties eventually buy the right of way and 60 miles of track."

A parallel "investment" swindle is being prepared to sell junked railroads to the workers themselves. On Aug. 3, a meeting of the union representatives from the Railway Labor Executives Association, shippers, Milwaukee Road executives, and state representatives drafted a bill to prevent abandonment of Milwaukee Road lines. The proposal calls for a "reorganized" management called "Milwaukee II" with a short-term loan of $200-300 million. But the underpinning of the plan is an Employee Stock Ownership Plan (ESOP). This would put the burden of cumulative debt and capital expenditures for improvements of the rolling stock on the employees.

—*Charles Leone*

COMMODITIES

Lomé II: inconclusive results

With its emphasis on economic and trade development, and only secondarily on raw commodities pricing and income support, the Lomé Convention has been looked to by many since its inception in 1975 as an alternative to the Common Fund and other concoctions that have been circulating under the guise of development policy since their concerted promotion by Henry A. Kissinger beginning in the mid-1970s.

Negotiations that began more than a year ago concluded at the end of June between the European Community (EC) and 46-member African, Caribbean and Pacific (ACP) group of developing nations to renew the Lomé Convention, due to expire in 1980. The negotiations failed to produce any breakthroughs in North-South relations.

With the exception of the move to add a new emphasis on minerals support and mining and energy development, Lomé II is for the most part an extension of Lomé I, the numbers updated to more or less account for inflation.

The agreement is yet to be ratified by the parties, pending an Aug. 30 meeting of disgruntled ACP ministers. It is staunchly defended as "the last word" by EC representatives who in late July officially rejected ACP requests to convene a joint ministerial meeting to study the final text of the convention.

Lomé II stipulations double the overall aid commitment from five years ago to an approximate $7.5 billlion over the next five-year period. Only half of what the ACP originally demanded, this outcome was forced when the ACP refused, to the point of suspending negotiations this spring, to countenance the EC's initial puny proposal. EC resistance to the final total, still thought grossly inadequate by many, was led by Great Britain.

Strategic minerals

The addition of a minerals section to the convention's STABEX export income stabilization program is perhaps the most interesting feature of Lomé II. The inclusion of copper, bauxite, manganese, tin and iron ore in STABEX successfully pinned down supplies of strategic raw materials for Europe. Moreover, this pro-

BRITAIN

Tory chancellor sees bankruptcy as good business

In a remarkably candid interview with the *Wall Street Journal* Aug. 15, Tory Chancellor of the Exchequer, Geoffrey Howe admitted that the British economy is "off course," its engines are failing and the short-term prospects for industrial recovery are "frighteningly bad." As for companies faced with an immediate liquidity crunch in the current economic climate, Howe proposed that "People don't understand that bankruptcy clears a firm's balance sheets and may often be the best way of restoring the most effective use of of "strict monetary orthodoxy" carries the danger of "turning into a resources and jobs."

In Britain, the strategy of discouraging government bailouts for ailing industrial firms has been adopted as the cornerstone of Tory Prime Minister Margaret Thatcher's economic policy. This is the "shock treatment" of cutting off subsidies, tightening credit and raising interest rates to historically high levels.

"A straitjacket"

British business organizations remain unconvinced of the purgative value of bankruptcy. In its economic report for August, the influential London Chamber of Commerce warns that the government's policy strait-jacket." The Chamber predicts a "grim 12 months" for British industry, states that unless there is a policy change, many export companies could go bankrupt—not by choice—and accuses the Tory government of taking "grave risks" with industry. And in its latest economic reports, the Confederation of British Industry says that order books are worsening for 43 percent of firms interviewed, while they are above average for only 15 percent.

The important Engineering Employers' Federation (EEF) believes that there will be at least 18 months' recession in the mechanical engineering industry as the industry's customers reduce their investment programs in anticipation of low output and productivity next year. The Federation of Civil Engineering Contractors claims that the vision was complemented by measures earmarking loan guarantees and special loans to maintain mining capacity in the face of a drop in export earnings or, significantly, other "disruptions," and by special measures including support outside the agreement from the European Investment Bank to encourage mining and energy projects, in return for investment guarantees. As a whole the initiative constituted an important intervention, led primarily by Chancellor Schmidt, into the respective crises in economically devastated Jamaica and Zaire then being manipulated by the IMF.

Drawing both countries into the Lomé orbit pulled some wind out of the sails of the Common Funders, who banked on copper as the exemplary "Common Fund" agreement. The initiative also acted as a certain sort of counterweight to the Anglo-American destabilization efforts.

But this political initiative by Europe has not been further elaborated. Much of the negotiations over even the perfunctory basics of the accord involved a protracted battle within EC ranks between Britain and its shifting allies, and the Franco-German alliance. This was exemplified not only by British resistance to nominal increase in overall aid levels, but in the British-Dutch insistence on the inclusion of a "human rights" clause in the new convention. The latter measure, publicly opposed by West German representatives, was decisively defeated by the ACP, but not until after it had served to divert discussion from more substantive issues. Some observers think French preoccupation with urgent new Middle East diplomacy has in effect back-burnered Europe's Third World push, at least in its Lomé form.

If Europe accomplished more than the formal Lomé terms indicate, it may become apparent in the orientation and activity of the ACP countries at the soon-to-be-convened Nonaligned Summit.

—*Susan Cohen*

GOLD

Gold columnist Alice Roth is on vacation. Her comments on the record $311-per-ounce gold price on Aug. 22 and related matters will appear in the next issue.

---

government's public spending cuts will mean the break-up of skilled teams of civil engineers and workers, which would not only present problems in the event of an upturn, but will curtail the basic services currently provided by the industry.

Union response

The Tories' determination to triage heavy industry and with it the country's skilled industrial workforce also caused the greatest alarm in trade union organizations. The fact that the official jobless rate—"seasonally adjusted"—eased this month from 5.3 percent of the workforce to 5.2 percent means little to the thousands of workers in the steel and shipbuilding industries who face layoffs because of the government's industrial policy. Shipyard workers are already urging a nationwide "resistance campaign" to the government's announced plans to close down four major shipyards and reduce the workforce by almost one third. Twelve thousand workers at the four yards have already staged a 24-hour protest and steelworkers are planning to support the protest because jobs in the steel industry are jeopardized by the shipbuilding cutbacks.

Steelworkers in Wales have mounted a campaign of their own against the proposed closure of the Shotton steel plant as part of British Steel Corporation's rationalization plans. A leaflet being distributed by the local branch of the Transport and General Workers Union accuses the government-owned BSC of being the most "muddled and misguided collection ever to run a major industry" and of "arrogantly ignoring" simple economic arguments for modernizing the Shotton steel works.

The national Trade Union Congress (TUC) will formulate program for a "coordinated course of action" of opposition to the government's public spending cutbacks, which have affected not only industry but road-building, education, housing and health care. In the meantime, TUC leaders have denounced a new device introduced by the Tories to show the beneficial effects of its program of income tax cuts. The new Tax and Price Index, geared to show that the increases in VAT (value-added consumer taxes) introduced in the government's April budget were more than offset by the reduction in income tax, is seen as part of the government's effort to moderate pay claims in the upcoming round of wage negotiations. Financial Secretary to the Treasury Nigel Lawson, who introduced the new Index, told the press that the government's approach will be that "maintaining the standard of living is not the point of wage bargaining."

—*Marla Minnicino*

Presidency 1980

This week: Wall Street's

Six months ago, Executive Intelligence Review *predicted that the New York Council on Foreign Relations would pick the candidates and run the campaigns of the 1980 presidential elections. Their scenario, we predicted, was to split the Democratic Party and secure the nomination of Senator Edward Kennedy. Out of the Republican Party convention would come a strong man candidate to win the elections. The preference is for General Alexander Haig. But should the campaign falter, there are other candidates in the wings.*

That scenario is now being implemented.

With this issue, we begin a series on the 1980 presidential campaign, documenting precisely how and to what purpose the New York Council on Foreign Relations controls the candidates and the issues. We will also present reports on the potential of the U.S. population to break from this controlled choice and go with an independent candidate.

This week, we turn our focus on John Connally, the one Republican candidate on the scene these days who has a chance of winning the Republican nomination. Connally's image is one of an independent-minded Texan. What we will show is that behind the public relations facade is a candidate wholly owned and operated by Wall Street financiers and lawyers.

"Unless we have strong leadership both at home and abroad, the likely future of America is not what I would like to see for my children and grandchildren." So declared John Connally when he announced his candidacy for the Republican presidential nomination on Jan. 24, 1979. He called for a "rebuilding of the strength of America. I believe that the American system can be made to work again."

But what could possibly be the program for "rebuilding America" of a man who, as the secretary of the Treasury, declared the U.S. economy bankrupt in 1971?

The image makers paint Connally as a tough-talking, wheeler-dealer Texan, an independent who can deliver on his promises. "You can make a deal with John Connally and he'll deliver on it" is the spiel.

Connally's meetings, endorsements and campaign swings might appear to fit the pattern of a "Texan" who is "hungry for the presidency," and so ingratiates himself with Eastern Establishment and Zionist lobby elements. Some political observers have been forced to comment that Connally is "a politician with no political morals." But Connally's not for sale; he was bought quite a long time ago: at the very beginning of his political career. His presidential campaign is organized and controlled by the same Wall Street and Zionist banking interests that launched him.

John Connally

Rita's boy, John

Big John Connally's campaign is being managed by Wall Street lawyer Rita Hauser. At a benefit for the candidate sponsored by the American Jewish Committee in New York City during April, Hauser "spilled quite a few beans" in on and off the record statements made available to and published by this news service.

"I own John Connally, John is my boy," said Hauser, who has mapped out for Big John an entire campaign strategy. First: "destroy Ronald Reagan...kill Ronald Reagan."

Hauser has also prepared several options for Connally. Hauser views it preferable if Connally would bow to the presidential aspirations of former NATO Commander General Alexander Haig: "Haig is the one I really want." But if the New York Council on Foreign Relations' Haig for President campaign does not get off the ground, then Connally is the Eastern Establishment's fallback option. "Only John of all the current candidates has charisma," says Hauser. Connally is the only GOP candidate that would qualify as a demagogue and thus an opponent of Sen. Edward Kennedy.

There are no idle boasts here. Hauser is not speaking as "an individual," but as one of the foremost Wall Street legal representatives of the "Our Crowd" Zionist investment banking cabal. Her law firm, Stroock, Stroock and Lavan, is the in-house firm representing the London and New York based Warburg banking family. The Warburgs and the other top Zionist banking families—the Rothschilds, Schiffs, Loebs, Bronfmans, and Lehmans—have all thoroughly intermarried over the years, forming a very tight "Our Crowd" machine with enormous international holdings.

The Rothschild banking empire, the Warburg banks, Kuhn-Loeb, Loeb-Rhodes, Lehman Brothers, and Goldman Sachs share with the Eastern Establishment's Episcopalian financier interests the huge life insurance and commercial bank holdings, to name but two. Although centered in New York and London, this network of financial clout has its subsidiaries and its representatives in every region of the United States and has for the last 100 years. This is the financial axis that set up the Connally for President campaign, with Rita Hauser as their front man.

Hauser's credentials fully qualify her for this position. She is a leading member of two of the guiding institutions involved in the implementation of London and New York policy toward the United States: the New York Council on Foreign Relations and the Ditchley Foundation (see below).

The Council controls the Democratic and Republican parties at the national level and counts both George Bush and Alexander Haig as members. The Council rigged the 1976 elections for Jimmy Carter and intends to do the same in 1980, but this time pitting Haig against Kennedy.

The Ditchley Foundation is also in the business of determining U.S. policy and politicians. American Ditchley, a subsidiary of British Ditchley, is dedicated to its parent organization's published goal of destroying the United States as a preeminent industrial power in the world. Their scenario for a massive shrinkage of the U.S. economy and large-scale economic and political chaos as the precondition for putting in place a "strongman" dictatorship is for all intents and purposes the same as that put forward by the Royal Institute of International Affairs, the International Institute for Strategic Studies, and the Council on Foreign Relations. The latter's 1980s Project is a plan for the "controlled disintegration" of the world's economy.

Ditchley too exercises a degree of control over the Republican Party at the national level. Directors or members of Ditchley's Advisory Council include: Henry J. Heinz II, father of the U.S. Senator from Pennsylvania and a representative of the mammoth Heinz-Mellon financial-oil-industrial grouping headquartered in Pittsburgh, Anne Armstrong, a Texas representative on the Republican National Committee, and Elliott Richardson, who represents New England's "Blue Bloods."

At private Pittsburgh gatherings, the Heinz-Mellon crowd is furiously organizing for the Haig option. Armstrong and H.J. Heinz III control the party's finances for the 1980 campaign, heading a group set up by the RNC called "Victory." The same Senator Heinz is chairman of the GOP Congressional Campaign Committee.

Big John, big oil, big trouble

The big secret that John Connally and his PR managers are so eager to hide has nothing to do with the so-called milk scandal when he was charged with accepting bribes. That was a minor matter compared to the scandal that would be created if it ever got out who employs him and for what.

Just taking documents from the public domain shatters Connally's carefully cultivated "Texan" image. Connally works for the Mellons. He is the number two trustee of the Andrew P. Mellon Foundation. Refining what he learned at the Treasury Department, Connally now oversees, with Mellon okay, where the money goes, and where it goes is:

Funding Project '87, the pet project of Senator Edward Kennedy and California's Zen Buddhist Governor Jerry Brown that seeks to scrap the U.S. Constitution in favor of one modeled on British common law. Connally neglects to mention this fact when he goes on at length about restoring America's strength and about his feelings of respect for the very Founding Fathers who fought a revolution to rid America of the British System.

Funding coal gasification studies and the no less than four environmentalist studies on the alleged virtues of biomass going on at the Naderite think-tank, Resources for the Future. The Washington think-tank has received $2.5 million in Connally-dispensed Mellon money.

Funding the Trilateral Commission. Big John and his cronies at the Mellon Foundation have been and continue to fund this operational arm of the Ditchley-CFR conspiracy that through the margin of vote fraud in 1976 brought in the worst government in United States history. The President, Vice-President, director of National Security and nearly the whole Cabinet consists of members of the Trilateral Commission. Once again, John never quite musters up the courage to candidly reveal such charitable sustenance to the administration he is so solemnly running against. Where Mellon money goes, Big John would prefer nobody knows.

Funding the Aspen Institute at Aspen, Colorado, a sister institute of the Ditchley Foundation. Aspen's leading lights include ARCO Chairman Robert O. Anderson, owner of the London *Observer*, his ARCO partner and Ditchley Advisory Council member Thornton Bradshaw, and Henry Kissinger. One of Aspen's operations included the overthrow of the Shah of Iran, the ensuing oil cutoffs and this summer's rigged oil hoax against the American population.

Mellon funding of Aspen, an American-based political intelligence operation that functions as a deployment of British intelligence and the British Petroleum-Royal Dutch Shell axis, to help effect the $53 billion ripoff of June-July 1979, at least did not represent any conflict of interest for the owners of Gulf Oil, one of the Seven Sisters. Despite his inside knowledge as to how oil hoaxes are created, Connally has been silent on this issue.

Mellon's Gulf Oil and oil hoax will soon become household words to millions of shivering residents of the Northeast—from Pennsylvania to New Hampshire—this coming winter. Gulf Oil is leading the drive for a new oil hoax, announcing as the first step toward an area pattern that all heating oil sales to distributors in New York City will be solely on a cash on delivery basis. At one stroke, Gulf is terminating dealers' credit and guaranteeing artificial shortages (see ENERGY).

Funding the Wharton School at the University of Pennsylvania where the opposition to the Davis-Bacon Act is headquartered. Davis-Bacon guarantees prevailing union wage levels on federally funded construction projects. In 1971, Treasury Secretary Connally was behind the Nixon administration's suspension of Davis-Bacon as part of his inflationary controls program.

Wharton has produced a major study recommending repeal of David-Bacon. John Brinker is conducting a secret study of Teamster union weakness. His study is also funded by the Center for the Advancement of the Public Trust which runs the National Right to Work Committee. The Center's chairman, Abner Vernon McCall, is president of Baylor University in Texas and a close associate of John Connally.

Funding antilabor think-tanks, like the Brookings Institution which is running Senator Kennedy's campaign to deregulate the trucking industry and thereby bust the Teamsters union.

Funding the Independent Truckers Association, via the Mellon-controlled Alcoa, which finances Mike Parkhurst's magazine *Overdrive.* Parkhurst directed the recent independent truckers strike.

Antilabor, antidollar

The Mellon Foundation's funding of labor policy studies is not inconsistent with Connally's own policies while governor of Texas from 1963 to 1969. As governor, Connally helped funnel projects to the Texas-based Brown and Root construction company, which has since developed into the main force behind the Associ-

John Connally's career

John Connally's image makers paint the presidential aspirant as a tough-talking wheeler-dealer, someone who can make a deal and deliver on it.

Connally made such a deal some 40 years ago with the New York Council on Foreign Relations and the rest of the Wall Street crowd and has worked for no one else since. His tough Texan image to the contrary, Connally is Eastern Liberal Establishment through and through.

Consider the facts of his career.

1938: Connally attends the University of Texas. There he made his first and very crucial connection, befriending Robert Strauss of the Texas Zionist lobby Strauss family. Strauss went on to become the national chairman of the Democratic Party and is now President Carter's special negotiator for the Middle East.

1939: Connally goes to Washington, D.C. as the secretary to freshman Congressman Lyndon Baines Johnson.

1940-45: Connally attends the Naval Intelligence School in New York City. Following graduation, Connally spends the war years in Naval Intelligence under Robert Murphy, who later headed the Murphy Commission, and Paul Warburg, of the Warburg banking family.

1946-49: Connally is president and general manager of KVET Radio in Austin, Texas. In 1948, Connally manages Lyndon Johnson's Senate campaign.

1949: Connally goes to Washington again as an administrative assistant to Senator Johnson.

1950-52: Connally becomes a member of the Austin, Texas law firm of Powell, Wirtz and Rahaut.

1952-61: Connally is the attorney for Sid W. Richardson and Perry B. Bass, independent oil operators based in Forth Worth, Texas.

1960: Connally heads Citizens for Johnson.

1961: Connally is appointed Secretary of the Navy in the Kennedy administration.

1963-69: Connally becomes governor of Texas, accumulating a good bit of notoriety for his antilabor policies.

1970-73: Connally is appointed Secretary of the Treasury in the Nixon administration, an appointment facilitated by his switch in party allegiance some months earlier.

1973: Connally becomes special advisor to President Nixon. He is also a member of the Foreign Intelligence Advisory Board from 1972 to 1974 and 1976 to 1977.

1973-present: Connally becomes a partner in the lawfirm of Vinson, Elkins and Connally. He is a trustee of the Andrew Mellon Foundation and holds a membership in the Advisory Committee on Reform of International Monetary System and the American Bar Association's Advisory Committee on Law and National Security.

ation of Building Contractors, the open shop construction outfit.

Connally's law firm Vinson, Elkins still does business with Brown and Root, representing that company in a number of areas. Connally himself sat on the board of directors of the parent Halliburton Company. Today, the board includes Anne Armstrong, the former U.S. ambassador to London, and James W. Glanville, general partner of the Lazard Freres investment house in New York.

Today, open shop operations make up 83 percent of the Houston construction industry. Connally laid the groundwork in the 1960s by teaming up with Lyndon Baines Johnson and Texas Senator John Tower to deliver projects to Brown and Root which would build the antiunion shop into the biggest construction firm in the country.

Recently, Connally's law firm partner, John Smither, described how it's done: "First, you must go to the unions, but you have to pay competitive wages. Then you should go to the NLRB (National Labor Relations Board) to pursue nonunion status . . . this will allow you to go, what they call in the trade, 'double-breasted'." The Associated Builders and Contractors and Brown and Root now face a $75 million lawsuit brought by the Houston Building Trades charging them with conspiring to undermine union bargaining power.

Governor Connally was also responsible for forming a commission to reorganize the state university system. Their proposal opened the doors of the University of Texas in Austin to Walt Rostow of the Committee on the Present Danger and James Bill, the State Department man in charge of the coup which deposed the Shah of Iran and brought into power the Ayatollah Khomeini. Muslim Brotherhood agent in Iran Ibrahim Yazdi received his training at Baylor University in Texas.

Connally left the governor's office in Texas to become President Nixon's secretary of the Treasury in 1970. The U.S. dollar and economy fared no better than labor under Connally's jurisdiction. His was the job of selling a domestic and foreign economic policy scripted by Milton Friedman, now Chile's economic advisor, that was inimical to the interests and principles of the nation and the Nixon administration itself.

The critical date was Aug. 15, 1971, when the British provoked a dollar crisis that forced the dollar off the gold standard. The crisis had been brewing since late 1970. Nixon pulled together an economic triumvirate to handle it: Treasury Secretary John Connally, Assistant for International Economic Affairs Peter Peterson and Undersecretary of the Treasury for Monetary Affairs Paul Volcker.

The team formulated a new economic policy for the nation which drove America's economic leadership to its nadir.

On the domestic side: Phase One-Two-Three of the wage-price control program was thrust down the throats of American business and labor by tough-talking Treasury Secretary Connally.

Connally tried to hide these controls and the dollar's devaluation behind kami-kaze assaults on Europe and Japan as the "culprits" responsible for the United States' economic troubles. He vociferously supported an import surcharge in order to extort political and economic concessions from Europe and Japan. With help from Volcker, Connally succeeded in irreparably disrupting U.S. relations with both.

And it was John Connally who argued the longest and loudest for a permanent separation of the dollar from gold in response to the British-provoked attack on the dollar. He has since sought to institutionalize the "floating rates" system and to eliminate gold from the internatinal monetary system altogether. No backer of the European Monetary System plan to remonetize gold, Connally would rather see imposed the once rejected plan of John Maynard Keynes for a world central bank—the International Monetary Fund—and based on the IMF's Special Drawing Rights.

Considering this record, if Connally is put at the helm of the nation, there may not be a nation by the end of his term.

Connally's coming out

Connally would have no career were it not for the Zionist lobby machine in Texas. To give you the flavor of this phenomena, we provide a bit of Texas history.

The British-Zionist machine in Texas predates the Civil War and centered around the Rothschild-Lehman Brother's control over the cotton trade. Texas was, after all, one of the original seven states to secede under a British-instigated plot to destroy the Union.

The year 1901 marked the next major phase. The Spindletop gusher thrust Texas into the center of world oil production and refining. The two oil majors that moved in were Mellon's Gulf Oil and Royal Dutch Shell (owned by the Dutch monarchy and the Rothschild financial family). To this day, Shell Oil's U.S. headquarters are in Houston.

After the Versailles Treaty, the Council on Foreign Relations was established through the activities of John W. Davis, Colonel House and Henry Wriston of Citibank (who was to be the interwar president of CFR). The Texas machine officially became the extension of the CFR into Texas. It was this Texas machine that launched the careers of such "Texas" politicians as Lyndon Baines Johnson and Johnson's Protégé John Connally.

Connally, while still an undergraduate at the University of Texas in the late 1930s, made his first big crucial connection. He was befriended by the scion of a Texas Zionist lobby family, Robert Strauss, also attending the university. Following graduation, Connally, whose only friend of consequence had been Strauss, suddenly ends up in Washington, D.C. as the private secretary to then freshman Congressman Lyndon Baines Johnson.

Connally is then picked up for some political tooling by Tommy Corcoran and his partner Ben Cohen who were also schooling Johnson. This duo were the protégés of ranking members of the Eastern Establishment-Zionist axis in America, men like Bernard Baruch, Louis Brandeis and Felix Frankfurter. The preponderance of Zionist-liberal Supreme Court justices here should surprise no one. Just recall the extreme political closeness of the Johnson White House with both Arthur Goldberg and Abe Fortas, whom Johnson appointed to the Supreme Court.

During and immediately after World War I, Ben Cohen was the counsel for some of the leading Zionist organizations and the U.S. counsel to the Versailles Conference where he served under Bernard Baruch and the Dulles brothers (who were equal partners with Zionist Seligman financial family in running Sullivan and Cromwell). During World War II, Cohen was legal counsel to the team at Bretton Woods that established the International Monetary Fund.

Corcoran began his career as a law clerk trained by Felix Frankfurter. When Citizens for Johnson was formed in 1960, the "big guns" who ran the operation were Ben Cohen and Dean Acheson, whose own training began as a law clerk to Louis Brandeis.

Today, Connally's own presidential campaign is being run in Michigan by Zionist power broker Max Fisher. In fact, in May 1979 Connally went "to Michigan to seek Max Fisher's endorsement," the Detroit *Free Press* quoted Connally as saying.

Fisher began his career in the 1930s as a "bagman" for the "Purple Gang" of Detroit, Cleveland and Buffalo. His transition from an associate of Zionist mob networks into a leading national public figure was achieved through the direct interventpon of the Rothschild family. As the book *Dope, Inc.* (New Benjamin Franklin House, New York: 1978) documents, the Purple Gang at the mob level and the Rothschilds at the international financier level are deeply involved in the $200 billion a year international narcotics trafficking business.

Max Fisher's international narcotics connection does not stop with the Purple Gang. In 1975, Fisher assumed the directorship of United Brands. During his tenure there, U.S. drug enforcement officials estimate, over 20 percent of the cocaine smuggled into the U.S. arrived on United Brands ships.

The Connally-Fisher affair in Michigan proved to be no one shot venture. In June, Connally appeared at a GOP dinner in Alexandria, Va. where the candidate received strong endorsements from Anna Chenault, the owner of Flying Tiger airlines, reputed to be key in the transshipment of drugs from the "Golden Triangle" of Southeast Asia to the United States. Endorsements also came from Tommy Corcoran now a senior partner in the Washington-based lawfirm of Corcoran, Youngman and Rowe. With the assistance of William O. Douglas, Robert Amory and Milton Katz, this lawfirm set up and ran the Securities and Exchange Commission in the 1930s under the titular head of millionaire bootlegger Joseph P. Kennedy.

At Alexandria, Connally not only described his association with Max Fisher as a longstanding one, but concluded: "Max Fisher is a great American."

Some very British connections

There is one more story to tell about Big John Connally which starts in 1940. Connally left the Washington D.C. office of Rep. Johnson to attend the Naval Intelligence School in New York City. Naval Intelligence was the U.S. coordinating center of the "Intrepid" operation and was the prewar liaison to British Intelligence and Sir William Stephenson's special Operations Executive.

Connally's World War II stint with Naval Intelligence stationed him in North Africa and Europe under Paul Warburg and Robert Murphy.

At every point in his career the character of this chain of command over Connally has remained invariant.

Connally's World War II connections to Robert Murphy are most revealing. Murphy was an official of First National City where he worked for Arthur Amory Houghton, the most powerful Episcopalian financier in the United States. Houghton's holdings center around First National, Corning, Metropolitan Life, and New York Life. The latter's Jesse I. Strauss is from a top Zionist family that owns Macy's department store.

Similarly revealing are the connections Connally made with his Committee on Mediterranean Freedom, which was formed as a lobby for Italy's Black Nobility against an "historical compromise" government in Italy. Such a governmental alliance between the Italian Communist Party and the Christian Democracy was viewed by many political observers as the only basis for industrializing Italy. The promoters of the committee included Clare Booth Luce, Rhode Island's John O. Pastore and Citibank's Walter Wriston. Wriston's father Henry held the longest tenure as head of the Council on Foreign Relations between the two wars.

Now today, Connally's campaign is being run by the Warburg financial interests through their spokesman Rita Hauser. British intelligence's command post for the campaign is Arthur Amory Houghton's Wye Plantation on the Eastern Shore of Maryland. Termed Aspen East, it is the eastern headquarters of the Aspen Institute. Operational control over the campaign is being exercised by Henry Kissinger and Joseph Slater of the London *Observer*, owned by ARCO's and Aspen Institute's Robert O. Anderson.

On questions of policy, the same pattern exists. Robert Murphy, until his death, was chairman of the Murphy Commission studying government reorganization. They proposed a crisis management style government and a scrapping of the Constitution. Sound familiar? Connally's Mellon Foundation funds Project '87 to rewrite the Constitution in line with British common law.

Connally's mentors have always proposed a totalitarian solution to depression for other industrialized countries. Consider the Great Depression. The Treasury Secretary then was Andrew Mellon and Arthur Amory Houghton was the special assistant to President Hoover on economic policy. Allenston Houghton, as U.S. ambassador to Weimar, conduited funds to the growing Nazi party in the 1930s.

Later, the Mellon interests entered into a cartel arrangement with the Nazis that ensured the Nazi war economy a high quantity of light metal materials for aircraft and military production. The Mellon interests endorsed the Nazi synthetic fuel program and recommended that the U.S. adopt such a program in the 1930s. Recent ads by Mellon's Union Carbide on behalf of the Carter administrations synthetic fuel program serves as a reminder that policy then and now has not changed.

John Connally himself is on record for a synthetic fuels program. As Thomas Corcoran and Walt Rostow recently told enquirers, John Connally has always been for this type of program.

—*Konstantin George*

What's behind Rita Hauser

Behind Rita Hauser's confidence that she directs and controls John Connally stands the power of two interlocking policymaking institutions: the New York Council on Foreign Relations and the more behind-the-scenes Ditchley Foundation. Rita Hauser is a member of both.

The Council on Foreign Relations was established in 1919, specifically, according to its Wall Street founders, as the American extension of the British Round Table. Founder John W. Davis, Morgan Bank partner-cousin of Secretary of State Cyrus Vance—coined the name "CFR" and dropped the name "Round Table" so as "not to alarm the American public."

Based in New York, the Council on Foreign Relations draws together under one roof, so to speak, decision makers from the top institutions of business, government, and labor, and has situated itself as the choke point to control or neutralize any input at the national and international policymaking levels.

The stable of 1980 GOP presidential candidates is an appropriate study of the CFR's muscle.

Take George Bush. Not simply a member, Bush is a director of the Council on Foreign Relations and the son of Prescott Bush, the investment banking partner at Brown Brothers Harriman, former director of CBS, and former U.S. senator from Connecticut. Deprived of the "Texan" fig leaf worn by John Connally, the Bush family is exemplary of the organized flow of British-American Episcopalian "Blue Blood" families from New England and points south along the Eastern Coast out to other key regions of the country.

Bush has made no secret of the fact that if elected he would move to implement the "union of the United States and Britain." Bush has featured this theme in two keynote speeches to Eastern Establishment "insiders," once at Georgetown University in Washington, D.C. this past January, and more recently at a Wall Street affair immortalized in a tape recording made available to this news service.

The Ditchley Foundation

The other major policymaking institution listing Rita Hauser as a member is the Ditchley Foundation located in Ditchley Park, 13 miles from Oxford, with a subsidiary center in New York City.

The Ditchley Foundation was established in February 1958 as the central policy coordinating council for the recolonization of the United States. Its directorship is a Who's Who of the British aristocracy, including the entire banking elite of the City of London and the leadership of British Petroleum and Royal Dutch Shell.

In turn, members have been traced to the international drug-running network known as Dope, Inc. Turn again, and one finds the masterminds of the 1979 oil hoax and the insiders of Britain's ultra-secret thinktank Aldermaston, the center for mind control experiments and programs. From the "1984" cavern comes the antiscience sabotage of nuclear-based economic and technological development, which appears from Ditchley under the euphemism "Regulation of Scientific Advances."

The British Ditchley Foundation was formed shortly after the humiliating defeat accorded Britain by the Eisenhower administration over the Suez crisis in November 1956. Simultaneous with the establishment of British Ditchley, the American branch was constituted, called "American Ditchley."

Considered "Sister Institutions of Ditchley"—by Ditchley—are the Aspen Institute, the Carnegie Endowment, the Woodrow Wilson Center for International Scholars, and the U.S. Middle East Institute.

"American Ditchley" by its own statement of purpose defines itself as an agent of the British crown: "the purpose of American Ditchley is to assist British Ditchley in the pursuit of its global objectives."

Heavily edited proceedings of the most recent Ditchley conferences (they are closed affairs never covered in the media) nevertheless call clearly for the "controlled disintegration" of the United States. Ditchley proceedings state that the "participants concurred" that the United States must accept that "its days as a world power are over," and the U.S. must "accept" a massive shrinkage of its industrial economy.

The U.S. policy direction cited here dovetails in every crucial aspect with reports released in 1979 by both the Royal Institute of International Affairs and the International Institute for Strategic Studies (RIIA and IISS, London), as well as with the global population reduction proposals of the Council on Foreign Relations' book series *Project 1980s.*

The featured GOP attendee at the recent Ditchley conference was Senator Jacob Javits. The State Department preponderance at the conference was not at all accidental, as Cyrus Vance was listed as late as 1977 as a director of American Ditchley. Prior to his appointment as secretary of State, Vance was the keynote speaker at the Ditchley 1976 Conference on NATO policy. Among the attendees was British Ditchley director, Joseph Luns, NATO's secretary-general.

Alexander Haig's appearance at the 1978 Ditchley NATO Conference as keynote speaker shortly before CFR leaks in November-December 1978 giving Haig the presidential nod can be said to have marked his early grooming as the Council on Foreign Relations' "winning option" for 1980.

Behind the heating oil swindle

Kennedy's 'Morgenthau Plan' for the Northeast United States

With the advent of the winter heating season, the preconditions are being set to stampede passage of the national energy program of presidential aspirant Edward Kennedy. The emerging crisis taking shape in the northeast United States over the supply and soaring cost of home heating oil is directly related to Kennedy's sponsorship of S. 730, the Regional Energy Development Act of 1979.

Carefully worded to help grease its way through Congress, the Kennedy bill—identical in basic premise to the Carter national energy program soundly rejected by Congress in 1977—would authorize the creation of a federally backed semi-private corporation, the Energy Corporation of the Northeast, which would provide enormous tax incentives and federally guaranteed profits to investors in high-cost "alternative energy" programs, with heavy emphasis on coal development. The goal of the program, among others, is the "planned shrinkage" of Northeast urban areas, with inner-city ghetto populations the first to go.

Without a "crisis"—to cause panic and create the high energy prices needed to make proposed Encono projects "economical"—the Kennedy people feel that the program has no chance for passage. Kennedy set the stage for the present heating oil crisis in May of this year, in a closed door session with Senator Claiborne Pell of Rhode Island, a cosponsor of S. 730, and then-Energy Secretary James Schlesinger. The three worked out the highly controversial policy of granting an extraordinary $5 per barrel subsidy, or entitlement, for U.S. oil companies to buy heating oil on the Rotterdam, Holland, and other speculative spot markets. Within 72 hours of that move, which had no impact whatsoever on U.S. heating oil supplies, the Rotterdam price for home heating oil soared by more than $40 per ton. This jump spurred the near doubling of the current price of home heating fuel, the source for the bulk of home heating in the Northeast United States.

Already, under pressure from the multinational oil companies who are their suppliers, local heating oil companies are telling their New England customers that they will have to pay C.O.D. for any winter fuel deliveries. The result, especially in inner-city urban ghetto areas in New York, Connecticut, Massachusetts and elsewhere in the region, will be literally to freeze out whole sections of lower income populations unable to pay cash on the line for oil that has doubled in price. One spokesman for the New York NAACP declared that the effect in areas such as New York City, where much of the decayed ghetto housing is owned by the city, will be to "force people to relocate elsewhere to get assured heat."

The result will be deindustrialization of the region's cities, said a high level official of the Kidder Peabody investment house, noting that one element of the Kennedy program, the abandonment of future nuclear power plants, is already being put into practice by the region's utilities. "The process of rising fuel prices," he noted, "is the final step toward a service-oriented economy." In other words: the plans reported last week in this publication to turn the Northeast into a center of gambling and prostitution.

The Encono program

Plans for the creation of an Energy Corporation of the Northeast (Encono) were first unveiled at a top-secret planning session to map energy and social policy for the incoming Carter administration. The meeting, held in Saratoga Springs, New York just days after the 1976 Carter election victory, included such participants as Felix Rohatyn of the London-New York Lazard Freres investment bank, an architect of the New York Municipal Assistance Corporation; top Kennedy confidante Michael Harrington; and Kennedy's fellow Encono sponsor, Senator Jacob Javits. Also present was current Treasury Secretary G.W. Miller, then head of Textron.

The model for Encono is the old Morgenthau Plan for ruralizing Germany in the postwar period. That plan, advocated by then Treasury Secretary Henry Morgenthau (father of a principal figure in today's Encono plans, New York District Attorney Robert Morgenthau), called for the balkanization and deindustrialization of industrial Germany. Ironically, the same investment banking circles who backed that plan—which proved impossible to impose even on defeated Germany—are now attempting to impose the same policy against the industrial United States.

How would Encono work? The summary of S. 730 reprinted below makes clear that Encono, which is supported by the Conference of Northeast Governors (Coneg) and the New England Energy Congress, is a calculated foot in the door for this process of deindustrializing the region under the cover of "reducing our dependence on foreign oil" by "financing and promoting a broad range of energy related investments."

Encono, like Rohatyn's Bic MAC, is a carefully formulated financial swindle. It sets up a semiprivate mechanism for channeling billions of dollars from federally guaranteed debt instruments into select regional investments in such boondoggles as "small scale hydro power," solar, coal and biomass recycling. As the just released New York component of Encono, the New York State Energy Master Plan, makes clear, Encono is predicated on the virtual elimination of nuclear power generation in the region, to ensure that prices of energy stay high. The subsequent profits for Encono bond holders would be further enhanced by exemption from all state and local property taxes. Moreover, Encono would acquire effective authority over which energy projects go and which do not, placing it in control of the economy of one of the nation's most populous and highly industrialized areas. James LaRocca, New York Energy Commissioner who drafted the state master plan, is a close Rohatyn associate. His plan spells out the Encono objectives in detail: 60 percent reduction in oil use by 1994 by utilities, achieved by greater reliance on highly polluting coal, solar, and above all "conservation," a euphemism for energy austerity.

Roger Starr, a *New York Times* editorial board member and advocate of "planned shrinkage" for New York, predicted the present scenario back in October 1977 in an interview carried exclusively in this publication. Referring to how the energy issue could be used to force through otherwise unpopular social policy, Starr stated, "One of the big things for us to exploit is natural resources, particularly fuel resources. We should ask ourselves what is it going to need to develop resources [such as coal liquefaction and other synthetic fuels—ed./] that have been uneconomic to develop up to now. In a large part they may be uneconomic because there may be huge labor requirements. But what the hell. Instead of paying money for people to sit in the cities and do nothing, it would be much better to encourage them to move elsewhere and subsidize their work in those capital industries which we really have to develop now."

Felix Rohatyn, in a *New York Times* OpEd this June 8, elaborated on this policy of "encouraged relocation" when he stated that the Encono "should play a role in stimulating the increased development of Appalachian coal" through implementation of CETA-style labor camps of relocated city-dwellers. A substantial portion of funds now being debated in Congress for the creation of the parallel Energy Security Corporation proposed by the Carter administration, would go to such labor-intensive CETA job creation in energy-related jobs.

Kennedy's sponsorship of Encono is by no means merely limited to putting his name to a piece of legislation. The original Encono bill was drafted by a top Kennedy family insider, Theodore Sorenson, of the Kennedy-linked law firm Paul, Weiss, Rifkind, Wharton and Garrison. The Kennedy machine is now moving to declare a moratorium on nuclear construction, nationalization of the oil companies and "divestiture" of 16 of the largest oil companies with holdings in coal, uranium and other energy sources. Interestingly, Kennedy omits Sohio, a British Petroleum subsidiary, from his divestiture plans, while Carter includes it.

But the most extreme side to the Kennedy energy program appeared this month when the New England Energy Congress released its "Blueprint for Energy Action." Sponsored by the New England Congressional Caucus and chaired by Kennedy hack Representative Edward P. "Chip" Boland (D-Mass.), the Congress devotes most of its weighty report to such "alternate" energy sources as wood (!) to generate electricity: "200 Megawatts of wood-fired new wood-fired electrical capacity ... encouraged by tax credits, loan guarantees ($100 million in New England and $200 million nationally) and regulatory reform" to allow extensive use of this pre-Bronze Age fuel. Under this plan, the forests of New England would be denuded; tax credits would be provided for residential wood stoves; and a "wood supply infrastructure" would be built.

—*William Engdahl*

The Encono bill: a $1.5 billion boondoggle

Following is a precis, prepared by its supporters, of S. 730, sponsored by Senator Henry Jackson and co-sponsored by Senator Edward Kennedy, and three bills in the House, H.R. 2511, H.R. 2508, and H.R. 2599, each identical to S. 730. The bills authorize the establishment of the Energy Corporation of the Northeast, unveiled in a 1976 Saratoga, N.Y. secret conference by Felix Rohatyn of New York's Big MAC and Lazard Freres investment bank.

Purposes (Sections 1-3)

Congress authorizes the creation of a regional energy development corporation to provide technical and financial assistance to projects designed to increase the supply or promote more efficient use of energy in the Northeast and to promote regional cooperation on energy problems. The corporation is conceived as an entity capable of joining the Federal government with the States and the private sector in meeting the energy problems of the region.

The Corporation is to be known as the Energy Corporation of the Northeast.

Congress authorizes the Secretary of the Treasury to provide Federal guarantees of the Corporation's obligations.

Organization, Management, Powers (Sections 4-14)

The Corporation will be established by incorporators appointed by the President, who will also appoint five directors, three for one-year terms and two for three-year terms. All Presidential appointments are subject to the advice and consent of the Senate. The six New England states, New York, New Jersey, and Pennsylvania may join in enacting state legislation for that purpose and contributing initial capital in the amount of $1 per capita. The Governor of each member State will appoint one director for a term of four years. Private investors will elect up to two additional directors. All directors will serve part-time. No elected official or government employee may serve as a director.

The Corporation becomes operational if at least three states become members before Dec. 31, 1980.

The Board of Directors selects its chairman and appoints an executive director, who will serve as chief executive of the Corporation. A quorum consists of at least two Federal directors and two-thirds of the State directors.

The Corporation is authorized to participate in partnerships and joint ventures with public or private groups and to operate through subsidiaries. Neither its

Who's backing ENCONO

Following is the list of Senate and House sponsors of S. 730, H.R. 2511, H.R. 2508, and H.R. 2599, the Regional Energy Development Act of 1979, which would enact the Energy Corporation of the Northeast, and encourage the development of similar energy development corporations in other parts of the country. The list was provided by congressional supporters of the measures.

Senate

Henry Jackson (D-Wash.)
Harrison Williams (D-N.J.)
Daniel Moynihan (D-N.Y.)
Jacob Javits (R-N.Y.)
Edward Kennedy (D-Mass.)
Claiborne Pell (D-R.I.)
John Chafee (R-R.I.)
Richard Scheiker (R-Pa.)
John Heinz (R-Pa.)
Robert Stafford (R-Vt.)

House of Representatives

Robert W. Edgar (D-Pa.)
Daniel J. Flood (D-Pa.)
Raymond F. Lederer (D-Pa.)
Gus Yatron (D-Pa.)
James Shannon (D-Mass.)
Samuel Stratton (D-N.Y.)
Joseph Addabbo (D-N.Y.)
Mario Biaggi (D-N.Y.)
Shirley Chisholm (D-N.Y.)
William Green (R-N.Y.)
Frank Horton (R-N.Y.)
Norman Lent (R-N.Y.)
Stanley Lundine (D-N.Y.)
Matthew McHugh (D-N.Y.)
Donald Mitchell (R-N.Y.)
John Murphy (D-N.Y.)
Henry Nowak (D-N.Y.)
Peter Peyser (D-N.Y.)
Frederick Richmond (D-N.Y.)
James Scheuer (D-N.Y.)
John W. Wydler (R-N.Y.)
Leo Zeferetti (D-N.Y.)
Theodore Weiss (D-N.Y.)
Robert C. McEwen (R-N.Y.)
Thomas Downey (D-N.Y.)
Peter Rodino (D-N.J.)
James Florio (D-N.J.)
Frank Guarini (D-N.J.)
Harold Hollenbeck (R-N.J.)
James Howard (D-N.J.)
William Hughes (D-N.J.)
Joseph Minish (D-N.J.)
Edward Patten (D-N.J.)
Matthew Rinaldo (R-N.J.)
Robert Roe (D-N.J.)
Frank Thompson (D-N.J.)

own activities nor the projects it assists or finances are exempt from Federal taxation, except in the case of a non-profit subsidiary.

Projects (Section 15-21)

The Corporation may participate in financing or otherwise assisting any project related to the production, conservation, transmission, storage or reduction of the cost of energy within the region, to the transportation of fuels, or to the manufacturing or products or equipment related to or necessary for energy production, conservation, distribution or storage.

The Corporation may assist projects by loans (secured or unsecured), guarantees, or equity investments. The Corporation's investment in any one project is limited to the greater of 10 percent of its borrowing authority or $200 million.

Regional Energy Planning (Section 22)

The Corporation will prepare a biennial Regional Energy Plan, establishing regional energy production, utilization and conservation objectives; forecasting energy supples, consumption, required investment in each supply and consumption sector, and the level of investment that can be achieved without the Corporation's assistance; and identifying strategies to be followed and resources to be committed in meeting the objectives. To become effective, the Regional Energy Play must be approved by the Governors of all member States.

Financing (Sections 23-32)

Capital subscriptions from the States ($1 per capita initial contribution) and private investors determine the borrowing authority of the Corporation on the basis of a formula permitting $15 of borrowing for each $1 capital contribution. After the initial subscription, additional State capital is authorized but not mandatory. Thus the Corporation's borrowing capacity will expand to the extent that its performance justifies additional subscriptions from any source.

Capital securities may be issued to both member States and private investors in a form determined by the Board.

The Corporation may issue its own general obligations, payable out of any of its revenues, or obligations secured by and payable out of only the revenues from a specific project or projects. No further authorization from the Federal government or the member States is required for the issuance of obligations. The specific terms of the Corporation's borrowing are left to the Board. Similarly, the security and priority for Corporation borrowing will be determined by the process of market negotiation. The Corporation's obligations are limited in term to a maximum of 40 years.

Except in the case of Federally guaranteed obligations, the Corporation's obligations will not be backed by either the credit of the United States or the credit of any member State.

Federal Guarantees (Sections 33-38)

The Secretary of the Treasury is authorized to guarantee obligations of the Corporation. The maximum amount of guaranteed obligations that may be outstanding is determined by the fotumla of $25 billion times the member State's proportion of the nation's total population. The Secretary may review and approve the terms of any financing before providing the guarantee.

In the event of default, a holder of guaranteed Corporation obligations may seek payment from the Secretary after 30 days and the Secretary must pay within 60 days after demand. This is the standard procedure for Federal bond guarantees.

Required State Legislation (Sections 39-52)

Upon joining the Corporation, a member State is required to pass legislation assuring decisions within 90 days on permits required for projects assisted by the Corporation.

The member State must also exempt from taxation the property and activities of the Corporation, as well as the holder's income on all obligations of the Corporation.

The member State must also authorize the use of its powers of eminent domain of behalf of the Corporation, but the decision whether condemnation powers will exercised for any particular project remains entirely with the member State.

Other provisions

The bill authorizes a regional corporation for the Northeastern states. The findings, however, make clear the Congressional intent to authorize similar regional entitites for other regions.

New York plan junks nuclear to burn garbage

Governor Hugh Carey's "New York State Energy Master Plan," prepared by his energy commissioner James LaRocca, calls for a complete moratorium on nuclear power plant construction in that state, and heavily increased reliance on coal, conservation, and such "alternate" energy sources as wood, solar, and garbage. It also calls on the federal government to enact Senator Edward Kennedy's ENCONO proposal, and demands that the government subsidize the current jacking-up of the price of home heating oil. Key portions of LaRocca's "Preface" to the "Master Plan" follow:

Preface

...In the area of electric energy, the State Plan differs markedly from that offered by the State's utilities in the New York Power Pool (NYPP) plan. Our Plan projects a lower rate of electric demand growth (2.1 percent) than that of the NYPP (2.6 percent). By 1994, under the Power Pool strategy, electric utilities in the State would still be consuming over 80 million barrels of oil per year compared to approximately 89 million barrels in 1978. Adoption of the State Energy Office Draft Energy Master Plan would reduce oil consumption by the utilities by nearly 60 percent from the approximately 89 million barrels per year in 1978 to just slightly over 36 million barrels in 1994.

Under the Master Plan, New York will reduce its dependence on oil through a variety of strategies:

• Increased coal use. The Plan projects the need for four new major power plants, beyond those already under construction, providing a total of 2900 additional megawatts of power by 1994, three of which shall be coal-fired. The Plan also provides for the conversion of almost 6000 megawatts of power from oil to coal. This ambitious program for coal is predicated on meeting all applicable environmental standards.

• Increased gas use. Natural gas is the cleanest, most efficient major conventional source of energy. Its use in New York can be significantly increased during the forecast period by removing regulatory impediments to increased use, by promoting use, and by promoting aggressive pursuit of additional gas supplies by the State's gas utilities.

• Increased use of renewable energy resources, including small hydrolectric power, resource recovery (energy from waste), wood and solar. The State Plan provides for 725 megawatts of electric load being met with small hydro and almost 300 megawatts from resource recovery plants. This contrasts with New York Power Pool projections for only 213 megawatts and 32 megawatts, respectively. In addition, the State Plan sets forth the possibility of 325 additional megawatts of small hydro and 292 megawatts of resource recovery on the theory that success will breed success as the economic and environmental attractiveness of these energy forms is widely demonstrated. Further, the equivalent of 12.5 million barrels of oil annually could be displaced by 1994 by wood and solar.

• Increased penetration of conservation strategies and technologies into every phase of energy use. Energy conservation is the least expensive, environmentally safest, and most economically beneficial supply option now available to New York....

The State Plan does not propose any new nuclear powerplants beyond those already licensed or in the final stages of construction. This is in sharp contrast to the New York Power Pool plan which calls for five new nuclear powerplants during the forecast period beyond the two already under construction. The Power Pool seems not to hear the strong and growing public concern about the runaway costs, uncertain safety, and unresolved waste problems associated with this energy form....

In the environmental area, there are negative impacts associated with some of the strategies, especially in the area of air pollutant emissions from coal, wood and resource recovery facilities. On the other hand, the New York Power Pool plan would involve substantial increases in radiological impacts because of the heavy reliance on nuclear capacity....

Governor Carey's proposal for the establishment of the Energy Corporation of the Northeast (ENCONO), as a regional development mechanism, is presented in the Plan as a means for expediting financing and infrastructure development necessary for significantlY increasing the availability of coal in New York and the Northeast....

Yet, increasing numbers of New Yorkers are this very day finding it difficult, if not impossible, to pay their basic energy bills. As the winter approaches, this can be a critical matter of life or death for the elderly poor and others who face the unacceptable dilemma of paying for heat or foregoing other necessities of life.

The Plan discusses these concerns, but it is clear that Federal intervention to assure energy supply at a subsidized or assisted price will be essential during the winter of 1979-80, notwithstanding anything else which may happen in energy.....

Roger Starr's 1977 interview on 'planned shrinkage'

Two years ago, the Oct. 4, 1977 Executive Intelligence Review *published an interview with Roger Starr, a member of the* New York Times *editorial board and a former Housing Commissioner of New York City, which spelled out in detail today's program of "planned shrinkage" for New York City by driving out some 2 to 3 million ghetto residents through a calculated policy of energy austerity, service cuts, and aid cutoffs.*

Below, we reprint portions of this important interview.

Q: *How would you describe current urban policy?*
Starr: . . . Unless someone is willing to face the fact that the cities cannot be revived on the scale which we thought they were going to achieve in the late 1940s and 1950s and that industrial production has gone somewhere else and there are only certain kinds of jobs that can be in the cities because they are no longer industrial centers, then all we are going to do is support poor people in poverty, on federal stipends keeping them away from moving to other parts of the country.

Q: *Are people willing to confront this in the administration?*
Starr: . . . if you really want to do a job, you have to ask yourself how do you get the poor people into the economic mainstream of American life. Then you have to look at where the mainstream is and you will find that it is now in much smaller cities and cities in different parts of the country. But the poor people are held here by the suction of the social programs that were created.

In New York and Massachusetts, for example, people on welfare get much more than in other states and that keeps them here. You have to figure out some way to make it possible for these people to migrate to where the jobs are. . . .

Q: *Doesn't what you are talking about involve a major restructuring of all political and economic constituencies? Particularly, doesn't this mean that you are going to eliminate the present constituencies of almost every black and minority Congressman by shipping them somewhere else?*
Starr: That is exactly what we were trying to say in that editorial that we ran last week [which called for an urban policy which would support relocation of the poor—ed.]. Those black leaders who come to Washington to demand full employment and a national urban policy may be asking for two things which are incompatible. What they want is everybody to be kept exactly where they are in the cities so their constituencies would remain there and keep voting them back into Congress.

Q: *What you are talking about is what you call "planned shrinkage" or what others have called "managed decline"?*
Starr: Someone put this for me in a very concise fashion the other day. He asked me to tell him what the United States would be like today if in 1865, instead of opening the country widely to European immigration . . . we had really made a determined effort to use the black people of the U.S. to do the kind of work which we were then trying to recruit immigrants to do.

Now in a very important sense, we are facing something of the same problem. Now, instead of putting the black men to work, we have put to work a large part of the female white population. What I am saying is that the economy of the southwest, the south and the booming parts of the American heartland is based on the employment of white women rather than black males. This is not recognized as racism, but it is . . . . Now, what are we going to put the black males to work doing and where are the industries and what are the American needs of capital investment that we can put these people to work constructively? I am not a believer in "make work" jobs—to make the city more habitable. That depends entirely on federal charity.

One of the big things for us to exploit is natural resources, particularly fuel resources. We should look at that industry and ask ourselves what is it going to need to develop resources that have been uneconomic to develop up to now. In large part they may be uneconomic because there may be huge labor requirements. But what the hell, instead of paying money for people to sit in the cities and do nothing, it would be much better to encourage them to move elsewhere and subsidize their work in those capital industries which we really have to develop now. . . .

Q: *How do you get the people in the cities jobs? Does the welfare system block this move?*
Starr: The welfare system is devastating. It is corrupt. It is evil. But you can't, unfortunately, just cut it off because people would starve. . . . The administration's plan to put people to work is a little help. But I really think, that we should let people relocate and have them carry their welfare with them for a little while. But welfare and jobs training and unemployment insurance should be coordinated so that people would be encouraged to improve their skills to make them employable.

EIR sponsors conference on Friedrich List

Concludes List's political economic method key to Third World development

The 190th anniversary of the birth of the German economist and political leader Friedrich List took place on Aug. 6. The American weekly *Executive Intelligence Review*, which has won a distinguished reputation through well-founded reportage and commentary on political and economic developments, took the occasion to hold a conference in Frankfurt am Main on the subject "Friedrich List and the New World Economic Order."

Held in the Frankfurt *Haus Palmengarten*, the conference drew over 100 people—businessmen and bankers, economics professors from the faculties of West German universities, and diplomats, including representatives of France, Belgium, Yugoslavia, Bulgaria, and the Philippines. Conference chairman Volcker Hassmann opened the first session by reading a telegram of greetings from the mayor of Frankfurt, Dr. Walter Wallmann, who expressed his pleasure that Frankfurt was chosen as the site for this international conference—especially because in 1819 it was in this city that Friedrich List founded the first German institution for promoting industrial activity, the *Handels und Gewerbeverein* (Association for Commerce and Industry).

As one of the speakers stated, this was not the time to fall into the indecent custom usually observed at commemorative gatherings and indulge in maudlin sentiments about List's "greatness and tragedy."

Instead, the conference presentations resituated Friedrich List's work in the context of the specific political and economic battles of his day, the battles of the young United States and its French allies against the British Empire, which was attempting on all fronts to obstruct the further dissemination of the ideas of the American Revolution.

Michael Liebig, director of the *Executive Intelligence Review*'s research bureau in Wiesbaden, examined List's theory of labor power and scientific-technical progress in relation to the current challenge of industrializing the Third World. It became clear that List developed his theory of the development of the forces of production in the midst of an intense fight against "British School" economists, especially the ancestral priests of the zero-growth cult, Thomas Malthus and Adam Smith, who sought to justify Britain's claims to supremacy with his theory of "free market forces."

Anyone who has read List's masterwork, the *National System of Political Economy*, knows that his polemic against the British economists was utterly direct. Yet what has been forgotten is that List's economic conceptions drew on the leading French economists over a period of three centuries, and that List himself worked very closely with French champions of industrial development. French finance ministry official Jacques Cheminade demonstrated that the concept of targeted, deliberate government promotion of the constant advance of science and industrial technology was fostered by the Frenchmen Jean Bodin, Sully, and Duplessis-Morney (16th century), Jean-Baptiste Colbert in the 17th century, and Trudaine and Farbonnais in the 18th century. The economists Ferrier, Chaptal, Dupin, Lazare Carnot, and Gaspard Monge, List's contemporaries, are part of this tradition. He shared with them the fundamental concept of the *Zollverein* (Customs Union): that the state must create the best possible conditions for the development of its national economy. Protectionism to protect vital industries from being swamped by imports is simply a means to that end, not a goal in itself.

Webster Tarpley, an American television journalist active in Italy, described List's relationship to the "American System" of economic policy, which developed through his long stay in the United States and his personal acquaintance with the leading U.S. economists and politicians, especially Mathew Carey and Henry Clay. Tarpley outlined the course of historical development that has now sunk to the point of the Carter administration's forcible rejection of the nation's founding principles and embrace of Malthusian economics. Nevertheless, said Tarpley, there is a good chance that the United States will, in line with the Founding Fathers' intent, once more become the economic engine of world development, given the fact that the great majority ox the American population is still convinced that the American System must be maintained. Tarpley cited the growing success of the leading economist Lyndon LaRouche, chairman of the U. S. Labor Party and 1980 presidential candidate, whose economic program mandates accelerated nuclear power buildup in the U.S. itself and especially for export to the Third World. LaRouche has called on the Europeans to help secure the success of such a policy by "promulgating the American System in Europe, America, and the whole world as Friedrich List did—American policy is too important to be left to the Americans alone.

The speakers' thesis that today Friedrich List would be one of the most impassioned spokesmen for the transfer to the developing nations of advanced technology, in particular nuclear energy, unleashed a high-pitched debate from the audience. This showed once again that the clash between economic and cultural progress and deliberately imposed stagnation and Luddism has persisted since List's time. The Malthusians of the Club of Rome have even intermittently tried to put List into their ancestral gallery; but List himself leaves no room for doubt that providing the developing countries with access to civilization, their inclusion in the sphere of natural law, the limitless process of development and expansion of the productive forces, that is, of human labor power and of technology, is in the foremost interest of nations committed to progress.

Along with his creation of the *Zollverein*, certainly List's best-known achievement is his campaign for the construction of a railroad system as the prerequisite for industrial development. The transportation specialist of the Fusion Energy Foundation, Heinz Horeis, evaluated List's work on infrastructure with special reference to the future task of industrializing the African continent.

Dr. Jonathan Tennenbaum, University of Copenhagen mathematician, and the European director of the Fusion Energy Foundation, Hans Bandmann, gave a two-part presentation on the method and the energy-policy goals of Lyndon LaRouche, the leading modern representative of the Neoplatonic school of economic science, as embodied by Leibniz, Colbert, Hamilton, Carey, and not least Friedrich List. In our era, Lyndon LaRouche has succeeded in bringing together the science of economics, the highest level of epistemology, and the far-reaching mathematical-scientific contributions of the German mathematician Bernhard Riemann.

Under LaRouche's direction, a working group of scientists succeeded in applying Riemann's method to development of a quantitative macroeconomic model which opens the way to identifying the future points at which new scientific results and their technological realization can fulfill the goal of economic policy, namely the higher development of human society. How government can fulfill this function was already set forth by List in *The National System of Political Economy* among other things, through the introduction of transportation infrastructure, widespread scientific-technical education, protection of newly developing industries, and a rigorous guidance of credit into industrial finance.

At the end of the conference, Hans Bandmann gave a fundamental argument for the necessity of nuclear energy as the base-technology of future world energy supply. Only with this energy source will it be possible to meet the energy requirements of a fully industrialized globe—the aim of the New World Economic Order. It is a matter of building several thousand nuclear power facilities within a few decades throughout the world—a goal attainable only through List's method of political economy.

There is plenty of irony in the fact—a fact underlining the current predominant ignorance in List's homeland of his work and especially his economic contributions—that on this anniversary it was left to an *American* publication to set forth the immediate importance, indeed indispensability, of Friedrich List's theory of labor power and scientific-technical progress as a concretization of natural law necessary to any economic policymakers.

Certainly it is still generally known that it was first through List's initiatives—like the founding of the *Handels und Gewerbevereins*—the initiation of the German Customs Union, and the promotion of the railroad systems, that enabled Germany to rise to the rank of leading world exporter of the most strategically advanced products; but today who recalls that List's thought and work were shaped by his intensive collaboration with the leading contemporary economic thinkers and political leaders of the United States and France?

The conference sponsors threw this recognition into the center of the Frankfurt discussions: Friedrich List was above all the economist of the "American System" of economic policy. To him belongs the honor of having laid the basis, in this spirit, for the first phase of industrialization of the entire world economy.

—*Gunter Beyes*

Chicago's gangs: who benefits?

Part 3 of reporter Roy Harvey's award-winning series

This week Executive Intelligence Review *continues with part three of its publication of excerpts from* Chicago Defender *reporter Roy Harvey's award-winning series on Chicago gangs. Copies of the complete series may be obtained directly from the* Chicago Defender, *2400 S. Michigan Ave., Chicago, Ill. 60616.*

June 26: Daley accepts offer 'he couldn't refuse'

The next step in the creation of the gangs was to finance them with federal funds.

The University of Chicago played a key role at every juncture so far. In spite of the hopes of U. of C. coordinators such as Julian Levi, the front organizations could not yet operate on their own.

Here is the situation that faced City Hall, as described by John Hall in his book *Black Power/White Control:* "The Blackstone Rangers [were] entering into a relationship with the strongest black organization in the city [TWO]."

The irony of it was that the University of Chicago, via the First Presbyterian Church, was the creator and controller of both organizations!

And now the two organizations were entering into an alliance with the Office of Economic Opportunity (OEO), bypassing City Hall, for an experimental "on-the-job-training" gang program in which the teachers would be the gangsters.

By now six years old, the Woodlawn Organization was disliked by all the other institutions in the community, notes John Fish (a TWO supporter and a member of Rev. John Fry's church): "The schools, Boys' Club, YWCA, Urban Progress Center, and youth welfare agencies had never had a cordial relationship with TWO...."

As we have seen, the University had played the key role in writing the OEO proposal. The next step was to get it past Mayor Richard J. Daley.

Washington-based OEO deputy director Jerome Bernstein wanted to bypass the mayor altogether, classifying the gang project a "demonstration project" and conduiting the money directly to TWO and the gangs.

Why was Bernstein so intent on the experimental project?

Lewis A. Caldwell, state representative of the 29th district at the time, recalls Julian Levi "during that time lived on a plane, flying back and forth between here and Washington. Julian was bird-dogging to bring in federal money."

According to John Fish, Daley was at first friendly toward the idea of the OEO experimental on-the-job-training gang project, but when he learned that he wouldn't control it, he backed away.

Alderman Roman Pucinski (D-41st), who was then a congressman, remembers it another way. Pucinski told the *Defender:* "Daley followed the police recommendation. The police reported that the OEO program would be used to perpetuate the gang structure, would be used to recruit members. Daley's views on the program reflected the police department's, and mine did too."

The other major voice in opposition to the program came from Deton Brooks, head of the Chicago Committee on Urban Opportunity (CCUO), through which City Hall administered the poverty programs in Chicago.

But for the political ambitions of Kennedy in-law Sargent Shriver, who headed up the Office of Economic Opportunity, Daley might have been bypassed.

Julian Levi wasn't the only one flying back and forth to Washington. John Root of the Metropolitan YMCA and Deton Brooks flew to the Capitol to meet with Shriver. Shriver then gave the word: the project was not to be funded until it met Daley's approval.

Reenter Julian Levi, Marshall Korshak (5th Ward Committeeman) and others. Lewis Caldwell remembers it this way: "When two immovable objects collide, they work out a compromise."

Ed Berry, then president of the Chicago Urban League, who sat in on some of the meetings, recalled in an interview with the *Defender:* "If we were able to convince Daley of anything, it was the first time."

Another factor, notes Fish (*Black Power/White Control*), was that Senators Jacob Javits, Robert Kennedy, and Joseph Clark, on the day of Daley's acquiescence in Chicago, were holding a public investigation of the Chicago poverty program.

Javits appeared publicly with Jeff Fort and other Blackstone Ranger leaders.

Daley, who feared that the OEO gang experiment would be used against him and the old-line Democratic Party, signed. The program was funded May 31, 1967.

The next move was to hire a director. Daley's solution to most such problems was: get a local man.

TWO's candidate, a New York criminologist-psychologist, was rejected by Deton Brooks.

TWO then set up a blue-ribbon advisory committee, consisting of Dr. Julian Levi (University of Chicago), Dr. Irving Spergel (University of Chicago), Dr. June Tapp (University of Chicago), Dr. Robert Hess (University of Chicago), and Harry Cain (National Institute of Mental Health), Edwin Berry, and Sheppard Kellum (Woodlawn Mental Health Center).

Brooks refused to have anything to do with the committee, saying that it was "incompetent and knew nothing about poverty, the poor, or Woodlawn. ..."

June 28: 'School for crime': An experiment

In late 1965, University of Chicago provost Edward Levi announced a "new major commitment to improving ghetto schools."

The Office of Economic Opportunity (OEO) ghetto "school for crime" was just one of those experiments.

The 1967-1968 gang "pilot project" was experimental in the same sense that the Vietnam War was an "experimental project."

A forerunner of the program is told in John Gay's classic play, "The Beggar's Opera," which told about a London-based school for thieves and pickpockets, with City Hall connections.

But in our story, the connections are to the University of Chicago. And it was City Hall that fought the school for crime.

And who do you think it was that was hired to "monitor" the school for crime?

The University of Chicago, of course.

But that is jumping ahead of our story. First, the school itself.

The program was funded by OEO May 31, 1967. Classes began less than a month later, with TWO and First Presbyterian Church the school sites for the Blackstone Rangers.

The program was set up to bring in 800 youths for "on-the-job-training" for street gang members; the instructors would be gang leaders, with 5th and 6th grade level educations. There were no professional instructors.

The criteria for teaching: "If they were good gang leaders, if they could rise to power in the gang, then they got the top positions?" Senator John McClellan asked of OEO director Bertrand Harding, who responded: "That was the theory of using the [gang] structqre."

Students were paid $45 per week for attending, plus travel allowances; Blackstone Ranger leaders Jeff Fort, Eugene Hairston and other members of the "Main 21" were put on salary: between $4,000 and $6,500 a year.

It wasn't the $11,000 salary that First Presbyterian Church gang controller Chuck LaPaglia made, but at pre-inflationary 1967-68 wages, it was a sizable income. And it was padded: the shakedown of the students was so obvious that even Rev. Fry had to admit it existed, as he did in the June 1968 McClellan investigation.

Fry said he knew the students "contributed" part of their paychecks to the gangs. Asked what they did with the money, Fry answered: "That's their business, not mine. But I have a strong feeling the money was used for broadly humanitarian purposes."

"What he meant by that—what he really meant by that—was that the money was used for drugs, lawyers, bail bond, and guns," commented a *Defender* source.

Several hundred youths were "persuaded" to drop out of school to join the gangster-led "job training" classes.

Wadsworth Upper Grade Center, which had been the site of another University of Chicago "educational experiment," was one of the sources of the bodies the Blackstone Rangers used to fill their classrooms.

Wadsworth principal Yakir W. Korey, in congressional testimony, told part of the story of the rough gang-herding of his students into the OEO "experimental education" project.

More than any other single individual, it was Winston Moore who initiated the McClellan investigation of the OEO pilot project.

Moore had made enemies for his effort, and his enemies didn't forget it.

It was Winston Moore who, as superintendent of Cook County jail, had spirited Blackstone Ranger gang leader George (Watusi) Rose out of Chicago.

In a recent interview with the *Defender*, Moore commented on the OEO school: "Kids had to join in order to survive. There was nothing positive in that thing. It really was a school for crime."

Of the program, Moore had testified before Congress: "If they meant to train these kids to go into organized crime, then it was very effective. These gangs are just set up for selling dope, or prostitution, and any other thing that will make a buck...."

"These kids were told to drop out [of public school] and join the training classes, or else," continued Moore. "The kids knew what the 'or else' meant...."

According to testimony presented by the Chicago Commission on Youth Welfare, gang crime doubled during the OEO gang experiment. And fraud within the program increased day by day: a later sampling of records showed that most of the attendance records and paychecks were forged.

And the education? Everett McCleary, 20, who was paid $7,000 a year to supervise instruction, testified before Congress on the school's curriculum:

McCleary: If there was a problem in the math class, sometimes they would refer to me for help. Maybe they'd ask what two and two was—and I'd tell them, 'four.'

McClellan: Is that a good illustration [of the kind of education that went on]?

McCleary: It's an illustration.

McClellan: Can't you give us a more difficult problem?

McCleary: Three times three is nine.

Police, juvenile investigators, and even the University of Chicago reported that the experimental education consisted of "laying around, smoking pot, gambling, drinking, and cleaning guns."

"It wasn't a formal way of teaching, but [they] did teach them to be good gang members," Winston Moore stated in congressional testimony.

And it was the University of Chicago—well aware of the fraud being perpetrated—that was responsible for providing the OEO the report on their experiment.

July 2: University's evaluation of OEO's gang experiment came under heavy attack

The report was characterized by Senator John McClellan as "not worth fifty cents."

In testimony before the Senate hearings into the OEO gang project, Winston Moore had stated: "The University of Chicago practically wrote the program, so for them to evaluate it would be like me evaluating my own jail [Moore was at that time warden of Cook County jail]."

Acting OEO director Bertrand Harding testified at the June 1968 McClellan hearings that the University of Chicago analysis of the federal government gang "on-the-job-training" project had not been submitted until June, a month after OEO had admitted the experiment had failed and had cut off its funds.

Harding told the Senators: "In retrospect, it [the gang school] should have been shut down in January."

It of course comes as no surprise that the University of Chicago would have been engaged to write the analysis of the project—the University had played a key role in the nurturing of the gangs, and in particular the Blackstone Rangers, at every step.

Professor Irving Spergel, a University sociologist, had had a keen interest in the gangs since at least 1963, when he wrote "A Community Study, East Woodlawn: Problems, Programs, Proposals." It was from East Woodlawn that most of the Blackstone Rangers came.

Professor Spergel was a member of the University-dominated TWO blue-ribbon project director selection committee. Spergel was also a member of the TWO gang project advisory board.

Critics of the OEO gang project insist that Spergel had a key hand in writing the federal project, along with OEO's Jerome Bernstein.

But OEO offered $80,000 to the University of Chicago to evaluate the success of the gang experiment.

The University was to submit at least three reports: one after four months; another in the eighth month of the gang experiment, and a final report after the project was complete.

The University, however, did not comply with that specification.

A report, however doctored, would have tended to have been critical of the project—and it was the University's objective not to intervene in the experiment, but rather to see it played out. Professor Spergel had initially asked for not $80,000, but $100,000 to do a four-year report of the gang project. The McClellan hearings intervened, however, and the gang experiment was stopped.

At least 18 University staff members participated in the final report to OEO: sociologists, anthropologists, computer specialists, law professors....

By April 1969—almost a year after the experiment was complete—the 260-page report was complete: "What Happened in Woodlawn."

Heavily biased against the police, City Hall, and sections of the press, the report gives high marks to the moral if not intellectual superiority of the gang leadership over the police.

As the McClellan testimony made clear, the category of "subprofessionals" meant gang leadership. This is how the University of Chicago report evaluated the subprofessionals: "As a group they were young men of unusual leadership capacity, bright, sensitive, articulate, extremely hard-working, and dedicated...."

The report notes also that they were most dedicated to perpetuating the gang structure.

And the police? How does the U. of C. report grade them? As hostile, furious, incompetent, punitive, destructive, suspicious, uncooperative, brutal, harassing....

The University report announces its bias in its introductory remarks: "Despite selection by TWO of *the* [our emphasis] most qualified person available, the Mayor preferred that a city employee be appointed."

The report does not point out that the University of Chicago had played the key role in selecting the person the Mayor had rejected.

The bulk of the report demonstrates that the University had done some analysis: it had profiled the gang leaders, their backgrounds, political ambitions. They had made their "alienation index" analysis.

The analysis would be useful to the University; the bulk of it woulb not be included in the report turned over to OEO.

But the report itself whitewashed the experiment, when compared with the testimony of the OEO officials before Congress (the McClellan hearings).

For example, the report comments: "In late fall or early winter of 1967, program emphasis shifted from education to attitude change. The development of specific literacy competence was no longer regarded by professionals as the critical objective...."

We have already seen the nature of the education which was conducted: "Two and two is four; three times three is nine...."

The report acknowledges the fraud against the federal government (forged attendance records, for example), but the university did not alert OEO to the violations.

In spite of the pro-experiment bias, some investigator's observation was incorporated into the University report: "A walk through the classrooms presented a picture of bored and sullen youngsters. No one in authority interacted with them, and they interacted with each other minimally. One classroom had no instructor, a second had an instructor who spent most of the time looking at a newspaper. Half of the students sat doing nothing and the other half interacted minimally with each other."

Another descriptive report: "It was not unusual to find both trainee and subprofessional motionless, trance-like, deep in a state of torpor."

Again, a descriptive report: "...M., who was apparently in charge, sat behind one of the desks, looking tired and sullen. The whole situation seemed to approach the bizarre as he sat there motionless, looking down at the desks, and not responding verbally at all to our presence or that of the group around him..."

Descriptive reporting of any type is very rare in the University's 260-page government financed report. When it is incorporated, the scene described is invariably one of mental stagnation, or the discussion of gang exploits, or the planning of new gang capers.

Though the report stated that the gang experiment had reduced the volume of crime during the year, Commander Griffin (Third District) testified before the McClellan hearings that gang crime had doubled during the gang experiment.

The study admitted, however, that there was "little modification of the pattern of gang warfare among the Rangers and Disciples during the program. At least a fourth of the gang members still carry pistols"—presumably to class, where the University research was conducted.

And how was the program evaluated by the University of Chicago?

The report calls the OEO project "the most genuine and daring experiment of the concept of maximum feasible participation."

The outcome of the program was that 53 of the students—many of whom had been forced to drop out of public school by the gangs—obtained jobs.

The cost of the job placement was approximately $12,000 per job. And it was the University of Chicago and U. of C. connected Argonne National Laboratories (along with Westinghouse) that did most of the hiring.

The University of Chicago concludes their report with a warning that their gang experiment enthusiasm is not over: The program "probably succeeded programmatically, but it failed politically—at this time."

Next issue: politicians and foundations support the gangs.

AFL-CIO votes depression program

A look at how the labor federation's policies are made

As Labor Day approaches, it is customary to assess the "state of organized labor." Most media will focus editorial comment on the nation's largest bloc of organized workers, the ALF-CIO, and comment upon the impending retirement of President George Meany or the question of who is likely to get labor's backing in the 1980 presidential election.

We, however, choose to examine something else. The real state of the AFL-CIO is reflected in a series of policy resolutions passed two weeks ago at the AFL-CIO Executive Council midsummer meeting here in Chicago. Each is a prescription for a depression collapse or foreign policy disaster for the United States.

The principal components of this program are as follows:

The AFL-CIO leadership fully endorsed the thrust of the New York Council on Foreign Relations-authored Carter energy program modeled after Adolf Hitler's. They even went further—the Executive Council effectively repudiated the Federation's support for nuclear power. The policy resolution for the first time placed conservation ahead of production in its list of "national priorities," while moving such dubious sources of energy as solar power, wind, gasohol, tidal, and geothermal ahead of nuclear power. AFL-CIO spokesmen such as Albert Zack, Sr., the long-time director of public relations, and Martin Ward, the plumber's union president, were explicit about the Executive Council's action marking a change in policy. "Nuclear energy is no longer very popular with the American people," said Ward. According to Zack: "The American people are afraid of nuclear energy..."

On the SALT II treaty, the Federation adopted a position identical to that of CFR member and Secretary of State Cyrus Vance, a position which calls for support of SALT's ratification coupled with a major mobilization to force through Congress a multibillion dollar program to develop the MX missile, a key component of the CFR's war-losing "counterforce strategy." This, according to the ALF-CIO Executive Council, will remedy the "emerging strategic imbalance" that exists between the U.S. and the Soviet Union. Said an AFL-CIO spokesman: "We are not in favor of an indiscriminate arms buildup, but we are most definitely in favor of an arms buildup. ... " This policy will hasten a breakdown of detente and is intended to lead to a confrontation with the Soviet Union.

On the economy, the AFL-CIO reiterated its long-standing call for a large-scale Works Project Administration—pick and shovel jobs program—which a spokesman indicated should be linked "in some way" to the Carter synthetic fuel program—to help get the United States through its "third recession in a decade. ... " The Executive Council listed several other "priority social programs" including the Kennedy-sponsored "right-to-die" health care legislation. They added a second plug for an arms buildup, stating that under no circumstances should money be shifted away from defense spending to fund these "social" programs. The AFL-CIO leadership thus endorsed a social program that will lead to collapse of social services in the U.S. and bring closer the economic collapse which they profess to fear.

On trade, the AFL-CIO leadership reaffirmed its support for the CFR policy of enforced backwardness, starvation and disease for the Third World. A resolution deplores the transfer of "critical technology"—which a spokesman stated meant emphatically that nuclear technology should not be exported. It particularly singled out trade in advanced technologies with the East Bloc and the Soviet Union on the ground that U.S. trade policy is helping the Soviets gain a strategic military advantage. This, too, is the line being circulated by CFR circles and the State Department, and it will cost millions of high technology jobs for American workers.

On Nicaragua, the Executive Council warned of the danger from certain "Cuban-Marxist" elements within the new government and cautioned the U.S. to move with "restraint" in assisting that government. This is nothing more than a cover for support for the CFR-authored policy of blocking U.S. aid to Nicaragua, thereby creating the conditions of famine and starvation that could topple the new republican leadership. (See LATIN AMERICA)

How is it possible that the Council on Foreign Relations can exercise more control over the AFL-CIO

Executive than the Federation's members—so much control that it virtually dictates policy?

Lane Kirkland, the AFL-CIO Secretary Treasurer and the man slated to replace the ailing George Meany when he finally retires as Federation President, is the single most powerful person in determining the Federation's policies. Kirkland, a member of both the CFR and its offshoot, the Trilateral Commission, is in turn controlled by a network of policy advisors and lawyers linked to various circles in the Anglo-American intelligence establishment and various think-tanks like Georgetown University's Center for Strategic and International Studies (CSIS), the Rand Corporation, and the Brookings Institution. These networks have been "in place" since the days of Jay Lovestone, the former "Bukharinite" U.S. Communist Party leader who has served for years as doyen of AFL-CIO foreign policy. They are the people who control George Meany.

There is a difference between a person like Meany and a Lane Kirkland. Meany, at least, has a background in organized labor, in the plumbers' union. He pushed himself into a position of power and then was captured—early in his career—by these Anglo-American intelligence networks and the CFR group. Kirkland is a protégé of these networks at least since his days at Georgetown. He has been pushed up the ladder through CFR channels. Kirkland is a test-tube creation devoid of ties to the remaining "traditionalist" circles in the labor movement, a fact which adds marginally to the CFR's control of the AFL-CIO should Kirkland step into the presidency.

But Kirkland's role and the role of "policy advisors" does not adequately explain CFR control over the Federation.

The passage of resolutions such as the package which emerged from Chicago between two CFR-dominated factions—one right-"liberal" and another left-Fabian—backed by related think-tank input. Policy is arrived at through "consensus," with the handful of independent unionists, especially those from sections of the building trades, dragged along. (Kirkland's "strength" is commonly attributed to his being a more skillful mediator between the two "factions," since he is less "autocratic" than Meany.) Caught in the middle, these often well-meaning sheep are left without any ability to formulate an opposing policy and are often reduced to mere spectators in the stage-managed debates.

The AFL-CIO Executive is commonly portrayed as being composed of two elements of the American social democratic movement—the "right-wing" Social Democrats USA and the "left-wing" Democratic Socialist Organizing Committee. Kirkland, Jacob Clayman of the Industrial Union Department, Meany and Martin Ward of the plumbers are generally identified as the leaders of the SDUSA wing. Jerry Wurf of AFSCME and William "Wimpy" Winpisinger of the machinists are most often mentioned as leaders of the DSOC

The AFL-CIO resolutions

Following are excerpts from key resolutions passed by the AFL-CIO Executive Council meeting in Chicago on Aug. 7.

The National Economy

... The recession-inflation-energy crisis requires immediate action. The economy's downward course must be reversed and the recession must not be allowed to feed upon itself. The AFL-CIO Executive Council, therefore, calls on the Administration and Congress to move promptly on the following programs:

• Expanding job-creating employment and training programs for adult workers and youth to meet present needs and the additional job needs of workers laid off because of the recession. New and/or expanded training programs will be needed to provide workers with the complete skills necessary for development of alternate energy sources and installation of conservation equipment.

• Enacting a stand-by public works program that can be ready to meet worsening unemployment....

Regulating exports of food and other raw materials to prevent shortages and rising prices. A National Grain Board is urgently needed to deal with specifically heavy grain purchases by the Soviet Union...

The experience of the last 10 months under the Administration's so-called anti-inflation program confirms the warnings of the AFL-CIO. Last October we called for a fair and effective anti-inflation program based on equality of sacrifice, with effective controls on all forms of income and all prices.

We firmly believe that a comprehensive, mandatory, legislatively based anti-inflation controls program would be more effective and fair than the current Administration program.

Energy

We agree with the President's call for convervation, a crash program to develop alternate sources of energy, the Energy Mobilization Board, the Energy Security Fund and for a windfall profits tax....

Conservation is of major importance in reducing the nation's dependence upon imported oil from insecure sources.... Alternate energy sources must be developed from each of the three primary categories: (1) essential renewable sources—solar, wind, gasohol, tidal and geothermal energy—for which varying degress of technology exist and which appear to have minimal environmental effects; (2) nonrenewable sources—coal and nuclear for "minority." This latter grouping is prominently involved with Douglas Fraser and the United Autoworkers, who are not members of the AFL-CIO at this time. It is Fraser who is the recognized leader of the Left-Fabian wing of the labor movement.

Much is written in the media of the "policy differences" between the SDUSA and DSOC wings of the labor movement. While there are some marginal differences on issues such as defense spending and certain aspects of foreign policy, they all take place within the confines of the CFR-controlled debate within the Executive Council.

The point is that SDUSA and DSOC are themselves fronts for the CFR, whose penetration of the AFL-CIO dates back to the turn of the century. DSOC, whose forerunner was the fabian League for Industrial Democracy and the networks of former UAW President Walter Reuther, is run by the "left side" of the Council on Foreign Relations—the same people who control terrorist and environmentalist operations run through the networks associated with the Washington, D.C.-based Institute for Policy Studies. This same group overlaps with what is commonly called the Kennedy machine.

SDUSA is run by the "right side" of the CFR, the people who control the destinies of James Schlesinger and General Alexander Haig.

The DSOC group is given a "soft profile" on environmentalist issues that allows for alliances with individuals such as Ralph Nader. The SDUSA grouping works with pro-nuclear groups linked to the Mont Pelerin Society's Heritage Foundation and is given a technology supporting profile. SDUSA therefore generally captures the well meaning sheep in the building trades and other unions on these issues—they defer to SDUSA leadership like Kirkland on nuclear power. Not surprisingly, the building trades have failed to mobilize a significant defense of nuclear power and instead were conned into supporting the virtually non-nuclear energy policy resolution. Said Martin Ward recently: "We consider it a victory when any statement adopted is not antinuclear."

With these facts in mind it should not surprise anyone that AFSCME's Jerry Wurf is a member of the CFR along with Kirkland and that a half dozen AFL-CIO Council members are also members of the Trilateral Commission—including Martin Ward and J.C. Turner of the Operating Engineers, both of whom are mentioned as potential candidates for Meany's job should Kirkland falter.

With this configuration, the CFR is given maximum leverage on the AFL-CIO Executive. There is corroborating evidence of this in other actions besides the recent Council meeting. For example the current activity of council members respecting the presidential reelection hopes of Jimmy Carter.

Last Spring, it was the AFL-CIO that helped the CFR to launch its destabilization of Carter through

---

which technology exists but which also pose environmental problems; and (3) new areas—such as waste matter, oil shale, tar sands, and other synthetic fuels and solar power installations—which require new technology and may have potential environmental problems.... To finance the high cost of technology to develop synthetic fuels, the President has proposed a multibillion dollar Energy-Security Fund which we support. Since private capital has failed or refused to risk making loans to develop this technology, the federal government must also bear the responsibility and expense for expanded research into any potential environmental hazards which may result from development of synthetic fuels....

SALT II

The Strategic Arms limitation negotiations, begun ten years ago, have so far failed either to curb the nuclear arms race or to stabilize the strategic balance of power. Whatever restraint we have seen has been in the form of unilaterial U.S. decisions to cancel or delay new weapons systems, while the Soviet Union has engaged in the most massive military buildup in peacetime history. These facts are no longer contested...

In its resolution of advice and consent to the ratification of SALT II, the Senate should stipulate that under the terms of the treary, parity requires the modernization and development of U.S. strategic forces—including, and most particularly, the MX missile based in such a mode as to survive a first strike by Soviet missiles....

Nicaragua

... While present political circumstances are unclear, there are substantial reports indicating that the Government of National Reconstruction is becoming more and more a junta ruled by one man. Further, the Castro dictatorship has opened friendly relations with at least two members of the junta and has offered to send doctors and teachers to Nicaragua immediately.

Further reports indicate that the junta is attempting to construct a unified labor organization, forcing all elements, including communists to merge.

The AFL-CIO Executive Council calls upon the junta to recognize ILO standards, including Convention 87 (Freedom of Association), and to not only permit but encourage the revitalization of the CUS. The Council insists that AFL-CIO direct relations with the democratic labor movement in Nicaragua be maintained without governmental or other interference....

bitter statements by both Meany and Kirkland about the Administration's betrayal of labor's interest. Once the destabilization was well under way, Kirkland and company moved to control its pace. Meetings were held with the White House staff. Kirkland and Martin Ward visited Carter at his Camp David retreat to discuss national policy, etc.

Two weeks ago six AFL-CIO Council members announced the formation of a "Labor Committee to Elect Carter." This group was led by Trilateral Commission member Glenn Watts of the Communications Workers and SDUSA and Zionist leader Sol Chaitkin of the Garment Workers.

Then, two weeks ago, Firkland gave some faint praise to Carter while attacking Congress.

Does this mean that the AFL-CIO is moving toward backing Carter? To the contrary.

The CFR has decided that the AFL-CIO should make sure that certain portions of the Carter fascist energy and social programs be rammed through Congress in the next session. This requires, as Kirkland stated recently, that the AFL-CIO have a tactical alliance with the Carter people on certain agreed upon policy thrusts—like the synthetic fuels program.

The support for Carter—even among those half dozen union leaders who endorsed him is tepid to say the least. Watts is already participating in a UAW-initiated campaign against the "oil profiteers" which is widely acknowledged to be a flexing of muscle for the Ted Kennedy for President movement.

When the CFR pulls the rug from under Carter, the AFL-CIO leaders will take their new positions on the chessboard.

Many are slated to move behind Senator Kennedy. The Executive Council has endorsed most of Kennedy's CFR-scripted domestic program, including the threat to nationalize the oil companies inserted into the energy policy statement. The machinists' Winpisinger has already been assigned the prominent role of trying to build a grass roots movement for Kennedy.

Kirkland meanwhile is known to have a preference for Gen. Alexander Haig, though whether he supports Haig openly depends on whether the CFR script demands it.

To have maximum leverage in the election scenario, it is likely that Kirkland will replace Meany before the Summer of 1980. He would also like to see the UAW and even the Teamsters brought back into the AFL-CIO, but the prospects of this consolidation appear dim.

As we go to press, a revolt appears to be building in the local chapters of the labor movement as members discover that the AFL-CIO now has a pseudo-environmentalist position on nuclear energy. Several building trades leaders have expressed disgust with what has taken place, while some in New Jersey and Pennsylvania are talking about leading a revolt against Kirkland.

"They are going to kill thousands of jobs and destroy the economy," said one local leader of actions of the Executive Council. "Hell, you can't expect us to sit back and take this crap."

—*L. Wolfe*

Nicaragua's revolution

After a month in power, government announces reconstructioh program

The Revolution in Niacaragua "is like the Cuban revolution in some respects, like the Mexican in others, and in still others like the American," stated U.S. Senator Edward Zorinski (D-Neb) to a press conference in Managua Aug. 7. By contrast with the interminable mumblings in the U.S. press and behind most Washington doors, Zorinski's simple description of post-Somoza Nicaragua aptly states the republican-humanist outlook guiding the new nation-building project that is Nicaragua.

The overthrow of Somoza was no mere "palace coup," no "shuffle at the top." Virtually the entire populace was involved. "For the first time, the Nicaraguan people find themselves in power, and they demand liberty, public education, the liquidation of illitacy, better conditions in the schools for the children, absolute morality from public officials, and the establishment of freedom of expression, manifestation, and diffusion of ideas," proclaimed Dr. Gutierrez Sotelo, Nicaragua's new Ambassador to Mexico.

Such goals have been incorporated into a provisional Bill of Rights promulgated Aug. 21, outlining the freedoms and responsibilities of citizen and state alike.

The bill includes a provision outlawing International Monetary Fund "conditionalities" over the national economy, declaring that the state has the right to dispose of the country's wealth and natural resources in the manner deemed fit without regard to international obligations if those obligations "would deprive the people of their sustenance." This is the legal basis upon which the Government of National Reconstruction is now renegotiating the tremendous debt left by Somoza.

The coalition that made the revolution included students, workers, peasants, and also the entrepreneurial sector. "There are representatives of the private sector in our government," explained Mexican ambassador Gutierrez, "simply because they are also Nicaraguans, and Nicaraguans must fulfill their responsibility, that responsibility being to place themselves completely at the service of the people of Nicaragua." If successful, Nicaragua will have made a unique contribution to Latin American history, by demonstrating that "it is possible for a social class which has historically sought only its own self-enrichment... to fulfill its obligations toward its country."

The Reconstruction government has begun to put the country back on its feet, despite the disaster left from the war. The morale of the population continues very high, according to reports. The state of emergency imposed in the first days after the new government entered Managua, July 19, necessitated by the economy's state of collapse and the lack of even simply basic services, has been lifted, the night curfew rolled back four hours until 11 o'clock, and barricades ordered removed from all roads. Persons arrested were ordered charged or released within 24 hours. The first National Guard prisoners were 269 youths, who were released on their promise to return to productive work.

On the economic front, electricity, water and other services are gradually being restored across the country. Public employees were paid for the first time since the beginning of June, and over 100 private businesses have agreed to pay their workers. Agriculture has resumed in key areas. The government has mobilized to plant urgently needed food crops before the planting season ends at the end of the month, with the biggest obstacle remaining the shortage of seeds.

The longer term programs of the government speak for themselves.

The economic program

Under a "mixed economy" strategy, basic areas of the economy have been designated for state ownership, including domestic credit, fishing, forestry and mining, and the country's major export, agricultural products. Credit was immediately centralized in the hands of the government, through the nationalization of the domestic banking system July 25. Even the local banking community supported the measure as the only guarantee for the credit structure of the country after the civil war period of massive capital-flight and Somoza's asset-stripping. International banking operations in the country were not affected by the nationalization, but had limitations placed on their activity, including regulations prohibiting their acceptance of local deposits.

The core of the state economy is Somoza's former, vast empire which controlled over one-third of the entire economy. This was immediately expropriated by the government. So far, over 85 of Somoza's businesses and landholdings have been affected, and are valued at more than $100 million. Fernando Guzman, director of the newly created National Trust Fund, announced that the value of Somoza's holdings is expected to reach some $500 million by the time the complete inventory of his innumerable mining, agricultural and real estate holdings is finished.

The 70 percent of Somoza-related property under his or his immediate associates' complete ownership will become fully state-owned property. The 30 percent of his holdings in which he represented only a minority share, will follow the precepts of mixed-economy, the state controlling Somoza's former shares while the rest remain in the previous owners' hands.

The Bill of Rights specifies that the entire non-Somozan private sector will remain in the hands of present owners, provided both industrial plant and agricultural lands are employed productively.

Agriculture has been the first priority of the government. Agrarian reform stresses the use of the most advanced agricultural technology wherever and whenever available. Land is being divided, but not in the World Bank's style of uneconomical small plots. "The great tracts of land are being given to rural communities...(while) other holdings, where agro-industries with advanced technology operate, will become state businesses with their profits channeled intohconstruction of housing, schools and infrastructural works."

"We cannothturn these lands over to groups of peasants who lack the skill to make them profitable. It will be much more beneficial to the peasantry if we operate them technologically," and invest the profits.

International finance

Saddled with a $1.5 billion foreign debt by Somoza, and only $3 million in reserves, plus a 15-20 percent drop in economic activity over the past year, the Reconstruction Government has begun the renegotiation of the foreign debt. Spokesmen state their intention to honor the majority of the obligations—but not the last months' investment in war material for Somoza, a category that includes loans from the IMF and Israel. Nicaragua will pay according to its ability to pay, once economic recovery is assured. Estimating that $2.5 billion above present debt service will be required to rebuild the country, the Reconstruction Government has proposed creation of a unique institution for the channeling of international aid. This International Fund for Cooperation, proposed by junta member Alfonso Robelo to the Economic System of Latin America (SELA) meeting in Caracas Aug. 1, would receive deposits from central banks; soft loans of a highly concessionary content for the "financing of the importation of the goods, equipment, essential services for recuperation and development"; short and medium-term credit lines for the importation of food, construction materials and medicines; and Reconstruction Bonds. The latter essentially represent investment in the future productivity of the country, as the technologically advanced approach of the government creates what Robelo called a "Nicaraguan miracle" within 10 years.

The Fund was initiated by SELA one week ago, but thus far, virtually none of the needed aid has come in. If picked up by European and OPEC nations in particular, the International Fund could serve as a model for the needed general system of unconditional financial aid for Third World development to replace the present International Monetary Fund.

Social policies

Within two weeks of establishing their government, the junta issued a decree outlawing gambling, drugs and prostitution. Along these same lines, the publishing of pornographic advertisements, ads for alcoholic beverages and cigarettes, and the publishing of sensationalist crime-style news has been prohibited. The Nicaraguan Revolution intends to "form new men, free of vices and moral weaknesses, generous, divested of all egotistical sentiment." Pointing to the Sandinista youth, Interior Minister Tomas Borge noted "you won't find in them all the weakness of the present youth. They scorn marijuana and rock-and-roll because they are convinced of their role."

Strict restrictions on the accumulation of wealth by public employees have also been imposed in a blitzkrieg approach to ending the universal corruption that reigned under Somoza." Along the same lines, Somoza's numerous luxurious mansions are strictly forbidden to be used by private citizens or government officials, but will be turned into schools, playgrounds, museums, libraries and cultural centers.

Education

Education is a top priority for the new government. An 11-month school year is projected for the next three years to pull general educational levels up quickly. University students will be organized to give at least one year of time to teaching in the countryside. International teams from Mexico and Cuba are already beginning work in Nicaragua.

"The revolution is being made so that our children can be educated and trained technically to serve their country... (so that) these soldiers of today...as men, will know perfectly well how to contribute scientifically, culturally and politically to humanity," Dr. Gutierrez emphasized in a speech July 6 in Mexico.

The education project began with the announcement Aug. 21 by Education Minister Carolos Tunnerman that Nicaragua's one million primary and secondary school students will begin attending a one-month series of "informal classes"—a kind of basic citizenship class for the entire youth of the country. The revolution was a "profoundly emotional" experience for the children, Tunnerman explained. Many children fought directly in the war; it was also a "great pedgogical process" that cannot simply be ignored in a return to normalcy. The courses, based on the themes of the Somozan dynasty, the recent revolutionary process, and the goals of the new government, will provide a "one month pause" to overcome "the nightmare of the war and learn what freedom is."

Political freedoms

With the projected lifting of the state of emergency Aug. 22, press liberties will also be restored. Two newspapers, the conservative *La Prensa* and *El Centroamericano*, have already begun printing, in addition to the government-backed *La Barricada*. Images or organizing for Somoza will continue to be expressly prohibited in the press as in all areas.

Massive popular organization has been initiated to ensure popular defense of the revolution and national reconstruction program. A nationwide Sandinista Labor Council is being organized along with organizations of youth, peasants and women.

While even discussion of national elections for a legislature and executive have been put off until the reconstruction of the country is at least securely on the road, local governments are being formed across the country around the Sandinista-led Defense Committees, local organizations which formed the backbone of the resistance in the cities and towns during the period of the insurrection. A national leadership for the Defense Committees will be elected in Managua shortly as the primary means for direct popular participation in the country's planning processes.

Foreign policy

The government has declared its intention to join the Nonaligned movement, and maintain an independent foreign policy. The President of neighboring Costa Rica was the first foreign head of state to visit, followed by Panama's General Torijos. Mexican President Lopez Portillo, ex-Venezuelan President Carlos Andres Perez, and President Castro of Cuba have all be publicly invited, in demonstration of thanks for their support during the civil war.

In discussions with U.S. Secretary of State Vance, in Quito, Ecuador, other members of the junta expressed their willingness to "forget the past and look towards the future" in relations with the U.S., provided the United States allows Nicaraguans to decide their future for themselves.

—*Gretchen Small*

London wants a showdown

In an Aug. 4 commentary entitled "Who Inherits Nicaragua," the London Economist *presented a scenario for forced radicalization of Nicaragua and a super-power confrontation in the Western Hemisphere. Excerpts follow:*

"Does the fate of so small a country really matter? Yes. The emergence of something that could be described as a 'second Cuba' would be the last nail in the coffin of President Carter's reelection chances. It would give Russia a convenient staging post from which to send arms and support to revolutionary movements in the Americas....

"Russia's hesitation in getting behind the Nicaraguan *compañeros* gives the Americans their chance. ... They certainly can afford, preferably channeled through other Latin American countries, the two types of aid Nicaragua genuinely needs: the food required ... to keep thousands of Nicaraguans from starving; and the foreign exchange to get industry, farms and cities moving again. What is not needed is massive helping of general aid without financial or democratic strings ... The United States and its democratic Latin allies have no obligation to save Russia money by rebuilding Nicaragua if it is then likely to turn around and bite them. The best service they can do Nicaragua would be to guarantee it foreign-exchange cover sufficient to mobilize its postwar resources to the full at a non-inflationary pace. Bring on the IMF?

"The Americans should not be misled, either, by the myth that Mr. Castro turned to the Russians because American aid to Cuba was cut off first....

"President Carter has one other weapon in his armoury. That is to warn Russia that the jingle of its money in Nicaragua would be seen as a direct challenge ... In the short run, Mr. Brezhnev must know that Salt II is dead if Nicaragua drops into his hands. In the long run, a kick below America's belt could provoke one back—a western guarantee to defend Yugoslav independence, perhaps? Mr. Brezhnev may wonder whether a foothold on the American mainland is worth arousing the sort of passion which has lain dormant in the United States since the Cuban missile crisis."

Will U.S. force Nicaragua to radicalize?

The question of whether Nicaragua "radicalizes," becomes a "second Cuba" in the Western Hemisphere, has dominated U.S.—and international—media and goverrment thinking since the end of the civil war July 19th that ousted dictator Anastasio Somoza. Incalculable media space and time has been devoted to seeking out and "analyzing" supposed "factional" divisions within the new government, generating red-scare stories of "Cuban involvement," and speculating about the future "alignment" of the new Government of National Reconstruction.

Will Nicaragua radicalize? The answer to that question lies largely in United States foreign policy toward the new regime. What can be said with certainty now is that, if the Carter Administration has anything to say about it, yes, Nicaragua will "radicalize."

Despite all the administration's protestations of concern over the direction Nicaragua takes, U.S. foreign policy is in fact designed to force radicalization of the political process, by withholding the foreign aid Nicaragua desperately needs not only to rebuild a war-shattered nation, but to guarantee the daily survival of up to one half of the Nicaraguan population, dependent on foreign food aid.

Washington, which only reluctantly withdrew support from the Somoza dynasty installed by U.S. marines in 1934, is now trying to starve the new Nicaraguan government into accepting International Monetary Fund economic, and U.S. political, "conditionalities." From the Administration's viewpoint, either Nicaragua crawls to the IMF for emergency aid, which the Fund is withholding pending acceptance of an "austerity" program, or the new regime is compelled to turn to the socialist bloc in order to survive, justifying an open U.S. political or military confrontation.

Nicaragua's Government of National Reconstruction has publicly repeated its desire for good relations with the United States, based on U.S. respect for Nicaragua's national sovereignty, and has called on America to play a major role in the \$3 billion task of reconstructing a democratic Nicaraguan republic. But the junta has sharply criticized the U.S. failure to provide substantive economic and material aid without political strings attached. Junta member Alfonso Robelo, an industrialist who represents Nicaragua's business community, stated in an Aug. 4 press conference that U.S. "aid exists, but it is not nearly what they offered and bears no relation to the size of their country. ... I would like to think that this is not [political] pressure," he said, "but with each passing moment, it seems that this is the objective."

Robelo pointed out that the U.S. aid following the earthquake of 1972 was "massive and now has been much less."

The government more recently assailed what it called an "hysterical and malicious" campaign agaist Nicaragua in the U.S. and in the neighboring Central American dictatorships of Guatemala, El Salvador and Honduras. The purpose of the campaign—marked by allegations of "human rights violations" against captured Somocista National Guardsmen—is to block the international aid Nicaragua needs to survive and rebuild, said junta leader Sergio Ramirez. The campaign is not only "harmful for Nicaragua and unjustified," Ramirez stated, but "turns against the very interests of those who generate it, since the best way to radicalize the revolution is to continue that campaign and keep aid from arriving to the Nicaraguan people, who need it so desperately." Ramirez, whom U.S. media like to portray as one of the leading "moderates" in the junta, warned Aug. 9 that "if the United States isolates us, through incomprehension of the Nicaraguan revolution, it will only have succeeded in provoking what it most fears: the radicalization of the process."

Deliberate policy

The only conclusion one can draw from Washington's aid policy toward Nicaragua is that, in fact, Washington policymakers are *trying* to provoke radicalization of the political process. Against what Nicaragua needs in the immediate term—and what the U.S. is capable of providing—U.S. aid has been negligible. A baseline of 300 tons of food is needed daily to prevent starvation of up to a million refugees. Washington claims to be sending 150 tons a day, but Nicaraguan officials report that food shipments have dropped drastically to the level of 60, or even 20, tons a day.

Total U.S. emergency food aid was projected at only \$9 million in the long-range, according to U.S. Ambassador to Nicaragua Lawrence Pezzullo. Pezzullo said \$35 million in loans, previously earmarked for the Somoza regime, would be activated at some future time. Discussion of longer-term general reconstruction aid will not even begin until the October fiscal year opens, and then action could be delayed indefinitely by the still-powerful "Somoza Lobby" on Capitol Hill. The State Department claims no knowledge of the creation of a Fund for International Cooperation, under the Latin American Monetary System, through which Nicaragua has asked that \$2.5 billion in reconstruction

'All must send aid'—Fidel Castro

On July 26, the anniversary of the Cuban revolution, a delegation from the Government of National Reconstruction arrived in Havana, little more than a week after the success of their own revolution in Nicaragua. Here are excerpts from the speech given by Fidel Castro on the topic of the Nicaraguan revolution.

... They (the Sandinistas—ed.) don't harbor prejudices because they aren't afraid that the Nicaraguan Revolution will be mistaken for the Cuban Revolution; they're beyond such prejudices. And therefore on no account are they going to say that the two revolutions are exactly the same. They are two profound revolutions, in many ways similar and in many ways different, as all real revolutions must be.

This is important for our people, and important as well for world opinion. Every country has its way, its own problems, its own style, its methods, and its goals. ... We did it one way, our way; they will do it in their way....

The Nicaraguans have given a magnificent reply to the statements and fears expressed by some people with concerns whether Nicaragua is going to become a new Cuba: No! Nicaragua is going to become a new Nicaragua! That's a very different thing....

We hope that imperialist adventures of invasion and support for counterrevolution will not be repeated against Nicaragua. Of course, we can't have illusions. We are not going to believe that the reaction is going to leave the Nicaraguan revolution in peace, despite the revolution's magnanimity, its openness, its democratic goals.

They have said: 'if an election is needed, let's have an election!' Any election that takes place in Nicaragua will be won by a wide majority by the Sandinistas regardless of the resources that the reactionary groups can bring to bear....

Even the United States has expressed a willingness to send food and to facilitate different kinds of aid. It makes us happy ... They said they will establish an airlift (to Nicaragua) and send 300 tons of food a day. This sounds good to us....

... a U.S. intervention into Nicaragua would have been a really suicidal act for United States policy in the hemisphere, because we don't have the slightest doubt that the Sandinistas would have continued fighting even though it provoked a Yankee invasion. ... And not only that, but a gigantic Vietnam could have developed throughout Central America and the rest of Latin America, a gigantic Vietnam....

I repeat. It makes us happy that the United States and everyone else are helping. What's more, we would like to begin a friendly competition with the United States, a contest to see who can do more for Nicaragua. We invite the United States, all of the countries of Latin America, Europe, the Third World, and our brothers of the socialist countries to compete in aiding Nicaragua. This is our position for carrying out a really human, really constructive effort in this spirit. ...

aid from Western nations, OPEC countries, and the socialist sector be channeled.

Washington is coordinating its aid blackmail policy with and through its allies in Latin America, primarily the Venezuelan government of president Luis Herrera Campins. Oil-rich Venezuela granted Nicaragua a $20 million short-term credit—repayable in six months at 10.5 percent interest—on condition that the Nicaraguan government appoint "Social Christians" to ministries and public posts as "insurance" that Nicaragua follows a "moderate" course. This "conditionality" was denounced publicly by Nicaraguan Interior Minister Tomas Borge, who stated emphatically that "we are ready to die of hunger before accepting conditions from anybody ... Revolutions are not made in jest."

While the Government of National Reconstruction has been extremely careful to keep negotiations open with all parties, including the IMF, and has assured Washington that it has no intent to "align" with the Soviet Union, it has stated with insistence that it will not accept any conditions on aid which would betray the development goals of the revolution.

What does Washington want?

Why would Washington, which proclaims concern for Nicaragua's democratic future, knowingly provoke radicalization of the regime? What does the U.S. have to gain? "Radicalization" of Nicaragua would not only provide the justification for U.S. political—or military—intervention to destroy the new government, but would provoke a strategic confrontation with Cuba, and the Soviet Union, in the Western Hemisphere—a showdown which Washington believes it can "win." U.S. policymakers do not believe their own red-scare rhetoric, but are more concerned about the "model" Nicaragua represents as a challenge to the rule of IMF austerity.

—Mary Goldstein

A 'high command' for Latin energy

Recently, two private agencies which on energy matters front for the New York Council on Foreign Relations moved into the offices of the Organization of American States (OAS) and the Inter-American Development Bank. The result is likely to be a wave of protests from all parts of Latin America.

The two agencies, the Forum of the Americas and the Western Hemisphere Energy Workship seek a monopoly on energy-related dicision-making in Latin America, according to their spokesmen, and the new relationships established are admittedly directed at that goal. Both the OAS and IADB have significant channels of access to almost every government in Latin America.

The moves were taken without the consent of member countries. At a July 30 Washington, D.C. meeting, Alejandro Orfila, the playboy Secretary-General of the OAS, unilaterally put the full resources of that organization's bureaucracy at the disposal of the "Committee of 15 Notables," executive body of the Forum of the Americas. In a concurrent Washington meeting, Antonio Ortiz Mena, President of the Inter-American Development Bank, made the IADB the official "co-sponsor and coordinator" of the activities of the Western Hemisphere Energy Workshop.

Because both private agencies significantly overlap in personnel and enjoy a common source of control, the result of the "nestings" is a "hemispheric high command," as one Latin American watcher put it, with the political and financial clout of the OAS and IADB now behind whatever energy policies they would like to impose on more official Latin government policymakers.

Indicative of the "high command" nature was the presence of IADB's Ortiz Mena at the Forum of the Americas meeting which saw the OAS Secretary-General turn over OAS resources.

The Forum of the Americas was only established this past June in Brazil. It is representative of reactionary oligarchist interests, whose purposes now focus on "getting the private sector more involved" in economic policymaking in Latin America. The Forum looks kindly on the economic policies of Chilean dictator Augusto Pinochet, for example. The "Committee of 15 Notables" leading the forum include the U.S.A.'s William Simon, and C. Fred Bergsten of the Brookings Institution, the Council on Foreign Relations, and the Trilateral Commission, who is a current U.S. Treasury Undersecretary. It also includes Mario Enrique Simonsen, Brazil's Economics Minister from 1974-79, and the Chilean Pinochet regime's Finance Minister, José de Castro.

As its first order of business July 30, the "Notables" created an Inter-American Energy Development Bank (Spanish acronym BIDE) with a seed-capital of $20 million to be contributed by private investors, corporations, and multilateral institutions:

The Western Hemisphere Energy Workshop is barely a distinct body. It was created by the New York-based Council of the Americas, the spook "consulting firm" of Panero Associates and the MITRE Corporation. The Council of the Americas was created out of the New York Council on Foreign Relations. In turn, it was an initiating force in the creation of the Forum on the Americas. The Forum's "Notables" then overlap with various branches of the Council on the Americas, the OAS bureaucracy and the IADB.

The now-formal marriage of these various agencies touches upon the Anglo-American proposal for a "Hemispheric Strategic Reserve" covering all energy resources. For example, Mexico's massive oil reserves, which that country seeks to use for her own industrial development and as a precedent in oil-for-technology transfer to Third World countries generally, would instead be at the disposal of "supra-national" forces that would rather not see Mexico or any other nation undergo industrial revolutions.

As Guillermo Zuburban—an IADB executive director and one of the principal matchmakers—put it, the Workshop is moving with all possible haste to "preempt" approaches to energy programs "inconvenient to our proposal." In part, this will be accomplished in the way described by Charles Zraket, Executive Vice-President of the MITRE Corporation. The IADB is now going to translate and distribute all Workshop materials and "pick up the tab" for its propaganda work, he says. "We hadn't realized the IADB would move so fast..."But just as important, the full financial leverage of the IADB will be behind Workshop and Forum energy proposals, with the threat of financial cutoffs—and not just in energy matters—as a potent "stick."

The combined agencies have devised proposals that address the full array of energy resources and energy technologies; but not one points to the actual economic development of the continent. They instead seek to blanket the energy field such that no coherent independent options are available to individual Latin American governments.

Thus, privately, hostile hands are being laid on the energy "choke point" of the Latin American economies.

A program against development

Latin American nationalists are bound to raise an outcry as soon as the new "nested" arrangements become more widely known and understood. The OAS and IADB involvement is a product of executive fiat, and MITRE's Zraket admits that already the Workshop program is causing questions to be raised like: "What kind of Trojan Horse is this?"

Moreover, U.S. businessmen, promised the run of the continent for lucrative energy and minerals projects, have just as much to lose if they go along. The kind of "soft technology" approaches for which the Forum and Workshop are noted would mean forfeit of crucial markets for U.S. high-technology goods. Since only strong state-sector programs have been able to match the will with the financial resources required to lead in-depth industrialization strategies, the "private sector crusade" behind the "hemispheric reserve" policy means scrapping industrial development. Jose Represas, a member of the Forum's "Committee of Notables" who heads the Inter-American Council for Trade and Commerce, demands that "new private investments" go solely to "those key sectors of the economy which absorb greatest labor," that is, use the least technology.

The Forum and the Workshop both emphasize high-cost synthetic or "soft" fuels, and oil and gas to a limited extent. Nuclear energy forms no part of their current proposals.

The Mexican alternative

The example of Mexico proves conclusively that the hemispheric "private sector" approach to energy policy is indeed bad for business. Mexico, pouring revenues from nationalized oil industry back into ambitious joint public/private development projects, guided by the National Industrial Development Plan, has the largest growth rate on the continent—7.5 percent this year—and provides the premier market for advanced sector capital goods in the Third World.

At the same time, Mexico's world energy development proposal, to be presented by Président José Lopez Portillo to the U.N. Sept. 27, envisions 1) better world production and distribution arrangements, to avoid manipulation by the oil multinationals and 2) new financing and transfer of technology to ensure rapid energy development in deficit Third World areas. It is an approach diametrically opposite to that of the hemispheric reserve "high command."

The coming fight against the hemispheric reserve approach will inevitably coalesce around the Mexican alternative. Nor is the "high command" hiding its hostility to Mexico. Harry Geyelin of the Council of the Americas, asked what he thought of Mexico's initiative, said "We must depoliticize arguments, and just listen to experts... Mexico seems to want to cast its bread upon the waters. It all sounds very confused to me.... As for distribution idea, let me put it this way: What if the U.S. suddenly took all of Mexico's energy?"

—*Tim Rush*

Who's who on the 'Committee of 15'

Mario Garnero (Brazil): Garnero is a major figure in the campaign to put private enterprise in the lead of the new hemispheric order. His entrepreneurial base is his presidency of Brazilinvest, a multinational holding company with hundreds of millions invested in Brazil.

Garnero is reportedly responsible for the "Committee of 15" and Inter-American Energy Bank (BIDE) conceptions. Garnero's intentions for this bank may be judged by his conduct as private sector representative on Brazil's new National Energy Commission. Garnero demanded radical measures for reducing oil consumption, including converting the cement industry from oil to charcoal. Cement plant owner Ermirio de Moraes, however, pointed out that this would require burning 41 acres of eucaliptus forests for each ton of cement.

William Simon (U.S.A.): Simon made his name and a small fortune as a Wall Street bond speculator for Salomon Bros. Under Richard Nixon Simon was put in charge of the Federal Energy Office, which he built into a thousand-man bureaucracy. Simon became Treasury Secretary from April, 1974 until Gerald Ford left office in 1977. Simon's tight money policies, insistence that gold be removed from the international monetary system and his ganging up with the British against Japanese efforts to expand world trade prepared the way for the current international economic crisis.

While Treasury Secretary, Simon energetically promoted Brazil as an ideal place for foreign investments, leading to the establishment of Brazilinvest. Earlier this year, Simon proposed that the United States adopt the "Argentine Model" of fighting inflation through tight credit policies which the Argentines tab "industricide." Argentina's inflation last year was 162 percent.

C. Fred Bergsten (U.S.A.): Bergsten is a founding member of the Trilateral Commission and a fellow of the Council on Foreign Relations. He was Henry Kissinger's economic advisor on the National Security Council, 1969-71. Then, as the dollar crisis hit, the joined the Brookings Institution becoming a spokesman for the IMF's "Special Drawing Rights" as a means of international trade and lending. Bergsten is considered an "expert" on Third World commodity cartels and he served as the Trilateral Commission's top strategist agaist Third World debt moratoria.

As Michael Blumenthal's Assistant Secretary of the Treasury for International Affairs, Bergsten has had direct responsibility for implementing the CFR's "controlled disintegration" policy toward the world economy. Bergsten spent Christmas, 1977, in Lima explaining to the Peruvian Government that Carter's "human rights" policy meant no further U.S. aid unless they capitulated to IMF "conditions."

Bergsten boasts that 40 percent more Brazilian manufacturers were allowed into the U.S. market this year as part of a deal he had made to give Brazil special trade privileges in return for Brazil ganging up with London and Washington at the GATT talks against Japan's export promotion policies.

Bergsten is known as a free-wheeling Keynesian "innovator." He will play a key role in formulating its policies and will use his power as the representative of the U.S. Government to ensure the Committee acts as a hemispheric tool of the Trilateral Commission and the CFR.

Alejandro Orfila (Argentina): Secretary General of the Organization of American States (OAS) since 1975. Previously, he had served in the diplomatic corps of Argentina and the Rockefeller family.

Orfila paid a long visit to China during the China-Vietnam conflict at the beginning of this year and came back praising the Chinese economic model and recommending that Latin America treat China as a more lucrative export market than the socialist CMEA countries.

At São Paulo, Orfila sought "a continental energy pact" to deal with the "oil crisis," by Brazilian-type "gasohol" production in the sugar-producing areas of the continent.

Sergio de Castro (Chile): Pinochet's Finance Minister since early 1977, has implemented Friedmanite "free trade" policies leading to massive unemployment and industrial bankruptcies.

Jose Represas (Mexico): Since 1935, he has been employed as public apologist for the predatory activities in Latin America of the Swiss-based Nestlé. Represas would like to reproduce the "Chilean Model" in Mexico. He has endeavored to "mediate" the boycott by Mexican labor against the brutal Pinochet regime and proclaims "state capitalism" as the number one enemy of democracy.

Represas is the president of the Inter-American Trade and Production Council, the business side of the "Alliance for Progress" and, effectively, the Latin American front of the Council of the Americas. This almost moribund operation has been swept up into Garnero's more dynamic "Committee of 15".

Mario Vasquez Raña (Mexico): Spokesperson for the Mexican business faction associated with tourism czar and former president Miguel Aleman. Vasquez Raña presides over the Mexican Olympic Committee and is helping the "Alemanista" mayor of Mexico city urge citizens to convert to bicycle transport.

Daniel Oduber (Costa Rica): Oduber has run Costa Rica's social democratic PLN party since 1970 and served as politically moderate president of Costa Rica from 1974-78. His proud wearing of the Grand Cross of the Order of Malta may explain his present inclusion among the crusaders against state dirigism.

Luis M. Gotelli (Argentina): Gotelli is president of the Argentine Entrepreneurs' Council, a "pressure group" set up by local oligarchs to drum up support for the immensely unpopular Friedmanite policies of Finance Minister Martínez de Hoz. A CEA delegation met in New York in March 1978 with a delegation from the Trilateral Commission headed by David Rockefeller, to seek the creation of an Argentine branch of the Trilateral Commission to "harmonize economic interests" of the two countres.

Douglas Fletcher (Jamaica): Former Jamaican ambassador to the U.S. and international lawyer, Fletcher's main activity is directing insurance, banking and mortgage companies' dirty-money laundering run from London. Fletcher represents the British Caribbean on the "Committee of 15."

Richard Thompson (Canada): Chairman, Toronto Dominion Bank, one of the five Canadian "Dope, Inc." banks, which is engaged in financing Hong Kong-related drugs and laundering related funds.

Carlos Ferreyros (Peru): Ferreyros is President of Banco de Credito, Peru's major private bank. Banco de Credito served as the redoubt of the latifundist oligarchy which was systematically displaced during the Velasco Revolution. It is now campaigning to dismantle all the reforms of that period.

Marcel Laniado (Ecuador): President of Banco del Pacifico.

Armando de Armas (Venezuela): He runs the reactionary de Armas press empire whose major recent activity has focused on inciting border conflicts with Colombia.

Committee and workshop programs

The 'Committee of 15 Notables' of the Forum on the Americas and the Western Hemisphere Energy Workshop are the "idea men" and the political "fixers" in the Latin American energy-grab strategy. As Zraket of Mitre Corporation, one of the Workshop sponsors, put it: "We can concentrate on studies ...If there is any action on our ideas, that will go through the bank"—the Inter-American Development Bank. A spokesman said the same of the "Committee of 15": "It's not basically action-oriented; its individuals go out" to act through other institutions—which now feature the Organization of American States.

The 'Committee of 15' and Workshop have come up with the following energy "ideas" which they are now pressing in programmatic form:

Gas and oil

The "Committee of 15" approved the creation of an Inter-American Energy Development Bank (BIDE) to concentrate on fossil-fuel projects. The initial $20 million seed money will be set up through a mix of individual and institutional investors on the model of the Rockefeller ADELA program or Chase International Investor Service, sources say. The "Committee" deputized Marcel Laniado of Ecuador's Bank of the Pacific to prepare a feasibility study on stimulating capital flow into "risk contracts" for exploratory oil-drilling. The study is "expected very soon."

Also aimed at fossil fuel development is a proposed *Inter-American Energy and Minerals Fund.* This $1 billion IADB project would provide insurance and guarantees to energy and minerals investors in case of expropriation, currency inconvertibility, war or revolution. These are the standard categories for the almost three-quarters of a billion in insurance written yearly for U.S. investors by the Overseas Private Investment Corporation. Since that is a U.S. government institution, looked on as synonymous with the marines in Latin America, the IADB insurance idea is an effort to give such back-up a 'multilateral' appearance.

"Soft" technologies

The relatively small OAS energy program is being built around the so-called "renewable resources" which both the Forum and the Workshop clearly prefer. "The emphasis is entirely here," reports the director of the OAS's Science and Technology Regional Development Program, Phactuel Rego. Current projects include R&D in "solar power" and "biomass." A much larger biomass (gasohol) project is run out of the OAS's Social and Economic Division, designed to spread Brazil's gasohol technology to the Dominican Republic.

Hydro-electric, transmission grids-

This is the IADB's forte, with substantial World Bank involvement as well. Of $8 billion in IADB lending earmarked for the next four years, $2 billion is hydroelectric and electrical transmission systems.

Nuclear

This has had no emphasis in Forum or Workshop proposals. An ostensible nuclear advocate, Pedro Sanjuan, was invited to make a presentation to the "Committee of 15" in Washington. However, Sanjuan is from the new Hemispheric Center of the American Enterprise Institute. The American Enterprise Institute is a front-group of the Mont Pelerin Society, which is the intelligence arm of Count Otto von Hapsburg's Pan-European Union, which opposes industrial development on principle. Sanjuan's advocacy of nuclear power, therefore, is more than suspicious, and OAS sources report that he is now preparing a feasibility study for "continental energy integration" with an emphasis on nuclear sources within a strict framework of multilateral "non-proliferation"—which will be clearly unacceptable to most of the region's present governments. Sanjuan will also hold a series of "pro-nuclear" conferences in the Caribbean (Miami Nov. 28-29) and in Spain and Argentina in 1980.

Poland: industrial development or IMF

Poland has just reported the worst economic performance for any Comecon nation ever. With its development program in danger, Poland is now faced with the threat of IMF conditionalities.

Statistics just released by the government for the first half of 1979 indicate an almost zero rate of economic growth. Industrial production, expected to rise this year by 4.9 percent, increased by a mere six-tenths of one percent over the same period last year.

The government-sanctioned report puts the blame for these figures—as Communist Party chief Edward Gierek did earlier this year—on the particularly harsh winters of the past several years, severe floods and prolonged drought, extreme during the past spring. Gierek also blamed rapidly rising fuel-import costs and prices for raw materials, both a growing burden on Poland's economy.

Few could dispute that the weather conditions contributed to last year's poor economic performance. Poland is also suffering heavily under the weight of inflated prices for imported oil, and the added effect of inflated oil prices on other goods Poland imports.

These factors contributed. However, on a more fundamental level, Poland symptomizes a political problem facing the Soviet-led sector more generally. The Comecon countries have never been self-sufficient, but rather, to import the capital goods their development requires, they must export to the West in order to obtain the necessary means of foreign exchange. The relatively low productivity of the Comecon export sectors, in particular agriculture, means that they suffer a latent deficit in the terms of foreign trade that can be transformed into serious economic difficulties with any unfavorable turn in Western markets—as in the case of the 1973 and 1979 oil hoaxes. Poland, with the largest and most backward farm sector, is exemplary of the more general Comecon vulnerability.

This week's ECONOMIC SURVEY was prepared by Executive Intelligence Review *Eastern Europe specialist Luba George.*

Moreover, as a perceived "weak link," Poland has been incorporated prominently into British and allied geopolitical intelligence projects for "destabilization" of the East Bloc, a near-term goal of Her Majesty's government and the New York Council on Foreign Relations. It is a CFR objective, spelled out in the "1980s Project" publications, to force a conventional arms-buildup of the NATO powers in preparation for a major war in Central Europe. This is to be understood in terms of Major General Sir John Hackett's proposal—rendered popularly as a novel, The Third World War—to provoke the Soviet Union into destroying the economies of West Germany and France (and Japan) in a theater-limited confrontation, because those nations' intrinsic industrial-development orientations threaten British "Dark Age" policies generally.

The means for provoking the Warsaw Pact forces rest heavily upon "Hungarian Uprising" operations directed at Soviet allies in Eastern Europe. Poland has been heavily targeted, with an emphasis on forms of economic warfare that must tend to produce the conditions of popular discontent upon which the British-CFR scenarios are premised.

Thus, the impact of the oil-price rises on Poland's export-import ratios, and such "natural disasters" as flood and drought must be considered in light of:

a) A six-year period of rapidly rising costs for essential Western imports, dating from the 1973 oil hoax, with no corresponding easing in Western credit terms;

b) A four-year, virtual freeze on long-term industrial development loans to Poland from the West; and

c) An active Anglo-American policy of imposing IMF "conditionalities" and a credit-squeeze on Poland, involving extraordinarily harsh terms for any loans, aimed at forcing the very policy shifts that underlie Poland's currently reported problems.

When these points are juxtaposed to the phenomenal success of Gierek's 1971-75 economic program otherwise, it is clear that the primary responsibility for Poland's economic difficulties lies outside Poland.

conditionalities?

Nevertheless, Poland's leadership has committed a number of grievous blunders which have not only compounded the induced problems, but threaten to prolong and worsen the difficulties. Energy development and industrial investment policies are both currently suffering from a "Bukharinite influence."

The issue in Poland is not communism vs. capitalism. There is a faction in the Polish leadership whose world outlook approximates, at least in a pragmatic sense, the political and economic traditions represented by both capitalist Friedrich List and socialist Rosa Luxemburg: the outlook that sees scientific and technological progress as essential for Poland, and the rest of the world, and that without the productive power technology imparts to the Polish citizen, Poland cannot escape its centuries-old, feudal-like backwardness in agriculture.

There is also a faction in the Polish leadership whose outlook is neither capitalist nor socialist, but approximates that of the lowland Scotch nobility.

Today, in a country of 35 million, up to 40 percent of the working population is enmired in rural bestiality as small-plot farmers. Compare this with the USSR's high 28 percent, East Germany's 10 percent, and Czechoslovakia's and the U.S.'s low 5 percent. This backward, labor-intensive economic sector imposes a great overhead burden on the economy as a whole and, despite some healthy impulses toward farm modernization, has always been the key contributing factor in Poland's instability.

The energy debate

There are presently two policies being debated in Poland around the key energy issue. The first is nuclear energy development, extending from the present to target goals in the 1990s. Another policy, however, is proposed massive production of synthetic fuels derived from coal, as well as other "soft technology" schemes relating to an overall emphasis on coal production. This policy is internationally associated with the American-based Aspen Institute, a British intelligence subsidiary of London's Royal Institute for International Affairs. This policy is also associated with these agencies and their representatives in Poland.

The particular emphasis is on the cheaper, "less caloric" lignite or brown coal for domestic energy needs, while the "more caloric" hard coal remains the country's hard-currency foreign exchange earning source.

The strength of the Aspen Institute faction can be measured by the shift downward in Polish nuclear energy production-targets. In the fall of 1978, after years of no significant nuclear program at all, Poland had resolved upon a nuclear goal of 20 percent by 1990. Even this figure is far below the Comecon norm, barely above the Romanian target of 18 percent by 1990, the lowest in the Comecon. Yet by past Polish standards, it represented a healthy, if belated beginning.

By January 1979, in a rather abrupt volte-face by Poland's leadership, the 20 percent target was radically scaled-down to 8.6 percent—a 60 percent cutback! Moreover, the nuclear scale-down is representative of blunders across-the-board in investment decisions which if not significantly reversed, spell worse trouble ahead.

Poland is a nation that must go nuclear to realize any industrial development gains. Despite huge coal deposits and a projected record production figure for both hard coal and lignite—200 million and 41 million tons respectively—Polish government reports evidence little hope that the country's energy shortage will be eased. From 1977 to early 1979, despite heavy investments in the energy sector, Poland has undergone a series of power failures, fuel shortages, etc., costing industry millions of dollars in the last year alone. No matter how much industrial energy-use is cut or "conserved" (as the government continuously urges), Poland's energy needs cannot be met because its coal-based economy has reached a boundary condition beyond which energy costs must tend to soar with every expansion of economic activity. Unless Poland shifts into the higher nuclear mode, it will soon not be able to sustain even the existing levels of productive investment.

Like any coal industry, Poland's requires tremendous investment in transportation and other infrastructure for every increase in output. The more an economy depends upon coal, the more it has to incur such coal-related costs, especially transport.

A recent decision by the Transport Ministry to cut transport spending from 55 billion zlotys last year to 40 billion in 1979, flies in the fact of a simultaneous effort to raise coal investment from 40.9 to 43.5 billion zlotys in the same period. The contradictory budget allocations have led to major controversies in both departments. The country uses hard coal and lignite to produce more than 90 percent of its electricity, requiring the transport of some 200 million tons of coal annually from mines to power stations and ports.

A look at what happened last winter illustrates the problem: Coal trains were snarled by the winter "freeze" and power generation plummeted for lack of fuel. Moreover, coal stocks mainly for export mounted at the pithead in the principal hard-coal mining area around Katowice, estimated to total some 5 million tons, because the railways couldn't transport it.

Another blundering course was adopted by the special March 1979 Politburo meeting, where a decision was taken to raise production of the cheaper, less efficient brown coal (lignite) as a "solution" to the energy problem. A larger share of the "more caloric" hard coal, it was thought, would also be available for export by this avenue. Hard-coal exports currently account for 19 percent of all foreign exchange earnings. Lignite involves surface mining and is therefore cheaper to extract, and because power plants using lignite are usually located proximate to the mines, it avoids transport costs. The revised 1990 economic plan now targets a goal for brown coal production of 140 million tons, against a current production of 41 million tons.

In fact, the advantages of the coal program are illusory. The decision is a step backward, especially in light of the decisions which have revised nuclear power-use goals.

In a recent lecture to the Polish Electrical Association, Professor Kazmierz Kopecki,an energy expert and chairman of the Polish Academy of Sciences' Energy Committee, correctly blamed the energy shortfall on delay and inadequate investment in nuclear power. Poland, he said, is also faced with delay in construction of other power stations. He pointed out that the quality of coal-burning power station equipment is low and there are shortages of manpower, equipment and spare parts for repairs and overhauls. The power stations were designed to use better quality coal and not the

Behind Poland's 'Bukharinites'

The decisions that have been reached by Polish leaders on energy and trade policy reflect not only financial pressures from the West, but the existence of significant British "Bukharinite" influences within the leadership of the Polish Communist Party. There are pure and simple British agents-of-influence—typified by the case of Sewryn Bialer, the former Polish Central Committee member who now serves as Zbigniew Brzezinski's chief deputy at Columbia University—within the Polish party and government circles. The major international institutions that have been coordinating such influences on economic policy, and a corresponding rise of a "dissident" movement, are: The Royal Institute of International Affairs, the International Institute for Strategic Studies (IISS), The Aspen Institute, and the Bertrand Russell Foundation.

It is more than noteworthy that Poland is the *only* Comecon country that maintains an International Affairs Institute officially affiliated as a "sister institute" to the Royal Institute of International Affairs (RIIA). Similarly, Poland is also the only East bloc country that maintains close contact with the Aspen Institute, which has several members prominent in the Polish part, such as Jan Scepanski. The RIIA-run Bertrand Russell Foundation, headquartered in London, announced at the beginning of this year at a Chatham House (RIIA) meeting, a campaign to beef up the "rehabilitation of Bukharin." Poland was named a prime target.

Unquestionably, Poland is susceptable to a "Bukharinite" revival, as recent economic policy blunders indicate.

Nikolai Bukharin, a leading Soviet economic policy influence until his arrest and execution in 1936, was closely linked throughout his adult life with intelligence networks of Royal Dutch Shell and Britain's Hill-Samuel banking interests. Bukharin studied at the Vienna School with Friedrich von Hayek, an official economist of the Hapsburg organization, the Pan-European Union, and the teacher of U.S. monetarist Milton Friedman. The PEU, with British intelligence resources, helped organize the core of the Nazi movement in the 1920s. Bukharin's "industrialization at a snail's pace" conformed exactly to von Hayek's doctrines, and almost destroyed the Soviet economy in the 1929 "Scissors Crisis"—so named because of the gap between low prices for farm products and extremely high prices for manufactured goods—a direct result of Bukharin's successful deemphasizing of heavy industry and technology-based manufacturing and agriculture.

The British subsequently excoriated the Soviet government for the brute-force measures sometimes required to undo the problems created by their agent-of-influence, Bukharin.

The same policy was pursued by Wladislaw Gomulka, a member of the Bukharin faction in the Comintern through the 1940s, when he came to power in Poland in 1956 after the Poznan riots. Gomulka's ouster in 1970 by Edward Gierek has been responsible for most of Poland's recent economic development. Gomulka, however, clearly retains supporters in the Polish party and government.

poorer lignite that they presently receive, which is a key factor in power station breakdowns.

The prevalence of cheap and relatively accessible coal reserves and the lack of a nuclear equipment production sector which could support an atomic power industry has meant that Poland has fallen far behind other Comecon countries in solving their energy problems. This has been mainly due to a faction at the highest levels of the government, including some close advisors to Gierek himself (Rakowski) and a grouping around Jan Szczepanski, a Polish member of the Aspen Institute itself. It is these groupings who are responsible for continually scaling down Poland's nuclear industry.

Originally, a nuclear capacity of 7,700-10,000 MW was projected for 1990, and 35,000-45,000 MW for the turn of the century. In the year 2000, 40 percent of Poland's energy needs would be met by nuclear power. The new 8.6 percent goal for 1990 now envisages only 4,880 MW, and only 23,000 MW a decade later. The debate continues. Leaders like Kopecki put a speed-up of the nuclear program at the top of the nation's priorities list. But Bukharinites like Professor Czeslaw Mejro continue to call for "less energy-intensive" forms of technology including "synthetic fuels" options and so forth, and they appear to have had the government's better ear over a recent period. There is a reason: there "soft-technology" demands inside Poland happen to coincide with the demands accompanying recent loans to Poland from the West.

Although a recent decision has been made to speed up nuclear development, the key impetus came from the Soviets who are driving toward an integrated Comecon nuclear power grid. Under the present revision, the percentage of coal and nuclear sources in the economy's

Poland's worsening production outlook

Polish economic plans **(All figures percentage increase or decrease over previous year except where noted)**

	Real 1975	Plan 1976	Real 1976	Plan 1977	Real 1977	Plan 1978	Real 1978	Plan 1979
National income	**9.0**	**8.3**	**7.1**	**5.7**	**5.6**	**5.4**	**NA**	**2.8 ***
Real wages	8.5	3.5	3.9	2.0	2.3	1.8	NA	NA
Industrial output	**10.9**	**8.8**	**9.3**	**6.8**	**7.5**	**6.8**	**NA**	**4.9 †**
Capital goods	10.7	NA	9.7	NA	7.7	NA	NA	NA
Consumer goods	11.4	NA	8.8	NA	7.0	NA	NA	NA
Farm output	**−2.1**	**5.9**	**−1.1**	**5.3**	**0.8**	**6.0**	**NA**	**3.9- 4.8**
Crops	−3.0	7.7	5.0	6.0	−7.5	8.5	NA	NA
Livestock	−1.0	3.7	−8.7	4.5	12.7	3.3	NA	NA
Investments	**14.2**	**5.8**	**2.2**	**0**	**3.3**	**−3.6**	**NA**	**−10.0**
Exports	**23.7**	**15.0**	**7.1**	**14.0**	**11.5**	**10.3**	**NA**	**NA**
Imports	**19.6**	**8.5**	**10.6**	**4.0**	**5.5**	**4.0**	**NA**	**NA**
Construction output	**12.5**	**4.2**	**1.5**	**6.6**	**4.0**	**NA**	**NA**	**NA**
Housing (000 units)	264	277	273	289	276	313	NA	NA
Productivity:								
Industry	9.4	7.7	9.5	7.2	6.1	6.7	NA	NA
Construction	9.3	8.0	6.2	7.5	3.9	8.0	NA	NA
Socialized employment	**2.3**	**1.5**	**1.0**	**0.7**	**1.4**	**0.4**	**NA**	**NA**
Retail sales	**12.3**	**14.0**	**7.2**	**11.0**	**7.2**	**NA**	**NA**	**NA**
Freight transport	**12.7**	**NA**	**2.2**	**2.0**	**19.1**	**NA**	**NA**	**NA**
Cost of living	**3.0**	**NA**	**4.7**	**NA**	**4.7**	**NA**	**NA**	**NA**

* Distributed national income 1978 plan = 3.4%; 1979 plan = 1.0%

† Latest figures reveal *real* industrial growth at 0.6%, way down from the low 4.9% planned.

Breakdown of prime energy sources of Eastern Europe

	Coal		Oil		Gas		Hydro & Nuclear	
	1965	1975	1965	1975	1965	1975	1965	1975
Eastern Europe	81.1	63.3	11.4	21.2	7.2	14.7	0.3	0.8
Poland	**91.5**	**80.5**	**6.4**	**13.1**	**2.0**	**6.2**	**0.1**	**0.1**
Bulgaria	72.4	52.2	26.0	40.9	0.5	4.1	1.1	2.8
Czechoslovakia	87.0	70.9	10.7	22.1	1.5	5.7	0.8	1.3
E. Germany	93.3	69.0	6.4	18.0	0.2	12.4	0.1	0.6
Hungary	74.2	42.2	19.3	37.1	5.9	19.4	0.6	1.3
Romania	20.2	22.1	25.1	25.2	54.6	51.8	0.1	0.9

energy supply is not going to change much between now and 1985, when the first 440 MW atomic power station will be finished at Zarnowiec, in Northern Poland. Even provided no other major scaledowns occur, the work on the second station on the lower end of the Vistula will be begun no sooner than 1983.

In imitation of Gomulka?

The mistake that Polish leaders are making amounts to capitulation before the IMF/Anglo-American financial pressures against the country, and therefore emphasize the immediate and short-term hard-currency yielding capacity of the coal industry. The IMF debt-trap is designed to force Poland to reorient its planning to present export-oriented industries, de-emphasizing energy-intensive heavy-industry in favor of consumerism, etc.

Persisting in such policies, as already seen from the 1976-79 experience, will only add to an acute existing crisis: power shortages, transport bottlenecks, floods, droughts and other "natural disasters" whose impact increases in proportion to misallocations of capital investment.

The blunders involved are a replication of the Gomulka regime (1956-1970). It is therefore instructive to recall what—and who—caused the Gomulka debacle, which ended in political upheaval.

The period of the Gomulka regime was marked by an abandonment of growth perspectives for the essential heavy capital goods and steel industries, a deliberate non-mechanization policy in agriculture, an emphasis on light industry, and rigid adherence to a strictly coal-based economy. Gomulka's views were essentially those of the British Russellites, and what amounts to the same thing, Nikolai Bukharin. Gomulka, was the chief propproponent of the Polish Communist Party's Bukharinite tendency in the 1940s, advocating an economic policy favoring a decentralized, predominantly rural state.

The politics of credit

Gomulka left Poland in a shambles economically from which it only began to recover under Gierek's centrally coordinated 1971-75 economic program. In general, the 1971-75 policy decision embodied in the 5-year plan had as their basis massive importation of high technology capital goods for industrialization.

Poland's accelerating industrialization in this period could not have been launched or continued without the long-term, low-interest credits available at that time for importation of the goods needed for the expansion and modernization of Polish industry and, especially, the mechanization of Polish agriculture. The creation of new industrial facilities provided and guaranteed jobs, taking the heavily peasant-based manpower of the postwar period into a semi-skilled and skilled industrial labor force in the 1970s.

One third of Polish industrial potential has been built since 1971, and about 1.8 million new jobs were created by 1975. The credits and loans obtained from the West were to a large extent used toward that end.

To underscore the point—only 15 percent of all debts incurred in the West were spent on consumer goods. Thirty percent went for the purchase of raw and semi-finished materials while the balance, 55 percent, were used for imports of machinery and equipment, of which 75 percent went into new "greenfield" investments.

Unprecedented funding was also assigned to research and development for the expansion of Polish industry, resulting in highly mechanized and modernized coal production in Silesia and construction of the totally mechanized Lublin coal basin. Ninety percent of coal production in Poland is mechanized today. Another outcome was development of Poland's electrical power capacities and the construction of the modern Katowice metallurgical complex.

For the first time since the war, Poland was also developing her basic scientific and technical potential. The great losses inflicted during the war, estimated at 17 billion dollars at 1939 prices, included the destruction of all basic research facilities. Under the 1971-75 guidelines, therefore, Poland embarked on a massive R&D program, by 1973 having the greatest growth rates in R&D allocations in the world. Between 1971 and 1975, research outlays doubled.

An official government publication, in a 1973 article entitled "Poland's Technological Potential," reported: 'To emphasize the role of science in our daily life, the year 1973 has been proclaimed the Year of Polish Science; various projects are underway with a view to accelerate the rate of technological revolution...."

During this period, following the development of the laser pulse, a team of scientists led by Dr. Sylvester Kalinski reached the first stage of production of the thermonuclear micro-reactor, which in turn led to other breakthroughs in the field. The most spectacular was the 1975 Polish government announcement of a highly successful electron-beam fusion breakthrough. A fusion reaction was effected in deuterium gas using chemical explosives to supply energy required for heating and compressing the fuel.

Poland is one of the most important exporters of nuclear reactor engineering parts today, almost exclusively to Comecon countries. It was in 1972, also, that Gierek announced for the first time Poland's plan to emphasize nuclear energy.

Gierek's commitment to modernization was quite explicit. In April 1973, he announced that Poland would continue to increase imports of Western capital goods and technology "even at the risk of considerable widening of Poland's trade gap."

The results of that commitment are impressive. By 1973, the Polish machine-building industry's exports had expanded by 16.5 percent over 1971 levels, of which 85 percent went to other Comecon nations as part of their industrialization programs. Imported high-technology capital goods permitted this expansion and development of Poland's export capabilities. Their ability to meet foreign debt obligations correspondingly increased.

Statistics of 1975, still representing the investment policies before the 1973 oil hoax, clearly indicate that Gierek's policy was paying off across the board. Industrial employment rose by 44.3 percent over 1970. Real wages were up 40.9 percent for an average growth rate of 8 percent a year, a major change from the 1.9 percent average during the previous decade under Gomulka. The standard of living rose, as investments grew 147.3 percent in capital goods and 75.3 percent in consumer goods.

East bloc nuclear goals

Estimated percentage of electricity to be generated by nuclear power in 1990

Poland	**8.3***
Bulgaria	50
Czechoslovakia	42
E. Germany	33
Hungary	15
Romania	13

* Revised down from 21 percent

From 1971 through 1976, some 60 percent of Poland's industrial machinery was replaced. Concurrently, several thousand new plants were built, many of them on the basis of licenses bought in Western Europe and the United States. In general, under then-more-favorable credit terms of 5-8 or even 10 years (compared with today's 5 years or less), Poland bought over $2.5 billion worth of Western capital goods. Imports of machinery and capital equipment from the West doubled over those of the Gomulka years. As late as 1977, more than 50 percent of Poland's foreign trade was with Western nations like West Germany.

Today, because of British and IMF intervention on the credit markets frequented by Poland, Polish trade patterns have reversed, with 50-60 percent of all trade being conducted with the other Comecon nations.

If things were going so well during Gierek's first 5-year plan, how did Poland get into the present mess?

The oil hoax and the IMF

The overt problems began in 1976, with the food riots that almost toppled Gierek's rule representative of deeper problems. These actually started in the 1973 global oil hoax by British and American oil companies.

To continue the policy of capital formation and industrial expansion, Gierek made a fundamentally correct decision given the cheapness of crude oil prior to October 1973. Like the U.S. had done after World War II, Poland was to increase oil consumption (the U.S. before the war was heavily coal-based). The effect of the oil swindle hit Poland at first directly, with oil and related price increases. Then Poland began to suffer from the indirect price increases of imported capital goods.

In 1975, as the need for hard-currency allocations for such foreign imports increased, the Anglo-American banks struck Poland with a credit crunch. Higher interest rates and higher import prices caused Poland's indebtedness to grow. By the end of 1975, it had reached a level of $8-9 billion. With oil-hoax related food shortages and inflation, the "Bukharinites" within the Polish party began to surface with calls for "streamlining industrial growth," reallocating funds to consumer-goods industries, and "new economic maneuvers" in the form of de-capitalizing industry. Stress was on a drastic reduction of heavy-industrial investments, and more emphasis on short-term consumer demand. Priority was given almost exclusively to export-oriented industries.

Investment for the first eight months of 1978 shows telling signs: overall investment outlays went up by 4.4 percent, while in the corresponding period the year before, growth was still in the range of 13.5 percent.

After the cross-over period of 1975, with the shift in economic policy reflected in the second 5-year plan, the difficulties were more readily compounded by British and U.S. credit restrictions and simultaneous Carter administration steel-import quotas. Then, in mid-1977, the *New York Times* suddenly "discovered" Polish debt.

A major campaign was launched internationally to set down rules and conditions for credit to Poland in particular. Reversing the approach of the Nixon years, the campaign was aimed at discouraging any further U.S. or European credit for development-related capital goods imports.

In 1977, "concerned bankers" met under the auspices of the IMF-directed Bank for International Settlements in Basel, Switzerland. The little publicized meeting set up a special "information exchange system" whose chief purpose was to dissuade and discourage Western banks' lending operations in the Eastern European countries. British-dominated foreign banks and corporations began to reorganize their credit policies toward Poland.

As the 1977-79 period shows, Poland has not been getting the kind of capital goods and development credit that it received in the 1971-75 period.

At the same conference, strict rules and conditions were laid down for all East bloc countries, requiring them to pay higher service charges on loans. The interest rates that Poland was asked to pay, and now does pay, are the type of rates that "poor risk" Third World country like Egypt has to pay. These rates are exorbitant, unjustified and unprecedented. Apart from interest rates, Poland is no longer allowed debt-consolidation loans which would enable the country to convert current obligations into longer-term debt. As a direct result of such restrictions, most Polish exports, and most Polish imports, have come from the other nations of the Comecon sector only since 1977.

The nature of the credit restrictions amount to outright economic harassment. It now takes an increasingly longer time for Eastern European countries to negotiate their loans. The U.S. Export-Import Bank is requiring a 10 to 15 percent down payment on the sum applied for; loan applications are deliberately delayed, which tends to force nations like Poland to turn to higher interest, short-term financing to bridge the gap, or risk unaffordable delays in vital projects. This only adds to the burden of current debt-service charges.

Finally, Poland must submit "comprehensive information" to Western lenders, making sure that national economic policy decisions favor the hard-currency export-oriented sectors, as a condition for credit. In short, *Poland's current difficulties stem from the fact that the nation has been effectively placed under "IMF surveillance."*

In March 1977, Poland rejected a $50 million loan from a banking group led by Manufacturers Hanover Trust. The loan would have charged 1½ percent above the London interbank rate. But the same terms had to be accepted in March 1979, on a loan of $550 million for debt refinancing from Manufacturers Hanover and National Westminster. The 1.5 percent spread is now general policy toward Poland.

Poland's reported $15 billion foreign debt has become a problem only because of these and other IMF conditions, which amount to outright sabotage of Polish economic development. The sabotage points in one direction: The Anglo-American banking crowd does not want to lose Poland as a political wedge for destabilizing the East Bloc.

The "method" of policy changes

The low-growth austerity approach which has recently dominated Polish economic policymaking is the IMF's own program. One Bukharinite spokesman for the IMF program is Tadeuz Wrzasczykm, chairman of the State Planning Commission. Wrzasczykm described the new 5-year plan as intended to keep capital goods imports at a minimum, while boosting exports. He also announced that existing industrial associations operating under a liberalized state-enterprise system will be allowed to make "limited" modernization investments and imports. This will be permitted only if they have earned part of the necessary funds from exports, and the National Bank decides that the project is "cost effective" it must show a high rate of return within 18 months, and also serve to increase the supply of deficit

East bloc pays more for Eurocredits

Trends in spreads for syndicated Eurocredits arranged by Council of Mutual Economic Assistance (Comecon) borrowers (% over LIBOR*)

Country	1974	1975	1976	1977	Jan.-Feb. 1978
Poland	1 1 1/8	1 1/2	1 1/2	1 1/2 1 1/2	1 3/8
Bulgaria	5/8 3/4†	1 1/2	1 3/8	1 1 1/8	X†
Czechoslovakia	X	1 1/4	1 1/4	1 1/8	3/4
E. Germany	3/4	1 3/8	1 1/4	1 1 1/8	1
Hungary	3/4	1 3/8 1 1/2	1 1/8	1 1 1/8	X
Romania	X	X	X	1	7/8 1
U.S.S.R.	X	1 1/4	1 3/8 1 5/8	X	3/4
CMEA Banks	1	1 1/2 1 3/8	1 1/4	1	X
Prime Non-CMEA borrowers	1 1 1/8	1 1/2 1 3/8	7/8 1	5/8 3/4	5/8

* LIBOR = London Interbank Offering Rate on six-month Eurodollar deposits. Spreads listed refer to the last syndication publicly announced during the year indicated. Loan maturities are mostly "medium term," usually ranging from 5 to eight years.

† Indicates a split spread on a multi-year loan.

X = no publicly announced syndications during year indicated.

Source: Compiled from OECD *Financial Market Trends,* December 1977; announcements in *Euromoney* magazine and *Financial Times.*

consumer goods or ... reduce imports from the West! Only projects which can document a significant export-earning potential will be given preference in the allocation of domestic and hard-currency funds. The plan specifically forbids "overfulfillment of the plan in the specific product categories if such overfulfillment would lead to *using raw materials and supplies allocated for other purposes.*"

"Cost effectiveness" indicators for 1978 and 1979 show that the bulk of available resources will be shifted to ease food shortages. Funds available for imports from the West are now increasingly concentrated on the purchase of agricultural staples, not capital goods. Poland has already announced that it will have to import more grain this year, most of it from the United States.

The newly revised plan also calls for deemphasizing new equipment investment in favor of more spare-part production and use, expanded repair services, and expanded facilities for recycling raw materials, refurbishing machinery and retreading tires, etc.

The outcome of this approach, the exact opposite of Gierek's first 5-year plan, is the worst-ever economic performance that the Polish government has just reported.

Poland is being squeezed from outside. But Poland is also being sabotaged from within. Oligarchic circles in New York and London banking centers want Poland's development halted, and Bukharinite circles inside Poland with links to institutions controlled from London and New York have leaped to the fore to recommend policy "maneuvers" that accomplish what London and New York intend. Thus, Poland's economic future depends upon a certain internal house-cleaning, but also on political developments in the West.

—*Luba George*

Iran slides toward civil war

Iran's strongman Ayatollah Ruhollah Khomeini has launched a wave of political repression and terror in Iran which has set that troubled nation on a course toward civil war.

Since Khomeini came to power earlier this year, numerous prominent Anglo-American policymakers have predicted a superpower crisis emerging as the ultra-rightwing religious establishment, led by Khomeini, and the Iranian left became increasingly polarized. A cold warriors meeting in March at Averill Harriman's Arden House predicted just such a scenario for Iran. About the same time a top organizer from General Haig's presidential campaign, W. Scott Thompson of the Fletcher School of Law and Diplomacy at Tufts University, projected that Iran would become a center of conflict between the big powers which would create the crisis environment in the U.S. on which Haig could capitalize politically. Earlier this month, former Undersecretary of State George Ball, editorially predicted that the collapse of Iran would produce political crises throughout the Persian Gulf, and another general oil crisis.

Once Khomeini forces a civil war, well-placed Iranian sources indicate, the U.S. is prepared to occupy Iran's oilfields in the chaos; such a move, the source noted, throws into question how the Soviets—who share a 1,500 mile long border with Iran—would respond.

As well, the recent Khomeini provocations are coherent with the Bernard Lewis plan to balkanize the Middle East around religious minorities.

French journalist Serge Maffert writing in *Le Figaro*, August 20,, warned of the prospect of an international crisis over Iran, which Khomeini is inviting:

"A rapid disintegration of Iranian society has already begun. Groups and grouplets are being spawned. The provinces are being organized into closed political units. The minorities are thinking only of autonomy. Oil is at the mercy of the unions controlled by the communists. Iran is moving towards a grouping of fiefdoms. The Soviet Union and the U.S. cannot be disinterested in what happens in Iran. This country plays a major role in the equilibrium of the world because of its oil and geopolitical position. Since the beginning of the Iranian revolution, the U.S. has had no coherent policy for Iran, being content with observing the apparent extreme prudence of the Soviet Union.

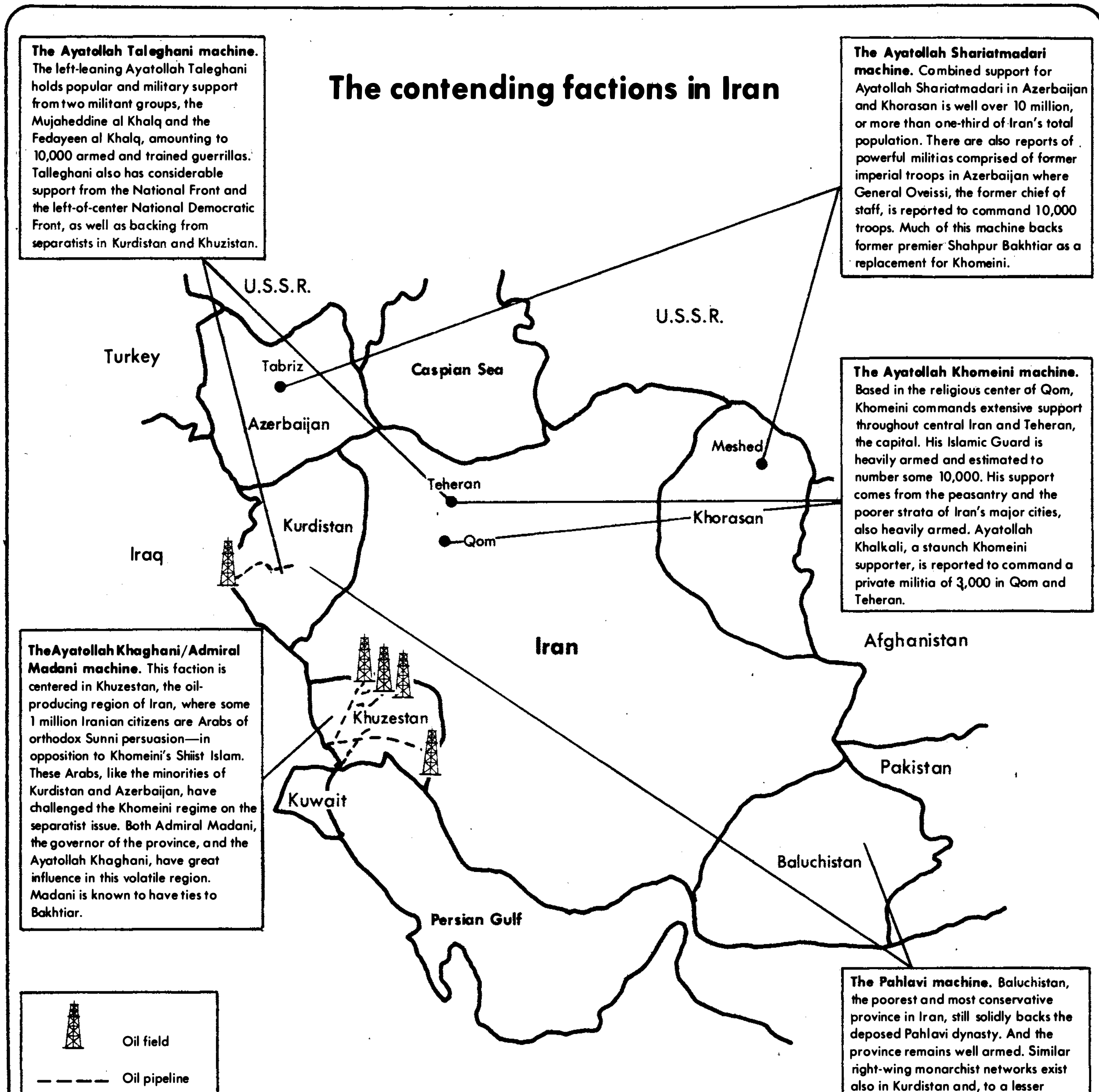
"But whether they like it or not the Americans and the Soviets will be fatally summoned to confront one another over Iran if chaos definitely triumphs in this unhappy country."

Maffert warned that while there is growing anti-Khomeini sentiment throughout Iran, the opposition to Khomeini's theocracy is fragmented, with no strong centralized leadership inside the country. To date the various opposition groups, most importantly the leadership of the National Front and the National Democratic Front—the two leading secular Republican Parties—have not formulated a program for the reconstruction of Iran. The Khomeini camp's adoption of anti-industrial zero-growth economic policy has left the once-developing economy in shambles, and throughout the opposition—from the right wing to the left—the issue of Iran's economic stagnation under Khomeini is a crucial unifying factor. But up to the present time, not even the most outspoken and most respected opposition leader, former Premier Shahpur Bakhtiar, has put forth a plan for reconstructing Iran's economy.

Countdown to conflict

On July 31, Bakhtiar, the man Khomeini forced out of power and into exile in France, gave a press conference to inaugurate a full-scale public campaign to overthrow Khomeini. Bakhtiar has broad backing from the large middle and upper class Iranian exiles as well as the remaining intelligentsia within Iran, but is not at this time in command of the mass forces necessary to oust the Khomeini machine.

A week after Bakhtiar's press conference, Khomeini held countrywide elections to form a constituent assembly (council of experts) to quickly ratify the constitution of the Islamic Republic. Knowing full well that the most reactionary of pro-Khomeini mullahs (priests) would be elected by fraud, a wide array of political groupings, even members of the secular wing of Khomeini's government (including Central Bank head Mowlavi and National Iranian Oil Company chief Nazih) led by Premier Mehdi Bazargan, as well as Iran's second most powerful religious leader Ayatollah



The contending factions in Iran

Shariatmadari, condemned the elections.

Following the fraudulent election of 72 pro-Khomeini mullahs, the Iranian press began to attack the aging Khomeini's dictatorial tactics more openly. At the same time Ayatollah Shariatmadari departed for Meshed in the eastern province of Khorasan to organize support away from Khomeini giving him the allegiance of well over one-third of the nation's population. Bakhtiar continued his public attacks on Khomeini's statecraft and inept economic policies, which have halted all economic activity (See *Executive Intelligence Review*, Vol.. VI, no. 32).

On Aug. 7, Khomeini suddenly took a drastic retaliatory move and announced the closing of the newspaper *Ayandegan* and the arrest of its editorial staff. *Ayandegan*, a daily widely read by anti-Khomeini elements, was the most outspoken critic of the Islamic Republic.

Georgetown professor backs Khomeini's Pol Pot economic plan

According to Thomas Ricks, a professor at Georgetown University in Washington, D.C., what is in store for Iran is the depopulation of Iran's cities and the forcing of Iran's Westernized urban population back to the land in Maoist-Cambodian style agricultural projects. For years Ricks has profiled, nurtured, and supported pro-Khomeini "Islamic" fanatics—such as Khomeini's foreign minister Ibrahim Yazdi. Ricks has coordinated his sordid activities with his colleagues at Georgetown, whose liberal "pro-Arab" Center for Contemporary Arab Studies is but a front operation for manipulating and subverting the Islamic world.

Earlier this month, Abdulhassan Banisadr was appointed Iran's Deputy Finance Minister by Khomeini. An outspoken proponent of genocidal zero-growth economics, Banisadr has publicly called for Iran's economy to be modeled after Pol Pot's Cambodia. When asked what he thought about Banisadr's endorsement of Camboida-style economics, Ricks stated the following:

"I like what Banisadr is pushing: ruralization by persuasion. A more appropriate phrase might be ruralization by voluntarism. Volunteering to go out into the countryside is popular among Iranian youth. They want to dedicate themselves to two or three years in the rural areas. So there's no need for government force, except in the case of professionals like doctors, who will have to be pressured into making the move. Cambodia's policy of dismantling cities is now being applied to Iran.

Iran needs labor-intensive cooperatives. Too much land is lying fallow. Only 11 percent of the land is being cultivated. . . . The investment patterns of Iran are being reversed. There is a decision to increase the rural force, to drop the urban population from its current 42 percent to 35 percent or so in the next years, by shifting more people to the countryside. The future for politics in Iran is in the rural areas. The radicalization of Iranian ideology will begin in this way."

The move by Khomeini predictably sparked a massive demonstration in Tehran on Aug. 11, of over 100,000 protesting the closure, organized by the influential National Democratic Front led by the grandson of revolutionary leader Mohammed Mossadegh, Hedayatollah Matin-Daftari, along with the leftist Fedayeen al-Khalq and Mujahedeen al Khalq and numerous other smaller political groupings.

Lighting the fuse

The demonstration was forcefully broken up by Khomeini's Islamic Guard using clubs and broken bottles, sending hundreds to the hospitals. The next day Khomeini's fanatical followers, primarily from the slums of south Tehran, began a systematic campaign of ransacking the offices of the various opposition parties, beating opposition figures.

The offices and the home of Matin-Daftari, a close ally of Bakhtiar, have been ransacked and a warrant issued for the arrest of the National Democratic Front leader. The offices of the Iranian Communist Party have been closed as well as those of former Khomeini supporters, the Mujahedeen and the Fedayeen al Khalq, who have broken allegiance to the Ayatollah and have gone underground.

Khomeini has since announced the closing of 22 more Iranian newspapers, plus a new and more stringent set of regulations for foreign press: expelling more foreign pressmen from the *Los Angeles Times*, the *New York Times*, the British Broadcasting Company, and the *Financial Times*. He has furthermore called for full disarmament of all civilians, a clear warning to the heavily armed Mujahedeen and Fedayeen guerrilla organizations whose base of operation is Tehran. At the same time, Khomeini has initiated a treacherous campaign against the leader of the Kurdish Democratic Party, Dr. Abdulrahman Qassemlou, and Kurdish religious leader Sheikh Ezzedin Hosseini. Khomeini referred to the powerful KDP as the "party of Satan."

A former Iranian diplomat has characterized Khomeini's provocations as "suicide . . . he is alienating the entire country by these tactics." He stated that Khomeini is trying to "smoke out" his opposition for a confrontation. In particular he noted that if Khomeini does not believe he can rebuild Iran's military then he must force a confrontation with the left, particularly the Mujahedeen and Fedayeen, two large and well armed guerrilla groups. Yussef Ibrahim in the *New York Times* of August 16 reports:

"The strength of the Fedayeen who saw portents of the clergy's assault against the left months ago, is believed to be 3,000 to 4,000 men under arms. According to Iranian sources, they maintain caches of weapons and ammunition that were replenished by raiding army bases. The Mujahedeen al Khalq has over 5,000 trained guerrillas. Both the Fedayeen and the Mujahedeen are well-organized politically and highly disciplined, having formed political cells in the oilfields of Khuzistan and among the factory workers. The Fedayeen have established friendly ties with the 3.5 million Kurds who have risen in revolt since February to demand autonomy."

The writer, Yussef Ibrahim, predicts that both the Fedayeen, the Mujahedeen, the Iranian Communist Party (Tudeh), the National Democratic Front, and the National Front are on a collision course with the Islamic clergy.

The 'blood judge'

Khomeini's blind determination to take on the forces now opposing his regime is reportedly the product of a recent coup inside his highly secretive Revolutionary Council of Mullahs. Iranian sources state that Khomeini has been won over by the rabid Ayatollah Khalkhali, the leader of the fanatical Fedayeen-i Islam, the most extreme wing of the fundamentalist Muslim Brotherhood movement in the Mideast. The *Christian Science Monitor*, Aug. 21, reports such a shift within the Khomeini inner elite:

". . . There is another body of influential opinion that suggests Ayatollah Khomeini was the victim of a massive misinformation campaign launched by religious extremists around him, with the complicity of a loyal cadre in the cabinet.

"One source with close links to the government said the extremists were trying to shake the government of Prime Minister Mehdi Bazargan until it fell and move in to take its place.

"The campaign, the source said, had been under way for as long as three months: 'I can only come to the conclusion that Khomeini is being relentlessly pushed by his advisors in Qom toward a change in government.' "

Informed sources reveal that Ayatollah Khalkhali is in fact not even an Ayatollah but an ultra-radical anarchist who donned the cover of Ayatollah to command a following. The *Christian Science Monitor* reported Aug. 22 that Khalkhali has become known in Iran as the "blood judge" because of overseeing over 200 executions by the Islamic Khomitehs since Khomeini's takeover. It is under Khalkhali's supervision that Khomeini has instigated a round of executions in Kurdistan which are expected to spark violent retaliation from Kurdish rebels. Khalkhali is known to have undergone extensive mental therapy prior to his religious "conversion" at Iran's Chehrazi Hospital and continues to be mentally unstable.

According to a source with close ties into the Khomeini camp, Khalkhali is only being used to create "conditions of chaos"—Khomeini's pretext for appointing a general to replace Premier Mehdi Bazargan. The source reveals that Khomeini wants General Rahimi, the former head of the Islamic regime's military police, to head his government. Rahimi, too, is known for his manic-depressive fits and is prone to heavy-handed tactics to suppress his opposition. A few weeks ago Rahimi attempted a power play against Chief of Staff General Farbod and Defense Minister Riahi, both of whom are reportedly becoming wary of Khomeini. Rahimi was subsequently dismissed, but has maintained a close relationship with Khomeini.

Dissent in the ranks

General Rahimi is generally distrusted and disliked by

The Pahlavi dynasty joins Dope, Inc.

The deposed ruler of Iran, Shah Mohammad Reza Pahlavi, has currently integrated his vast resources with those of the same international drug trafficking networks who were, ironically, responsible for his overthrow. Once laundered, the Shah's multibillion dollar capabilities will be deployable for a range of destabilization activities inside Iran and for other terrorist-connected dirty tricks.

Now exiled in Mexico, the Shah has been meeting regularly with, and receiving advice from, Henry Kissinger, the former U.S. Secretary of State whose geopolitical global strategies were directly responsible for the Shah's collapse. Kissinger's footsteps to the Shah have intermeshed with the unfortunate Richard Nixon, an earlier victim of Kissinger.

The Shah's director of security in Mexico is Robert Armao. Armao is a head of the New York-based Coalition for Casino Gambling, a known front for the organized crime and drug mobs. The Shah's lawyer is none other than Roy Cohn of McCarthy witchhunt fame, also the lawyer for the Galante and Gambino crime families and for the crime-connected *Our Town* newspaper, which is currently running an upfront assassination effort against U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

According to Mexican sources, the Shah has recently begun to work with the Italian aristocratic Pallavicini family, and is closely tied to the deposed Royal House of Italy, the House of Savoy. Among the Pallavicini's current activities are deployment of environmentalist and terrorist bands. One of their employees, sources report, is the Shah's bodyguard, Robert Armao.

the remaining military brass inside of Iran and would certainly be unable to rally the support of the fragmented and inactive 200,000 remaining troops of the imperial army.

Shortly after Bakhtiar's July 31 Paris press conference, two separate incidents took place in Iran indicating the anti-Khomeini sentiment within military circles. First, there was a revolt of army troops at an installation south of Teheran against the policies of the Ayatollah Khomeini and his executions of hundreds of military figures. Second, following a revolutionary committee execution of two military officers in Tabriz in the northern province of Azerbaijan, military figures called for a tribunal hearing against the head of Khomeini's revolutionary committee, promptly driving him out of the area. At the same time the military in Tabriz announced that their brothers in Kurdistan would not intervene to halt the revolt in Kurdistan.

According to one Iranian source:

"The military will not move on Khomeini's orders. Even when the Shah was in power they did not want to tangle with the Kurds, who are mountain fighters and armed to the teeth. Pilots flying bombing missions into Kurdistan are not dropping bombs on their assigned cities but on barren fields. Khomeini will never marshal mass forces into Kurdistan."

Iranian sources say that Khomeini's sudden proclamation that he is now fully in charge of Iran's armed forces is most likely to only further alienate his Islamic regime from the military. The *New York Times* reported Aug. 22 that the military is unhappy with Khomeini's provocations in Kurdistan and is reluctant to get involved. Most of the fighting in the region has been between Khomeini's revolutionary guard and Kurdish rebels.

Red carpet for showdown

Iran's chaos will quickly escalate into civil war unless the fragmented opposition in Iran can quickly come together and make a strong public showing against Khomeini. In particular this means that the second- and third-level Ayatollahs in the country must overcome considerable ideological differences and unite publicly around this task. Ayatollah Shariatmadari, an arch-conservative, is known to be supporting Bakhtiar, and has the strong backing of the Azerbaijanis as well as sections of Teheran and the Khorastan province. Ayatollah Taleghani, less powerful than Shariatmadari, is much more left leaning with strong support among the National Democratic Front, the Mujahedeen, and the Fedayeen, as well as the Iranian workers—notably in the oil-producing region.

The greatest problem facing the opposition is a serious vacuum of leadership. While Bakhtiar rallies considerable support, he is out of the country. Moreover, recently his reputation has been marred by reports of contact between Bakhtiar and the Pahlavi dynasty, particularly, the Shah's notorious and corrupt sister, Princess Ashraf, who moved to Paris shortly after Bakhtiar began his public bid for power in Iran. Informed sources indicate that Ashraf and the Shah's family have been "hanging onto Bakhtiar" hoping to use him to reinstall the monarchy through the Crown Prince.

Inside Iran, Matin-Daftari is the most well-respected opposition leader but he has now been forced underground by Khomeini's thugs. He is rumored to have fled Iran and to be in Rome.

If the opposition is not able to rapidly overcome internal differences and make a unified showing against Khomeini, civil war is unanimously predicted by both Iranian and American Iran watchers. Such a development is precisely what the geopoliticians in the U.S. National Security Council who brought Khomeini to Iran, the City of London, and Israeli intelligence are counting on.

In this situation, numerous British agents of influence maintain ongoing contact with the Shah, who still possesses hopes of restoring his Pahlavi dynasty to Iran.

—*Judith Wyer*

Soviet press issues first attack on Khomeini

Following the forceful closing of the Iranian Communist Party (Tudeh) offices and newspaper last week, the Soviet Party newspaper Pravda opened up its first strong attacks on the Khomeini regime. Pravda of Aug. 22 attacked the newspaper of Khomeini's Islamic Republican Party for inciting a Muslim insurrection against Moscow's ally, Afghanistani president Taraki.

In the same issue, Pravda writer M. Sidorov wrote that "The Iranian press is also full of other lies concerning the nationalities policy of the Communist Party of the Soviet Union within the U.S.S.R. itself." This Pravda attack addresses the open effort Khomeini is presently running throughout the Mideast region using various Muslim tribal groupings against both pro-Soviet governments such as Iraq and Syria, and the Soviet Union itself through various ethnic minorities living on the 1,500-mile border Iran shares with the U.S.S.R.

UAW, NCLC settle lawsuits

The United Autoworkers and the National Caucus of Labor Committees announced on August 16 the settlement of lawsuits pending since November 21, 1974. Since New Solidarity International Press Service, the publisher of Executive Intelligence Review, *was named as one of the defendants in this case, we present here the official announcement of the settlement released jointly by the UAW and the NCLC:*

The International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) and the National Caucus of Labor Committees, the U.S. Labor Party, Lyndon H. LaRouche, Jr., Jenny Leonardo, Nancy Spannaus, Allan Yue, Ken Mandel, Campaigner Publications, Inc., Tony Chaitkin, the National Unemployed and Welfare Rights Organization and The International Press Service have reached a settlement of their longstanding lawsuits. An action was commenced in 1974 by the UAW, who contested the use of the name "New Solidarity" for the newspaper of the National Caucus of Labor Committees. The United Auto Workers distributes to its members a publication entitled "Solidarity". The defendants counterclaimed for damages alleging certain civil rights violation and assaults that allegedly arose from the acrimonious relationship between the UAW and its members and the defendants and members of the defendant organizations.

The settlement provides that the UAW's claims and the defendants' counterclaims be dismissed. The settlement agreement also provides that the United Auto Workers will not contest the use of the name "New Solidarity" by the defendants if it is used under certain terms and conditions, namely the display in its newspaper of the word "New" of at least equal size as the word "Solidarity". The defendants agree that they would not challenge the United Auto Workers' rights in the name "Solidarity."

Both the plaintiff and the defendants call upon their respective members and associates to restrict their conduct within the bounds of free speech permitted by the First Amendment and condemn any use of physical threats or acts against the other by their members.

The settlement of the lawsuit does not eliminate or ignore the deep political and ideological differences which exist between the plaintiff, UAW and the defendants, the National Caucus of Labor Committees, The U.S. Labor Party, Lyndon H. LaRouche, Jr., Jenny Leonardo, Nancy Spannaus, Allan Yue, Ken Mandel, Campaigner Publications, Inc., Tony Chaitkin, The National Unemployed and Welfare Rights Organization and The International Press Service. While recognizing these differences, the UAW will not characterize the defendants, their officers (or programs) as Nazis, communists, terrorists, brainwashers, or anti-Semites. Similarly, defendants will not use vulgar or grossly exaggerated characterizations of the UAW, its officials, or programs, or characterize the UAW in ways that imply that it is anything other than a U.S.-Canadian labor organization.

Japan bungles Mexico oil bid

The failure of last week's visit of Japanese Foreign Minister Sunao Sonoda and Minister of International Trade and Industry Masumi Esaki to Mexico in pursuit of guaranteed supplies of oil for Japan has further underlined the continuing problems between the two nations.

The Japanese got far less than they were hoping for. Mexico agreed to supply Japan with only 100,000 barrels per day of oil in 1980. Informed sources report that Mexico refused to make a commitment to increase oil supplies over that amount after 1980.

This was the result of a series of bitter negotiations between MITI chief Esaki and Petroleos Mexicanos (Pemex) director Jorge Diaz Serrano. At one point the talks almost collapsed after Serrano proposed to supply Japan with only 50,000 barrels per day. Japan had hoped to receive between 200,000 and 400,000 bpd from Mexico.

The main cause of the stalled relations between the two nations centers around the Mexican distrust of Japan's commitment both to support Mexican President Jose Lopez Portillo's world energy development proposal and Mexico's effort to become an advanced industrial nation. This attitude has led more than one Mexican official to complain about Japan's still "feudalistic" view of the world.

In the talks, the Mexicans presented Tokyo with a broad vision of what they want Mexico to become. Mexican government policy was spelled out by Industrial Minister Jose Andres de Oteyza, who told Esaki that Mexico wanted Japan to help out in steel, oil, port development, railroads and industrial investments.

The full sweep of Mexico's aims, however, were made most clear by President Lopez Portillo himself. Lopez Portillo told Esaki that Mexico is considering the potentials of a joint industrial development effort between Japan, Brazil, and Mexico.

Despite Mexico's promotion of its policy the Japanese are reportedly still maintaining a cynical attitude toward the Mexican approach, viewing Mexico's development as a series of "deals" Japan would have to make to "buy off" Mexico and receive large amounts of oil.

Moreover, Tokyo is extremely hesitant to become heavily involved in Mexico's industrial development efforts, for fear of alienating the United States, which has warned Japan to stay out of "U.S. territory."

For example, in the talks with Oteyza, Esaki went out of his way to give Japanese support to two major Mexican projects to develop industrial cities around new port complexes in Mexico. Mexico intends to build them in Las Truchas and Salina Cruz. Yet, according to one New York business source, the Japanese companies involved with such projects are dragging their feet because they don't see the projects' "commercial and economic feasibility." Even more outrageous, the Japanese and Mexican had a long argument over how Mexico should use $500 million that Japan intends to pay in advance for Mexican oil. The Japanese were insisting that the money be used solely to finance Mexico's oil industry.

Wishful thinking

The Japanese are pointing to the fact that Japan did get an agreement with Mexico for 100,000 bpd in 1980 as "proof" that despite Diaz Serrano's tough talk, the Lopez Portillo government was simply, in the words of one Japanese observer, "staging a drama."

That Japan could think Mexico is "bluffing" is quite amazing.

During the next few weeks, beginning Sept. 1 with his State of the Union address, and continuing into his Sept. 27 presentation to the United Nations of his proposal for a global approach to solving energy problems, Lopez Portillo is planning a major offensive in support of his world development policy, with the message to Japan that Tokyo either organize support for the Lopez Portillo energy policy or "go elsewhere for oil."

The Japanese, under Prime Minister Masayoshi Ohira, are showing little sign thus far of waking up. One of the most shocking indications of this is the fact that the largest Japanese business federation, Keidanren (whose chairman, Toshio Doko, is virtually supervising the Japan-Mexico relations from the Japanese side) has hired former CIA director William Colby to advise them on political developments in North America. Colby is one of the most hated American officials in Mexico for his long-standing view that Mexico, in Colby's words, "is a greater security threat to the U.S. than the Soviet Union."

Overall, the Japanese should have learned from their trip to Mexico that Mexcio's oil is not simply "up for sale." The real price for Mexican oil is Japan's commitment to the future of Mexico's industrial revolution.

— *Kevin Coogan and Tim Rush*

U.S. environmentalists linked to Italy's Red Brigades

Ongoing investigations into the U.S. environmentalist movement have linked it to the kidnapping of Italian banker and Vatican investment counselor Michele Sindona. The evidence so far connects the public defenders of Italy's Red Brigade terrorists, the "Committee Against Repression In Italy" with a new theoretical document espousing the cause of bringing environmental terrorism to the United States. The intended vehicle for this is the "Coalition for Direct Action At Seabrook," a recent splitoff from the Clam Shell Alliance and the sponsor for the upcoming Oct. 6 demonstration at the Seabrook nuclear power facility.

In a recently published pamphlet circulating at movement bookstores in the U.S., called *Midnight Notes,* is a call for the antinuclear movement to give up its soft stand on violence and imitate the actions of the anarchists (Autonomi) of Europe, who have carried out numbers of bombings at nuclear plants and construction sites and violent confrontations which have left police and demonstrators dead on more than one occasion. Although the authors of this document claim to be members of the "Midnight Notes Collective," they are in fact, the "Committee Against Repression In Italy (CARI).

Fact: The address listed as the headquarters of *Midnight Notes*—491 Pacific Ave., Brooklyn, N.Y.—is the residence of CARI head Sylvia Federici and the headquarters of CARI. **Fact:** George Caffentzis, an author for *Midnight Notes,* is also active in CARI. He is, along with others in CARI, an editor of the magazine *Zero Work,* identified by Italian police authorities as the journal-organization that maintained contact with recently arrested Red Brigade controller Antonio Negri, a fact not denied by *Zero Work.*

Zero Work was a splitoff from *Telos Magazine,* in which Tony Negri and others developed the "theoretical" ideas to which the Red Brigades and their Autonomi supporters subscribe. The concept of zero work is the specific artificial belief structure used by Negri and his associates in brainwashing members of the Red Brigades: the ultimate "revolutionary" moment at which all work for capitalists is stopped. This notion is taken up by *Midnight Notes* to justify the need to stop nuclear power and other advanced technologies.

Midnight Notes refers to a bombing of a nuclear power station by the E.T.A., a Basque terrorist group. Two construction workers were murdered. *Midnight Notes* claims the bombing "did *not* impede the antinuclear movement but widened its impact...The movement, far from loosing support after the bombing turned the incident against the plant and continued to sponsor mass demonstrations."

Italians round up terrorists, left and right

Back in Italy, police officials continue to round up terrorists involved in bombings and kidnappings, left and right.

Neonazi mass murderer Franco Freda, who styles himself "the leader of the Aryan aristocracy," was apprehended in Costa Rica on Aug. 23 by the Italian Secret Service in cooperation with local authorities. Freda and his fellow terrorist Giovanni Ventura were condemned in absentia to life imprisonment by an Italian court earlier this year, for the 1969 bombing of Piazza Fontana in Rome, which killed 16 passers-by.

Extradition is also being sought by Italy for Franco Piperno, the leader of the leftist "autonomi" in southern Italy, who was arrested last week in Paris. Piperno is wanted in connection with the kidnapping and murder of former Italian Prime Minister Aldo Moro in 1978, as well as the murder of his five-man escort. A Piperno defense committee composed of French "new philosophers" and assorted leftist intellectuals has been formed to prevent Piperno's extradition, charging that the Italian government is "repressive" in its fight against terrorism.

Giacomo Mancini, Piperno's protector and highly-placed in the Italian Socialist Party, has reacted in panic to the arrest of his protégé. On more than one occasion since the warrant for Piperno was issued, Mancini has defended him and accused the authorities of being crazy or fascists. Now Mancini is demanding to know from the Italian government whether the documentation they sent to Paris as part of the extradition request, includes information on Piperno's activities at Mancini's terrorist kindergarten, Cosenza University.

—*I. Levit and M. Sonnenblick*

WORLD TRADE REVIEW

New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Thailand from Japan	C. Itoh and Co. will build the world's largest floating power plant.	$750 mn.	Japan's Overseas Economic Cooperation Fund	Contract award
USSR/Iran	USSR to expand Isfahan steel works in Iran in exchange for natural gas.	$373 mn.	NAv	I
Iran from Japan	Mitsubishi will superintend construction of housing, schools, and commercial buildings in Baghdad area.	$369 mn.	Downpayment of 15% by Iraqi government	Order received
Pakistan from Saudi Arabia	Loan to Pakistan for 5 projects: a thermal power station, a dam construction, a fertilizer factory, port construction, purchase of diesel locomotives for Pakistan.	$200 mn.	Saudi Arabian Fund for Development	Loan awarded
U.K. from U.S.	British Caledonia Airways purchases a fourth DC-10 Series 30 jet	NAv	$38 mn National Westminister Eurodollar loan	Plane delivered
Kuwait from Sweden	L.M. Ericsson Telephone Co. will build a computer-controlled telephone exchange extension for Kuwait's Ministry of Communications.	$15 mn.	NAv	Contract received
Morocco from France	Philippe Giscard d'Estaing, deputy director of Thomson-CSF signs accord with Mahjoubi Aherdan, State Minister in charge of Telecommunications, for creation of joint company for production and distribution of telephone equipment. Factory to be operational first quarter of 1980 and employ 100 workers.	NAv	NAv	I

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

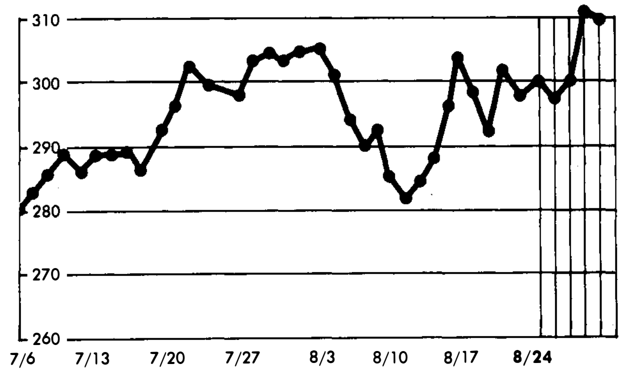
Status:
I = deal signed
II = in negotiation
III = preliminary talks

[THIS PAGE IS INTENTIONALLY BLANK]

Gold

London afternoon fixing

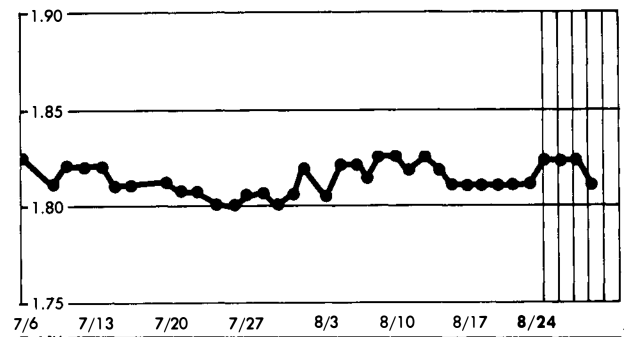
August 17	300.55
20	298.75
21	300.50
22	311.00
23	310.05



The dollar in deutschemarks

New York late afternoon

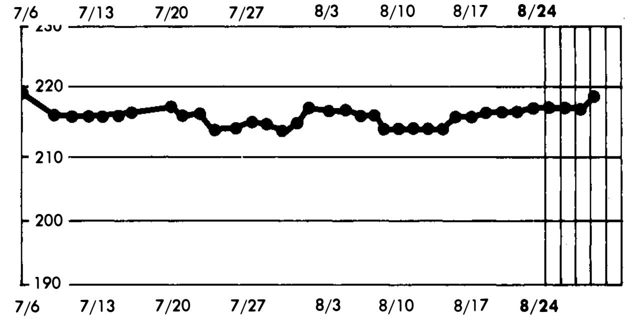
August 16	1.8270
17	1.8330
20	1.8320
21	1.8320
22	1.8290



The dollar in yen

New York late afternoon

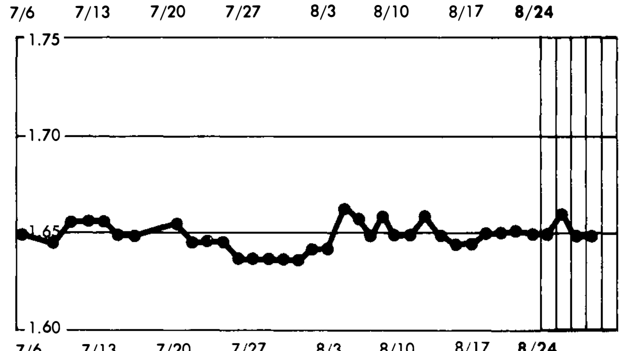
August 16	217.30
17	217.00
20	217.33
21	217.70
22	219.10



The dollar in Swiss francs

New York late afternoon

August 16	1.6540
17	1.6510
20	1.6600
21	1.6590
22	1.6550



The British pound in dollars

New York late afternoon

August 16	2.2243
17	2.2160
20	2.2145
21	2.2190
22	2.2335