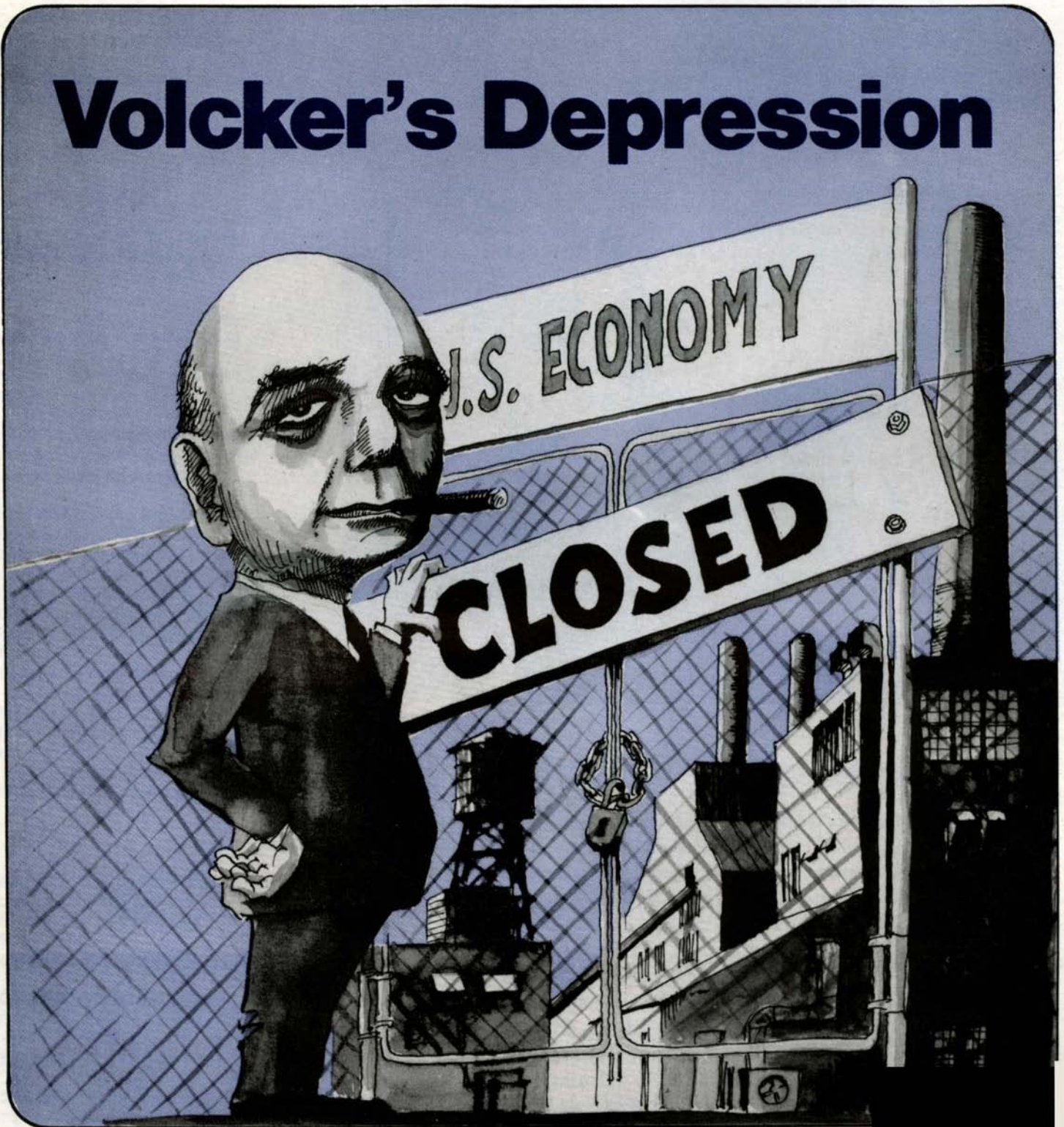


# EXECUTIVE INTELLIGENCE REVIEW

October 23-29, 1979

## Volcker's Depression



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# EXECUTIVE INTELLIGENCE REVIEW

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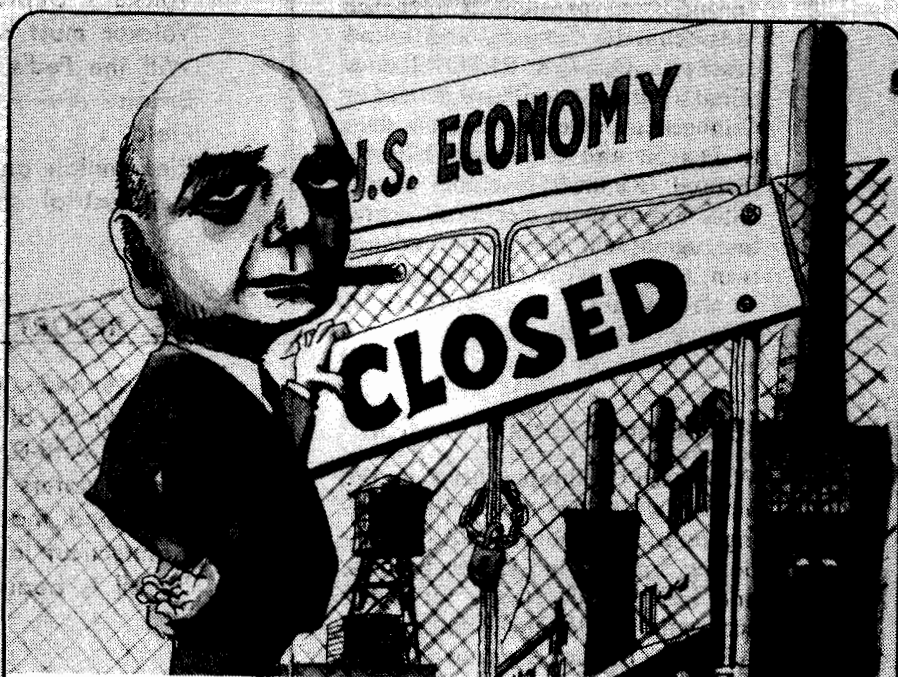
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Credit: Chris Curtis for cover art

## Volcker's Depression

Paul Volcker is sitting back in his chair at the Federal Reserve, and watching his policies of sky-high interest rates cause a U.S. crash. Is Volcker really in control? Do bankers understand what will happen? Does the rest of the world realize what a U.S. depression will mean for them? Our ECONOMICS cover-story answers the leading questions about "Volcker's depression." Included: a call for the Federal Reserve chairman's resignation by Democratic presidential candidate Lyndon LaRouche; and a computer run-through of the effects of Volcker-rates of interest on U.S. industrial output—using the Riemannian econometric model developed by economist LaRouche.

**Page 7.**

## IN THIS ISSUE

### **Kennedy landslide ... all downhill**

For weeks, the national media have been billing Ted Kennedy's undeclared presidential candidacy as a sure-winner. But our investigators scoured the country for the reported "groundswell of support" for the Massachusetts Senator, and found otherwise. Our U.S. REPORT does tell of a "groundswell"—it started in Connecticut, spread to Boston, then to Detroit and Cleveland. Heavily favored Kennedy-machine candidates have run in elections ... and lost, again, and again. The evidence is in, and it's "A Kennedy landslide ... all downhill." **Page 18.**

### **Ethiopia builds a nation**

Why hasn't Ethiopia been in the news lately? It has solved destabilizing political problems with neighboring Somalia and Eritrean rebels, and has now charted a far-seeing economic development course. Our AFRICA Report is proud to carry an extensive, exclusive interview with Ethiopian Foreign Minister Fелеke on the nation-building effort now underway in the Horn of Africa. Also: "Carrington blows up Rhodesia talks"—what's next for southern Africa? **Page 41.**

# EXECUTIVE INTELLIGENCE REVIEW

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## THIS WEEK

A no-win foreign policy ..... 5

## ECONOMICS

Volcker's Depression ..... 7  
Volcker must be impeached ..... 8  
Will the Fed's Volcker pull the trigger? ..... 10  
Britain ..... 12  
Gold ..... 12  
Riemannian analysis predicts  
industrial shutdown ..... 14

## U.S. REPORT

The Kennedy landslide ...  
downhill all the way ..... 18  
Detroit Anti-Drug fighter beats UAW ..... 20  
Boston voters turn away 'liberal' mob ..... 21  
Cleveland machine can't get out votes ..... 22  
Connecticut launches anti-Kennedy backlash ..... 25  
'Small is beautiful' unpopular in Wisconsin ..... 27

**INTERNATIONAL**

---

Castro's challenge for development ..... 30  
*Cuba's President speaks for the  
Nonaligned at the United Nations*  
The framework for global development ..... 31  
Two proponents of a new economic order ..... 34

**AFRICA**

---

Ethiopia builds a nation ..... 41  
*An exclusive interview with Foreign Affairs  
Minister Feleke Gedle-Giogis*  
Carrington blows up Rhodesia talks ..... 46

**COLUMNS**

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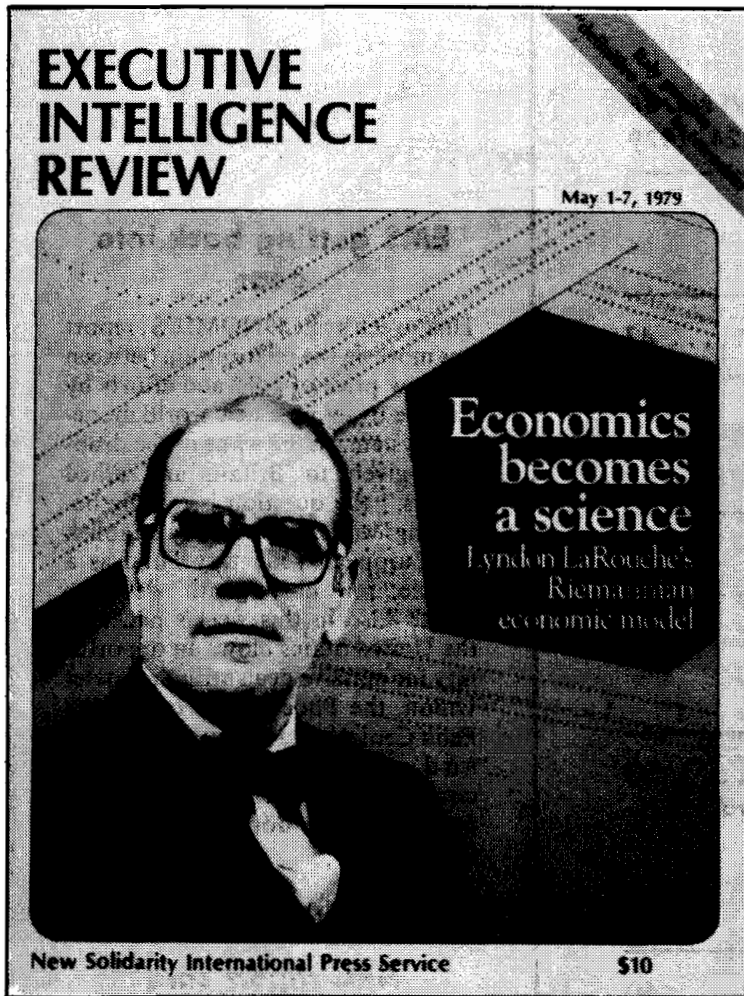
Congressional Calendar ..... 28  
World Trade Review ..... 48

**Castro's challenge for  
development**

Socialist revolutionary Fidel Castro brought a world development program to the United Nations this past week that could solve all the economic problems of the capitalist system! Castro officially spoke on behalf of the entire Movement of the Nonaligned Nations, challenging the West to joint prosperity. Why are Carter administration and Council on Foreign Relations spokesmen so upset? Our INTERNATIONAL REPORT carries the major portion of Fidel's landmark speech, and the reactions it has received from throughout the world. Included: excerpts from World Bank president Robert McNamara's speech in Belgrade to the International Monetary Fund; Fidel had some frank remarks to make about McNamara. **Page 30.**

**Making the news media  
report the news**

COMING: Is there any way to make national news media accountable to the public? Representative Zeller of Pennsylvania is trying, by a "foot in the door" approach requiring political reporters to clear themselves of financial conflicts-of-interest that avoids the "first amendment" problem but begins to make the press tell it like it is, rather than like they want it to be. Next week, we discuss the issue, and feature an interview with Rep. Zeller, who tells who he's fighting, and why.



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# A no-win foreign policy

One might conclude from the past week's initiatives taken by Foggy Bottom and the National Security Council, that the Washington administration was determined to show the world it cannot learn from past mistakes.

Take Western Europe, for example. A year ago, as *Executive Intelligence Review* documented in a cover story on "Why Helmut Schmidt wants to save the dollar," the Bonn government blasted U.S. National Security Adviser Zbigniew Brzezinski for his "insulting" statement that the Federal Republic of Germany was "finlandizing itself" by seeking peaceful economic cooperation with Moscow. This October, Brzezinski, thwarted in his efforts to push a NATO arms buildup down the throat of Chancellor Schmidt's government, lobbied with a state-level leader of the opposition Christian Democratic Union to create domestic political pressure on Schmidt to change his policy.

As a result, the Bonn cabinet took an official policy decision not to regard Zbig as a spokesman for the U.S. government. Chancellor Schmidt reiterated his commitment to negotiating with the Soviet Union to attempt to prevent any need for the arms "modernization" Washington and its erstwhile mouthpiece, Henry A. Kissinger, are so earnestly pushing.

Then there is Latin America, and the developing sector in general. It is a widely reported truism that U.S. influence in the so-called Third World has been taking a severe beating lately.

A few months ago, the U.S. State Department took an unexpected slap in the face from the normally docile Organization of American States when Secretary of State Cyrus Vance

demanding OAS rubberstamping for an intervention force to protect the hated Somoza dictatorship in Nicaragua from its own population. Moderate governments in the OAS simply did not swallow the State Department line that the Nicaraguan revolution was the product of a Cuban-instigated "red menace." In fact, as *Executive Intelligence Review* detailed in a cover story last June, Nicaragua's new leaders simply wanted to industrialize their country and educate their population on the model of the Mexican revolution—in turn inspired, ironically enough, by the American Revolution.

Now the Carter administration has made public that its policy in the Caribbean will follow Presidential Directive 52, geared to "discredit" and "isolate" Cuba internationally, step up "military exercises" in the Caribbean, and cut off aid to poor countries that accept Cuban assistance. The object of this policy shift is purportedly to block the spread of Cuban influence internationally. Is this likely to work any better than the above cited blunders? Cuban prestige in the Third World is at an all-time high.

The Western Europeans know this. They view current Washington policies as doomed to antagonize the countries below the Tropic of Cancer, shift the policy in Moscow away from president Brezhnev's commitment to detente with the West, and poise the world on the brink of thermonuclear holocaust.

Chancellor Helmut Schmidt in a radio interview broadcast in West Germany on Oct. 14 challenged the United States to fulfill what he termed a "continuity of policy in America," citing past initiatives by Presidents Nixon, Ford and Carter to realize detente and reject the strategy represented by Brzezinski and gunboat diplomacy. Among other things, Schmidt stressed: "The chief impression I have is that Brezhnev, with great persistence and energy, is concerned to assure that his life's work, his life's work of the Western policy of the Soviet Union, the Soviet detente policy, is not placed in question."

The answer to that question lies with the Western capitals. Bonn wants to know: is there anybody sane listening in Washington?

—Nora Hamerman

## The Week in Brief

**The West German government is so outraged at the unheard-of pressures U.S. National Security Adviser Zbigniew Brzezinski has exerted on Bonn to accept his military policies, that it has made it known that Brzezinski's views are not considered representative of the official position of the United States government.**

Brzezinski has been trying to force West Germany to accept new

medium-range missiles on its soil and to increase its military expenditures, as part of a NATO "modernization" program.

Bypassing normal diplomatic channels, the NSC adviser met last week with Ernst Albrecht, a leading member of the Christian Democratic Union (CDU), the chief opposition party to Schmidt's governing coalition. Albrecht agreed to lobby in

Bonn for the new missiles and for an increase in defense spending.

"This modus operandi should not happen again," said an official spokesman for Chancellor Helmut Schmidt. Albrecht lacks the detailed knowledge to discuss this matter competently and should keep his hands off the whole affair, the spokesman warned.

\* \* \*

The Iraqi oil minister has called upon the industrialized countries to support a new world economic order and, in particular, the Iraqi proposal for a huge development fund for the Third World in the range of \$35-\$50 billion. "The proposal to set up this fund, which has been widely acknowledged by Nonaligned and OPEC countries," he said at the OPEC Energy Symposium in Vienna, "will afford the developing countries the opportunity to direct a good proportion of their economic resources toward development and uplift the standard of living of the peoples at relatively high rates."

The Iraqi minister made his proposal in the aftermath of Fidel Castro's historic address to the United Nations where he called for a new world economic order and a Third World development fund (see INTERNATIONAL).

According to the *Baghdad Observer*, Castro recently sent a message to Iraqi President Saddam Hussein about "the moves to implement the Havana (Nonaligned) summit decisions." Elaborating on the summit's calls for expanded credit and some debt cancellation, the paper reports: "One argument used by delegates from the developing countries is based on an estimate that excess production capacity in the industrialized world is at least \$200 billion. This is the capacity which existing industry would be capable of meeting if there were the demand for it. The developing countries argued that if between \$35 and \$50 billion was poured into the Third World as extra aid, then the resulting econom-

ic activity ... would create demand for goods from the industrialized countries which would help use this excess capacity."

\* \* \*

Lyndon H. LaRouche, Jr., an independent candidate for the Democratic Party presidential nomination, has announced that he intends to cosponsor a nationwide speaking tour for Mr. Nahum Goldman to make available to the internationally prominent Zionist leader a public forum to present his proposals for the solution of the Middle East crisis.

"While I do not always agree with Mr. Goldman's views on many matters," Mr. LaRouche explained on Oct. 16, "I consider his contribution vital in upgrading the level of debate on which our Middle East policy in particular ought to be discussed. Mr. Nahum Goldman's views, if presented to the American public, would contribute significantly in getting a real discussion on the Middle East going in this country.

"I also wish to invite my Republican counterpart former Governor John Connally of Texas, as well as Senator Jesse Helms, to join me in cosponsoring a nationwide speaking tour for the respected Zionist leader," Mr. LaRouche concluded.

\* \* \*

It's an open secret that the Oct. 14 coup in El Salvador is the first application by the U.S. State Department of Presidential Directive 52. The memorandum directs the U.S. government to "discredit and isolate" Cuba internationally, to step up "military exercises" in the Caribbean and to link Soviet military support for Cuba to the SALT accord approval.

Wrote the *Baltimore Sun*, the White House could not say "it didn't know about" the coup carried out by "conservative Christian Democrats" in order to "restore order."

The *Christian Science Monitor* called the coup "almost

predictable." The BBC simply said the U.S. did it.

\* \* \*

China's Premier Hua Kuo-feng is getting a cool reception in Europe. His speeches on the need to "postpone" world war are meeting with irritation from French and West German government officials who view the passage of the SALT II accord by the U.S. Senate as absolutely critical to East-West detente.

West Germany has categorically refused Chinese requests for arms and France has made it clear that no offensive weapons will make their way from France to China. Only Great Britain is expected to reconfirm its commitment to sell Harrier fighter jets to China.

\* \* \*

One thing is sure about the widely touted preprimary showdown between Jimmy Carter and unannounced candidate Edward Kennedy in Florida on Oct. 16: Democratic party regulars are responding to neither candidate.

Despite the expenditure of hundreds of thousands of dollars by both Carter and Kennedy forces to get voters to the county caucuses, the vote turned out to be little more than a media popularity contest. The county caucuses chose delegates to the Nov. 18 state convention which chooses a candidate slate for the March 11 state primary.

Both candidates expected 15,000 voters to turn out, yet only 5,800 attended—a particularly poor showing for Kennedy which fits a pattern of recent electoral set backs suffered by the Kennedy Democratic machine in Michigan, Ohio, Massachusetts and Connecticut (see U.S. REPORT).

Said one Miami Democrat: "People down here are ready for a fresh face, one willing to pose actual answers to burning problems such as inflation. Neither Kennedy nor Carter have done this so far. This is a joke."





# Volcker's Depression

American markets settled back this week to a slow decline after last week's dramatic collapse in the wake of Federal Reserve Chairman Paul Volcker's announcement of a new era of U.S. monetary stringency. The reason for the markets' quiet is uncertainty about what steps Volcker will take next. "Volcker must be very pleased by this," commented a partner of one of New York's big investment houses. For the moment—and we stress "moment"—Volcker has succeeded in pulling off

## INTERNATIONAL CREDIT

the one kind of maneuver at which he is really proficient. Without actually doing anything at all, the Fed Chairman has virtually all market participants off balance, waiting for his next move. Judging from the reaction at the Deutsche Bundesbank, West Germany's central monetary authority, the Fed chairman has nudged that institution into major policy blunders.

Volcker's advantage lasts precisely up until the point that he is compelled to take action that will definitely commit the Fed to a certain policy direction. The stock, bond, and mortgage markets gave ample evidence this week that the economy cannot sustain even a credit squeeze of a far milder sort than Volcker proposed without hitting a major collapse. Volcker does not yet know whether he can deal with the political consequences here and abroad.

According to the best informed analysts, Volcker's next move will not be a simple monetarist approach to reducing monetary aggregates, but a type of credit dictatorship.

As columnist Joseph Kraft put it in his Oct. 14

Sunday column, Volcker is now the de facto President of the United States, and the Federal Reserve is the only institution through which policy is actually being conducted. A better way to put it might be that the Fed is the only institution preserving the illusion of having policy under control.

Among the commercial banks, the buzzword is "non-price rationing." In other words, consumer credit, loans to small businesses, mortgage lending, loans to finance corporate tender offers, and a few other categories of loans will be sharply reduced. Credit lines to major corporate customers will remain intact; indeed, among the major corporate borrowers, enough credit lines are probably in place to keep funds flowing for some months. Similarly, the banks have locked in sufficient funds on the long end of the Certificates of Deposit market to maintain this type of lending without having to pay the additional 8 percent to the Fed for "excess managed liabilities."

The Fed, however, has already alerted commercial bank officers that "voluntary credit controls" are in effect to make sure that the above takes place. For the banks, this is both good news and bad news. It will badly hit banks who have expanded loans to lower-tier businesses. However, it will overcome some of the initial reservations which the large American-domiciled international banks expressed over the Volcker package. The Fed, in particular, has warned foreign banks that they will not be permitted to take advantage of the restrictions now imposed on American banks. It was earlier feared by big American banks that the application of the 8 percent special reserve requirement on repatriation of Eurodollar from foreign branches would give an unfair advantage to foreign banks (who book head-

office loans to subsidiaries of American corporations abroad).

All this is the least of the problem.

### The real target

Most financial commentaries have ignored the most essential element of the Volcker credit-squeeze package: it is aimed not only at the American banking system but at Western Europe. According to well-informed senior American banking sources, the primary motive behind Volcker's decision is to abort the European initiative towards a new monetary system generating giant new long-term dollar credit for industrialization and energy investment in the so-called Third World. This initiative has received a considerable boost at the Belgrade meeting of the International Monetary Fund earlier this month. The foreign press, including *Le Monde*, *Le Figaro*, the London *Guardian*, and the London *Financial Times*, has referred to Volcker's policy as raising the "danger of interest rate warfare." It is more complex than that.

Banking and congressional sources predict that in

addition to the voluntary credit controls already seeping into effect, Volcker will impose capital flows controls of the type used by the Johnson administration to little effect. Volcker's controls will reportedly be much stricter, pushing Eurodollar credit into a much tighter position than American credit. This, from Volcker's vantage point, could abort the Europeans' expanded lending plans before they took institutional form.

"The Eurodollar market is a two-bit affair compared to the American credit market," reasoned one New York investment banker. "If there are higher interest rates in the United States, they will be paid by Americans to Americans, and just recirculated within the same system. The foreign banks are much more vulnerable. They have been booking short-term dollar liabilities to fund dollar losses. The German banks are holding their reserves in dollars."

West German Bundesbank officials are also predicting some form of attrition in the American balance-of-payments deficit. Bundesbank directorate member Gletzke made a prediction of a reduced current account deficit for the United States and hence tighter Euro-

## Volcker must be impeached

*In a statement released Oct. 16 from his Manchester, N.H. campaign headquarters, Democratic presidential candidate Lyndon LaRouche demanded the ouster of Paul Volcker from office. We quote his statement here in full:*

I herewith submit a demand for the prompt impeachment of recently appointed Federal Reserve Chairman Paul Volcker.

Yesterday, appearing before a committee of the United States Senate, Volcker either lied or manifested gross incompetence in the course of a reply to Senator Paul Sarbanes, Democrat of Maryland. He stated falsely, in his response, that the Federal Reserve System could not channel the flow of constricted liquidity in such a way as to ensure adequate credit for maintaining the operating capital of business employers.

In fact, the Federal Reserve System has the capability, with the consent of the Executive Branch and Congress, to conduct precisely the sort of anti-depression measures which Senator Sarbanes proposed.

Mr. Volcker either knows this, in which case he committed perjury in sworn testimony before the Senate, or he does not know this, in which case he

is impeachable for incompetence.

There exist other, more profound reasons for demanding Volcker's immediate resignation or impeachment.

In earlier public statements, Mr. Volcker has stated himself to be a supporter of a doctrine of "controlled disintegration" for both the United States and the world economy. Now, under the semantic pretext of "anti-inflation" "fiscal austerity," Volcker has abused his powers as Federal Reserve Chairman to implement measures which constitute an efficient effort to plunge the U.S. economy into misery, chaos and confusion of the sort ultimately worse than the conditions experienced during the Great Depression of the 1930s. In light of the evidence of a conscious intent behind Mr. Volcker's attempts to ruin the U.S. economy, his conduct in office must be regarded as no better than treasonous in character, if not formally treason by the strict language of the U.S. Constitution.

As one of the world's leading economists, I have caused my staff to conduct a computer-based analysis of the near-term consequences of Volcker's measures. Those results, coinciding with the estimates of other analysts reporting independently, indicate that the measures already enacted by Volcker will cause a 15

currency market liquidity in a speech reported in the West German daily *Handelsblatt* Oct. 16.

The last time a Eurodollar crunch occurred, it followed the breakup of the Herstatt Bank in West Germany in July 1974. There has never been a significant reduction of Eurodollar market liquidity since that time, and it is a matter of some dispute whether Volcker will succeed in this. "There will be no shortage of liquidity on the Eurodollar market, as long as no controls are imposed," said the chief of the Luxembourg branch of one of West Germany's large banks. "There will still be deposits coming in from OPEC and the usual depositors."

Indeed, the projected \$40 billion-plus per year OPEC surplus is the largest single element in international transactions at the moment. Where it is deposited is a much bigger question than how much money Volcker's mooted controls could draw out of the Eurodollar market.

America's payments for imported oil will be \$90 billion this year. If those funds are deposited in the Eurodollar market, no controls will be meaningful.

Volcker is gambling to draw OPEC funds into American money markets, particularly into financing a Treasury deficit which may be expected to balloon when the recession hits.

An additional problem is the credit policy of the Bundesbank, which has made domestic credit availability tighter than a drum for the last several weeks. Short-term interest rates are now pushing 8½ percent, a real interest rate of 3½ percent (compared with a real interest rate of 1½ percent in the United States after the prime rate rose to 14.5 percent). Conditions in the bond market have varied according to the volume of capital inflows purchasing deutschmark-denominated bonds. Since the Volcker measure the deutschmark market has gone sour, and today Westdeutsche Landesbank withdrew from the market a DM 100 million-mark issue for the Finnish government.

"Emminger is not really going to pull off a credit crunch, unlike Volcker. His aim is different," another German banker said. "He wants to limit international lending by forcing us to accept controls. If you want to say that Emminger has declared war on the interna-

percent recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974.

The computer-based analysis has been conducted for two cases. In the first case, the computer run assumed no increase in the average price of energy materials. The computer run showed the 15 percent decline in the U.S. economy over the months immediately ahead. The second case took into account the estimated 15 percent further increase in the price of world-market petroleum expected to occur at the end of this year. That case would bring us close to a depression. If loose money measures were used by the Carter administration beginning next Spring, because of election-year considerations, the near-depression might be postponed, but at the price of pushing present 20 percent inflation rates up toward triple-digit inflation rates around the close of 1980.

Furthermore, the argument that Volcker's "fiscal austerity" will hinder inflation is a hoax. Although there might be some temporary leveling off of inflation-rates during the weeks just ahead, by about January 1980, Volcker's measures would begin to send inflation-rates spiraling upward again. This new spurt of inflation would be caused by the effort to offset higher borrowing costs for operating capital plus efforts to bring total income-volumes of firms back above break-even levels under conditions of a substantially shrunken market.

There are two immediate measures which would ameliorate the present crisis. First, the U.S. gold reserves must be valued at an adjusted current world market value, a value to be negotiated with both the European Monetary System member-nations and the OPEC "petrodollar" holders. This would stabilize the value of the dollar and take the worst pressures off dollar liquidity. Second, the Federal Reserve must immediately implement the kind of selective credit-flow controls which Senator Sarbanes proposed. This would not solve our nation's problems, but would give us breathing-room for developing a comprehensive, long-term set of monetary and investment-incentive measures.

A depression is not necessary. Any official who adopts a policy of "controlled disintegration" of the United States economy is engaged in a treasonous undermining of our nation's overall security at this juncture.

It is time to cease playing political theater with the election campaign. It is time for the citizens to cease treating politics as a matter of attaching oneself to popular political actors in an electoral beauty-pageant, and to pay attention to the fundamental interests of our nation, especially to those vital interests which determine the condition of individual life and the kind of world and nation we work to leave to our posterity. It is time to force the impeachment of treasonous influences such as Paul Volcker.

tional lending policies of the *Grossbanken*, I would have to go along with that. But he will not succeed.”

This casual attitude does not so much reflect lack of concern in the German banking community over the possible consequences of Volcker's actions, as it does ignorance of what Volcker will do next. There are European contingency plans in the hopper. These include the issuance of gold-pegged credit instruments at low interest rates, in combination with central bank action to stabilize the gold market. The plans are not much talked about.

The real danger is the situation of the Third World. According to one New York bank economist, the current \$1 billion syndication for the Brazilian government is a test case that might lead to great difficulties for the Third World's biggest debtors in obtaining additional funds. Brazil paid out \$5.4 billion in debt service during the first half of 1979, or 84 percent of its export revenues during the same period—an astonishing sum. The additional interest charges on LDC debts this year might boost their current account deficits considerably, translating into brutal standard of living cuts in many cases. Commercial bank economists are busy devising their estimates of the 1980 current account deficit from \$50 billion to between \$60 and \$70 billion. These interest charges will have to be paid out at the end of the first quarter of 1980, when, according to Banque Bruxelles-Lambert economist Gérard Vila, great difficulties might be encountered in papering over the deficits.

If Volcker holds off, the continued growth in short-term credit will wreck the Fed's bogus credibility as the last functioning institution and throw the U.S. political game open. If Volcker grits his teeth and plunges forward, he will have entered a political universe in which the meticulous monetary approach of the Bundesbank and the cautious lending operations of the Western European banks will no longer apply—and gold-activation contingency plans will have to be put into effect.

—David Goldman

## Will the Fed's Volcker

As the stock and bond markets quietly ratcheted downward this week, *EIR* did some arithmetic on Federal Reserve Chairman Paul Volcker's intent, as reported by his close associates to go for a 5 percent ceiling on credit expansion for the remainder of the year.

For the past two quarters, the rate of short-term credit expansion was 12 percent, the inflation rate was 12 percent, and net growth in output was zero. In the short-term category, commercial and industrial loans

### DOMESTIC CREDIT

rose at a 37 percent annual rate while consumer and mortgage rates tapered off considerably. Credit expansion went chiefly for inventory building, takeover finance, and activation of preexisting credit lines usually for relending on the commercial paper market in the form of suppliers' credits.

The difference between the credit expansion rate and the inflation rate can be called the economy's operating deficit with respect to itself. Now, Salomon Brothers' Henry Kaufman has convincingly shown that the rate of short-term credit growth tends to parallel the growth rate of nominal GNP (itself now equal to the official 12 percent inflation rate). This implies that any reduction in short-term credit growth must come directly out of output. A 15 percent cut from the 20 percent expansion rate to reach Volcker's reported target would mean a 15 percent drop in output, and more, since inflation has accelerated even before the latest round of oil price increases. These results parallel the computer-based estimates cited in Lyndon LaRouche's statement below.

Economists differ fiercely as to whether Volcker will go through with this slash. An Oct. 15 survey in the *Wall Street Journal* cites Data Resources analysts as predicting that he will. “A total interruption of the flow of funds to the private sector” will result, they said. Note Volcker's emphasis in comments to the Senate Banking Committee the same day on reducing living standards, and his insistence that the Fed cannot discriminate between speculative and non-speculative credit. As noted in *International Credit*, “rationer” Volcker does know how to discriminate against small business, homebuilding, and so forth—but not against speculation.

# pull the trigger?

## "No objective criteria"

*From the question and answer period of Senate Banking Committee hearings Oct. 15 with Federal Reserve Chairman Paul Volcker:*

**Adlai Stevenson:** *It has been suggested that your recent actions were necessitated by development in West Germany, pressure from West Germany. There are hundreds of billions of dollars of Eurocurrencies sloshing about the world. Isn't there a danger that other nations will seek to support their own currencies by raising interest rates? Then the end result will be the same in terms of the relative valuation of currencies, but the result will be less long-term productive investment in the world, thus exacerbating the more long-term structural problems of inflation. Is there a danger of an interest war internationally?*

**Volcker:** The U.S. actions cannot be traced to West Germany. We do not think there is a danger of an interest rate war. To the extent the West Germans have raised interest rates in the past, it has been in response to justifiable domestic factors.

**Stevenson:** *The real question though is how are we going to deal with high producer costs, the collapse in productivity without long-term investment. How are we going to have long term investment with interest rates where they are?*

**Volcker:** As a practical matter, we don't have that choice.

**Robert Morgan:** *I am not sure where we are going. Although I agree that you probably had no choice, what are you going to do about the fact that some sectors are going to be hurt more than others and I am particularly thinking about housing here.*

**Volcker:** We have to keep a longer-term perspective here. ... While there will be pain in the short run, it will be good for the country in the long run.

**Morgan:** *But there has been a boom and bust cycle in the housing industry for years now. The industry is drying up. There is no money available. There has been a decline in S&L deposits in my state of \$32 million. What about the housing industry?*

**Volcker:** The housing industry has survived this past recession better than any previous one.

**Morgan:** *How significant are cost-of-living increases in contributing to inflation? Doesn't it have a ratchet effect?*

**Volcker:** I am inclined to agree. When productivity drops, as it has, there is an overall drop in the standard of living. When some are protected through cost-of-living clauses, it pushes more of the burden off onto others and others are hurt more. When the economy as a whole has to accept a decline in the standard of living, and a certain category has a clause which says "I refuse to accept a decline in the standard of living," then it is going to hurt others.

**Paul Sarbanes:** *Are you seriously proposing eliminating cost-of-living increases for social security recipients?*

**Volcker:** I am not talking about complete elimination. But if productivity does not increase, then the question will have to be faced of a partial elimination.

**Sarbanes:** *I am getting calls from small businessmen in my state who are telling me that they now simply cannot get credit. In your recent speech in New Orleans you told a bankers convention to avoid lending for speculation and to support their customers requirements and draw the line at excesses. How do we know that small businessmen, who are engaged in productive activity, will not be squeezed out by currency or commodity speculators who are willing to pay a higher price for money?*

**Volcker:** We can only remind the bankers to use their best efforts. The Fed has no regulations by which to make those kind of distinctions in an official regulatory kind of way.

**Sarbanes:** *Would the Fed be prepared to at least survey the lending practices of banks and highlight speculative lending, hold it up to the public scrutiny, so as to give some assurances to productively engaged businesses that these abuses will be curtailed?*

**Volcker:** We really have no objective criteria by which to judge the situations and that limits our ability to engage in that kind of practice.

**Sarbanes:** *But the response welling up from the productive sector may be a growing agitation for credit allocation. I don't advocate that, but that is what may happen.*

**Volcker:** Credit allocation would cause more distortions in the market than good.

**Donald Stewart:** *There is legislation introduced in the Senate to provide a tax cut for capital improvement, for the kind of productive long-term investment which has been discussed here.*

*Do you support that legislation?*

**Volcker:** I support it in principle, but it is wrong at this time.

## BRITAIN

### United States goes monetarist, too

Although British Prime Minister Margaret Thatcher has not publicly congratulated Federal Reserve chairman Volcker on his latest batch of monetary measures, the comments of her Chancellor of the Exchequer Geoffrey Howe to the Tory Party conference last weekend make clear that the Volcker moves are right in line with Tory economic philosophy. Howe told the conference: "You cannot have sound money unless you keep your money under proper

control. So we shall have to set limits [for the rate of growth of the money supply] ... and we shall observe and enforce those limits with firm and unshakable resolve."

Howe also pledged that there would be absolutely no "U-turn" in the government's economic policy, though critics have predicted that the "shock treatment" of tightening credit, raising interest rates and cutting off subsidies to industry could plunge the country into an irreversible economic decline. "Growing impoverishment and unemployment in years to come" will result from the current financial squeeze, according to a recent Bank of England report,

which concluded that there can be no turning back now.

"Corset controls," reserve requirements and high interest rates are one side of the "deindustrialization" policy pursued by successive British governments, whether Tory or Labour. It is much more difficult to terminally wreck the U.S. economy than it was the British, but the London press seems pleased that Volcker has begun to try.

—Marla Minnicino

### Press praises U.S. 'turning point' Daily Telegraph editorial, Oct. 9, "Now It's Up to Mr. Carter":

Only time will show whether the decisions taken by the United States' Central Bank over the weekend will succeed at last in stemming the flight from the dollar. Since the prime cause of anxiety about the dollar was the quickening pace of American inflation; and since this inflation has been fueled by the excessive availability of credit, Mr. Volcker's state-

## GOLD

### When in doubt—bluff

On Oct. 16, the U.S. Treasury announced that it would no longer offer for sale 750,000 ounces of gold at regular monthly auctions, but would sell "arbitrary amounts at arbitrary times." The Treasury's statement was interpreted in two different ways by market analysts.

One group, including Washington consultant Thomas Wolfe, characterized the move as a "graceful retreat" by the Treasury. Wolfe predicted that the Treasury would "sell less gold, less frequently." According to Wolfe, who headed up Treasury

gold operations under President Ford, the monthly auctions not only failed to demonetize gold but allowed European and OPEC official and quasi-official agencies to increase their own gold holdings.

Other analysts say the Treasury may be preparing to increase its sales with an eye to driving down the gold price, possibly in coordination with other major central banks. Swiss central bank chief Fritz Leutwiler's unpublicized Oct. 12 meeting with Federal Reserve officials in Washington does give some support to this second theory. Leutwiler was recently quoted by several European news-

papers as favoring a coordinated program of central bank gold sales.

In this writer's view, the Leutwiler plan has fallen through and the Treasury is merely stalling for time. U.S. antigold strategists know that to sell more gold now would merely play into the hands of European and Arab governments, who are planning to give gold a prominent role in a reorganized world monetary system.

At the Oct. 16 Treasury auction, Dresdner Bank, which is reputed to be buying on behalf of Arab or European quasi-official agencies, once again received the bulk of the gold offered—503,100 ounces out of a total 750,000. The average price paid for gold at this auction was a record \$391.98.

Leutwiler's plan for coordinated sales was first aired in behind-the-scenes discussions at the Internation-

ment goes to the root of the trouble. If doubts remain—and they do—it is because credit restraint is bound to involve higher interest rates, and would be greatly helped by a reduction in the deficit spending of the Federal Government....

Unless it is clear that the Central Bank will enjoy the backing of the Administration—in deeds as well as words—scepticism is likely to persist. ... Mr. Carter's prospects of reelection may not be bright. But unless he and his circle of advisors are now prepared to back up the action taken by the Federal Reserve with supporting action on public spending, those prospects will peter out.

**Financial Times editorial, Oct. 8, "The Fed Faces the Issues":**

There can be little question of the boldness of the new measures introduced by the Federal Reserve Board to tackle the domestic causes of the dollar crisis; they add up, indeed, to a considerable revolution in U.S. monetary policy.

... the Americans seem willing to learn something from British experience. One of the major difficulties facing the U.S. authorities in the last two years has been the growing ingenuity of the U.S. banks in finding new ways to finance credit expansion outside the officially defined money supply—notably through the explosive repurchase agreements under which the banks effectively pawn the securities they hold as reserves with their corporate customers.

The Fed has decided to tackle all these so-called "managed liabilities," by a method which seems to be modelled on the British "corset" controls....

**Financial Times editorial, Oct. 13, "The World Goes Monetarist":**

The announcement made in Washington last weekend could, if monetarists' beliefs are justified, prove the turning point in the post-OPEC era; for monetary control is now to be tried seriously for the first time as a general approach to combating in-

flation. This may seem an odd statement, since we in Britain have seen policy and market dominated by monetary targets, apart from one brief lapse, since 1976, and our European partners have much longer histories of firm monetary policy.

The fact is, however, that monetary policy has always been in danger of erosion as long as the growth of the world's most widely held currency, the dollar, was effectively out of control. ... The radical reform introduced by Mr. Paul Volcker could end this disorderly period.

**Sunday Telegraph editorial, Oct. 14, "Just beyond the Wall St. gloom—a turning point?"**

Far from being another October 1929, last week, while tough for industry and bearish for Wall Street, could eventually be seen as a major turning point. That will still depend on how well Volcker and the Fed can keep Carter on course. And the President after him as well.

al Monetary Fund (IMF) conference earlier this month. French Economic Minister René Monory then warned that "France has no intention whatsoever of selling gold to dampen the price." Subsequently, the Oct. 11 *Lettre de l'Expansion* leaked word that France has its own gold plan which French Prime Minister Raymond Barre has discussed with West German Chancellor Helmut Schmidt, involving "an efficient, though discreet, kind of coordination of central bank policies on that matter."

In other words, the French government is proposing that the central banks establish a new official gold price. Leutwiler, on the other hand, is merely attempting to place a ceiling on the gold price while perhaps encouraging the United States to sell more gold as a dollar-support, balance-of-payments-propping meas-

ure. Significantly, sources at the Swiss National Bank report that Leutwiler never even consulted the French about his plan but spoke only with the Bundesbank and the Fed.

Leutwiler's approach to gold was echoed by the *Journal of Commerce* in an Oct. 12 editorial entitled "Weapon in Reserve." While ducking the question of gold remonetization ("We do not necessarily agree that the world should return to a gold standard..."), the *Journal* suggested that expanded gold sales might be used to reduce the U.S. money supply by taking dollars out of circulation.

Still another variation of the Leutwiler theme was sounded by Charles Stahl, publisher of *Green's Commodity Market Comments*. Stahl circulated at the IMF meeting a plan to establish a central bank gold pool but with a permissible trading range

of \$200. Stahl reports that his plan was favored by the Swiss, Dutch, Italians, and Japanese; the French opposed it and the West Germans were noncommittal. Shortly before the assassination of Dresdner Bank chairman Juergen Ponto in August 1977, Stahl labeled Ponto in his newsletter as the "gold-standard fuehrer," a play on words which can either be translated as "gold standard-bearer" or "Hitler of the gold standard."

The French proposal for a restoration of the gold pool will not work in and by itself. Just as the last gold pool was swamped by speculation in March 1968, and then dismantled through U.S. and British duplicity, this new version could also be vulnerable—depending on the outcome of the credit-policy fight covered in our lead story.

—Alice Roth

# Riemannian analysis predicts

Presidential candidate LaRouche's economics advisors have prepared an analysis of the impact of the Federal Reserve's credit austerity policy on the United States economy, using a computer-based economic model. The accompanying graphs, generated by the computer, project a major economic depression, in the range of a 15 percent shortfall in output of tangible product from the American economy by the end of 1981.

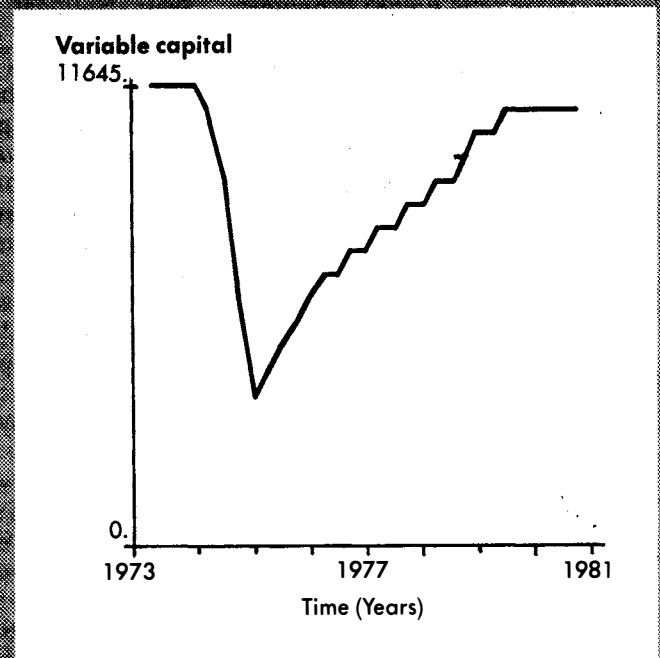
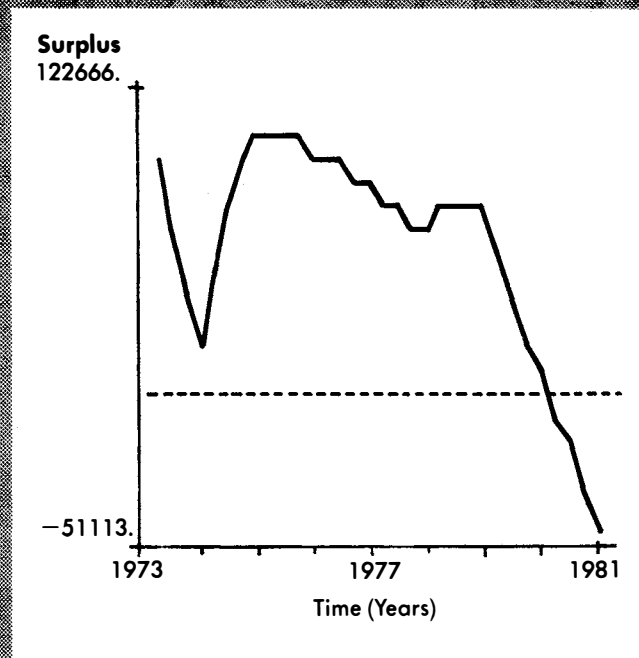
The Riemannian economic model employed is a highly innovative advance over conventional, and largely discredited, methods of computer-based economic forecasting of the type of the model employed by the Wharton School and various private consulting firms. Rather than seeking to correlate various, usually arbitrarily related elements of the Gross National Product, the Riemannian model measures the tangible, goods-producing side of the economy. The model has been featured in *The Executive Intelligence Review*, a leading

business information service, and other publications.

The accompanying computer-generated graphs show the consequences of two economic scenarios. The first four graphs analyze the impact of the credit squeeze on basic measures of the economy's productive capacity; the second four graphs measure the effect of a credit squeeze in addition to a rise in the price of oil to \$30 per barrel (for imported oil) by Jan., 1980.

Because the assumptions employed in these projections are related to political decisions forthcoming from the Federal Reserve or other branches of government, the quantitative results are less important than the qualitative results. Whether or not the rate of attrition of productive activity in the U.S. economy is the 5 percent forecast for 1981 under the credit austerity scenario—Federal Reserve decisions could make it more or less than that—the basic conclusions of the computer analysis remain valid.

## U.S. economy: Effects of credit policy only





# industrial shutdown

1) The trough of the forecast depression is much lower than that of the 1973-1974 recession, a conclusion clear from the computer graphs showing rate of surplus production between 1973 and 1981.

2) The rate of decline of productive activity will be considerably faster than the 1973-1974 recession—which represents the second-fastest decline on record, second only to the 1921 recession.

3) At least through the end of 1981, there is no reason to expect that the economy will enter into a recovery, according to the computer analysis. The economy is much weaker than it was in 1974, the last time the Federal Reserve put the brakes on credit creation.

The graphs for each scenario measure the following:

1) *Surplus*, or the total volume of tangible goods production (measured in current-dollar industrial sales plus or minus inventory changes) available for investment the following year.

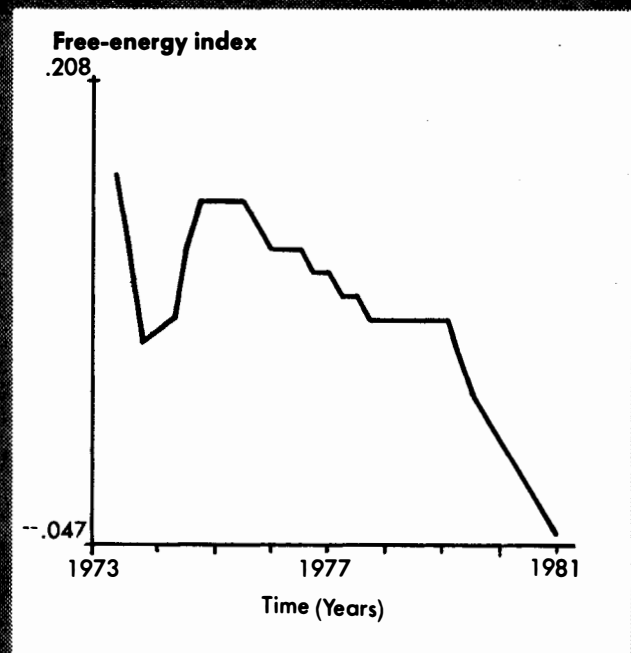
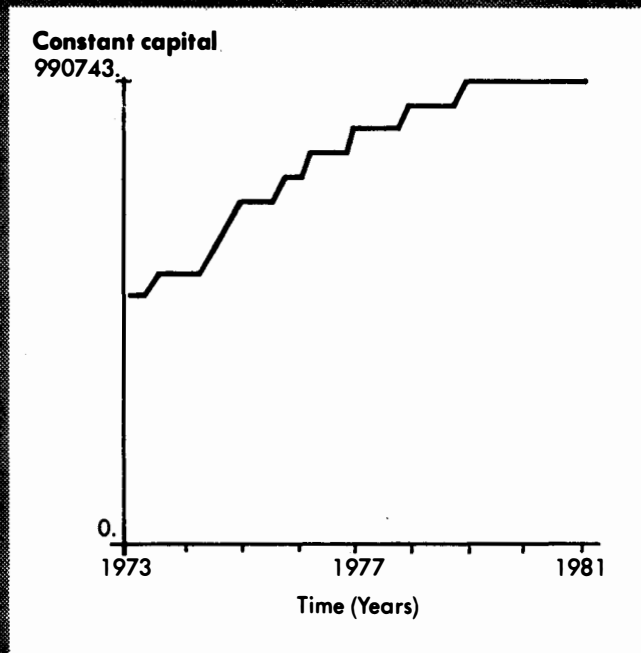
2) *Variable capital* (factor cost), or the total volume of tangible production required to employ goods-producing workforce;

3) *Constant capital* (user cost), or the total cost of maintaining productive facilities plus the cost of raw materials (unadjusted for depreciation, which would considerably lower these estimates).

4) A "free energy" index, also a measure of the economy's capacity to grow in the future. This index is the division of (1) by (2)+(3), or surplus/(variable plus constant capital).

## Productivity drops

In both four-graph series, the last graph in the series, the free-energy index, shows a steady decline from the 1975 "recovery." In economic terms, this means a shift



in employment away from goods-producing to non-goods-producing activity, or an addition to the overhead cost of running the economy at the expense of its base of tangible-goods production. The employment shift over recent decades, from productive to "service" operatives, will accelerate but include "unemployed."

It also reflects a stagnating and falling rate of productivity. The Riemannian model measures productivity in global rather than local terms, i.e., instead of using the output per manhour measure, the model calculates the amount of new production of consumer goods required to generate an additional amount of surplus. In these terms, productivity has actually fallen since 1976, due to the relative increase in overhead costs.

Analytically, the sharp falloff in the free-energy index even prior to the most recent credit austerity measures shows why the economy is so much more susceptible to breakdown than in 1974-1975. The variable capital and constant capital graphs stabilize; however, since the data are current-dollar, not constant-

dollar figures, the indication is that the falloff in real terms will be roughly equivalent to the rate of inflation.

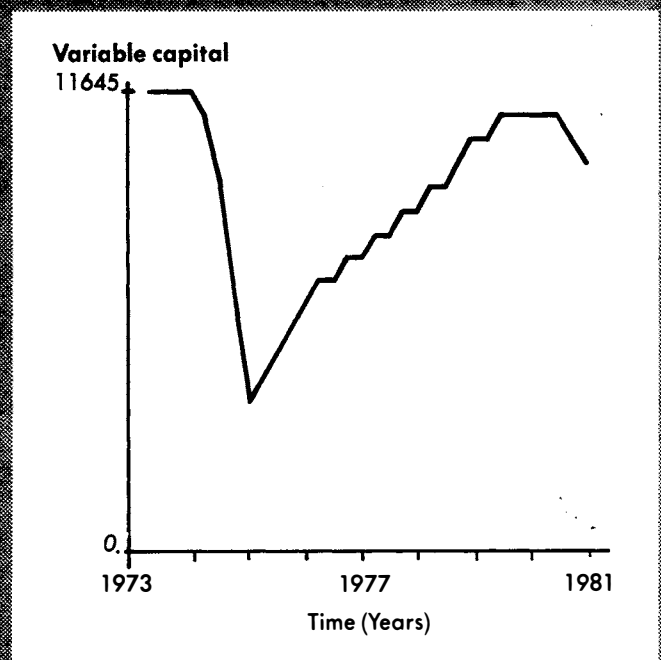
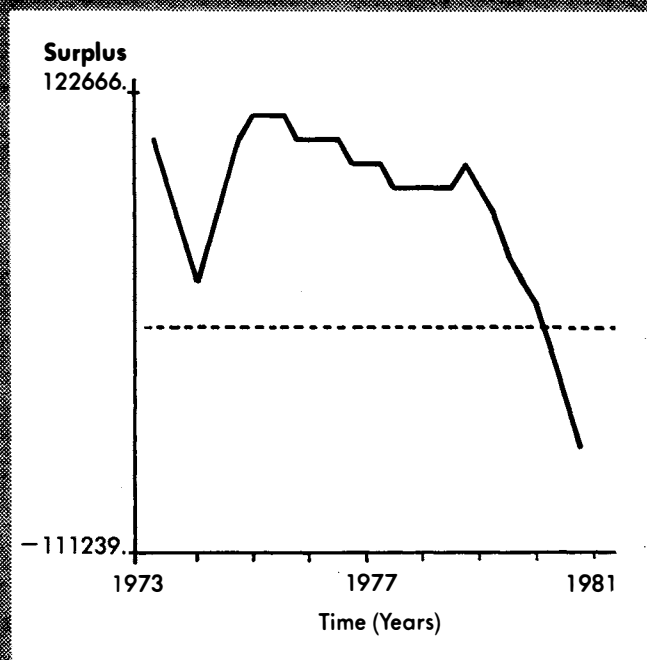
### Assumptions

The assumptions used to program the model are as follows.

It is assumed that a reduction in the supply of credit (or a rise in interest rates) will directly impinge on the reinvestment of surplus into new production of tangible goods. The reasoning is based on an analysis of production and credit trends. The growth of short-term credit historically corresponds directly to the growth rate of nominal Gross National Product, i.e., the rate of growth of Gross National Product before adjustment for inflation. This statistical relationship follows common sense.

However, during the last two quarters of 1979, the rate of growth of short-term credit was approximately 20 percent. This extremely high rate of growth was far in excess of the rate of growth of nominal Gross

## U.S. economy: Effects of credit policy plus \$30 per barrel oil price



National Product—a sharp divergence from the historical trend. The precise numbers for the second and third quarter GNP are not yet published, but they may be calculated from the rate of growth of real output (zero) plus the rate of inflation (12 percent). In other words, short-term credit had a rate of growth about 8 percent higher than the rate of growth of nominal GNP.

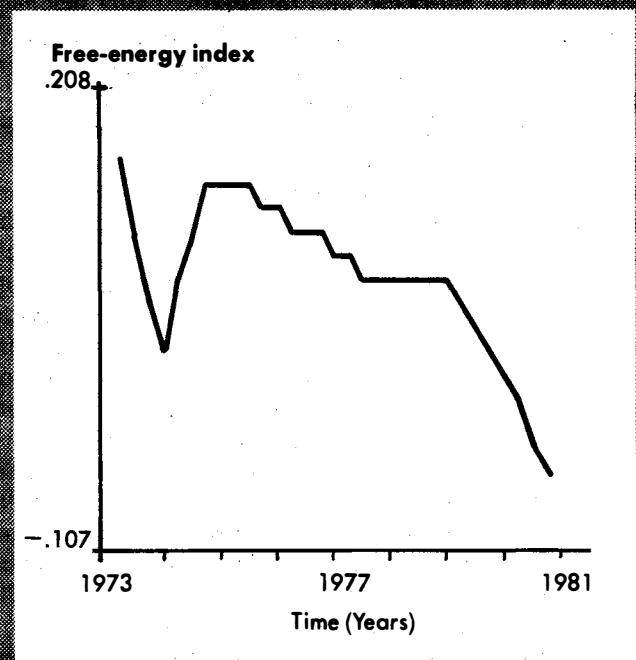
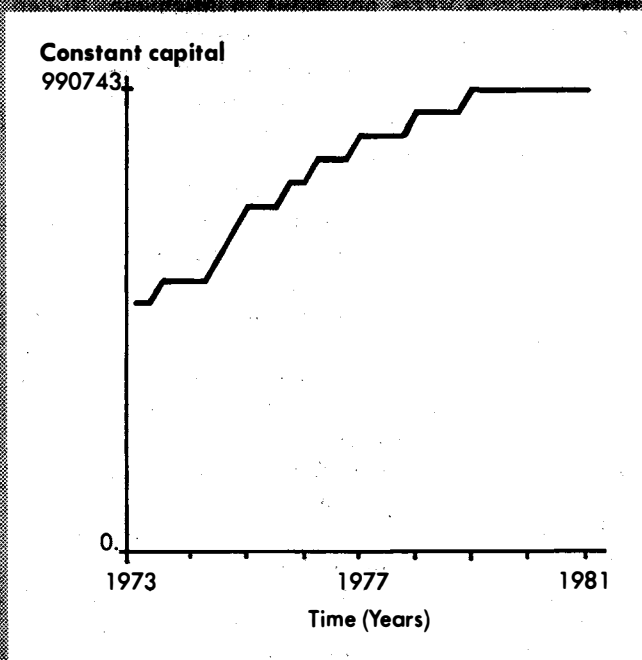
For purposes of programming the model, it was assumed that this divergence reflected an operating deficit for corporations and households taken as a whole, and represented borrowings to cover that deficit. An analysis of the major categories of borrowing justifies this assumption. The largest single sector of short-term credit growth was commercial and industrial loans from banks to private sector, which rose at a 37 percent annual rate.

The major categories of loans were for no stated purpose, or mere assumption of credit lines while they were available; for purposes of financing tender offers; and for inventory financing. A great many smaller corporations are now surviving on trade credits provid-

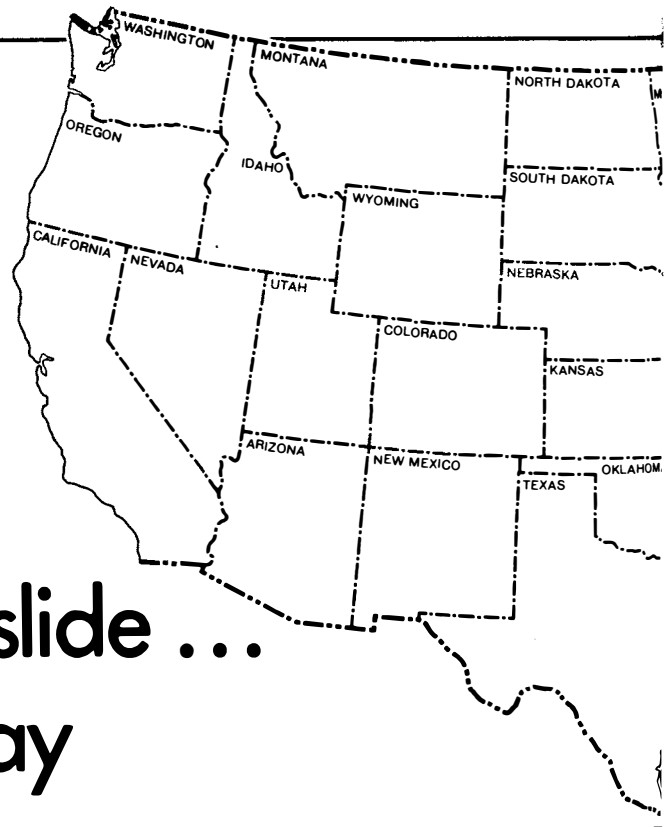
ed by larger corporations, funded by fixed-term bank loans assumed earlier this year by larger corporations.

It is therefore assumed that a reduction of the growth in credit below present levels will occasion an immediate reduction in output—something that is already occurring in the case of the housing sector.

At this writing it is not known whether Federal Reserve Chairman Volcker will carry through on his intention of bringing the monetary aggregates down to the Federal Reserve's earlier targets, which would involve negative real growth in short-term credit for the rest of this year. Very few analysts believe that Volcker will go this far. If he does, there will be, in all likelihood, a prolonged crisis on the credit markets, and "a total shutoff of the flow of funds to the private sector," in the prediction of Data Resources, Inc., an economic consulting firm. Therefore it is assumed that Volcker will reduce the rate of credit growth by the 8 percent margin of excess above the rate of growth of nominal Gross National Product, and that this will impact re-investment of surplus on a one-to-one basis.



## U.S. REPORT



# The Kennedy landslide ... downhill all the way

Perhaps the two most widely peddled myths in major U.S. news media are the unqualified assertions that a) Senator Ted Kennedy has sewn up the Democratic Party nomination, and, b) Senator Kennedy commands an overwhelming base of support, centered in the Northeast and Midwest.

From all election returns in this fall, in both Democratic Party and nonpartisan primaries that have been held for mayoralty contests in the older industrialized states of Connecticut, Ohio, Michigan and even Kennedy's home state of Massachusetts, these assertions stand refuted. Kennedy electoral machines till now have witnessed but one type of landslide ... downhill all the way.

In case after case, the pattern of Kennedy machine defeats has been upheld, as urban American voters "spoke." The pattern began in the Connecticut mayoralty primaries held in Hartford, New Haven and Bridgeport on Sept. 11. In all three cities, the Democratic candidates who have attained local notoriety for noisily echoing Kennedy in calling for drug decriminalization or legalization, and for receiving the active backing of the area organized-crime Kennedy machine offshoots, went down to stinging defeat, with, in some cases, their entire City Council slate.

The pattern took off from there. Within days, the next anti-Kennedy shock occurred, and again in a place where "it wasn't supposed to happen." The incumbent anti-Kennedy machine black mayor of Highland Park,

Michigan, Joseph Miller, scored a stunning upset victory in the mayoralty primary over a black who was actively backed by U.S. Congressman John Conyers (D-Mich.). Conyers has endorsed Kennedy for President, and part of the financially powerful pro-Kennedy United Auto Workers apparatus in Michigan. Miller won in the predominantly black township—whose population is overwhelmingly auto workers—due to his record battling the liberal courts to eliminate drugs, pornography and prostitution, while striving to encourage industrial job expansion.

Then came Boston, where Kennedy "insurgent" Democrat, Joseph Timilty, squared off against incumbent mayor Kevin White in the nonpartisan primary, only to be trounced. Timilty received only two-thirds as many votes as in 1975 when he came within an eyelash of unseating Mayor White.

The most stinging rout of all occurred in Cleveland's Oct. 2 nonpartisan primary. The incumbent mayor, Dennis Kucinich, had been installed in 1977 with the overt support of the Ohio Kennedy apparatus, exemplified by Senator Howard Metzenbaum and the Ohio UAW regional leadership. Kucinich saw his support drop to less than one-third in the white ethnic wards of Cleveland's West side, and the near elimination of support among the black population on the East side. Every top Democratic Party figure in Cleveland's Cuyahoga County subsequently disowned Kucinich, in a desperate maneuver to save the face of a party leader-



ship that went on record last April as the first in the nation to endorse a Kennedy bid for the Presidency.

Democratic voter discontent is so massive in Cleveland as the result of liberal Kucinich's bankrupting of the city, that Ohio Lt. Governor, George Voinovich, Republican candidate for Mayor, is the odds-on favorite to beat Kucinich in the Nov. 6 showdown. This in a city where the ratio of registered Democrats over Republicans is seven to one.

### Shock waves

Taken as a pattern, these returns sent shock waves through the Eastern establishment. Things that "weren't supposed to happen", happened with unvarying regularity. Each Kennedy defeat was the product of an anti-Kennedy winning combination put together from white ethnic and black urban machines. The black vote went solidly against Kennedy in cities and towns which professional pollsters recognize as signaling a representative national trend.

The Kennedy camp could not and did not ignore the import of such a confirmed voter trend. Two significant decisions were arrived at. In an attempt that has not taken hold whatsoever, the Eastern establishment "image makers" are hastily trying to redo Teddy into a "born again" moderate. Their hope is that his liberal image can be shed. Secondly, the Kennedy camp hastily decided that there should be no formal announcement of candidacy until after November, so that

should the current voter trend continue, Kennedy will escape with the hoped-for minimum public relations-image damage.

The results till now underscore the vulnerability of a Kennedy candidacy. Whether Kennedy gains the Democratic nomination or suffers large-scale repudiation in the upcoming primaries by Democratic Party voters, remains an open question.

Kennedy's biggest strength will be the intensive media drive that will be launched with his candidacy. The liberal national media will go all out to play Kennedy as the "alternative" to the thoroughly discredited President Carter and his administration's economic-depression policies. Kennedy, running with no recognized anti-depression, "restore prosperity" Democratic Party candidate as an alternative to him, would capture the nomination.

### The choice

There does exist a Democratic Party candidate who can fire the electorate's imagination, and, given access to the electorate, convince Democratic Party and independent voters to turn out in the primaries to vote for him. This candidate can end the depression in the "first 100 days" of his administration, by integrating the U.S. into a new gold-based international monetary system. This is the world-renowned economist, Lyndon LaRouche.

Given appropriate levels of funding to reach enough of the Democratic Party base with his solutions to the depression, the drug plague, and related liberal rot that has engulfed the U.S., the same Democratic and independent vote that otherwise would swing to Teddy in a "lesser of two evils" fashion, would instead surge into the LaRouche camp.

The other parameter that will play the key role in shaping the primaries will be Europe's full consolidation of a functioning gold-based monetary system. This would solidify their demand that the Volcker-Carter depression policy be reversed in the U.S. European leaders, Japanese, etc., have enormous potential ability to influence the American political situation towards sane economic and monetary policies. For the sake of the world's economic well-being, they must intervene on issues, leading with the gold-based monetary system to accomplish that.

Under such conditions of active international shaping of American electoral politics through issues, and the electorate's perception of a winning anti-Kennedy, anti-liberal Democratic Party candidate, then Kennedy, even with all the immense financial and media resources that will be at his disposal, would be defeated.

As the results of the elections held thus far vividly confirm, the voter sentiment to effect such an outcome, total disgust with liberalism, is well entrenched.

—Konstantine George

## Labor support only at the top

# Detroit anti-drug fighter beats UAW

In a non-partisan primary Aug. 7, Joseph Miller, the incumbent Mayor of Highland Park, Michigan, confounded all the pollsters by finishing second in a three-way race, well ahead of the Kennedy-liberal machine's candidate, School Superintendant Lloyd. In the coming general election, Miller is expected to beat the man who won the primary, Republican Robert Blackwell, who benefited from the Kennedy machine's splitting of the primary's Democratic vote with the Lloyd candidacy.

Lloyd had mounted a powerful effort, with strong backing from Rep. John Conyers, a Kennedy machine spokesman in Congress, and quiet but obvious support from the powerful United Auto Workers union. Miller's victory over Lloyd is the more stunning—and a serious blow to the Kennedy-UAW forces—because Highland Park's all-black population of industrial workmen are predominantly UAW members.

Because of the composition of the electorate as well as the issues between the candidates, Highland Park is considered a bellwether of the political mood in the region. For example, the defeat of the Kennedy-backed candidate, observers say, has confirmed Detroit Mayor Coleman Young in his continued refusal to extend support to Kennedy in the 1980 presidential race.

Miller made drugs the leading issue in the primary, comparing his own strong record of action against drugs to Lloyds' popular identification with Kennedy-led efforts to decriminalize marijuana. The mayor instituted a police crackdown on drugs, pornography and prostitution, and recently, three notorious hangouts for drug dealing were busted as part of the drive. According to the mayor's supporters, but for "civil libertarian" stalling of police action in the courts, Miller would have already completely closed down the "Woodward Avenue strip" where drug-dealing and prostitution are centered.

Miller's opponent in the general election, Robert Blackwell, is a former mayor and associate of Max Fisher, the "Purple Gang" narcotics chief in the Detroit area, and a leading Zionist political kingmaker. With Lloyd's elimination, however, Conyers and the United Auto Workers have also thrown their support to Blackwell, who has received additional endorsement from State Senator Basil Brown, a drug decriminalization advocate, and other elements of the interwoven Kennedy-Zionist machines.

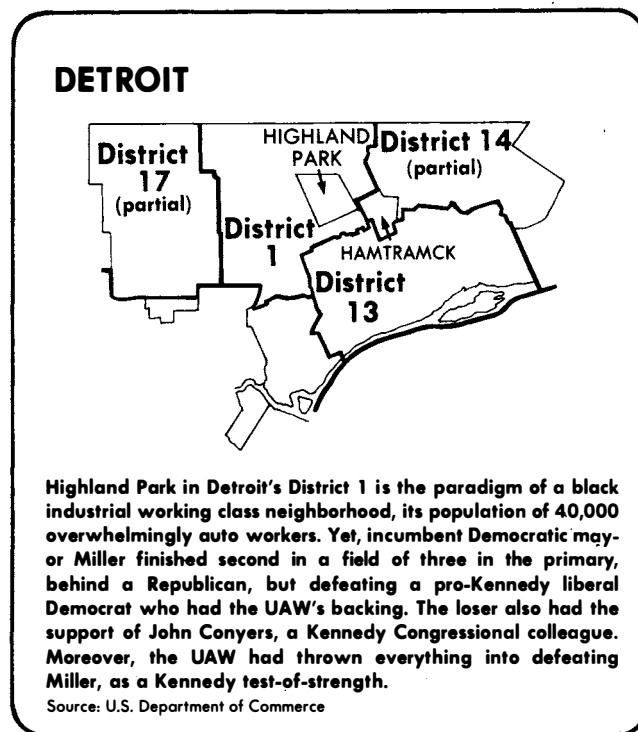
Miller plans to keep the drug issue very much up front, using to his advantage Blackwell's "hands off" policy toward drug-prostitution operations in the city when he was mayor. Miller beat Blackwell in 1975.

"Anyone can call me and give information on what they know about drug dealings," Miller told the voters. "I'll keep the source confidential and give the information to the right people in the police department or FBI, and get the job done."

Miller is a member of the honorary board of the Michigan Anti-Drug Coalition, which hosted a founding convention for the National Anti-Drug Coalition in Detroit Sept. 29. In his speech to that conference the Highland Park mayor said: "My city, like many other cities faces a crisis. Twenty-five percent of Highland Park's tax base is completely dependent on the Chrysler Corporation. If Chrysler goes under and those workers are laid off, demoralization will increase, drug addiction will rise ... I am 100 percent committed to ending drug addiction and drug traffic...."

"Let the word go out to all the mayors of the United States to make drugs a number one priority on the political agenda ... This coalition is the only thing standing between America and bedlam."

Another speaker at the convention was Lyndon LaRouche, a Democratic presidential candidate. Reflecting what happened to Kennedy's candidate in Highland Park, one well-placed black Democrat in Detroit pointed to LaRouche and said: "Carter and Kennedy are known not to be what we want. The black community now knows where to look."



## Hometown rout

# Boston voters turn away 'liberal' mob

Senator Edward Kennedy's Democratic machine suffered a serious setback in its own backyard last month, when Kennedy-man Joseph Timilty received only 28 percent of the vote in a Boston mayoral primary won by incumbent Kevin White, who received 42 percent in a field of five. In 1975, Timilty came within a hair's breadth of winning the mayor's post in a race against White.

In this year's primary, Timilty suffered heavy losses in the areas where he had previously made a strong showing: South Boston, Dorchester, Charlestown and Hyde Park. These are largely white working-class areas, heavily Irish Catholic. South Boston is particularly depressed economically, never having recovered from the shutdown of the naval shipyards in the 1960s. Candidates other than Mel King, who received 15 percent overall, fared poorly in this area. Timilty had hoped to not only maintain his support in these areas, but to gain strength in the black area of Roxbury. To his surprise, he did not. Why?

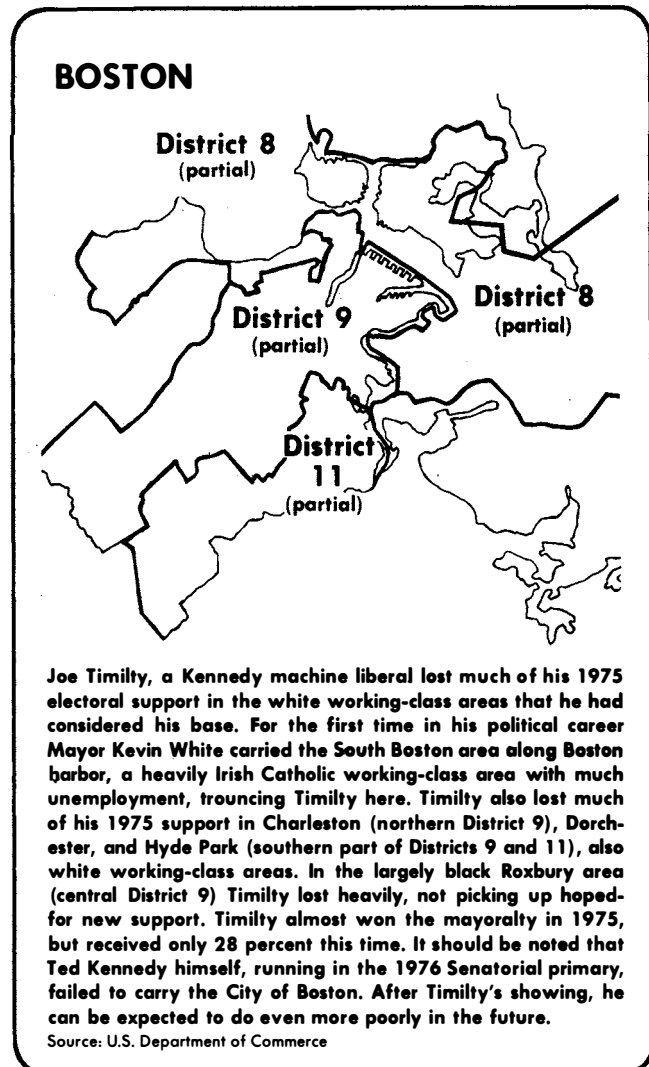
The city of Boston, and Massachusetts overall, has grown increasingly conservative. Edward Kennedy, in the 1976 primary for the Senate, was challenged by two conservatives in Boston, and the support given to them surpassed Kennedy's own vote in the city. In the presidential primary the same year, conservative Democrat George Wallace was a strong second, and carried the city itself. Massachusetts voters showed that the major issue for them is economic growth, not "legalized gambling," drug decriminalization and other issues pushed by the liberals. In 1978, conservative Edward King, running on an economic-growth platform that included nuclear energy development, defeated incumbent Michael Dukakis for the state governorship. Dukakis is an associate of the Kennedys, and had prevented numerous development projects like expansion of Boston's Logan airport.

Timilty tried to pass himself off as a conservative, but the campaign of U.S. Labor Party candidate Lawrence Sherman tied him clearly to the Kennedy machine. As Sherman pointed out to voters, Timilty's entourage includes Gerald Doherty, former State Democratic Party chairman who worked for the campaigns of all the Kennedy brothers, and whom Timilty acknowledged was sent to advise him many years ago by the Kennedys.

Although most candidates including Timilty focused their campaign on incumbent White's "imperial may-

orality", Sherman caused much of the debate to focus on the drug plague promoted by a Kennedy associated "liberal" mob, and a related campaign to bring legalized gambling to Boston. Timilty was beaten on these issues. At public debates, on television, and on radio, Sherman charged that Timilty was in fact run by the same drug-mafia that are Ted Kennedy's "handlers." He cited David Garth, Timilty's chief campaign advisor, paid \$15,000 a month to spruce up the candidate's image. Garth was also image-maker for New Jersey Governor Brendan Byrne, New York Governor Hugh Carey, and New York City Mayor Edward Koch. Each of these men moved rapidly to legalize gambling and decriminalize drugs as soon as Garth got them into office.

Near the end of the campaign, the Boston press revealed Timilty's receipt of campaign funds from a director of Whitehall Liquors, a firm connected to Joe Lindsay, leading mafia boss in the area. Lindsay began his career running boot-leg liquor, just like Joseph P. Kennedy, the senator's father. Timilty, the press revealed,



had also received funding from World Jai-Alai, a "legalized gambling" operation that is one of Meyer Lansky's better known fronts.

Timilty made a great show of returning all these funds, to little avail. From the very outset of the campaign, his "image" had been connected to organized crime, Kennedy-machine elements in a variety of different ways.

At the start of the campaign, legislation to legalize gambling in the state had been introduced by Kennedy associate Sam Vitale. Timilty simultaneously called for a luxury hotel project in Boston, a transparent call for a casino complex. The charges to this effect by candidate Sherman, in particular, caused Timilty to make a public statement opposed to legalization of gambling.

Later in the campaign, a bill stipulating stiff penalties for drug users went to the floor of the legislature. Timilty publicly opposed it. Sherman did not fail to point out that his U.S. Labor Party had drafted the bill.

The state legislature was reflecting the political mood of the voters in other ways. Graham Lowry, a colleague of Sherman's in the U.S. Labor Party, and Lucy Forti, who heads the Massachusetts Concerned Citizens Against Drugs, submitted legislation requiring every school to conduct surveys on the extent of drug use in the school; to submit regular progress reports on drug-use; and to institute antidrug curricula in every school. The bill was overwhelmingly passed by the state senate, even as the state's foremost representative in Washington, Edward Kennedy, was introducing legislation that would make drug-use no longer a crime.

In a similar way, the Massachusetts legislature sent a resolution to the President and Congress condemning the efforts of the International Monetary Fund to force Third World nations to produce marijuana and other drugs as "cash crops" for export. In Colombia, the nation first on the IMF target-list, advocates of the drug-export economy are open about Massachusetts Senator Kennedy's collaboration to legalize "drug-imports" to the U.S.—the very program that elected Massachusetts lawmakers denounced officially.

The handwriting was already on the wall for Kennedy-man Timilty when reports came in that a Kennedy-backed Hartford slate had been defeated badly. Timilty, when he hears of the Hartford and New Haven victories by anti-drug forces, was heard to exclaim to another candidate: "Geez, what happened? We were smashed!" A few days later, in Boston itself, Timilty was "smashed."

### Test of strength that failed

## Cleveland machine can't get out votes

In April of this year, the Cuyahoga County (Cleveland) Democratic Party leadership committed an extraordinary political blunder that would bear its fruits six months later. During that month, the Cuyahoga County Democratic Committee held a convention under the chairmanship of county Democratic leader Tim Hagan and became the first in the nation to endorse a presidential bid by the still unannounced Senator Edward Kennedy.

That announcement proved not to be the political boon it was expected to be for the primary campaign of Kennedy supporter and Mayor Dennis Kucinich. In spite of the full backing of the core of Cuyahoga County's Democratic machine—the most powerful in the state of Ohio—and the regional leadership of the United Autoworkers, Kucinich was trounced by a Republican in the Oct. 2 nonpartisan primary race—the first test of strength for the Kennedy machine in a major U.S. city.

In a city with a seven to one registered Democratic majority among voters, Kucinich took a bare 28.7 percent of the vote in the four-man race, losing to Republican George Voinovich, Ohio's Lieutenant Governor, who polled 37.5 percent. These results were almost precisely the reverse of the expectations of the Kucinich poll takers.

The two candidates will face off in the November general elections. Voinovich is favored to win.

As in other setbacks for the urban machines behind Ted Kennedy, the Kucinich defeat was the result of a de facto coalition between the white ethnic and black communities unhappy with the mayor's urban policies—policies that have pushed Cleveland to the brink of collapse.

Across the board, the primary results show an erosion of liberal support from all voting blocs in Cleveland. Among the white ethnic community of primarily East European ancestry—hitherto the strongest Kucinich supporters—the mayor lost some 25 percent of his support. Among the black community, the drop was nearly 40 percent.

The black vote went to Basil Russo who waged a strictly anti-Kucinich campaign. Although Russo did not win a place on the general election ballot, his primary returns are a clear black vote of no confidence in the Democratic machine and its mayor. Russo's



campaign was endorsed by every black leader in the city—with the sole exception of Congressman Louis Stokes, brother of former Mayor Carl Stokes.

### Who backed Kucinich

What makes the Kucinich defeat most striking is not the lop-sided vote totals. Defeated was the Ohio Kennedy machine which, with the reported assistance of organized crime elements, had thrown its “vote-getting” weight behind the incumbent.

Ohio Senator Howard Metzenbaum, a public backer of a Kennedy presidential bid, was pivotal in Kucinich’s victory in the 1977 mayoral race with his political endorsement. Word has it that Metzenbaum’s own road to the top was greased by friendship with Detroit’s Max Fisher, who began his own career with the rum-running “Purple Gang,” and other alleged Midwest drug and pornography figures.

Metzenbaum’s political machine includes the most corrupt elements in the city. Among his associates, contributors and close personal advisors are Claude Blair, director of the First National City Bank of Cleveland. Blair shares—with Max Jacobs, a known associate of racketeers and drug traffickers, and Mossad agent General Julius Klein—ownership of Airborne Airfreight Company. That company recently became embroiled in a scandal when charges appeared in the *Wall Street Journal* that the airline company which handles so-called time-sensitive documents for regional banks and the Cleveland Federal Reserve was also involved in the shipment of narcotics.

A major stockholder in Airborne Airfreight, J. M.

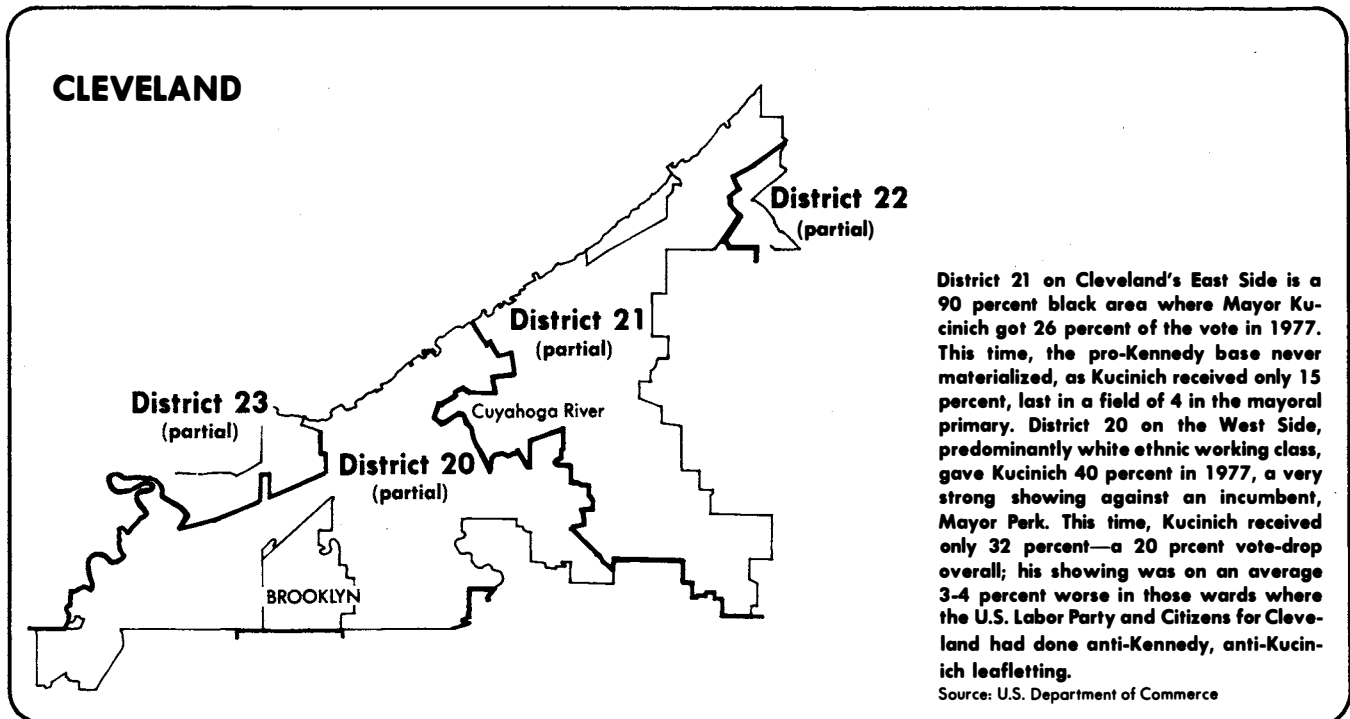
Kaplan, is another of Metzenbaum’s associates. He is the director of the tax-exempt J. M. Kaplan Fund, the “radical-liberal” financial agent for the “left” side of the Kennedy machine, including the terrorist linked Institute for Policy Studies and the “Clamshell Alliance,” planners of the recent Seabrook antinuclear demonstration.

Another associate is Ruben Sturman, who is the director of Sovereign News Service, Inc., reputedly the largest distributor of pornographic material in the world, operating in 40 countries and every U.S. state. Not the most reputable of associates.

### How Kucinich was brought down

With the sheer weight of the Kennedy machine behind him and the overwhelming number of Democrats in Cleveland, Kucinich would have won the nonpartisan primary—were it not for a very well organized campaign against him by Citizens for Cleveland. This nonpartisan group, bringing together traditional Democrats, Republicans, the U.S. Labor Party, and independents, circulated throughout the city the documentation of Kucinich’s organized crime connections. This documentation will be included in a pamphlet scheduled for release before the November general election.

During the primary campaign, Citizens for Cleveland precinct workers reached tens of thousands of Clevelanders through three leaflets on just who is behind their mayor. The single most effective leaflet, a spokesman for the group told this magazine, was the one which detailed Kucinich’s role in a major municipal scandal. A garbage collection contract had been ille-



gally awarded to a private company which was not authorized by the state to process garbage into Cleveland's own dump and which charged the financially strapped city \$2 million more than estimated.

The issue is not one of "cost efficiency" or better municipal services per se. The garbage scandal became a rallying point for Clevelanders angry at policies that netted the city a \$10 million deficit and nearly drove the city over the brink of bankruptcy. Like his cohort in Chicago, Mayor Jane Byrne, another Kennedy backer, Kucinich opened Cleveland's door to organized crime, drugs and pornography. To Clevelanders, garbage is what their city would become if Kucinich and his policy were not stopped.

The illegal contract award resulted in the reshuffling of garbage from one municipal storage site to another. Garbage traveled through the streets of Cleveland and the neighboring suburbs without coming one step closer to final disposal or processing.

Citizens for Cleveland precinct workers took the leaflet, titled "Dennis Kook-cinich—Candidate of the Fat Cats" and featuring a cartoon of the mayor reclining on a pile of rat-infested garbage grasping \$100 bills, into the neighborhoods where the mayor's support had been the strongest. The message:

"The kook is dumping a pile of garbage on the citizens of Cleveland again ...

"Dennis is responsible for Cleveland's fiscal crisis and we have the facts to prove it. He has siphoned off millions of dollars from Cleveland's budget....

"Thousands of rats are pouring out from the Ridge Pond area ... the city is paying close to \$8 million to Ohio Refuse Company, when last July 9, Judge Angelotta ruled that the contract was illegal....

"Dennis Kucinich is the candidate of the Fat Cats."

Citizens for Cleveland spokesmen report that upwards of 80,000 copies of this leaflet—released only four days before the election—were distributed in Kucinich strongholds. These areas, chiefly white ethnic working class neighborhoods, have supported Kucinich on the basis of his nominal opposition to busing, an issue into which Kucinich ward-healers injected explicitly racist overtones.

Many now-former Kucinich supporters said "no more" when Citizens for Cleveland workers told them that radical liberal Kennedyites Tom Hayden and Jane Fonda energetically endorsed Kucinich's "good positions"—an endorsement that launched the campaign slogan: "Kucinich is in bed with Hanoi Jane."

Citizens for Cleveland received calls from 600 Clev-

## Cleveland

Percent of vote, selected wards

	Ward	Voinovich 1979 primary	Kucinich			
			1979 primary	1979 recall vote	1977 primary	1977 mayoral election
<b>West Side</b>	2	39	41	64	46	67
	4	60	22	42	28	49
	5	40	47	50	43	63
	6	42	38	64	48	67
	7	40	43	62	47	64
<b>East Side</b>	9	39	43	62	46	64
	14	37	45	69	57	69
	15	32	45	65	28	64
	22	45	39	57	43	62
	23	37	44	72	42	66

elanders who wanted the straight facts on Kucinich. On the day of the primary, support for Kucinich in these areas dropped by one-quarter to one-third below pre-election estimates and even below the results in similar neighborhoods not reached by Citizens for Cleveland.

#### **Total rout**

The Oct. 2 primary has left the Cuyahoga County Democratic machine in a shambles. Leading Democratic city figures are jumping from Kucinich's "bandwagon." Even the pro-Kucinich *Cleveland Plain Dealer* reported on Oct. 3 that Democratic County Commissioner Sweeney and Sheriff McFaul will cross party lines and vote for Republican Voinovich in the November general election. Congresswoman Mary Rose Oakes will "probably" endorse Voinovich as well. County Treasurer Gaul and Commissioner Feighan will remain neutral. Even the man whose early endorsement of Kennedy was to translate into electoral rout, party chairman Hagan, dubbed Kucinich "not a Democrat."

With a seven to one Democratic Party edge and with a well-established network of UAW regional political operatives and shady dealers behind the local machine, we are forced to ask: if the Kennedy machine couldn't carry Cleveland, what city can they win?

### Where it all began

## Connecticut launches anti-Kennedy backlash

Voters in Connecticut's two largest cities repudiated pro-Kennedy candidates that local media had dubbed "heavily favored" in primary elections Sept. 11. In both cases, the winning candidates represented a majority coalition of anti-liberal white ethnic strata and black and Hispanic citizens who solidly oppose drugs, related organized crime activity like "legalized gambling," and the "pick and shovel" remedies for urban decay and unemployment advocated by the Kennedy supporters.

Voters in Hartford, a city of 150,000 which is the state capital and often called "the insurance capital of the world," turned back an attempt by Deputy Mayor Nick Carbone to unseat Democratic Mayor George Athanson in the primary election. Carbone had been

In the Oct. 2 nonpartisan primary race for mayor of Cleveland, Mayor Kucinich was trounced by George Voinovich in the mayor's voter stronghold in the west side: 39 percent to 46 percent. The west side of Cleveland is predominantly East European, largely employed in the auto and steel industries of the Cleveland area.

The trend line of the chart above shows the collapse of Kucinich's support over the last two years—from the 1977 primary and mayoral election to this year's recall vote and primary. Kucinich's vote—from primary to primary—fell substantially in every white ethnic ward but one.

This trend is made more dramatic by the fact that where Citizens for Cleveland leafleted door-to-door, Mayor Kucinich received 10 percent fewer votes than in wards, demographically similar, where no leafleting was conducted.

Wards 4, 6, 7, 9, and 22 (Kucinich strongholds) were targeted for door-to-door leafleting; wards 2

and 5 were more sporadically leafleted. Kucinich lost approximately one-sixth of his projected vote total in those wards targeted by Citizens for Cleveland, averaging 37 percent of the vote. In those wards not targeted, Kucinich averaged 44 percent.

A similarly significant pattern emerges from an analysis of the returns in Cleveland's east side. Of the four white ethnic wards in the east side, only ward 22 was targeted and it was the one ward where Kucinich lost to Voinovich.

In the predominantly black wards of Cleveland, Mayor Kucinich came in a poor third. Capturing 43 percent of the vote in these wards was Basil Russo, the candidate of the anti-Kucinich, Forbes City Council black political machine. Behind Russo, with an amazing 25 percent of the black vote, is George Voinovich, a candidate relatively unpopular in the black wards. Kucinich, meanwhile, polled 15 percent of the black vote, a 40 percent drop from his 1977 returns.

considered a strong favorite; he had the support of the organized-crime elements of the region's Kennedy machine; he also had the support of radical-liberal elements associated with the Institute for Policy Studies, an international terrorist-control center based in Washington, D.C. In addition, Carbone wielded enormous influence and patronage in the city through his control over the City Council, a prerogative of the appointed Deputy Mayor.

Yet Carbone was defeated badly by the voters. All but one candidate on Carbone's entire city-council slate were also defeated, for the most part by anti-drug candidates. He lost 30 of 32 districts, including black, Hispanic, and Italian-American areas that he thought he had sewn up. Only in the downtown and west end of the city—the latter largely populated by insurance company employees—and in one district in the south, an Italian section, did Carbone come out on top. Athanson's heaviest vote came in the city's black area in the north, and the Italian ethnic area in the south. Overall, the incumbent mayor's victory was by a better than 3 to 2 margin.

In New Haven, a city of 130,000, Mayor Frank Logue, a staunch Kennedy liberal with the support of Yale University officials in New Haven, was defeated by a former city police chief, Biaggio Dilieto, who ran on a strong anti-drug platform. Dilieto's victory was aided by third candidate Henry Parker, the State Treasurer, whose anti-Logue platform captured the minority black and Hispanic vote.

## How it happened

Crucial to the success of the black-Hispanic-ethnic coalition in both Hartford and New Haven was the Connecticut Anti-Drug Coalition. An important part was also played by the U.S. Labor Party campaign of Donna McDonough.

Groups working closely with the Anti-Drug Coalition included leaders of the National Association for the Advancement of Colored People, the oldest and largest black leadership organization in the United States; leaders of the Hispanic community; and most elected black officials in the city. All coalesced around the July 29 regional meeting of the antidrug coalition. Mayor Athanson addressed the meeting personally, and declared July 29 "Anti-Drug Coalition Day in the City of Hartford."

The coalition exposed Carbone's role as an advocate of "methadone maintenance"—official drug-dealing—and his use of his appointed position as Deputy Mayor to destroy Hartford's once-effective anti-narcotics force.

The coalition also brought out Carbone's involvement in the shady, organized-crime financial dealings of ITT-Firestone and Aetna Life Insurance which have \$60 million invested in the Las Vegas gambling casino, Caesar's World, and are pushing for legalized gambling in Hartford.

With a crucial role played by State Senator Wilbur Smith, an outstanding anti-drug spokesman, black power-brokers agreed that Carbone had to be defeated.

The mayoral primary campaign of Donna McDonough, the U.S. Labor Party candidate, mobilized opposition to the slave-labor make-work projects closely associated with Kennedy nationally. Such programs in Hartford are associated with Carbone and Aetna Life Insurance Co.'s "Hartford Process" front-group, of which Carbone was a major proponent.

## New Haven

The New Haven case reflects precisely the same combination of forces. Dilieto's upset victory over Mayor Logue resulted from the repudiation of his Kennedy "urban decay" policies, by the black community in particular. Yale University officials, the traditional power-brokers in New Haven, had always considered the black community a "safe voting bloc" for drug-decriminalization and public-works programs of the Kennedy type.

Connecticut Treasurer Henry Parker waged a strictly anti-Logue campaign, avoiding attacks on former Police Chief Dilieto. At his election night rally, Parker alluded to the tacit cooperation between the representatives of minority working class, white working class, and business strata in New Haven—a cooperation largely made possible by the work of the Connecticut Anti-Drug Coalition, as in Hartford. In New Haven, the coalition played its role through media appearances and organizing of area anti-drug forces—with one very public objective: Logue's ouster.

## The lessons

Political leaders throughout the northeastern United States were stunned by the Hartford and New Haven mayoral results. The "White Ethnic and Minorities" coalition was considered a sure-thing for Ted Kennedy and his machine's candidates. As one Boston Democratic Party chieftan put it: "What happened? It was a massacre." The rejection of the Kennedy candidates in the Senator's native region of New England came as a harbinger of later anti-Kennedy results in Boston itself, a pattern which has spread to other parts of the country.

Where it will go

## 'Small is beautiful' unpopular in Wisconsin

Milwaukee's incumbent conservative Democratic Mayor Henry Maier in his 1980 re-election bid is facing "his first serious challenge in 20 years." That is how observers characterize environmentalist Dennis Conta.

Conta has the support of Rep. Henry Reuss, a closet Kennedy supporter, and the pro-Kennedy United Auto Workers regional leadership. Maier first won election as Mayor in 1960 in a bitterly fought contest against Henry Reuss himself.

Conta has been attacking Maier on several manufactured issues such as "police brutality." More to the point, he is on record as proposing the slashing of the city budget, large-scale layoffs and the shutdown of city construction.

Conta claims his campaign is based on local "grass roots" support for community control and environmentalist opposition to Maier. In actuality, it is being carefully nurtured by Milwaukee's northside Congressman Reuss, and Jane Fonda's Mobilization for Survival. Reuss and the Wisconsin MFS, with Conta form the center of support for the Wisconsin Democrats for Change, the state's Draft Kennedy movement.

Indications have surfaced that Conta may already be learning that alliance with the Kennedy campaign could be more of a disaster than a free ride. Sources close to Reuss admit that not only are the mainstream German-descended Catholic Milwaukee voters "too moral" for Kennedy, "These are the same kind of people who think Conta doesn't stand a chance with his far-out program," the same source said.

Conta's campaign was kicked off this past summer by a series of public rallies against nuclear power by Fonda and the MFS, which has together with the Federal regulatory apparatus already succeeded in shutting down two nuclear plants near Milwaukee. The Wisconsin MFS in Milwaukee has already formed a Labor Task Force to try to break sections of the city's heavily unionized conservative Democrat working class vote away from Maier and into the Conta camp. Roy Majerus, head of United Auto Workers Region 10 (Milwaukee) and a Democratic National Committee supporter of Ted Kennedy, addressed a June MFS rally

calling for an end to nuclear power. "It's only a matter of time until we openly endorse Conta at these rallies," an MFS spokesman said.

On Labor Day, Sept. 7, Reuss personally organized a "Small Is Beautiful" festival of the Park West Redevelopment Task Force in the heart of Milwaukee's black ghetto, where the Maier administration and the Building Trades have been trying to construct the modern Park West Freeway for several years.

The Task Force is the umbrella group of "community activists" which constitutes the Conta campaign. It includes Chairman David Hoeh, his wife, Alderman Sandra Hoeh, Milwaukee Common Council President Ben Johnson, and Milwaukee State Assemblyman Mordecai Lee. These local liberals are also avid supporters of Reuss and Kennedy.

At the fest, Reuss and the Conta machine joined to pledge that the freeway would never be built; they also pledged to "stop Milwaukee's growth," according to Conta campaign organizers. On the spot of the proposed freeway construction they erected a block of solar energy transformers, biomass toilets, and other environmentalist exhibits.

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"Conta will have trouble for the same reason as Kennedy," agreed a source close to Reuss. "I'm for Kennedy; Reuss is for Kennedy; he's the only place for us to go now. But Milwaukee and the rest of the state are Catholic and it's the voters who won't go for Kennedy—they're too moral."

The Wisconsin Democratic contingent in Washington, led by Reuss, Sen. William Proxmire, Rep. Robert Kastenmeier, Rep. Les Aspin, and other liberals of national stature, personally favor Kennedy, said the source. "But," he added, "their perception is that the voters might go for him tomorrow, but not by election day, after he's been dragged through the muck. It's a very moral state."

## Congressional Calendar

### **J**oint Economic Committee reviews Great Depression

Acknowledging the current state of U.S. economic policy, Senator Lloyd Bentsen (D-Tex.) has issued a statement announcing investigative hearings on the matter. Bentsen declared, "On Oct. 29 the Joint Economic Committee will hold special hearings in observation of the 50th anniversary of the Great Depression. It is entirely appropriate in light of the current economic conditions that we look back on Monday, Oct. 29, at the causes and effects of the Great Depression, particularly with the view towards answering the question, 'can it happen again?'"

The hearings will feature economist John Kenneth Galbraith, a long-time advisor to the Kennedy family; Walter Heller, chairman of the Council of Economic Advisors under President Kennedy; and Alan Greenspan, from the Council of Economic Advisors under President Ford. Both Heller and Galbraith recently met with Kennedy, prior to the senator's announcement that his decision to challenge President Carter for the Democratic Party nomination will be based on the domestic economic situation.

Kennedy will apparently figure prominently in the JEC hearings. According to Committee aides Kennedy is very active on the JEC and very close to Senator Bentsen—

who has been rumored as a possible running mate for Kennedy.

There is expected to be an additional round of hearings on the depression featuring prominent figures of the first Great Depression such as Tommy Corcoran, an important figure in the Roosevelt administration (now a close friend of Presidential candidate John Connally), and Senator Jennings Randolph (D-Va.), a freshman congressman at the time of the crash.

### **S**enators attack Israeli bombing of Lebanon

In protest against continued Israeli bombing of civilian populations in southern Lebanon, Senator Mark Hatfield (R-Ore.) recently attempted to amend the foreign aid appropriations bill to cut aid to Israel by 10 percent. The Hatfield amendment reached the Senate floor on Oct. 11, greeted by only seven votes in its favor. Despite the small affirmative vote, Zionist-backed senators such as Packwood (R-Ore.), Kennedy (D-Mass.) and Javits (R-N.Y.) flocked to the floor of the Senate to attack Hatfield and his supporters for jeopardizing the existence of the state of Israel.

Hatfield countered these attacks, explaining: "I do not believe there is a member of the U.S. Senate here tonight who would say the future of any nation depends upon the indiscriminate bombing of ci-

vilians, women and children. ... I cannot accept that somehow we have to show our loyalty to the survival of Israel by continuing to furnish the weaponry for this kind of bankrupt policy."

Supporting Hatfield, Senator Adlai Stevenson (D-ILL.) charged: "Last March Israel invaded southern Lebanon. It continues to support Christian militia in southern Lebanon, impeding efforts of the U.N. interim forces to restore peace in that country. And in recent months a succession of retaliatory and preemptive bombing attacks have been staged by Israel against Lebanese territory. ... (Israel) contemplates territorial aggrandizement. ... Already, the nuclear threshold is reached in the Middle East."

Also voting with Hatfield were Senators Jim McClure (R-Idaho), Henry Bellmon (R-Okla.), Quentin Burdick (D-N.D.), Mike Gravel (D-Ala.), and John Melcher (D-Mont.).

### **E**xim funds found at World Bank

Senator Jake Garn, ranking Republican on the Senate Banking Committee, and on the Foreign Operations Subcommittee of the Appropriations Committee, charged during Senate floor debate on Oct. 9 that the Export-Import Bank has been shortchanged in its appropri-

ations, due to a 500 percent increase in funding for the World Bank. During the foreign appropriations debate, he explained: "In our mark-ups I tried to get—tried very hard to get—an increase of funds for the Export-Import Bank. ... We have been losing a lot of exports, not because of our products or of our manufacturing—or construction products—of our nation's business, but because we have not had the sufficient financing to compete. ... The only reason (we did not increase Exim funds—ed.) was that in going through all these international bank categories, when we reached the bottom it happened that the Export-Import Bank was the last to be considered, and we were out of budget authority. So although everyone agreed, it got chopped off. ... We are short-changing the Export-Import Bank because of the huge (World Bank) increase. I would not be objecting if it had been a moderate increase ... but in this particular category it is more than a 500 percent increase, so we are really robbing some of the other banks, particularly the Export-Import Bank...."

Attempts by Garn and other conservatives to cut World Bank funding failed on the floor.

## **W**indfall-profits tax moving

The Senate Finance Committee is working vigorously to get the long-

stalled windfall-profits tax out of committee and onto the floor of the Senate by Oct. 20. The committee has been marking up the tax legislation for three weeks. The critical question of where the tax money will be spent has yet to be finalized. Senator Long (D-La.) had held up the bill, demanding that the expected \$65 million over 10 years expected from the legislation be used for stimulating energy production. Now the Joint Taxation Committee has proposed that the money be allocated as follows: \$25 billion to aid low income families in energy costs, \$15 billion for mass transit, and \$25 billion for synthetic fuels.

Committee sources report that Senator Long has suddenly dropped his opposition to this allocation plan and no longer insists that the money be spent for stimulating energy exploration.

The legislation is considered priority and will be reviewed by the full Senate shortly after it reaches the floor. The House has already passed one version of the bill, and thus a conference committee will be established to work out the final version.

## **M**McCormack wins appropriations for fusion

Representative Mike McCormack, chairman of the key oversight subcommittee within the House Science and Technology Committee

succeeded on the House floor Oct. 11 in adding \$5 million in funds and restoring another \$5.5 million to the appropriations for the development of controlled thermonuclear fusion energy. The \$5 million additional funding will be to "provide funds for the conceptual engineering and design of a fusion engineering test facility. This facility will permit an accelerated understanding of the physics and engineering needed for a fusion power plant, which we hope to have on line by the year 2000." The \$5.5 million was a restoration in funds for inertial confinement fusion with civilian applications which had been cut by the Armed Services Committee.

Motivating his amendment, McCormack reported that the Department of Energy had responded to his request for a program plan for accelerating the U.S. timetable for bringing fusion on line by 1995, or the year 2000. The DOE reports that an acceleration of the program would yield a net savings of \$2 billion in the overall program. McCormack pointed out that the development of an engineering and test facility now, simultaneous with continued experimentation, is of utmost importance in accelerating that program.

McCormack's push for upgrading the fusion program—passed by voice vote—has been backed up by a select Blue Ribbon panel, which he initiated earlier this year to report on fusion prospects.



# Castro's challenge for *Cuba's President speaks for the Nonaligned at the*

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**D**espite the cries of "confrontation" in the United States that greeted the speech of Cuban President and Chairman of the Nonaligned Movement, Fidel Castro, before the United Nations General Assembly Oct. 12, European assessments have been far more accurate: the President's speech was a call for cooperation between the advanced and developing sectors to industrialize the Third World. Yet, so far as we can discern, no publication in the world has published the key second part of Castro's speech in which the head of state puts forward the most detailed and specific delineation of the New International World Order yet to appear, outside of the publications of Democratic presidential candidate Lyndon H. LaRouche, Jr.

After outlining the miserable state of the underdeveloped sector, Castro, speaking as the representative of the 95 nations of the Nonaligned Movement, made clear the following points: (1) the old Bretton Woods monetary system is bankrupt; (2) the current debt overhang of that monetary system on the developing sector is intolerable, constituting \$330 billion and sucking out of the underdeveloped sector the revenues it receives on its exports; (3) the debt of the least developed nations—the so-called Fourth World whose millions have been targeted by such agencies as the World Bank for population decrease—should be canceled outright, and the debt of other Third World nations should be renegotiated on terms that are not detrimental to those nations' industrial development; (4) the fundamental concept of developing the Third World is combined development of both the developing and advanced sectors based on cooperation and trade; (5) the mechanism for this program of global growth is a \$300 billion development fund to finance Third World industrialization; the money from such a fund would not go for debt repayment and would begin to be issued in the first year with an allocation of \$25 billion; (6) the political control of this fund must be exerted through all the nations having a voice in the deployment of

funds and therefore should be administered by the United Nations. The United Nations should also be the appropriate forum for future discussion and negotiations for a development framework for the industrialization of the Third World; (7) this perspective for raising the developing sector out of its near-starvation level of existence does not necessitate depleting of the advanced sector, but will rather generate enhanced world trade and development.

The Cuban President has thus revived the New International Economic Order as the major issue for relations among nations. Not since Fred Wills, as the then foreign minister of Guyana, raised the demand for the formation of international development banks in September 1976 before the United Nations General Assembly, has the question been raised for real negotiation.

In 1976, the world responded by ignoring Wills' demand, and permitting Henry Kissinger to oust Wills as foreign minister the following year. Financial circles in London and Washington who oppose the formation of a new international economic order and are instead backing the proposal of Federal Reserve Chairman Paul Volcker for a new global depression will find President Castro's offer for negotiations immediately much harder to deal with. Fidel spoke as the head of state who cannot be simply swept out of power and as the representative of the Nonaligned Movement. Most directly, Castro's speech is the developing world's answer to Volcker's depression plan.

The key question now is how forces in Europe who, led by France's Giscard and West Germany's Schmidt have formed the European Monetary System, will answer Castro's call. Europe's response to Castro will be a clear sign as to whether the European Monetary System will go into its second phase: issuing credit for Third World development or whether it will be undermined to help prop up the current bankrupt monetary system.



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# development

United Nations

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## The framework for global development

*The following is an excerpt of the speech of Cuban President Fidel Castro before the United Nations General Assembly. The portion presented here is the last half of the President's speech.*

I have not come here to speak about Cuba. I have not come to advance in this Assembly the attacks to which our small but worthy country has been subjected for 20 years. Nor have I come to use unnecessary adjectives to wound a powerful neighbor in his own house.

We have been charged by the Sixth Conference of the Heads of State or Government of the Movement of Nonaligned Countries to present the United Nations with the results of its deliberations and the positions that are derived from them.

We are 95 countries from all the continents, representing the overwhelming majority of mankind....

It is not necessary to go into how profoundly unjust and incompatible with the development of the underdeveloped countries the existing international economic system is. The figures are already so well known that it is unnecessary for us to repeat them here. There are discussions on whether there are only 400 million undernourished people in the world or whether the figure has once more risen to 450 million, as certain international documents state. Even 400 million hungry men and women constitute too heavy a charge.

What nobody doubts is that the hopes raised in developing countries appear extinguished and dashed

at the closing of this Second Development Decade.

The Director General of the FAO Council has acknowledged that "Progress is still disappointingly slow in relation to the long-term development goals contained in the International Development Strategy, the Declaration and the Program of Action on the establishment of the New International Economic Order and the Resolution of the World Food Conference and in several subsequent conferences." We are still far from having achieved the modest 4 percent per annum average increase in the developing countries' food and agricultural production which was proposed ten years ago in order to solve some of the most pressing problems of world hunger and to approach consumption levels that are still low. As a result, the developing countries' food imports, which right now constitute an aggravating factor in their unfavorable balance of payments, will soon—according to the FAO—reach unmanageable proportions. In the face of this, official commitments of foreign aid to agriculture in the developing countries are falling off.

This panorama cannot be prettied up. Certain official documents sometimes reflect circumstantial increases in the agricultural production of some areas of the underdeveloped world or stress the cyclical price increases registered by some agricultural items, but it is a case of transitory advances or short-lived advantages. The developing countries' agricultural export revenues are still unstable and insufficient to meet their import needs for foodstuffs, fertilizers and other items required to raise their own production. In Africa, food production per inhabitant was 11 percent lower in 1977 than ten years earlier.

If backwardness in agriculture is perpetuated, the industrialization process cannot advance, either. It cannot advance because most of the developed countries view the industrialization of the developing countries as a threat.

The 1975 Lima World Conference on Industrialization proposed to the developing countries that we be responsible for 25 percent of the world's manufacturing output by the year 2000, but the progress made since that conference has been so insignificant that, if the measures proposed by the Sixth Summit Conference are not implemented and a crash program is not put into effect to modify the economic policies of most of the developed countries, this will be yet another goal that won't be met. We now account for less than 9 percent of the world's manufacturing output.

Our dependency is once more expressed in the fact that the countries of Asia, Africa and Latin America import 26.1 percent of the manufactured goods that enter international trade and export only 6.3 percent of them.

It may be said that there is some industrial expansion, but it does not take place at the required rate or

## World Bank proposes war and famine

*The following are excerpts from a speech delivered by Robert McNamara, president of the World Bank, before the Bank's Board of Governors in Belgrade, Yugoslavia on Oct. 2. As the reader will note, Mr. McNamara's view is antithetical to the framework for development outlined by President Castro:*

There are only two possible ways in which a world of 10 billion people can be averted. Either the current birth rates must come down more quickly. Or the current death rates must go up.

There is no other way.

There are of course many ways in which the death rates can go up. In a thermonuclear age, war can accomplish it very quickly and decisively. Famine and disease are nature's ancient checks on population growth, and neither one has disappeared from the scene.

The truth is, of course, that population is an inseparable part of the larger, overall problem of development. But it is more than just that. To put it simply: excessive population growth is the greatest single obstacle to the economic and social advancement of most of the societies in the developing world.

From a practical point of view, governments in the developing world today have little capacity to control urbanization. ... It is clear that the development of greater economic opportunities in the rural areas can slow the process. Here the opportunities are promising, though the task is immense in scope.

It has been demonstrated that when small-scale farmers have equal access to irrigation, improved seeds, fertilizers, credit, and technical advice, they have equal—or greater—productivity per hectare than large-scale farmers. And almost everywhere the small farmer uses more labor per hectare than the large farmer does. Small farms in Colombia, for example, use labor five times as intensively as large farms, and thirteen times as intensively as cattle ranches do.

The emphasis on low capital investment per job, and low-cost standard services affordable by poor households is the key to the solution.

The basic concept is to provide the poor with access to productive assets and improved technology by removing the distortions that favor capital-intensive production: very low interest rates, for example, and excessively high wage rates.

in the key industries of industrial economy. This was pointed out at the Havana Conference. The world redistribution of industry, called industrial redeployment, should not consist of a new confirmation of the deep economic inequalities that emerged in the colonial era of the 19th century. At that time, we were condemned to be producers of raw materials and cheap agricultural products. Now, an effort is being made to use our countries' abundant labor, and starvation wages, and to transfer obsolete and polluting industries to developing countries. We categorically reject this.

Developed market economy countries today absorb more than 85 percent of the world's manufactured goods, including those whose industrial production requires the highest technology. They also control over 83 percent of all industrial exports. Twenty-six percent of those exports go to the developing countries whose markets they monopolize. The most serious aspect of this dependent structure is that our imports—consumer items as well as capital goods—are manufactured according to the demands, requirements and technology of the most developed industrial countries and the patterns of consumer society, which are introduced through the chinks of our trade, contaminating our own societies and thus adding a new element to the already permanent structural crisis.

## No population problem

The result of all this—as was noted by the Heads of State or Government in Havana—is that the gap has substantially increased. The latter's relative share of world output decreased considerably during the last two decades, which has still more disastrous effects on such problems as malnutrition, illiteracy and poor sanitation.

Some would like to solve the tragic problem with drastic measures to reduce the population. They remember that wars and epidemics helped to reduce it in other eras. Going even farther, they seek to blame the population explosion for underdevelopment.

The population explosion is the result—not the cause—of underdevelopment. Development will both bring solutions to the problem of poverty and, through education and culture, help our countries to attain rational and adequate rates of growth.

A recent report put out by the World Bank paints an even blacker picture. It says that, by the year 2000, some 600 million people may still be submerged in absolute poverty.

Mr. Chairman and representatives, the state of agricultural and industrial backwardness from which the developing countries have not managed to emerge is—as the Sixth Summit Conference pointed out—undoubtedly a result of unjust and unequal international relations, but—as was also pointed out in the Havana Final

Declaration—the prolonged world economic crisis is an aggravating factor in this.

I shall not dwell too long on this aspect. Let us state now that we Heads of State or Government consider that the crisis of the international economic system is not merely a phenomenon of a cyclical nature but a symptom of underlying structural maladjustments and basic imbalance, aggravated by the unwillingness of developed market economy countries to control their external imbalances, high levels of inflation and unemployment. The inflation has been engendered precisely in those developed countries that now refuse to implement the only measures that would eliminate it. We further point out (we will refer to this later, and it is also set down in the Havana Final Declaration) that this crisis also results from the persisting inequity in international economic relations—so that eliminating that inequality, as we propose to do, will contribute to reducing and eliminating the crisis itself.

What are the main guidelines that the representatives of the Movement of Non-Aligned Countries were obliged to formulate in Havana?

We confirmed that the unequal exchange in international economic relations enunciated as an essential characteristic of the system has become, if possible, even more unequal. Whereas the prices of the manufactured goods, capital goods, foodstuffs and services we import from developed countries are constantly rising, the prices of the primary products we export are not—and, in addition, are subject to constant fluctuation. Trade relations have worsened. We emphasized that protectionism—one of the aggravating factors in the great depression of the '30s—has been reintroduced by some developed countries.

The Conference also denounced the increased use by certain developed countries of domestic production subsidies that redound against products of interest to the developing countries.

We expressed our concern over the constant deterioration of the international monetary situation. The instability of the exchange rates of the main reserve currencies, together with inflation, increases the imbalance in the world economic situation, creates additional economic difficulties for the developing countries and reduces the real value of the export earnings and foreign currency reserves. We also pointed out another negative factor: the disorderly growth of international liquidity mainly through the use of devalued United States dollars and other reserve currencies. We noted that, while the inequality of international economic relations had increased the developing countries' accumulated foreign debt—to over \$300 billion—the international financial bodies and private banks had raised their interest rates and imposed shorter terms of loan amortization, thus strangling the developing countries financially. As was denounced by the Conference, this con-

stitutes an element of coercion in negotiations that permits these financial institutions to obtain political and economic advantages at our countries' expense.

The Conference noted the neocolonialist efforts to prevent the developing countries from exercising their full, permanent and effective sovereignty over these natural resources and reaffirmed this right. In this regard, it supported the efforts of raw-materials-producing nonaligned and other developing countries in seeking just and remunerative prices for their exports and to improve in real terms their export earnings.

## Technology transfer

Moreover, the Conference paid more attention than ever to the strengthening of economic relations and to the scientific-technical transfer of technologies among the developing countries. The concept of what could be

***“The developing countries need a new financial system to be established through which they can receive the necessary financial resources for the continuous and independent development of their economies.”***

defined as “collective self-reliance”—that is, mutual support and cooperation among the developing countries so they depend, in the first place, on their own collective forces—is given more importance than ever in the Havana Final Declaration. Cuba, as President of the Movement and coordinating country, intends, along with the Group of 77, to do whatever is necessary to promote the Program of Action on economic cooperation drawn up by the Conference.

Nevertheless, we do not conceive of “collective self-reliance” as anything even remotely resembling self-sufficiency. Rather, we consider it to be a factor in international relations which mobilizes all the means and resources of that considerable, important part of mankind represented by the developing countries and incorporates them in the general flow of resources and economies that can be mobilized in both the capitalist camp and the socialist countries.

Mr. Chairman, the Sixth Summit Conference rejected the attempts of certain developed countries to use the issue of energy to divide the developing countries.

The energy problem can only be examined in its historic context, taking into account the fact that the

wasteful consumption patterns of some of the developed countries and the role played by transnational oil corporations has led to the squandering of hydrocarbons and noting the plundering role of transnational corporations, which have benefited from cheap energy supplies—which they have used irresponsibly—up until only recently. The transnationals have been exploiting both the producers and consumers and reaping unjustified windfall profits, while at the same time falsifying facts by shifting the blame for the present situation onto the developing countries exporters of oil.

Permit me to remind you that, in my opening address to the Conference, I pointed out the desperate situation of the nonoil-producing underdeveloped countries—especially the least developed ones—and expressed my confidence that the nonaligned oil-producing countries would find formulas for helping to alleviate the situation of those countries that are already hit by world inflation and unequal trade and have serious balance of payments deficits and sharp increases in their foreign debts. But this does not obviate the principal responsibility of the developed countries, their monopolies and their transnational corporations.

Adopting that approach, the Heads of State or Government emphasized that the international energy issue should be discussed in the context of global negotiations within the United Nations with the participation of all countries and in relation with such other issues as the problems of development of developing countries, financial and monetary reforms, world trade and raw materials, so as to make a comprehensive analysis of the aspects which have a bearing on the establishment of the New International Economic Order.

No review of the main problems that affect the developing countries in terms of the world economy would be complete without an analysis of the transnational corporations. Once again, the policies and practices of transnational corporations were declared unacceptable. It was charged that, in their desire for profits, they exhaust the resources, distort the economies and infringe the sovereignty of developing countries; infringe the peoples' right to self-determination; violate the principles of noninterference in the affairs of States; and frequently resort to bribery, corruption, and other undesirable practices through which they seek to and do subordinate the developing countries to the industrialized countries.

In view of the inadequate progress achieved in the work carried out within the United Nations to draw up a Code of Conduct to regulate the activities of transnational corporations, the Conference reaffirmed the urgency of early completion of the work on the Code in order to provide the international community with a legal instrument with which at least to control and regulate the activities of the transnational corporations

## Two proponents of a new world economic order

In 1976, Lyndon LaRouche, the Democratic presidential candidate, issued the pamphlet, "How the International Development Bank will Work." The pamphlet detailed the practical and theoretical tasks associated with implementing his March, 1975 proposal for an "International Development Bank," "the only competent scheme," in LaRouche's words, "for replacing the bankrupt International Monetary Fund." The essentials of LaRouche's proposal are today incorporated in the objectives of the European Monetary System and Fund, and are the explicit objectives spelled out by the September summit of nonaligned nations in Havana, Cuba.

As a result, Fidel Castro's speech to the United Nations this week, reflecting not only his own views,

in accordance with the objectives and aspirations of the developing countries.

In setting forth all the overwhelming negative aspects in the economic situation of developing countries, the Sixth Summit Conference called special attention to the mounting problems of the least developed, disadvantaged, land-locked countries and isolated hinterland ones and asked that urgent steps for the implementation of special measures be taken to alleviate them.

This, Mr. Chairman and representatives, was the far from optimistic, rather somber and unencouraging panorama with which the members of the Movement of Nonaligned Countries meeting in Havana were faced.

Nevertheless, the nonaligned countries did not allow themselves to be carried into positions of frustration or exasperation, however understandable that might be. While drawing up strategic concepts for advancing their struggle, the Heads of State or Government reiterated their demands and defined their positions.

The first fundamental objective in our struggle consists of reducing and finally eliminating the unequal exchange that prevails today and that makes international trade a useful vehicle for the plundering of our wealth. Today, the product of one hour's work in the developed countries is exchanged for the product of ten hours' work in the underdeveloped countries.

The nonaligned countries demand that serious attention be paid to the Integrated Program for Com-

but officially reporting those views adopted as resolutions of the Havana summit, parallel closely the proposals introduced by Mr. LaRouche in 1975 and 1976. For example:

**This week, Fidel declared:**

"The international monetary system that prevails today is bankrupt and should be replaced ... The debts of the least developed countries ... should be cancelled ... indebtedness in the rest of the developed countries relieved.

"The developing countries—and on their behalf, the Movement of Nonaligned Countries—demand that a substantial part of the immense resources now being wasted by being poured into the arms race be used for development ... We must discuss and determine a strategy for the next development decade, which should include an additional contribution of no less than \$300 billion (1977 real value), to be invested in the underdeveloped countries ... This should be in the form of donations, and long-term, low-interest, soft credits ... Some may think this is asking too much, but I think it is still a modest figure."

**In 1976, Mr. LaRouche declared:**

"There must be a declaration of commitment to sweeping financial reorganization of the capitalist sector's world monetary system, involving an orderly process of debt moratoria and the establishment of an institution such as the proposed International Development Bank ...

"By 1979, the U.S. sector alone could readily—and should—export the equivalent (in 1973 dollars) of approximately \$200 billion annually in long-term development projects. The rest of the industrialized sector should add about \$100 billion to that total ... Considering the feasibility of eliminating military budgets under IDB "detente" arrangements, the amount proposed is obviously not 'horrendously large ...'

There would be no objective problem in issuing most of that credit as outright development grants ... If we succeed in bringing a major portion of the population of the developing sector up to a level of social productivity comparable to the advanced sector within 10-15 years ... the benefits of this result to the advanced sector are so enormous that we should then require no repayment for past aid."

modities—which, thus far, has been so manipulated that it has been buried in the so-called North-South negotiations. Likewise, they ask that the Common Fund, projected as a stabilization instrument to establish a permanent correspondence between the prices they receive for their products and those they pay for their imports—which has just begun to be integrated—be given a big boost. For the nonaligned countries, this correspondence—permanently linking the prices of their export items with prices of the basic equipment, industrial products and raw materials and technology that they import from the developed countries—constitutes an essential pivot for all future economic negotiations.

The developing countries demand—and will maintain their struggle to achieve this—that the industrial products of their incipient economies be given access to the markets of developed countries that; the vicious protectionism which has been re-introduced in the international economy and which threatens to lead us once again into an ominous economic war be eliminated; and that generalized and nonreciprocal tariff preferences be applied without deceptive falsehoods, so their young industries may develop without being crushed in the world market by the superior technological resources of the developed countries.

The underdeveloped countries now have a foreign debt of \$335 billion. It is estimated that around \$40 billion a year goes to servicing this foreign debt—more

than 20 percent of their exports. Moreover, average per capita income in the developed countries is now 14 times greater than in the underdeveloped countries. This situation is untenable.

## **A new monetary system**

The developing countries need a new financial system to be established through which they can receive the necessary financial resources for the continuous and independent development of their economies. It should provide long-term, low-interest financing. These financial resources should be completely at the disposal of the developing countries, to enable them to establish priority system in their economies in accordance with their plans for industrial development and to prevent those funds from being absorbed, as is the case at present, by transnational corporations—which use alleged financial contributions for development to aggravate the deformations of our economies and reap maximum profits from the exploitation of countries' resources.

The developing countries—and, on their behalf, the Movement of Nonaligned Countries—demand that a substantial part of the immense resources now being wasted in the arms race be used for development—which would both contribute to reducing the danger of war and help improve the international situation.

Expressing the position of all the developing countries, the nonaligned countries call for the establishment of a new international monetary system which will stop the disastrous fluctuations to which the main currencies used in the international economy—especially the United States dollar—are subject. The financial disorder also hits the developing countries, which hope that, when the outlines of the new international monetary system are drawn up, they—as the majority of the countries in the international community, representing more than 1500 million men and women—may have a voice in the decision-making process.

In brief, Mr. Chairman and representatives, unequal exchange is impoverishing our peoples and should cease.

Inflation, which is being exported to us, is impoverishing our peoples and should cease.

Protectionism is impoverishing our peoples and should cease.

The disequilibrium that exists concerning the exploitation of sea resources is abusive and should be abolished.

The financial resources received by the developing countries are insufficient and should be increased.

Arms expenditures are irrational. They should cease, and the funds thus released should be used to finance development.

The international monetary system that prevails today is bankrupt and should be replaced.

The debts of the least developed countries and those in a disadvantageous position are impossible to bear and have no solution. They should be cancelled!

Indebtedness oppresses the rest of the developing countries economically and should be relieved.

The wide gap between the developed countries and the countries that seek development is growing rather than diminishing and should be closed.

Such are the demands of the underdeveloped countries.

Mr. Chairman and representatives, response to these demands, some of which have been systematically presented by the developing countries in international forums, through the Group of 77 and the Movement of Nonaligned Countries, would permit a change of course in the international economic situation that would provide the developing countries with the institutional conditions for organizing programs that would definitely place them on the road to development.

But, even if all these measures were implemented and the mistakes and evils of the present system of international relations were rectified, the developing countries would still lack one decisive element: external financing.

All the internal efforts, all the sacrifices that the peoples of the developing countries are making and are willing to make and all the opportunities for increasing

their economic potential that would be achieved on eliminating the inequality between the prices of their exports and imports and on improving the conditions in which their foreign trade is carried out wouldn't be enough. In the light of their real financial situation at present, they need enough resources to be able to both pay their debts and to make the huge expenditures on a global level which development requires.

Here, also, the figures are too well known for us to repeat them. The Sixth Summit Conference was concerned not only because the underdeveloped countries' foreign debt was practically unbearable but also because it was increasing annually at an alarming rate. The data contained in the World Bank report that came out while we were holding the Havana Conference confirm that the situation is growing worse and worse. In 1978 alone the foreign public debt of 96 developing countries rose by some \$51 billion. This rate of growth has resulted in their foreign debt's reaching the astronomical figure already mentioned.

Mr. Chairman, we cannot resign ourselves to this gloomy prospect.

The most renowned economists—both Western ones and those who ascribe to Marxist concepts—admit that the developing countries' system of international indebtedness functions in a completely irrational manner and that its maintenance could lead to a sudden interruption that could endanger the whole precarious, unstable balance of the world economy.

Some try to explain the surprising economic fact that the international banking centers continue to provide funds to countries that are technically bankrupt by adducing that these are generous contributions to help those countries meet their economic difficulties, but this is not so. Actually, it is an operation for saving the international capitalist order itself. In October 1978, the Commission of European Communities admitted, by way of clarification, that "The present balance of the world economy depends to a considerable extent on continuing the flow of private loans to non oil-producing developing countries...on a scale unprecedented prior to 1974, and any obstacle to that flow will endanger that balance."

World bankruptcy would be very hard, in the first place, on the underdeveloped countries and on the workers in the developed countries. It would hurt even the most stable socialist economies, but it is doubtful that the capital system would survive such a catastrophe, and it would be difficult for the resulting terrible economic situation not to inevitably engender a world conflagration. There is already talk of special military forces to occupy the oil fields and the sources of other raw materials.

But, while everyone should be concerned over this gloomy prospect, this duty applies first of all to those who possess the most wealth and material abundance.

In any case, the prospect of a world without capitalism is not too frightening to us revolutionaries.

It has been proposed that, instead of a spirit of confrontation, we employ a sense of world economic interdependency that will enable us to call on the resources of all our economies in order to obtain joint benefits, but the concept of interdependency is only acceptable when you start by admitting the intrinsic and brutal injustice of current interdependency. The developing countries will not accept the unjust, arbitrary international division of labor which modern colonialism imposed on them with the English Industrial Revolution and which was deepened by imperialism as "interdependency."

If confrontation and struggle—the only road that seems to be open to the developing countries, a road that offers long and difficult battles whose proportions no one can predict—are to be avoided, we must all seek and find formulas of cooperation for solving the

*"If there are no resources for development, there will be no peace...  
The history of international trade has shown that development is the most dynamic factor in world trade."*

great problems which, while affecting our peoples, cannot be solved without also affecting the structural changes, considering that it is the only way to eliminate the present vulnerability of their economies and to turn the simple statistical growth into true development. The Heads of State or Government recognize that it is the only way their peoples would be willing to pay the price required for them to be the main protagonists in the process. As I said on that "...if the system is socially just, the possibilities of survival and economic and social development are incomparably greater."

## **International Financing**

The history of my country provides irrefutable proof of this.

The emerging crying need to solve the problem of underdevelopment brings us back, Mr. Chairman, to the problem I mentioned just a little while ago, which is the last one I would like to submit to this 34th General Assembly of the United Nations. I refer to international financing.

One of the most serious phenomena that accompany the accelerated indebtedness of the developing countries, as we already said, consists of the fact that the developing countries are forced to use most of the money they receive from abroad to cover their current account and trade deficits, renew debts, and make interest payments.

The exporting developing countries for example—to whose situation I referred in the Havana Conference—ran up deficits in their balance of payments of over \$200 billion in just the last six years.

In view of this, the developing countries require truly enormous investment—primarily, and with practically no exception, in those branches of production that yield low profits and, therefore, do not appeal to private foreign lenders and investors.

In order to increase the production of foodstuffs so as to do away with the malnutrition that affects the 450 million we have mentioned, we must provide many new land and water resources. According to specialized estimates, 76 million more hectares of land in the developing countries would have to be cultivated and over 10 million more hectares of land irrigated in the next ten years.

Irrigation systems for 45 million hectares of land would have to be repaired. Therefore, even the most modest estimates admit that \$8-9 billion is required annually in international financial aid—aid, not the total flow of resources—in order to obtain agricultural growth rates of from 3.5 to 4 percent in the developing countries.

With regard to industrialization, the estimates are far higher. On outlining the goals mentioned in its Lima meeting, the Conference of the United National Industrial Development Organization determined that financing should be at the heart of international development policy and that it should reach annual levels of \$450-500 billion by the year 2000, a third of which—that is, \$150-160 billion—will have to be financed from external sources.

But, Mr. Chairman and representatives, agriculture and industrialization are only two aspects of development. Mainly, development involves attention to human beings, who should be the protagonists and goal in all development efforts. To cite the example of Cuba, during the last five years, our country invested an average of nearly \$200 million a year in school construction. Investments in medical equipment and the construction of hospitals, polyclinics, etc. are averaging over \$40 million a year. And Cuba is just one of nearly a hundred developing countries—one of the smallest in terms of geography and population. Therefore, it may be deduced that the developing countries will need to have billions of dollars more invested every year to overcome the results of backwardness in education and public health services.

This is the big problem facing us.

And, gentlemen, it is not only our problem, a problem for the countries victimized by underdevelopment and insufficient development; it is a problem for the international community as a whole.

On more than one occasion, it has been said that we were forced into underdevelopment by colonization and imperialist neocolonization. Therefore, the task of helping us to emerge from underdevelopment is, first of all, a historic and moral obligation of those who benefited from the plunder of our wealth and the exploitation of our men and women for decades and for centuries. But, at the same time, it is the task of mankind as a whole, as the Sixth Summit Conference has declared.

The socialist countries did not participate in the plunder of the world, and they are not responsible for the phenomenon of underdevelopment. But, even so, because of the nature of their social system, in which international solidarity is a premise, they understand and assume the obligation of helping to overcome it.

Likewise, when the world expects the producing developing countries to contribute to the universal flow of external financing for development, it does so because of a hope and duty of solidarity among underdeveloped countries, not because of obligations and duties which no one could hope to impose. The big exporting countries should be aware of their responsibilities.

### **Cuban contribution**

Even those developing countries that are relatively more advanced should make their contributions. Cuba—which is not speaking here on behalf of its own interests and is not defending a national objective—in accordance with its means, is willing to contribute thousands, tens of thousands of technicians: doctors, teachers, agronomists, hydraulic engineers, mechanical engineers, middle-level technicians, skilled workers, etc.

The time has therefore come for all of us to join in the task of pulling entire peoples, hundreds of millions of human beings out of the backwardness, poverty, malnutrition, illness and illiteracy that keep them from having full human dignity and pride.

We should, therefore, mobilize resources for development, and this is our joint obligation.

Mr. Chairman, there are so many special, multilateral, public and private funds whose purpose is to contribute to some aspect of development—agricultural, industrial, the meeting of balance of payments deficits or whatever—that it is not easy for me, on presenting the economic problems discussed by the Sixth Summit Conference to the 34th Assembly, to formulate a concrete proposal for the establishment of a new fund.

Undoubtedly, however, the problem of financing

should be discussed deeply and fully in order to find a solution. In addition to the resources that have already been mobilized by various banking channels, loan organizations, international bodies, and private finance agencies, we must discuss and determine a strategy for the next development decade, which should include an additional contribution of no less than \$300 billion (1977 real values), to be invested in the underdeveloped countries and to be made in yearly installments of at least \$25 billion right from the beginning. This should be in the form of donations and longterm, low-interest soft credits.

It is absolutely necessary to mobilize these additional funds as a contribution of the developed world during the next ten years. If we want peace, these resources will be required. If there are no resources for development, there will be no peace.

Some may think this is asking too much, but I think it is a modest figure. According to statistical data, as

## **First reactions to a call for cooperation**

**Le Monde, editorial, Oct. 15, "The Open Hand of Fidel":**

To help the Third World countries so as to help oneself while recession again threatens in the richer nations, that theme is reappearing in a few official milieus. ... The scandal is permanent but one needs spectacular tragedies like that of Cambodia to awaken public opinion. ... In the face of such a dark reality, Castro did not have to exaggerate to shake his audience last Friday at the United Nations. No one ignores the oratorical talents of the Cuban head of state, but he did not lack cleverness either. It is through a certain moderation, unusual for him, that he reached his aim. Presenting himself less as a Cuban revolutionary than as the leader of a universal movement, which he could legitimately do as acting president of the nonaligned movement, presenting an extended hand instead of a clenched fist, he won over an audience which was less complacent than at the beginning of his speech.

We will see what remains after the emotion has subsided. Adversaries and proponents of Fidel Castro will be counted in two weeks when Cuba will present itself to the suffrage of the United Nations to get itself elected at the Security Council. After which one will have to get to the business of talking big money. But why couldn't we for once escape the classical dilemma; bread for those deprived of it necessarily means sacrifices for those who already



I stated in the inaugural session of the Sixth Summit Conference of Nonaligned Countries, world military expenditures amount to more than \$300 billion a year. This sum could build 600,000 schools, with a capacity for 400 million children; or 60 million comfortable homes, for 300 million people; or 30,000 hospitals, with 18 million beds; or 20,000 factories, with jobs for more than 20 million workers; or an irrigation system for 150 million hectares of land—that, with the application of technology, could feed a billion people. Mankind wastes this much every year on military spending. Moreover, consider the enormous quantities of young human resources, technicians, fuel, raw materials, and other items. This is the fabulous price of preventing a true climate of confidence and peace from existing in the world.

The United States alone will spend six times this much on military activities in the 1980s.

For ten years of development, we are requesting less

than what is spent in a single year by the Ministries of War and much less than a tenth of what will be spent for military purposes in ten years.

Some may consider our demand irrational, but the truly irrational thing is the world's madness in our era and the perils that threaten mankind.

The tremendous responsibility of studying, mobilizing, and distributing the flow of these resources should be entrusted to the United Nations. The funds should be administered by the international community itself, in conditions of absolute equality for all countries, whether contributors or beneficiaries, without any political strings attached and without the amount of the donations having anything to do with voting power in deciding when loans are to be granted and to whom.

Even though the flow of resources should be measured in financial terms, it should not consist only of money. It may also be made up of equipment, fertilizers, raw materials, fuel and turn-key factories, valued in the

have it. The North-South collaboration formulas of Fidel Castro, after many others, don't they open a new way, advantageous to all? Why don't we tell him we take up the challenge?

**Les Echos, Oct. 15:**

Newly promoted leader of the nonaligned, while remaining the constant spokesman for a certain idea of socialism, Soviet-style, Fidel Castro came to the United Nations at the same time to settle accounts and to propose a compromise. The message he issued in front of the 152 members of the Assembly is double-edged. He was the apostle of peace and cooperation between people so as to eliminate the unjust disparity between rich and poor, while warning the UN Assembly that the world was on the verge of apocalypse. At the same time, he reiterated his attacks against the capitalist countries, and more especially the United States, which he did not hesitate to accuse of attempting to assassinate him. The fact remains that beyond his outrageous style—notably the demand for a \$300 billion fund for developing countries—Castro proposed for the first time the opening of a dialogue with the West. It remains to be seen on what terms. The calls and diatribes of the new "prophet" of the Nonaligned Movement provoked the enthusiasm of the majority of the members of the Assembly, with the notable exception of the United States and China. The speech is made, now Castro must build his credibility.

**Washington Post, Oct. 16:**

The Castro truculence has a life of its own ... It

can keep the Third World from taking full advantage of the limited but still valuable steps the United States is prepared to take on global development now....

**Joseph Kraft, syndicated columnist, U.S., Oct. 15:**

The United States' main problem is to break up the coming-together of the Soviet bloc and the Third World in a massive front of anti-American unity. The start of a solution is to kick Castro.... By kicking hard at Castro, by challenging him rhetorically and harassing him in practice, the United States underlines the role of the Cuban regime as the lynchpin in the projected alliance between the Soviet bloc and the Third World. Many countries with doubts about that grouping will have more reason to hang back—especially those that are jumping in only because they think Washington doesn't care.

The Carter administration has consistently favored a policy of accommodation to the demands of the Third World. The Andrew Young approach has been a complete bust ... Pakistan, Mexico, and Spain, to cite three recent examples, have all recently associated themselves with Third World criticism of the United States.

Castro comes nicely to hand as the head of a regime and a country who can be pushed around with only minimal costs.

**William McHenry, United Nations Ambassador for the United States:**

Do you think we can give them funds after they insult us?

terms of international trade. Aid in technical personnel and their training should also be entered as a contribution.

## **A common task**

Esteemed Mr. Chairman and representatives, we are sure that, if the Secretary General of the United Nations—assisted by the Chairman of the Assembly, with all the prestige and weight of this organization behind them and also supported right from the outset by the backing that the developing countries and especially the Group of 77 would give that initiative—would call together the various factors we have mentioned to initiate discussions in which there would be no room for the so-called North-South and East-West antagonisms, but in which all would join forces in a common task, a common duty and a common hope, this idea that we are now submitting to the General Assembly could be crowned with success.

This is a project that will benefit all nations—not just the developing countries.

As a revolutionary, I am not frightened by confrontation. I have faith in history and peoples. But, as the spokesman of 95 countries who interprets their feelings, I have the responsibility to struggle to achieve cooperation among the peoples—cooperation which, if attained on new and just bases, will benefit all the countries of the international community and especially world peace.

In the short-term view, development can be a task entailing apparent sacrifices and even donations which may seem irrecoverable, but, with development, the vast world now submerged in backwardness, with no purchasing power and with extremely limited consumer capacity will incorporate a flood of hundreds of consumers and producers in the international economy—which is the only way it and the economies of the developed countries which are even now engendering and suffering from the economic crisis may be put back on their feet.

The history of international trade has shown that development is the most dynamic factor in world trade. Most of the trade in today's world takes place between fully industrialized countries. We can assure you that, as industrialization and progress spread throughout the world, trade will also spread, to the benefit of all.

It is for this reason that, on behalf of the developing countries, we expound and advocate our countries' cause. We are not asking for a gift. If we do not come up with effective solutions, we will all be victims of the catastrophe. Mr. Chairman and distinguished representatives, frequent mention is made of human rights, but mention should also be made of the rights of mankind.

Why should people go barefooted so that others may ride in expensive cars? Why should some live only

35 years so others may live 70? Why should some be miserably poor so that others may be exaggeratedly rich?

I speak on behalf of the world's children who don't even have a piece of bread; I speak on behalf of the sick who have no medicine; I speak on behalf of those who have been denied the right to life and human dignity.

Some countries are on the sea; others aren't. Some have energy resources; others don't. Some are so glutted with machinery and factories that you can't even breathe the air of their poisoned atmosphere; others have only their emaciated arms with which to earn their bread.

In short, some countries possess abundant resources, while others have nothing. What is their fate? To starve? To remain poor forever? What is civilization for, then? What is man's conscience for? What is the United Nations for? What is the world for? You cannot speak of peace on behalf of the tens of millions of human beings all over the world who are starving to death or dying of curable diseases. You cannot speak of peace on behalf of 900 million illiterates.

The rich countries' exploitation of the poor countries should cease.

I know that there are exploiters and exploited in many poor countries, as well.

I address the rich, asking them to contribute. I address the poor countries, asking them to distribute.

Enough of words! We need deeds. Enough of abstractions! We need concrete action. Enough of speaking about a speculative new international economic order which nobody understands! We must speak about a real, objective order which everybody understands.

I have not come here as a prophet of the revolution; nor have I come here to ask or wish that the world be violently convulsed. I have come to speak of peace and cooperation among peoples, and I have come to warn that, if we do not eliminate our present injustices and inequalities peacefully and wisely, the future will be apocalyptic.

The sound of weapons, threatening language and arrogance in the international scene must cease. Enough of the illusion that the world's problems can be solved by means of nuclear weapons. Bombs may kill the hungry, the sick and the ignorant, but they cannot kill hunger, disease, and ignorance. Nor can they kill the righteous rebellion of the peoples—and, in the holocaust, the rich, who are the ones who have the most to lose in this world, will also die.

Let us say farewell to arms, and let us dedicate ourselves in a civilized manner to the most pressing problems of our times. This is the responsibility and the most sacred duty of all the world's statesmen. Moreover, it is the basic premise of human survival.

Thank you very much.



## Ethiopia builds a nation

*An exclusive interview with Foreign Affairs Minister Feleke Gedle-Giorgis*

During the United Nations Assembly session earlier this month, H.E. Col. Dr. Feleke Gedle-Giorgis, Minister for Foreign Affairs of the Provisional Military Government of Socialist Ethiopia kindly granted this interview to the Executive Intelligence Review.

The foreign minister and his aide were particularly concerned with the coverage in the international media that Ethiopia has received. In the first four years of the Ethiopian revolution, the foreign minister explained, when Ethiopia faced aggression from both within and without, events there were constant news in the international press. The press at that time decried Ethiopia as an agent of Soviet influence in Africa. Now that Ethiopia has won those military battles and embarked on the more difficult fight for agricultural and industrial development, events in Ethiopia are no longer deemed newsworthy.

In this nation of over 30 million peoples—the second largest nation in all Africa—development is the most important battle, and the one on which the vast majority of government officials—most prominently President Haile Mengistu Miriam—are focused. A National Revolutionary Development Campaign has been launched and Mengistu personally tours this vast country to ensure that development programs are implemented.

The Foreign Minister strongly expressed a sense of national pride. Ethiopia, unlike many other African nations, claims a culture that goes back 1000 years and a long history of independence.

As many observers of the Africa scene are aware, Ethiopia is emerging as a leader of all Africa, as

General Mengistu is recognized as a leader of all Africans, not only Ethiopians. The struggle to raise Ethiopia from feudal backwardness, is not only a story of Ethiopia but the watchword for the development of the entire African continent.

—Daniel Sneider and Douglas de Groot

**Q** : You have recently celebrated the fifth anniversary of the Ethiopian Revolution. What are the goals and objectives of the government now?

**A:** To understand the objective of our revolution and its process, one has to understand the state of affairs that existed before the revolution. Everybody knows that there was an absolute monarch, a monarchical order, the feudal system, in which a few families owned the entire arable land in the country. The Ethiopian people, the masses, were denied their rights, and even political rights, because we didn't have any political party in the country, even if we had claim for thousands of years of independence.

The people of Ethiopia have struggled against colonialism, against the Ottoman Turks, against the Egyptian Pharaohs, against all other Arab expansionist aggressions against Ethiopia. We fought against the British colonialists, against the Italian and French, all these colonialist powers dividing all of Africa. ... We were able to reject all this aggression.

Now the state of affairs after all this is not very much differentiated from the colonial situation in other

African countries. The Ethiopian people were subjected to various exploitations, internal and external. Apart from the fact that the Haile Selassie regime exploited the country, Haile Selassie didn't even regard himself as an African. He opened the door to imperialist exploitation of the country. Many interests—outside interests were involved—who usually did not invest in the country, but were collaborating with the feudal system. There were Americans who were feudalists also, who owned ranches and so forth.

This situation of course precipitated a number of upheavals against the system. Many coup d'états, massive protests have taken place since the Mussolini aggression up to 1974. What happened in 1974 was the climax of all those public reactions that had taken place for a number of years.

Now in 1974 the Ethiopian masses, spearheaded of course by the armed forces which was the only organized force in the country, overthrew the feudal system and came out with their program of nationalizing urban land, rural land, and providing land to the peasants. For the first time in the history of Ethiopian independence, the peasants owned their piece of land.

In this process, internal reactions, which we knew in advance of course, and feudal elements, worked to overthrow the revolution to bring about the sense of the past. We, the people of Ethiopia, organized ourselves with arms for armed struggle against the internal reaction with the full support of various powers. Those who are interested in overthrowing the Ethiopian revolution support the reaction, the feudalist reaction, and other separatist elements in the north. The main purpose of this reaction was to overthrow the revolution. The heroic stand against these reactions, besides the internal reactions, prevented these dangers from occurring.

At the time when we were fighting against this internal reaction we faced another external aggression from outside. We have fought against some 13 countries which were supporting Somalia in its expansionist efforts against Ethiopia. Many countries who were against the revolution, supported Somalia's expansionist policy, armed Somalia, supported Somalia. The Ethiopian people, again supported by some socialist countries and democratic peace-loving countries of Africa, struggled for the salvation of their nation, and started the war against the secessionist elements in the north.

At this particular time I would like only to inform you that we have rejected also this secessionist control of Eritrea, of most of Eritrea. Remaining in the zones controlled by the secessionists are the people who have been organized by the revolutionary army of Ethiopia, and except certain pockets of resistance by these secessionist elements, they are under control.

We have organized the people on a communal basis. The fruits of the revolution—nationalization of rural land has taken place. The army is participating in the

process of organizing the masses, culminating in farmers associations being established there as well as in other parts of Ethiopia.

Now, having ensured our revolution, with the territorial integrity and unity of Ethiopia, we turned to the development process of Ethiopia. Last year, the fourth anniversary of the revolution, an economic campaign was launched. The objective of the current campaign is, on a short-term basis, the development of agriculture. We concentrated on agriculture.

## **Infrastructure for industry**

So we have short-term, medium-term, and long-term objectives. The long-term objective is the attempt to create the necessary infrastructure for industrialization of Ethiopia. Ethiopia as you know has little infrastructure. The main immediate need is food, with disease, hunger, and illiteracy being the main impediments to development. These are the areas which we concentrate on for the time being.

Right now the people have mobilized themselves for this program, and in each and every administrative region the program is going very well. Our chairman [General Mengistu] is visiting each of the regions to see that this program is properly implemented, is being implemented. We have had successes in many fields already. We believe that in a very short period of time we shall eradicate hunger without expecting other countries to supply us with food.

As for illiteracy, in the campaign against illiteracy the people are again being organized where it is possible to carry out the process of education, but we need the support of many other countries.

In the economic campaign we have approached the socialist countries whose assistance was welcome by way of assisting Ethiopia in our agricultural mobilization and other assistance to Ethiopia. We have signed a number of joint economic commissions with Eastern European countries and other African countries like Kenya. So we believe that we are doing the right thing at the right time. The propaganda of all those countries who have opposed the Ethiopian revolution was that the Ethiopian revolution was very bad, abusing human rights, etc., etc., etc. It was during the Emperor's time that hundreds of thousands were being killed, and at that time various circles never mentioned this situation.

Now at the time when we are struggling to bring enough food to the people to eradicate hunger, illiteracy, and backwardness, certain countries are offering aid to Ethiopia, in fact are carrying out international campaigns able to assist Ethiopia in this humanitarian act. These are the main problems, and the process of blackening of the revolution is being carried out in international media.

## Americans would understand

But in many cases, there are people everywhere, and we know that the American people will understand our problem; our only problem is that we don't have access to reach the American people to explain our revolution. We are deeply grateful to you to carry out this humanitarian act, this assistance, to explain to the American people the nature of the revolution. Any American is free to come to Ethiopia to see for himself; what he will learn is that we appreciate the assistance of a number of American citizens, who are helping to combat certain diseases, and in other areas. Many of our educated Ethiopians have studied here in the United States, studied with American experts, and I think there is a common understanding. We are not against the American people. We are against exploitation, we are against imperialism, we are against neocolonialism.

These are our problems. Otherwise we will cooperate with all other democratic, peace-loving people.

Our main objective at this particular time is to reconstruct our war-damaged country, educate our illiterate population, eradicate hunger. This is our task and objective.

I said earlier that we didn't have a political party. We shall soon establish a workers' party in Ethiopia. Very soon we will establish a commission which will study and be exposed to the process of the creation of such a party. We are certain that the revolution will advance with such a party, a workers' party.

## Mode of organization

*Q: In terms of the problems of development, and the legacy of backwardness which you were left with when the revolution took place, how do you take on the question of mobilizing the population to participate in the development process? What kind of organizations, what kind of campaigns, what kind of education do you carry out to do that?*

**A:** The first thing we did after the 1974 revolution was to organize the people. How difficult is this state of affairs in this situation is clear. The fact that we didn't have a political party, the fact that the people were disorganized, the fact that the people were illiterate, they were diseased and backward.

All this of course made it extremely difficult. It was the program of the revolution and the achievements of the revolution that ultimately organized the population in the first place.

So we first of course organized the peasants, the rural areas of the country who must benefit from the revolution, the nationalization process of the rural lands.

It was there in the first place where the feudal elements, runaway feudalists, tried to organize them-

selves. That was the area where they thought they could organize the masses up against the revolution. But instead the peasants who were themselves for many years exploited and regarded as second-class citizens, and who knew in advance of the benefits of the revolution, organized themselves. Various cells and communes established farmers associations. We organized the farmers associations on the local, what we call *kebele*, communal level, on what is called the Soviet *kebele*, and on up to regional and national associations. We have now established a national organization.

Then we have the urban *kebele* also, organized in the cities. So these are the organizations which we have, and the army is also organized on much the same basis.

These are the various elements formed for the future, the future political party. As for the criteria for this we consider that the revolutionary leader is the person who in the last five years has participated in the revolution that follows the Marxist-Leninist principles, has accepted the programs, the party, for integrating all those communists, soldiers, revolutionaries who have sacrificed themselves, working to eradicate feudalism in the country, working with the revolution and workers against aggression, and secession, for a policy. All these individuals are revolutionary elements in that sense. These are the organizations which organized the farmers associations, and *kebele* in the urban centers.

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***We know the American people will understand the problem: our only difficulty is we don't have access to the American people.***

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*Q: What do you think is the significance of the Ethiopian revolution for Africa as a whole for the development problems which Africa faces?*

**A:** Well, one of the accusations of these various circles is that we are prepared to export our revolution to other countries. Our revolution is not for export, nor did we import the Ethiopian revolution, which takes into account the Ethiopian tradition. We are grateful of course for aid and support we received, and we will play our historical part in the anti-imperialist struggle in general. We do not pretend that we should impose the Ethiopian revolution elsewhere, or that others should accept the Ethiopian revolution for their countries.

We support and are supporting all those brothers

and sisters who are struggling against apartheid, against colonialism, against racists. We in Ethiopia for reasons necessary to protect the revolution cannot be independent of this fight. Unless the rest of Africa is free, it will be difficult to give the necessary support to our African brothers in Zimbabwe and South Africa.

We of course are not against other countries taking what is good from the Ethiopian Revolution. We neither import nor export revolution.

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***In Africa, we could have really eradicated hunger by this time instead of using our meager resources for buying arms.***

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**Q:** *Can you explain the policies and objectives of Ethiopia's foreign policy?*

**A:** As far as our policy is concerned, Ethiopia's foreign policy as it is stated in our national democratic coalition program, is based on the principles of nonalignment in the sense that we follow the principles of peaceful coexistence, in the principle of absolute integrity of boundaries, respect of independence of countries, of not interfering in internal affairs of other countries, cooperation with all neighboring countries including Somalia, Sudan, Djibouti, and Kenya. With Kenya we have an excellent relationship without any contradiction, even though we have different social formations, social systems.

We have an excellent relationship, we cooperate economically, politically, diplomatically. With the Sudan of course since the revolution, we have contradictions: the support they have given to the secessionist elements, interference in the internal affairs of Ethiopia, moves being dictated to them by outside forces. This situation didn't make, didn't create the necessary atmosphere for cooperation.

There was a commission of mediation established by the Organization of African Unity. Last year Ethiopia and Sudan met in Freetown, Sierre Leone. For the first time its two leaders met to acquaint each other with the problems. The main objective of this meeting was to normalize relations between Sudan and Ethiopia. But after these two leaders met, delegations met, and seriously discussed problems that faced both countries, this as far as we are concerned, was successful. Sudan's decision of course was dictated by the notions of others who didn't come or want to come to a clear understand-

ing or normalize relations with Ethiopia. But still we believe that in the future, since the mediation committee will work, we are still there to see to it that these relations are still there between the two countries, and we believe that there might possibly be some positive atmosphere created between the two countries.

As far as our relations therefore are concerned we want to cooperate with all countries nearby.

We have very close relations with socialist countries who have assisted Ethiopia politically and militarily when Ethiopia was attacked and the support they have given to the Ethiopian revolution. This means the Soviet Union and other socialist countries.

As far as we are concerned, our involvement in southern Africa against colonialism, apartheid, and racism is clear. We support our brothers and sisters of southern Africa within the context of the charter of the Organization of African Unity. We have excellent relations with the liberation movements. We train their cadre and give military assistance.

Ethiopia will continue to support the legitimate liberation movements in southern Africa until independence is achieved. That independence will be genuine independence.

## **British are responsible**

**Q:** *How do you view the London conference in that context?*

**A:** As far as we are concerned we are not against early peaceful settlement. All Ethiopia, all Africa, wants is that there exists genuine independence in Zimbabwe. We believe that if the various desires, conditions, advanced by the Patriotic Front are accepted, there is a chance for peaceful settlement. The British, who are responsible for Rhodesia's independence, Zimbabwe's independence, are the last ones to welcome the forthcoming independence of Zimbabwe.

If this London conference fails, then the only resort for getting independence in Zimbabwe is armed struggle. We don't believe in the direct responsibility being given to the British government. We don't believe also that Britain alone can supervise the elections there. We believe that if any other organization has to be involved in this election process it must either by the OAU or the United Nations.

But the reasons that although we support all peaceful attempts to resolve the problem in Rhodesian struggle, we think that the genuine independence can come only through armed struggle, is because the British, who are the responsible colonial countries which is responsible for independence, has not delivered that independence.

If this London constitutional conference attempts to

dilute the militant stand taken in Monrovia at the 16th summit of the OAU, then the question will have to be settled in the battlefield.

## Tractors not tanks

**Q:** *You mentioned Sudan and the problem of the relationship between Sudan and Ethiopia. Has Ethiopia given any thought to regional kinds of development programs, projects such as the development of the Nile basin, an idea Nasser espoused, which could be a basis for cooperation, could alleviate some of the problems from the Sudan side?*

**A:** We do not have any concrete arrangement as far as development on a regional basis is concerned with the Sudan. But taking into account the cooperation, the arrangement Ethiopia has with Kenya, and the project we have already presented to the European Community for regional cooperation between Ethiopia and Djibouti, we are also for such regional cooperation with the Sudan.

If concrete proposals have not been yet advanced, we are going in this direction. As our chairman has mentioned on numerous occasions, we are ready also even to have regional cooperation arrangements with Somalia, with even Somalia.

When we say that our foreign policy is peaceful coexistence with neighboring countries we mean even in this question the economic development of neighboring countries on a regional basis and asking the cooperation and assistance of the various international organizations. Instead of attacking each other, instead of fighting each other, instead of spending their money for armaments, what we need really is tractors not tanks.

We could have done it as a normal thing in Africa, we could have cooperated for all our people. We could have really eradicated hunger by this time instead of using our meager resources for buying arms.

**Q:** *There were two pictures on the wall in the entrance which were very striking. One showed farming with an ox, which is unfortunately a situation forced on developing countries. The other showed several tractors plowing a big flat field. It looked like the Midwest in the United States. What I want to ask you about is your organizing drive on agriculture. You mentioned something earlier about being forced to take two different approaches with respect to agricultural technology, the short term being that of operating within the constraints placed on you, maintaining in part the traditional approach. How are you trying to organize this aspect of your agricultural production, and also what are Ethiopia's longer term industrialization goals?*

**A:** This (industry) is our long-term objective. Our primary objective is to really bring food to the people,

eradicate hunger. Hundreds of thousands of people are dying of hunger and disease. Particularly at the time we are talking now, people are dying. We don't know how long this process will take. The main objective in the economic area is on agriculture.

That's why we have approached a number of countries directly by the visit of the Ethiopian head of state, and through other contacts and delegations, and various statements. A number of countries we have approached have been very forthcoming. It is the socialist countries which have given us hundreds of these tractors which are now working. These are the tractors given by the assistance of the Soviet Union, the German Democratic Republic, Yugoslavia, Romania, Poland, all these countries.

The main objective therefore is food for the people. This is our motto. When we eradicate feudalism, we create the necessary infrastructure for the industrialization of Ethiopia. We need cement. We need various dams, iron, and the mechanization of agriculture. The peasants are still using oxen, as they have been doing for thousands of years using this method of plowing. We slowly want to change this process.

We are getting assistance, we are making proposals for assistance to international organizations, for example, the EC, to help us in this process.

**Q:** *On the regional question, how do you view the implications of the Camp David agreement, in particular as we understand it the secret provision of the Camp David agreement in which Egypt is projected as a military force to be utilized by the Anglo-American axis within Africa itself, as occurred in Zaire?*

**A:** Ethiopia has made its position clear. In the first place we don't believe that separate agreements or treaties serve the interests of progress. Any agreement which does not take into account the PLO as the sole and legitimate representative of the Palestinian people cannot resolve the problem.

As for the Camp David agreement, the main purpose we believe is to destabilize progressive developments in the region, including Ethiopia, the Popular Democratic Republic of Yemen, and other progressive revolutionary governments and peoples. President Sadat has said that he has a mission. By this he means that he can intervene everywhere, wherever there are revolutions, wherever there are progressive movements, as in Ethiopia or wherever they are in Africa, in Angola, Namibia, Mozambique. Sadat wants to be gendarme of the area.

Ethiopia has condemned Camp David because it is working not only against the people of Palestine but working against the interests of the neighboring parties of this area. It is a pact against the Arab people, against the African people.

# Carrington blows up Rhodesia talks

War, not a settlement to the Rhodesia question, is the likely outcome of the London conference on the form of the Rhodesian government that has been taking place this month.

The talks involving the current fraudulent government of Rhodesia, the British government represented by Foreign Secretary Lord Carrington, and the Patriotic Front liberation group, have broken down thanks to an ultimatum delivered by Lord Carrington that the Front accept without any changes British proposals for a Rhodesian constitution. This week, after failing to force the Patriotic Front to either accept his demand or walk out of the conference, Carrington simply excluded the Front from the six-week-old conference and met only with representatives of the Salisbury regime, whose titular head is Bishop Abel Muzorewa.

The Patriotic Front is supported by the Organization of African Unity as the legitimate representative of the Rhodesian black majority. Carrington's decision to throw the Front out of the talks can only signify that Great Britain, with Muzorewa and South Africa as its allies, is ready for a bloody confrontation in southern Africa, not only with the Patriotic Front but against the black frontline states bordering Rhodesia that also support the Front.

In addition to meeting exclusively with Muzorewa this week, Carrington also met with the real leaders of the Salisbury regime—Lt. General Peter Walls, the commander of the Rhodesian armed forces and Police Commissioner Peter Allum.

In addition to the arrival of Walls in London, South Africa foreign minister R. Botha is also in London. R. Botha and South Africa prime minister and defense minister P.W. Botha have both recently indicated that South Africa would militarily intervene into Rhodesia to defend the Muzorewa government should the British seriously negotiate with the Patriotic Front. British sources now say, however, that Carrington will push for official recognition in Great Britain for the Salisbury regime and lift the sanctions against it.

## **British interests at stake**

The day before Carrington excluded the Patriotic Front, he once again delivered his ultimatum to the liberation group: before the talks continue, Carrington said, the Front must unconditionally accept his proposal for a constitution. The British proposal has built into it clauses, especially with respect to citizenship and land-holding, that essentially guarantee large-scale British influence.

It was Carrington's hope that this would force the Patriotic Front to make the move to leave the conference, thus offering the British Tory government the opportunity to recognize the Salisbury regime without fear of international disapproval. Instead, Patriotic Front leader Joshua Nkomo declared: "Carrington has no right to throw us out of our own conference. We have a right as members of that conference to continue, and we want to continue. We are not walking out."

It was pressure from the Third World members of the British Commonwealth which had forced British Prime Minister Margaret Thatcher to postpone her campaign promise to recognize the Salisbury regime. During the August Conference of the Commonwealth nations, Thatcher was forced to accept the conference as a means of stalling.

Now Carrington is once again coming under heavy attack from the Commonwealth nations for his heavy-handed tactics in London. The group's secretary general, Shridath Ramphal said this week that Commonwealth leaders had endorsed the London talks on the condition that they would involve "all parties in the conflict." According to the Oct 12 *Financial Times*, "There were fears in Commonwealth circles last night that Britain was intent on pushing the Patriotic Front to walk out of the conference, thus opening the way for unilateral negotiations with Salisbury." War is now the next item on the agenda in London. Military attacks have escalated from Rhodesia against the two frontline states of Mozambique and Zambia. Zambian president Kenneth Kaunda is also coming under intense economic pressure: On Oct. 12, the two main bridges from Tanzania into landlocked Zambia were blown up in special operations ordered by Rhodesia's Lt. General Walls. Zambia is now dependent on route through Rhodesia and South Africa for export and import.

On Oct. 17, the frontline presidents will meet in Dar es Salaam, Tanzania, for a strategy session in the aftermath of Carrington's decision to end negotiations. It is expected that the frontline heads of state will reject proposals coming from Washington that they pressure the Front to accept Carrington's demands. It can also be expected that if the British government, along with the South Africa government, continue in the direction toward war they are now pursuing, that the frontline states will be forced to call upon the socialist sector for aid, and there will be no protests against this from the rest of black Africa. The British government has succeeded in putting this region once again on a course for a superpower showdown.



**“If our nation returns to the principles of the American System as laid down by Hamilton, our nation will rise from inflation and recession to resume the course which made us a great world power in former times. A depression is unnecessary.”**

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# How to Stop Inflation and Unemployment

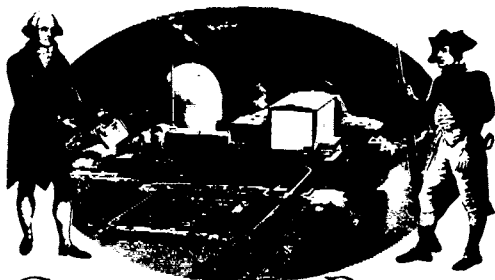
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# WORLD TRADE REVIEW

## New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Nigeria from U.S.	Pullman Kellogg will build a fertilizer complex near Port Harcourt	\$500 mn.		contract awarded in wake of Andrew Young visit
Japan from United States	Japan Air Lines orders three McDonnell Douglas DC-10 series 40 planes (\$150 mn.) and three Boeing 747 jumbo jets	\$350 mn		orders placed
Mexico from United States	Chrysler will build a small-engine plant in Mexico	\$110 mn.		
Israel from Federal Republic of Germany	Daimler-Benz (partly Kuwaiti-owned) will supply 1,050 buses to Egged, Israel's inter-urban bus cooperative	\$100 mn.		
People's Republic of China from Japan and United States	Nichimen Co. and Dekalb Agresearch, Inc. will invest in improvement of a 49,400 acre farm in Heilongjiang Province, in what is believed to be the first foreign participation in a Chinese state-owned farm	\$44.5 mn.		Nichimen announcement
Ethiopia from European Community	Loan for construction of 250-km highway near Sudan border	over \$30 mn.	\$30.3 mn. European Development Fund loan	Loan announced
Colombia from Sweden	L.M. Ericsson will supply 11 computer-controlled AXE telephone exchanges in Bogota	\$20 mn.		
Zambia and Zaire from European Community	Restoration of Benguela railway line linking Zambian and Zairean copper fields with Angolan port of Lobito	over \$11 mn.	\$11 mn. low interest loan from European Development Fund	
Senegal from European Community	Two lycées will be built, one for technology studies, the other for business studies	over \$10.5 mn.	\$10.5 mn. grant	Aid announced
Sudan from European Community	Project to boost farm productivity in Nubian hills	Over \$7.6 mn.	\$7.6 mn. European Development Fund loan	
Chile from Spain	Military arms sales to Pinochet government	NA		Confirmation in Cortes, N.Y., Spanish Minister of Commerce

**Abbreviations:**

U = Undetermined  
 NAp = Not applicable  
 NAv = Not available

**\*Status:**

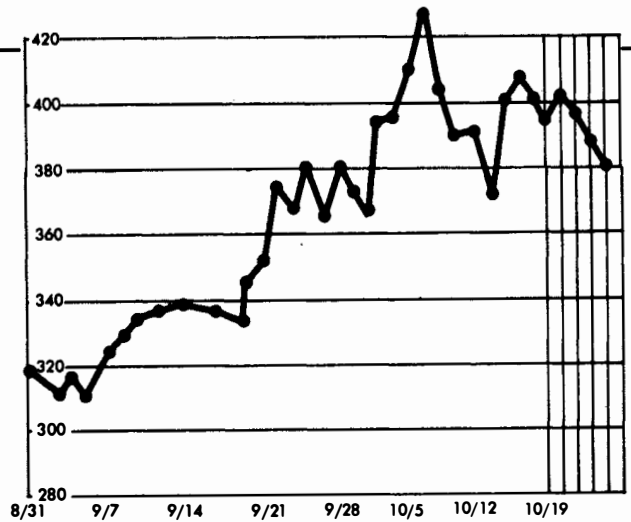
I = signed, work in progress  
 II = signed, contracts issued  
 III = deal signed  
 IV = in negotiation  
 V = preliminary talks

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**Gold**

London afternoon fixing

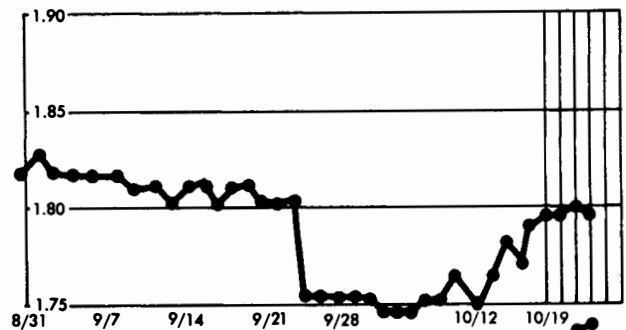
October 12	395.00
15	402.90
16	394.25
17	386.00
18	380.00



**The dollar in deutschemarks**

New York late afternoon

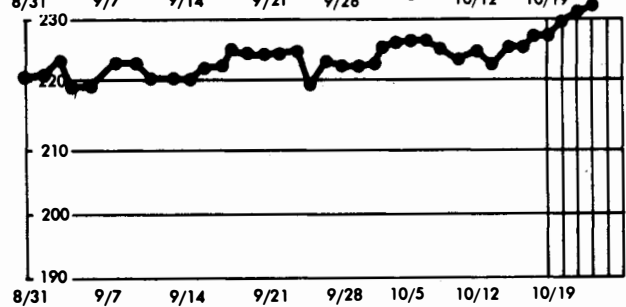
October 11	1.6170
12	1.6270
15	1.6345
16	1.6440
17	1.6440



**The dollar in yen**

New York late afternoon

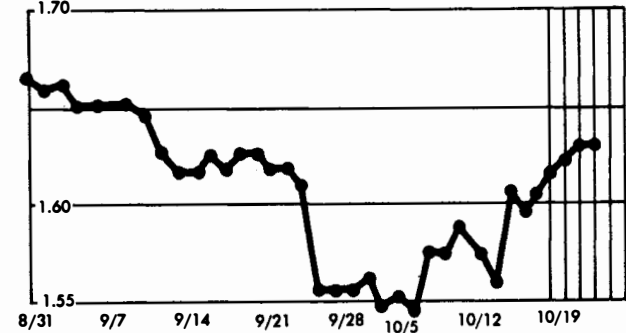
October 11	226.30
12	227.67
15	230.30
16	232.50
17	233.60



**The dollar in Swiss francs**

New York late afternoon

October 11	1.7870
12	1.7935
15	1.7967
16	1.8034
17	1.7970



**The British pound in dollars**

New York late afternoon

October 11	2.1690
12	2.1570
15	2.1572
16	2.1430
17	2.1505

