is there really any difference?

aides admit that the Senator, for public consumption, will soon have to make a purely rhetorical anti-Volcker splash to "Hooverize" President Carter. At the Oct. 29 hearings on the 50th anniversary of the crash of 1929, held by the Kennedy-dominated Joint Economic Committee, "we'll make a stand against too-tight money," said a Kennedy aide. But Kennedy's real end in this, he added, was to press (as the alternative to a mere credit crunch) a full blown wage-price control "national incomes policy" now being secretly drafted by Kennedy's office.

Productivity and innovation

The lack of a coherent monetary policy notwithstanding, Kennedy has gone on to promise a score of programs he will never implement to recapitalize the U.S. economy. "The top priority on our economic agenda," Ted told the Investment Association of New York, "must be a major new national commitment to the twin goals of productivity and innovation. That means new incentives for savings and investments, for entrepreneurs and business firms." He listed seven initiatives, highlighted by advanced tax depreciation schedules for capital investment in industry, targeted tax incentives for new business ventures in high-technology, and tax breaks to encourage Japanese-style trading companies formed of joint ventures by corporations, banks, and marketers with federal assistance to sell U.S. products abroad. Apparently Kennedy's aides have been studying the LaRouche campaign for some pointers on what Americans view as a competent economic policy. When it was pointed out to one of Kennedy's CSIS advisors that those sweeping reforms would be difficult to implement under wage/price controls, he said, "it doesn't matter, as long as Kennedy appears to have a strong policy." Kennedy's policy will not only include a strong call for a U.S. export program but major U.S. support for the new European Monetary System, which he has already floated in April 16 and July 17 speeches on Europe, a Kennedy aide said recently. "The Senator sees the EMS as an applaudable innovation which will stabilize the dollar while stabilizing European currencies, " he said.

President Carter's own campaign advisor Robert Strauss, senior Democratic Senator Adlai Stevenson II, and Texas Senator Lloyd Bentsen are planning a "public relations campaign" on the U.S. export issue for this fall culminating in the conservative Bentsen's appointment as Kennedy's running mate, another CSIS source revealed. "Kennedy is shifting to the center and Bentsen will help a lot. Once Carter has authorized the new Department of Trade and Industry (DITI), Stevenson, who has been holding trade hearings, Bentsen the head of the Joint Economic Committee, and Senators Roth and Ribicoff who wrote the DITI legislation will come out attacking Carter's 1978 Export Task Force, call it a failure, and get a lot of press," he said.

—*Kathy Burdman*

John Connally: austerity ... maybe trade

Big John Connally has been pursuing some big contradictions in his new economic policy statements recently. Connally, as in his Oct. 22 dinner speech to the National Foreign Trade Council in New York, excerpts of which appear below, has a flashy new U.S. export expansion policy which he is using in a strong (and well taken) attack on the Carter administration for having "fumbled the ball" on trade. But at the same time, Connally and especially his advisors, have made the strongest endorsements of Federal Reserve Chairman Paul Adolph Volcker's stringent credit policies.

Connally was asked by *Executive Intelligence Review* at the Trade Council to resolve the contradiction between cutting off credit to the economy and strengthening the economy through exports, for which no credit finance would then be available. "I just disagree with the premise ... that Volcker's policies are hurting the economy," was his nonreply.

Readers may notice a similarity in Mr. Connally's conundrums to those of his supposed opponent Ted Kennedy in the accompanying article. Not accidentally, for Mr. Connally, too, is being closely advised by the Georgetown Center for Strategic and International Studies, whose "U.S. Export Competitiveness Project" director Dr. Michael Samuels shared the Trade Council podium with Connally on the 22nd. "We largely wrote Connally's speech," bragged a CSIS colleague of Samuels the next day. "Don't you think he's just beautiful out there selling it to the businessmen?" The CSIS man was adamant as well on the formulation of "austerity, then exports." "We can only afford to export resources if we have a corresponding reduction in U.S. consumption here at home," he said, "and to enforce that consumption cut, you need credit cuts."

Further explaining Connally's incoherence is the fact that his "bold program of export expansion" is an attempted answer to the January 1978 Proposal to Expand the U.S. Export-Import Bank of Democratic presidential candidate Lyndon H. LaRouche, Jr. Connally, of course, has rejected the significant plank of LaRouche's proposal, a U.S. remonetization of its potential $70 billion in gold reserves to create the liquidity to heavily finance a U.S. export blitz. This alone should tip off the corporate executive who might otherwise be attracted to LaRouche that Connally has no real intention of implementing an export program.

Connally's first priority in fact is (as he brags about having done it in August 1971 when he collapsed the U.S. dollar) to get top down control over the entire economy, including trade policy, and to squeeze it dry of credit. "I am proud of the dramatic and necessary action we took" then, he says. "International trade functions ... should be centralized ... directly into the National Security Council."

Then, with continuing tight credit, we might have some trade—to be wielded primarily as a weapon against our European and Japanese allies, says the Republican candidate. Connally proposes a North American Common Market of the U.S., Mexico, and Canada to exploit Mexican oil resources for "a new game plan designed to capture a larger market share in Asia," i.e., trade war against Japan.

'Credit crunch'

Connally may have complained in his $30,000 campaign spot on CBS-TV on Oct. 31 about suggestions that Americans "lower our standard of living," the famous demand of Fed chairman Volcker before Congress the week before. But Connally has, in fact, backed Volcker all the way, starting with his Oct. 11 campaign kickoff speech to the Washington Press Club, where he endorsed Volcker's then fresh monetary cuts wholeheartedly, "provided that there also be fiscal restraints," that is, concommitant cuts in government spending. Connally todl *Business Week* on Oct. 22 that he supports Milton Friedman's proposal for a constitutional amendment requiring a balanced budget and a legislated lid on federal spending. In Connally's terms, that translates into across the board cuts in vital government programs.

"Connally sees inflation as the nation's number one problem," Julian Reed told a journalist recently. "We need a credit crunch and cuts in spending. Unemployment is necessary. We must knock the waste out of the economy."

Foreign trade is a national security matter

What follows are excerpts from John Connally's speech to the National Foreign Trade Council meeting held in New York City Oct. 22:

A few years ago, it was believed that the major changes seen in the world economy during the prolonged crisis between 1968 and 1975 resulted from what an OECD report called "an unusual bunching of unfortunate disturbances, unlikely to be repeated on the same scale..."

Today, we know better. It is now clear that these crises are not passing phenomena. There is no going back automatically to the prosperity of the past, and the policies of the past will not bring us a bright future.

The U.S. has now dropped from having the highest per capita income in the world, to having only the seventh highest. ... In light manufacturing and in certain industrial goods, the U.S. no longer has a trade balance in our favor. We are failing to compete successfully with manufacturers in West Germany, France and in (a number of) newly industrialized countries. ...

The erosion of the dollar has been the result of aimless drifting in our international economic policy. ... Instead of a vigorous export policy, new disincentives to exports piled up. When the administration was ultimately forced to come up with an export statement, it consisted of little more than promises to study the issue.

In 1971, I advised President Nixon that the post-war era was over. We could no longer give away international markets as well as our own industries to Europe and Japan on the premise that they were still recovering from a war which ended a generation before.

As Secretary of the Treasury, I participated in the basic decisions which led to the devaluation of the dollar, and I am proud of that dramatic and necessary action we took. It is now universally recognized that the dollar, pegged to a fixed exchange rate for more than 20 years, was over-valued, and that devaluation was badly needed.

Today, our dollar is weak in part because we have not mounted an aggressive trade program to support it on the world market. ...

If we are to compete in this world, we have to mend our ways. Trade must be a very high governmental priority. Our President needs to be a person who understands the domestic and world economy and who is willing to devote his time to economic issues. ...

One of the greatest single changes which has occurred in American trade has been the growth for U.S. products in this hemisphere. If we add our $20 billion of trade with Latin America, our total trade in this hemi-