

The case against Paul Volcker

Death warrants have already been served against home building and other consumer-oriented sections of the economy by major commercial banks, well-informed commercial bankers told us this week. The banks have instituted a policy of "triage"—letting the worst casualties die unaided—after Federal Reserve Chairman Paul A. Volcker met with bank senior management last week. In one banker's words, the still crashing stock and bond markets are victims of a deliberate Volcker policy of "controlled chaos," to deliver a "traumatic shock" to the U.S. economy and force the amputation of major areas.

Meanwhile, the White House denied that it would respond to growing public anger against the Fed chairman's war on the U.S. economy. In response to a question from this press service, presidential spokesman Jody Powell declared on Oct. 22 that he saw "no prospect" that Carter would change his policy of support for the Fed or want to see its chairman changed.

Powell's disclaimer came just after another presidential aide, Stu Eizenstat, was chased from New Hampshire where he went to stump for Carter's re-election among presumed Carter supporters, all of them angered by the Volcker moves. And the first effects of Volcker's "triage" were being felt across the country.

- In the boardrooms of major commercial banks, senior executives gathered on orders from Volcker to set up "priority lists" of customers for triage. According to bankers, the first to go will be consumer loans, homebuilding loans, and real estate loans, as well as loans to small and medium-sized firms generally.

- Ford and General Motors announced another 19,000 auto layoffs—bringing the current level of

auto layoffs to two-thirds of the 1975 high-water mark for auto unemployment—and auto sales began to plummet. In many areas of the country, banks called auto dealers to tell them not to send customers around any longer for auto financing terms.

- The nation's third largest savings and loan association ordered its officers to refuse all new applications for home mortgages, while savings banks around the country began to shut their lending windows. According to informed New York City investment bank sources, the Federal Deposit Insurance Corporation, which regulates savings banks, has already drawn up plans to merge several large savings institutions into commercial banks. This would mark the end of the homebuilding industry.

- States and municipalities canceled large offerings of securities on the tax-exempt bond market, after the bond market continued in chaos. The value of all holdings of fixed-interest securities has fallen by more than 8 percent in the past two weeks, an unprecedented collapse.

There are already numerous signs that the administration and its backers plan to attempt to blame the

devastation of the economy on that perennial bogeyman, the Organization of Petroleum Exporting Countries. The current front-running contenders to challenge Carter in the Democratic and Republican parties, Ted Kennedy and John Connally, have both given their approval to the same Volcker measures that are costing the Carter-Mondale team its campaign in New Hampshire. In the 1980 presidential sweepstakes, only one leading voice has been raised to challenge the continued sojourn of Chairman Volcker in his Federal Reserve office. That is Lyndon LaRouche, Jr., who is running a strong race in the Democratic Party primary in New Hampshire.

LaRouche is calling on Congress to impeach Volcker for manifest abuse of his office. We think this step is not only necessary but urgent. Only weeks remain before, under Volcker's regimen, the bottom third drops out of the economy. And it is expected that many politicians, particularly among the urban and labor Democratic machines that dominate U.S. cities, will see things LaRouche's way.

—Nora Hamerman

The Week in Brief

The European Community Foreign Ministers, during a two day informal session Oct. 21-22, resolved to step up emergency food aid to Kampuchea. The meeting occurred in the midst of Chinese Premier Hua Guofeng's visit to France. The ministers indicated that they would recognize the new Kampuchean government of Heng Samrin, which is allied to Vietnam.

Irish Foreign Minister Michael O'Kennedy, the current president of the EC Council of Ministers, declared after the meeting that: "We want to get this aid to people who are starving. We will be dropping food from airplanes and we will not now be concerned whose planes they are."

That statement has been inter-

pretended as meaning that the aid will be distributed through the government in Phnom Penh, possibly using transport supplied by Vietnam. The statement also implies rejection of the U.S. State Department's efforts to attach political conditions to the relief supplies through international agencies.

After the decision was announced the British daily the *Guardian* noted Oct. 22 that "The French and Irish governments have argued for some time that the continued insistence of a majority of EC governments in recognizing the Pol Pot regime makes neither moral nor political sense, and the decision this weekend seems to open the way for a gradual distancing from Pol Pot."

* * *

The name of Lord Harlech has been mentioned by British Foreign Minister Lord Carrington as the man who will head the British mission in Rhodesia during the interim period leading to new elections there. Lord Harlech, whose name was dropped by Carrington during ongoing talks on the Rhodesian problem in London, is also known as David Ormesby-Gore, and was ambassador to the U.S. during the Cuban Missile Crisis.

Harlech has been a member of the British delegation at the London talks since they began Sept. 10 Carrington has also leaked that Lord Harlech will head a team of British Generals and police officials during the interim period; the Rhodesian military machine of Lt. General Walls will be left intact. This arrangement has been rejected by the Patriotic Front liberation organization and is likely to inflame tensions in Rhodesia.

Carrington's intention to place Harlech at the head of such a force, observers say, indicates British desire for a showdown between the Cubans and Soviets, on the one hand, and the U.S. on the other.

* * *

The Soviet Union has announced a schedule for completion of an electron-beam fusion-energy pilot facility. The announcement was made by Prof. Leonid I. Rudakov at the dedication of the first 48 electron-beam units for the Angara-5 research facility in Moscow. The announcement confirms that the Soviet Union is significantly ahead of the United States in fusion power research.

"When it is completed," said Rudakov, who heads Soviet electron-beam research, "we hope to obtain a controlled thermonuclear reaction as a result of which the facility will be producing more energy than it consumes. Angara-5 will demonstrate that an industrial pilot plant can be built."

Fusion energy is considered the primary energy source for the 21st century, possibly becoming a major source by the 1990s. It is safe, clean, and virtually limitless in its supply potential.

The Soviet's Angara-5 results are impressive, but not unexpected according to specialists. They fulfill a long-stated schedule, and confirm the Soviet Union's commitment to investment in advanced technology, even when there is no short-term "payoff" anticipated.

* * *

Vietnamese daily Nhan Dhan carried a report denouncing torture and gruesome murders in Kwang tung, China.

The article entitled "Our Savage Enemy" says: "A big character wall poster in Guangzhou denounced the Guangdong Revolutionary Committee, especially the vice chairman ... for having savagely killed people by beheading, disemboweling, gouging out the liver, goring human flesh, making tonics out of male testicles, burying people alive, drowning people, tying explosive charges to human beings and setting off the charges. ... Once, 200 people were killed by the latter method. Li Shu-yang of the production brigade was beheaded and his sister forced to parade his head in the streets (the girl later committed suicide). The wall poster cited a series of names of localities and the number of people killed in those localities."

* * *

President Carter will ask Congressional approval for arms sales to Morocco. The White House made the announcement Oct. 22. The Cabinet was reported split on the decision because of tensions in the area.

Since 1975, Morocco has sought to annex the Western Sahara, a former Spanish colony, and has met with armed opposition from the Polisario Liberation Front, whose provisional government is recognized by 34 African countries led by Algeria.

Both France and Spain, calling the conflict a decolonization issue, have agreed to help resolve the problem in the United Nations. Carter's decision to arm Morocco with reconnaissance planes and helicopter gunships comes as Algeria and neighboring Mauritania, too, have been taking steps to resolve the conflict through the U.N. and the Organization of African Unity.