

Dec. 6, 1977  
Vol. IV  
No. 49

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# **EXECUTIVE INTELLIGENCE REVIEW**

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**New Solidarity International Press Service**

**five dollars**

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# EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1972 GPO New York, N.Y. 10001

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**Executive Intelligence Review** is published by NSIPS, P.O. Box 1922, New York, N.Y. 10001 and printed by Campaigner Publications, Inc., 231 W. 29th Street, New York, N.Y. 10001  
Single issue price: \$5.00 (U.S.)  
Subscriptions by mail: \$225 for 1 year (52 issues)  
\$115 for 6 months. \$60 for 3 months.  
Address all correspondence to: NSIPS P.O. Box 1922, GPO New York, N.Y. 10001 Printed in USA

# EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief  
Nancy Spannaus

Managing Editors  
Linda Frommer  
Tessa DeCarlo

Production Editor  
Deborah Asch

U.S.A.—Konstantin George • Economics—David Goldman • Energy—William Engdahl  
Science&Technology—Morris Levitt • Soviet Sector—Rachel Berthoff • Military Strategy—Paul Goldstein  
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## IN THIS WEEK'S ISSUE —

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The Mideast is teetering on the brink of peace... but forces in the Arab world, the U.S., and the Soviet sector could each, for their own reasons, push the situation back into war... Our **INTERNATIONAL** section looks at the complications that have developed since Egypt's Sadat first announced his "pre-Geneva" Cairo conference last month... in particular, the danger that **Israel and Egypt** might be maneuvered into a **bilateral pact** that would ensure a new Middle East war... Included in this report: the **widening factionalization** inside Israel's government on the "separate peace" issue... what game Syria's Assad is playing... The reasons **Sadat** believed he had to make a **dramatic peace overture** to Israel... and the important **behind-the-scenes** role both **France** and certain **U.S. legislators and businessmen** are taking as **Mideast peacemakers**...

\* \* \*

**Voices are being raised in the U.S.** for a serious recovery program for America's depressed economy... evidence of **sanity** that parallels the motion for Mideast peace... Former Treasury Secretary **William Simon** makes a persuasive argument for **capital-intensive jobs creation, expanded energy** —

particularly, **nuclear energy** — production and usage, and **high-technology exports**... in a speech to a major Chicago business gathering that you'll read in our **U.S. REPORT**, and nowhere else... together with selections from several other participants...

\* \* \*

**Another index** of the same swing toward a **high-growth perspective**: the buzz of rumors that Energy Secretary **Schlesinger is going to be dumped**... The **U.S. REPORT** explains why the **disastrous Administration energy bill** has **all sides** calling for Schlesinger's removal... including lengthy excerpts from the energy czar's Nov. 16 speech to the oil industry, that **provoked walkouts** with its promise of a **last "Indian summer"** for oil... and, clearly, the **country's economy**...

\* \* \*

But the **conservation crew isn't giving up** without a fight... In **COUNTERINTELLIGENCE**, a major article by U.S. Labor Party chief **Lyndon H. LaRouche** turns the spotlight on an **alarming new turn** in the inter-

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national networks of "environmentalist" radicals and other terrorists... efforts to create an explicitly fascist mass movement... LaRouche examines the sociology and psychology of the strata targeted in this social-control reorientation, as well as the British intelligence and other counterinsurgency planning that stand behind it... and underlines that fascism is, "in significant part, an outgrowth of liberalism..."

...Documenting the Labor Party's warning, COUNTERINTELLIGENCE presents excerpts from two of the conduits for this "ideological retooling"... their "let's take a fresh look at fascism" line will make the point for anyone who remembers the outcome of the last version of this "social experiment"...

\* \* \*

This week's ECONOMICS report has a scoop: reports that West Germany, France, and Japan are quietly planning three-way currency arrangements that will exclude the dollar... while buying up gold... ECONOMICS gives a full analysis of the story, including why the swing to gold is terrifying the Bank of England... and presents new evidence of how

the B of E is using the world's monetary mess as a way of "coming out on top" of the dollar...

\* \* \*

Featured in ECONOMICS: a carefully documented report on the economic heart of Europe, the West German "miracle," that sweeps aside the prevailing myths... and shows that West Germany and all who depend on its economic health are in deep, deep trouble unless a serious recovery regimen for the entire international economy is undertaken soon...

\* \* \*

"Whatever happened to the transfer ruble?" asks the SOVIET SECTOR report this week... and answers the question in a survey that shows how the East bloc's attitude to the T-ruble has shifted over the last period... what pressures inside and outside the bloc are at work... and the price the East will pay for backing off from its earlier aggressive development diplomacy...

# Will Cairo Lead To Geneva?

The upcoming meeting in mid-December in Cairo, described by Egypt's President Sadat as a "pre-Geneva" gathering, should maintain the crucial momentum toward reconvening the Geneva peace conference on the Middle East later this year or early in 1978. But, in the fast-moving pace of current Middle East diplomacy, there is a lurking danger that — under pressure from Henry Kissinger, Walter Mondale, and General Moshe Dayan — Egypt and Israel could be pushed into a disastrous bilateral pact that would fatally destabilize the entire region.

The meeting, originally called by Sadat for Dec. 3 — immediately accepted by the Israelis — has been postponed now until sometime in mid-December in order to allow for diplomacy to heal the breach in the Arab position opened by the Sadat meeting with Israel's Prime Minister Menachem Begin. Syria and the Palestine Liberation Organization, who turned down the initial invitation to the Cairo meeting, are being asked by Egypt to reconsider the request.

But the split between Egypt and Syria reflects the deeper and more dangerous complications that have arisen since the announcement of the Sadat initiative in mid-November. The U.S. and the USSR, neither of whom bears a direct responsibility for the sudden turn in Middle East negotiations, are now suspicious that the Sadat-Begin moves might upset the delicate balance of superpower relations in the volatile Middle East. Thus, while both Washington and Moscow want to cooperate in the establishment of a Middle East settlement, there is a danger that both might find themselves on opposite sides in a showdown unless certain obstacles are smoothed over.

There are signs that France and the West Europeans are seeking to mediate between the U.S. and USSR while lending constructive support to the Middle East peace process.

## *Divisions in U.S., Israel*

Although key members of the Carter Administration, such as Secretary of State Cyrus Vance and National Security Adviser Zbigniew Brzezinski, are insisting that Washington stick to its stated policy of encouraging only an overall settlement, the office of Vice President Mondale is the center of the pro-Henry Kissinger network in the White House. While Vance, for instance, reportedly cautioned against a too eager acceptance of the Sadat invitation to Cairo lest it be construed that Washington was encouraging a separate Israel-Egypt pact, the White House — under Mondale's influence — refused to delay.

Further, according to Walter Cronkite of CBS News, Brzezinski and Mondale have disagreed sharply in recent days over the Middle East.

The disagreement was reflected in the Carter press

conference on Nov. 30. While Carter reiterated the Administration's position that the Cairo meeting should lead to a Geneva conference and praised Moscow for having "moved toward a much more balanced position" recently, he also issued a veiled threat to support a separate peace. After warning Syria and Jordan, and the USSR, not to abandon the Geneva process, Carter said that otherwise "an alternative might have to be pursued."

Soviet Foreign Minister Andrei Gromyko, in a joint communiqué with Syria's Foreign Minister Abdel Halim Khaddam, took up the challenge on Dec. 1. "Should the Geneva conference be wrecked, those responsible would bear a heavy responsibility," said the communiqué. TASS attacked the Cairo conference as a "cover for a separate deal between Egypt and Israel."

Syria and the Palestine Liberation Organization, which are flirting with the loud-mouthed "rejection front" of Arabs opposed to a peaceful settlement with Israel, have not given any sign of being ready to give up on Geneva, despite their attendance at the circus-like meeting in Libya this week of a Rejection Front bloc. By the same token, the Soviets, who also turned down an invitation to Cairo, remained noncommittal on its stance. "Let us wait and see how the current negotiations and consultations conclude," stated Gromyko.

## *Overall Settlement*

The idea of a separate Egyptian-Israeli peace was publicly rejected by Sadat.

"I'm not at all aiming at a bilateral agreement between me and Israel," Sadat told CBS in a televised interview. "I shall be discussing a whole settlement this time, not a settlement with Egypt only, because it will not bring peace."

"If everyone doesn't agree, I shall be proceeding to Geneva, also for a comprehensive settlement, and whenever we reach results I shall call an Arab summit here (in Cairo), and put what we have already agreed upon before them."

On the crucial question of the participation of the PLO at Geneva, Sadat implied that he had reached a private understanding with Arafat on that question. "I think the PLO is so broad-minded that they will solve this problem for us," said Sadat. "I'm sure of it, in spite of what is happening now — the shouting and so on."

Depending on the outcome of the Cairo meeting, it is widely expected that Saudi Arabia and Jordan will launch a diplomatic effort to reconcile Syria and Egypt around a common approach to Geneva, and that the PLO will go along. So far, Arafat has been silent on the Sadat initiative, but his tacit support for Sadat was indicated by his presence, in Cairo, at the speech last month when Sadat first announced his willingness to visit Jerusalem.

## Behind The Sadat Visit To Israel — The Looming Crisis

*What motivated the Sadat trip to Israel is beginning to surface in the recent statements of the Egyptian president and other Egyptian officials, and in the recent accounts in the press. The story shows how close the Middle East was to war, locked in a diplomatic stalemate, on the very eve of Sadat's decision to offer to visit Jerusalem.*

*In an interview with CBS News, Sadat was asked about the reasons for his sudden visit to Israel. He answered that there were two factors:*

The first one is this. When we started for the Geneva conference to make the preparations, and the U.S. submitted a paper, out of that it was said that the Israelis had their remarks, and then another paper, a second one, that has been called the American-Israeli paper. I wondered: We should be again in the vicious circle of a word here and a word there. The Arabs don't agree to what is called Israeli — whether it is the American-Israeli paper or the Israeli. And the Israelis will never agree to whatever we say in the Arab world because of the psychological barriers... Well, I found that we shall not be going to Geneva; instead we shall be quarreling among ourselves in the Arab world, because this is the American paper or this is the American-Israeli paper, or this such and such. And Israel is very happy because through the procedural arrangement they can have the time they are playing for.

*Behind Sadat's worries was the ominous problem that the U.S. had essentially capitulated to the "Jewish Lobby" after the signing on Oct. 4 of the U.S.-Israeli "working paper" at a meeting in New York between Carter and Moshe Dayan. The Baltimore Sun reported that after Secretary of State Vance told Sadat that the terms of the U.S.-Israeli working paper were subject to negotiation, he was forced to retract in mid-October when Dayan insisted that the terms of the U.S.-Israeli paper were unchangeable. That convinced Sadat that the U.S. was useless as an intermediary. "We are done with the Americans as intermediaries," said an Egyptian foreign ministry official.*

*In addition to breaking the diplomatic stalemate, Sadat revealed that the region was perilously close to a new war.*

The second point... Do you imagine that 15 days ago, or two weeks ago, we were supposed to be in battle together?

Why? The Israelis started a maneuver in Sinai, which they declared. Gamassy, the commander-in-chief here is focusing and observing everything, and each side of us is alert. Well, when they started the maneuver, Gamassy started this maneuver here on the fifth day. They declared about their maneuver, but Gamassy didn't declare. For me, when I met Ezer Weizman, the defense minister in Israel, and he asked me why were you going to attack us ten days ago? I told him, No, why? He said there had been extra movements, and so I told him this is a maneuver, because you were already at that time on a maneuver in Sinai. Well, he told me the reports of his intelligence, and because also the intelligence in Israel, like my intelligence, also were very alert, and no one wants the other to strike first. So they sent the reports to the Defense Minister in Israel telling that the Egyptians are preparing... We were — if it happened one error from any side of us, we would have entered war.

*Sadat's two key points were also made, in a slightly different form, by the Arab Socialist Party Politburo last week in an official statement. Commenting on the Sadat initiative to visit Israel, they stated:*

The Arab Socialist Party of Egypt, in accordance with world reaction, world public opinion represented in the stand of world states and in the world press, affirms that the initiative has achieved an important part of its aims by winning further international support for the Arab peace efforts and that the initiative has put the Israeli leadership in a better position before Israeli public opinion to enable it to adopt resolutions for peace based on justice and to assume its responsibilities in this field. The Egyptian initiative has strongly penetrated the barriers of suspicion, hatred and fear in such a way that it created the necessary climate for establishing peace based on justice.

The initiative has provided the U.S. Administration with a broader staging point armed with U.S. public opinion to assume its responsibilities regarding the pressure groups which are acting from biased positions to influence world public opinion. The initiative has also checked the attempts to dissolve the question by adopting extraordinary measures as well as by influencing the U.S. Administration through pressure in U.S. election campaigns.

The initiative also paved the way for international leaderships to act in suitable conditions, thus contributing to enlisting greater sympathy among world public opinion to bringing about a solution to the question.

The initiative has likewise foiled the chances and voices of those advocating preemptive military strikes by surrounding them with a world public opinion which now believes in Egypt's earnest desire for peace.

# Dayan Hellbent For Separate Peace

Despite Egyptian President Anwar Sadat's dramatic overtures to Israel in the past two weeks, Israeli response remains an open question. Most Jerusalem observers report widespread public sentiment for peace, and Prime Minister Menachem Begin is under increasing pressure to make tangible concessions in negotiations. The Israeli Cabinet is totally divided on this crucial question.

One fact is clear, however: Israeli Foreign Minister Moshe Dayan is feverishly trying to force Israel into a separate peace with Egypt, which would thoroughly upset the prospect of a global and permanent settlement in the Mideast.

During a four-day trip to West Germany last week, Dayan did his best to torpedo international momentum toward such an *overall* peace. Shortly after his arrival, Dayan ostentatiously visited the World War II Bergen-Belsen concentration camp, using the occasion to berate the German population for the rise of Nazi-type sentiments. Ironically, Dayan's harping on German "guilt" did not stop the Foreign Minister from holding two strategy sessions with notorious neo-Nazi Franz-Joseph Strauss. According to the Dec. 1 *Munchener Merkur*, Dayan even confided to Strauss that a separate peace with Egypt would make it "easier to march on Damascus."

On Nov. 30, Dayan tried pitting nation against nation to ensure no global settlement could be reached. Dayan called on the West Germans to take "bold leadership" within the European Economic Community *against* France, the European country consistently demanding recognition of Palestinian rights. The *Washington Post* reported that West German officials were "stunned" and "dismayed." The same day, Dayan openly stated that Israel would gladly sign a "separate peace" with Egypt, regardless of its impact on international relations and U.S.-Soviet relations. After all, he said, "We don't have to make peace with the Russians."

## *Fight Shapes Up*

The Israeli newspaper *Ma'ariv* summed up the terms of debate among Israeli policymakers Nov. 28. Former *Ma'ariv* Washington correspondent Shmuel Segev identified one group led by Dayan and allied with Henry Kissinger which desires an "Egyptian option" — a separate peace with Israel. Another group, personified by former Foreign Minister Yigal Allon and aligned with U.S. policy makers around Nixon's Secretary of State William Rogers, wants a deal both with Egypt and Jordan. Aligned with the Allon camp is Deputy Prime Minister Yigal Yadin. Yadin has long advocated Israeli territorial concessions on the West Bank, and recently has been in touch with National Security Council policymakers in the U.S., who favor some form of "Palestinian entity" solution on the West Bank.

In his special Nov. 28 address before the Israeli Knesset, Begin specifically stressed that "we are not seeking a separate peace with Egypt," and appealed to Syria, Iraq, Jordan, and Lebanon to join in the regional peace effort.

However, Begin has left himself open to Dayan's antics by his continued refusal to recognize self-determination rights for Palestinian Arabs and by his strong denunciation of West European peace moves. According to the Nov. 28 Jerusalem Domestic Service, Begin "informed the peoples of Europe that they are the last that should offer advice which might endanger the remnants of the Jewish people" since Europe had been responsible for the 1890s Dreyfus affair and for the Nazi holocaust.

Movement toward substantial concessions can be expected to come from opposition Labour Party circles led by former Foreign Minister Abba Eban. On the NBC-TV "Meet the Press" program Nov. 27, Eban endorsed a "Benelux solution" for the Israeli-West Bank-Jordan area in which three distinct national groups — Palestinian Jewish, Palestinian Arab, and Jordanian — would seek a form of coexistence similar to that of Belgium, Holland, and Luxembourg in Europe.

Within the Israeli Knesset, a "coalition of doves" numbering at least 15 has recently formed in favor of mobilizing the Israeli population behind recognition of some form of Palestinian Arab self-determination, according to the Nov. 27 *London Observer*.

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## French Ready For Important Role At Geneva

The government of French President Giscard d'Estaing is in line to play a major role in any durable peace settlement in the Middle East that results from an early Geneva peace conference. Since the historic visit of Egyptian President Sadat to Jerusalem, the French have been capitalizing on their reputation as the leading defender of the Arab cause in Europe to put themselves in a position to assume perhaps even the co-chairmanship at Geneva.

France enjoys important political leverage among both the "moderate" Egyptians and Saudis, and the radical "PLO-Libya" camps among the Arabs. This unique position is strengthened by the fact that French intelligence networks extend throughout the region.

With Egypt and Saudi Arabia, France has been working up a plan over several years for the French Dassault firm to construct a major armaments industry in Egypt. With the Saudis providing financing, that deal could supply all Arab armaments needs. More recently, according to the Egyptian paper *Al-Ahram*, plans have been developed for joint Franco-Egyptian construction of nuclear power plants along the Mediterranean and Red Sea coasts.

Among the "radicals," French political capital is high because of the Giscard government's persistent support for direct Palestinian representation at a Geneva conference, advocacy of a Palestinian state, and Israeli withdrawal to her 1967 borders.

While there has been no public or official evidence of French involvement in arrangements for the Sadat trip

to Israel, it is certain that the French lent at least an indirect hand. Moroccan King Hassan II, who is closely connected to France and originated the "Arab and Jewish genius" formulation used by Begin in his Knesset speech, was directly involved in those arrangements.

In related actions, French Foreign Minister de Guiringaud initially blocked a Washington-inspired resolution of the European Economic Community executive in support of Sadat's initiative, because, as he explained on French national television, an EEC resolution at that time would enhance the wrong image of Sadat as acting on behalf of the "West" against the

radical Arabs. Prime Minister Barre supplemented these remarks by emphasizing that real concessions must be made by both Arabs and Israelis, especially regarding Israel's rights to secure borders and the rights of the Palestinians.

Barre, who visited Syria shortly thereafter, may have had something to do with the moderate stance the Assad regime has taken toward the Sadat-Begin talks. Accompanying Barre on that trip, de Guiringaud met in Damascus with Palestine National Council president Khaled Fahoum for what French press reported to be "friendly" discussions.

## The Dilemma Facing Hafez Assad

Publicly, Syria has studiously avoided getting too deep into the "rejection" track against Egypt's peace initiatives toward Israel. At a press conference held jointly with French Prime Minister Barre Nov. 30, Assad emphasized that there was "no divorce" between the Egyptian and Syrian regimes, only a difference of procedure on the question of how to reach an overall settlement. Similarly, Syrian Foreign Minister Khaddam declared Nov. 27 that "we have not said that we will not continue the dialogue with President Sadat, but we have said that he took an isolated step without consulting other Arab countries." Although attending the Libya "rejection front" summit this week, Assad has taken a public role of conciliator between the rejection group and Egypt.

This is not to underestimate the deep feelings of anger aroused by Egyptian President Sadat's go-it-alone diplomacy. In private, Assad told Barre and French Foreign Minister Louis de Guiringaud that Sadat was "the Arab Petain, shaking the hands of the enemy in occupied territory."

At this point, four distinct factions can be identified in Syria. Aside from the *Baathist* group, believed to be represented in the government by Information Minister Iskander and Khaddam, there is the *Syrian military*, both air force and ground forces, who are heavily penetrated by Soviet and French influence; the "praetorian guard" elite corps units run by Assad's brother *Rifat*, which has gained notoriety in Syria for its primary concern for preservation of the regime rather than the nation itself; and considerable *Sunni Muslim* tendency in the Syrian bourgeoisie and intelligence units which is heavily penetrated by both Saudi and British influences.

There is danger of a confrontation developing between the Baath ideologues and the Sunnis. Four years ago, Syria was hit by a wave of "Sunni extremism" which was known to be organized out of Saudi Arabia. This week the *Financial Times* of London has begun to predict "Sunni unrest" on the horizon in Syria.

In a lead front-page story Nov. 28 headlined, "Sadat Predicts Bloodshed in Lebanon and Syria," the *Financial Times* quoted Sadat, in an exclusive interview, as warning, "For sure there will be bloodshed in Lebanon and Syria. President Assad is in a difficult position, and the Syrians are in a very delicate position." London's *Daily Telegraph* interpreted this statement to mean that "the powerful and efficient Egyptian intelligence service might take a hand in Syria." According to *Le Monde*, Sadat's warnings have been treated "with diffidence," and Assad in a press conference calmly declared that Syria and Lebanon were both stable countries.

### Congressional Resolution Lauds Middle East

*The following is the text of House Concurrent Resolution 417 introduced into the House of Representatives Nov. 29 by House Majority leader Jim Wright. The resolution was passed that day by voice vote and approved the same day by the Senate.*

"Resolved by the House of Representatives (the Senate concurring) that it is the sense of the Congress that Anwar el-Sadat, the President of Egypt, and Menachem Begin, the Prime Minister of Israel, be commended for the courageous steps they have taken to resolve the differences between their nations and to bring peace between Israel and her Arab neighbors, through face-to-face negotiations in the context of a Geneva Conference. We hope this will result in further face-to-face negotiations which will lead to a comprehensive, just and durable peace...."

# U.S. Support For Mideast Development Feeds Peace Process

Although not publicly involved in the recent historic meetings between Egyptian President Anwar Sadat and Israeli Prime Minister Menachem Begin, leading circles in the United States have played an essential contributory role in making those talks possible. On various fronts, groups of top U.S. legislators and businessmen have undertaken quiet efforts to lay the basis for a permanent Mideast peace through regional development in the crisis-ridden area.

At the time of the Sadat-Begin meeting in Jerusalem, a U.S. congressional delegation, led by House Majority Leader Jim Wright (D-Tex.) and House Majority Whip Restenkowski (D-Ill.) was on hand in the Middle East to give ringside support to the two leaders. The delegation was present when President Sadat accepted the Israeli invitation, and two days later Prime Minister Begin announced the historic meeting to the international press

in the company of the Wright delegation. The Congressmen are known to have carried messages between Sadat and Begin.

Early last week, sources in Italy leaked that a self-styled U.S.-Italian Chamber of Commerce had been involved in preparing the Sadat-Begin meeting. Reportedly, circles in the United States closely associated with Southwestern energy and industrial interests were cooperating with a similar group of Italian businessmen to build the framework for a development-based Mideast peace, including preparation of congressional legislation calling for nuclear exports, etc.

Finally, the business- and industry-oriented *Journal of Commerce* exposed its knowledge of these goings-on Nov. 28 by running a front-page interview with Israel's economic development specialist Dr. Kanovsky on the prospects of booming regional trade once a global settlement is achieved.

## U.S. Delegation Paved The Way For Sadat-Begin Meeting

*The following is an interview with Congressman Fred Rooney (D-Pa) who accompanied Congressman Jim Wright's Congressional delegation visit to Egypt and Israel last week.*

**Q:** What do you think of the way the Administration is handling Middle East policy in light of your trip to the area?

**A:** Well, the U.S. role should be just what the Administration is doing. We have a role to play. I hope that the USSR will agree to attend the Cairo meeting. I understand that in the last hour the President said he would send two top diplomats there.

**Q:** Are you hopeful about the situation?

**A:** Well, I've spoken to people in Cairo and Luxor, and they and Sadat want peace. The Israeli government is willing to make concessions to get peace.

**Q:** What role did your delegation play in the negotiations around Sadat's visit to Israel?

**A:** Our delegation was a conduit to the peace initiatives. We met with Sadat for an hour and a half and he was impressed with our sincerity. We were the ones he told of his acceptance of the proposal to go to Israel. Then we met in Jerusalem with Begin for an hour and a half. I think just our being there helped things. We conveyed messages back and forth to bridge the gap between the two and to try to get them together. We were the first to know that Sadat had agreed to the Israeli proposal. Begin called up Wright when we were in Israel and asked us to stay for the Knesset speech. Our purpose there was to find out what the situation was. We are issuing a statement today lauding Sadat and Begin. Begin will yield some land although he will not go back to the 1967

borders. The PLO won't be in Cairo now; Syria won't be, but they will come around. I believe what they are saying now is for public consumption.

## Mideast Peace To Boost Trade

*The following excerpts are from the Nov. 30 Journal of Commerce front-page article entitled "Peace in Mideast Seen Boosting Trade" by Macabee Dean.*

Dr. Kanovsky places Israel on the lower rungs of the developed countries, and therefore Israel might eventually come to be a major trading partner, especially with Egypt. Indeed, some clandestine trade (through neutral countries and through the administered areas of the West Bank and the Gaza Strip) has been going on for years.

At present, however, the Israeli government has no concrete plans for trading with the Arab countries, extending technical help, developing joint projects or cooperation in any field. But a committee was recently set up by the Finance Ministry to study all aspects of such an eventuality. "Peace should lead to a reduction in military expenditures; I estimate that this will account for 75 percent of all benefits accruing to the area..."

All Mideast countries spend about one-quarter to one-third of their annual budgets on defense. By reducing this sum considerably, huge quantities of money could be diverted to development projects.

Probably the most immediate effect of peace will be a huge upsurge in tourism.

The second step, while not so immediate, would be a gradual move towards normalization of the Mideast transport system.

# U.S. Industry, Political Leaders Call For High-Technology Exports, Jobs

Faced with the American economy's headlong plunge toward collapse, significant sections of the industrial, banking, agricultural, and political communities are calling for a mobilization to restore the U.S. to its proper role as the premier industrial-technological power in the world, through a program of high-technology exports, capital-intensive job creation and the expansion of energy production and usage, specifically nuclear energy.

This trend was most explicitly voiced at a just-concluded conference on "Capital Formation for Exports" in Chicago. Sponsored by the Continental Illinois Bank, the conference brought together 600 top-level representatives of Midwestern banking and industry to hear speaker after speaker hammer home the need for a massive, public campaign, encompassing all sectors of the population, to rebuild and expand the USA's wealth-producing industrial infrastructure — or else face a devastating depression.

The most persuasive argument for the immediate adoption of such a strategy was presented by William Simon, Secretary of the Treasury in the Ford Administration and currently a member of Citibank's Board of Directors.

Simon's speech stressed three major points: (1) the need for a threefold increase in rates of capital formation to modernize industry and develop new and more technologically advanced modes of production; (2) Japan and Western Europe have consistently pursued a policy of capital formation thus guaranteeing greater productivity of their work force — and cheaper productions costs overall — therefore, the protectionists' arguments are completely skewed; and (3) the population has to wage a broad, vocal organizing campaign to insure that this policy is adopted as official government policy. (See excerpts below.)

### *Pronuclear Majority*

A similar call to arms was issued just a few days before the Chicago meet by Senator Harrison Schmitt. One of the most ardent congressional advocates of nuclear, including fusion, energy development, the New Mexican senator called a press conference Nov. 27 at the American Nuclear Society's meeting in San Francisco. Schmitt minced no words in calling the American scientific community to task for failing to counter the antinuclear propaganda spread by the environmentalists. "The American people are over-

whelmingly pronuclear," Schmitt asserted, but they are confused, and afraid of nuclear wastes. U.S. scientists had better get moving, Schmitt warned, and fulfill their responsibility for educating the population on nuclear power.

### *Ask Mobilization*

Both the Chicago conference and Schmitt's statements indicate that certain segments of the country's industrial establishment are beginning to grasp the fact that the only way to recover from the current worldwide economic collapse is to rally the American people around a program of expanded industrial and agricultural production, hard-commodity exports, and development and expansion of nuclear energy resources.

This realization is being accompanied by a significant step-up of interest in the proposal put forth by U.S. Labor Party chairman Lyndon H. LaRouche for transforming the U.S. Export-Import Bank into a de facto Third National bank, authorized to draw in the mass of Eurodollars now destabilizing the world monetary system and divert them into funding a huge expansion in U.S. high-technology exports, most emphatically nuclear plant and equipment to the developing sector.

An impromptu presentation by U.S. Labor Party senatorial candidate Gerry Rose to the Chicago conference on the LaRouche proposal was warmly received. The ExIm bank proposal has subsequently become a topic of intense interest and discussion at the top levels of leading U.S. industrial corporations, several of which are now circulating it to their government contacts. "This is exactly what we've been looking for," remarked one vice-president of a major southwestern construction company.

Reflecting these significant developments in the industrial sector, the major media have been devoting an unusual amount of space lately to the problems of industrial research-and-development and related questions. The *Chicago Daily News*, for example, greeted the Chicago Capital Formation session with a front-page business section feature calling for the U.S. to accept the Shah of Iran's recent offer to purchase approximately \$36 billion in U.S.-manufactured nuclear plants. This would mean \$9 billion in immediate orders for U.S. industry, the newspaper noted, and concluded by proposing that the economy be retooled to handle vastly expanded exports.

# Simon Says — A Mandate For Growth

*Following are excerpts from several speeches presented to the conference on "Capital Formation for Exports" held in Chicago Nov. 29:*

## "The Politics Of Capital Formation"

*by William Simon*

All of us here know that capital formation is more than just bricks and mortar — it means more jobs, higher productivity, higher wages, less inflation, and all the other ingredients of a decent and growing standard of living. For decades, America's rising standard of living was the marvel of the world — and that was because our father's generation and generations before were always willing to save and invest in the future....That tradition lives on in some parts of our country today, but clearly when you examine the nation as a whole, we see less of that sort of commitment than in many other nations.

Just compare, for a moment, the amount of money invested in new plants and equipment here in the United States with other countries. From 1960 through 1975, Japan's investments in new plants and equipment averaged 28.8 percent a year of the country's gross national product. In West Germany, the figure was 21.8 percent; in France, 19.5; in Sweden, 19.2 percent. But in the United States? We were dead last among all the major industrial democracies, coming in behind even Great Britain with a figure of 14.8 percent a year of our GNP. Granted, we do have a larger economic base than those other countries, but if we're wondering why we are facing a decline in our ability to compete abroad I would suggest that one answer — a big answer — lies in the relative degree of modernization in our plants and equipment versus theirs.

To take another measure of our commitment to the future, look at our investment in research and development. Before 1967, private sector investments in research and development were increasing in size by 8 to 9 percent a year. But from 1967 to 1976, annual increases in those R and D investments averaged only 2 percent a year. So it's quite obvious that we can only reap what we sow. And in this case, the harvest is becoming increasingly bitter. One clear example is in productivity...From 1969 to 1975, two thirds of America's industries had lower rates of productivity gains than during any previous periods stretching all the way back to 1950. I believe that this is truly alarming, and if the economic figures won't put the message across, let us hope that recent steel layoffs will.

I know that many steel executives in the U.S. point a finger at the Japanese and say they're dumping steel on our shores, and perhaps there is considerable merit to some of those arguments. Certainly, we can never have free trade in the world unless we also have fair trade. But in our rush to find a culprit, let us not overlook the fact that because the Japanese have worked so assiduously to modernize their manufacturing, the average Japanese

steelworker today is 25 percent more efficient than the average American steelworker. In fact, in some of the newest Japanese plants, such as Kimitsu, a Japanese worker produces three times what a steelworker at the U.S. Steel plant in Gary, Indiana produces — the heart of our own steel industry. So when 15,000 American steelworkers get laid off the job, let's make sure that everyone understands why — they are paying the price for a long history of "capital punishment" here in our own country. Looking ahead, I think most of us are also aware that our capital investment needs during the next decade will be enormous. While I was serving at the Treasury, we did detailed analyses of these needs and concluded that between 1975 and 1985, the country should channel no less than \$4- to \$4.5 trillion into private investments if we are to achieve our goals — roughly three times the amount we had invested in the decade preceding. In our view, there was no other way that we could satisfy urgent public requirements to develop greater self-sufficiency in energy, to improve the quality of our environment, to create safer working conditions, to replace worn-out housing stock and provide more homes for a growing population, and to modernize our industry so that we might remain competitive internationally. Most importantly, only with that kind of investment — investment, let me repeat, that would be three times higher than in the past — would we be able to provide jobs for a rapidly growing labor force. Between 1975 and 1985, by our calculations, the economy would need to create 18 to 19 million new jobs — a quantum leap over the level of job creation in the previous ten years....

The hard truth is that we have been suffering from a profits depression in this country — a depression that might almost bear a label, made in Washington, D.C.; and a depression, I might add, that has had a devastating impact upon the working people of this country.

The larger point that I wish to emphasize, however, is that even to restrict our focus to the broad range of economic matters is not enough. We must also recognize that we now operate in a very political environment and that to translate our economic goals into realities, we must also work through the political system. Too often, it is thought that if one simply lays out the best solutions to public policy problems, they will be adopted through the sheer force of their brilliance or because they make such good sense. But the political system is not that responsive to good ideas, even if they are brilliant. Good ideas, like good works, may make you feel more virtuous, but they do not necessarily accomplish anything unless someone guides them to fruition. Certainly, in the political world, many good ideas are quickly forgotten or filed away in libraries because no one has mobilized political support behind them. Thus, in trying to make capital formation a central core of our national economic policy, I think it is vitally important that we pay attention to how we can win the political fight as well as the economic one. As I have indicated, there does appear to be a groundswell of support in the public and in the Congress

and in certain parts of the Administration of stimulating greater capital investment. A major task of the coming months, I would urge, is to encourage and strengthen that support. Volunteer groups, civic associations, trade associations, veterans groups, people at the grassroots level — these and many more must be enlisted in the cause. National advertising campaigns must begin or be expanded. Letters must be written to the Congress and to the White House. And in the end, we must generate enough public support that the politicians in Washington will know that how they vote on economic policies will ultimately make a difference in the ballot box. I do not suggest that it is easy for citizens to make their voices heard, much less to change the way that things are done in Washington. It never has been easy in a country as big and diverse as ours, and sometimes it seems like it is getting harder and harder to make Washington even listen. But we also know that today our economy is drifting perilously close to the edge of the waterfall. And unless we make our voices heard soon, it really won't make any difference any more. So this is a great task before us. Yet let us remember that it does have this satisfaction: if we succeed, we will have acted in the best traditions of our fathers — we will have built wisely and well for the next generation.

### “The Nature Of The Capital Problem In The Coming Decade”

*by Paul W. McCracken*

The statistical evidence is quite clear that during the 1970s the processes of capital formation have been more sluggish than at any time since the Great Depression....There is urgent need for major investments to augment domestic energy supplies, but the thrust of government actions and rhetoric is, to put the matter blandly, not encouraging to such investment.

On balance, however, both economic logic and the empirical evidence suggest that an economy in which the growth of its stock of productive capital lags will also experience some combination of adverse results. The result is that the rate of increase in real incomes will be reduced. It is economies which equip members of the work force with large amounts of capital that also tend to generate high real incomes. One man equipped with an earth-mover can rearrange the landscape more quickly than a man in a poor country equipped only with a shovel. A century ago in this country half of our labor force was in agriculture. This year 3.5 percent of the workforce is in farming, and there is a good deal of grumbling that this 3.5 percent is producing so much that it is spoiling markets. Indeed, the absolute number of people employed on farms has been declining since its peak in 1926. While many things have contributed to this rising pro-

ductivity in agriculture, a major factor has been the enormous increase in capital per farmer that is represented by items ranging from huge tractors to automatic silos....

Technological developments remain disembodied ideas (they remain “academic”) until they can be given expression in actual output....This slowing down of research and development in the 1970s together with the sluggish pace of capital formation carry with them a synergetic potential for a significant deceleration of improvements in real incomes during the years ahead. If factories and stores and generating plants and other facilities that normally would have been built were not built, they are not now going to be opening up the new job opportunities that their going on-stream would have involved.

### “Increase Investment – Increase Productivity”

*by Marvin G. Mitchell,  
Chicago Bridge Iron Company*

...Historically, industry has led the way in investment in labor saving equipment and new technology. In recent years, however, Japan, Germany, and some others have invested much more proportionately and this accounts for practically all of their gains in relative productivity. In my judgment, capital investment and improved productivity have a direct relationship. In other words, if we increase investment, we increase productivity. And we must have increased productivity, first, to help fight inflation at home and, second, to allow us to be competitive in worldwide markets.

A relatively new consideration is that of environmental protection. It is becoming increasingly difficult to build any sort of manufacturing facility within the U.S. Any project involves substantial debate with numerous local, state, and federal agencies. It involves preparation of massive documents called environmental impact statements. Frequently, it involved litigation with environmental groups that may extend the date of completion by an indeterminate amount, often measured in years. Another uncertainty is that of energy. All productive facilities require energy and, for some, energy represents a very substantial portion of the product's cost. No one knows just what sort of energy will be available nor at what cost....

Actually, to the best of my knowledge, the U.S. is the only major industrial nation in which the government assumes an adversary posture toward business rather than remaining impartial or even behaving as a partner. Every other industrial nation encourages business to invest in plan and equipment, develop resources, and participate in worldwide trade activities...

## Press Shows Concern Over Collapse Of Capital Formation

The following grid illustrates the broad concern which has surfaced in the U.S. press concerning the accelerating collapse of investment in capital formation, industrial research and development, and plant modernization.

Washington Post, "U.S. Industry Cutting Basic Research," by Thomas O'Toole, Nov. 28:

American industry, finding its profits squeezed by inflation and its capital increasingly difficult to raise, is cutting back in an area that may prove damaging to the country in the long run — basic research.

For example, in the past year, four giants of American industry, Bethlehem Steel, Aluminum Co. of America, Zenith Radio Corp., and Du Pont Co., each have closed down at least one of their major research laboratories.

The four closings are, many observers fear, symptoms of a trend away from basic research in American industry, away from the long-range scientific study that has led to the sort of breakthroughs for which U.S. technology is noted....

So concerned is (White House science adviser Frank) Press about the downward trend in research through most of American industry that the White House has begun a study to find out the reasons for it. The National Science Foundation has undertaken a similar study and for the first time is considering a change in its policy that would allow the NSF to finance more industry and research.

"We've always put requirements on industry that were above and beyond what we asked of universities," the NSF's Kent Wilson said, "but the way things are going today we may have to relax those requirements somewhat..."

Washington Post, "Energy Conservation as a Means, Not an End," by Sam H. Schurr, codirector, Center for Energy Policy Research, Resources for the Future, Washington, D.C., Nov. 29:

We are in danger of permitting policy decisions to be made about energy that do not take into account its unique role in serving to overcome potential constraints to the nation's economic growth and development. This constraint-breaking role is clearly demonstrated in the changes in energy supply over a scant 100-year period, first from wood to coal and then from coal to liquid fuels and electricity...

To devise positive approaches to the simultaneous achievement of energy supply and environmental objectives is probably the most urgent task facing energy policy today....The urgency is all the greater when viewed against the background of unmet social and economic needs...Energy conservation, which is central to President Carter's policy, is an essential approach for dealing with the short-term problem of reducing oil imports...Conservation cannot, however, satisfy the fundamental requirements of a society of expanding

opportunities. Such a society will also require a vigorous approach to supply expansion and to the development of new supply (and use) technologies so that energy itself will not become a long-term constraint, but instead can continue to expedite economic growth and development in the future as it has in the past.

New York Times, "Looking to the West," op ed by Robert G. Wesson, Hoover Institution on War, Revolution and Peace, Nov. 28:

Seeing Americans question the value of man's conquest of nature, indeed of science, technology and rationalism...(explains) why the third world in general modernizes its society and political structures slowly or not at all. The conclusion is inescapable: unless the West has faith in its own ways, it cannot expect the pre-industrial countries to adopt patterns that have permitted economic growth in the past.

These are, so far as we know, the only patterns really favorable for economic growth....It is not necessary that everyone think and act like Americans or Germans to be equally productive....but modern productivity requires a basically modern society. And it is a poor teacher who despises what he has to teach.

## Under Pressure, Washington Post Begins Shift On Nuclear Energy

Executive Intelligence Review was surprised to see last Sunday's Washington Post editorial in favor of the construction of a nuclear power facility for California. The Post, more than any other national newspaper, has contributed through its news and editorial coverage to the environmentalists' campaign for "soft technologies" and an anti-nuclear energy policy for the nation. While Post editors claimed to EIR this week that the editorial (excerpted below) represents no policy shift, the word in Washington is that the popular mandate for nuclear energy development is making itself heard on Capitol Hill and in the press.

Interviewed by EIR this week, nationally syndicated columnist Tom Braden — with sources well-placed in the Capitol and at the Washington Post confirmed this shift. When asked if he had read the Post's editorial, he commented: "I would read it as a reflection of the mood of changing public opinion, largely due to the work of your party (the U.S. Labor Party).

Contradicting denials to EIR by Post editors and reporters, Braden concurred with media rumors of Energy Secretary Schlesinger's impending ouster.

Washington Post, editorial, "Nuclear Power in California," Nov. 27:

Eighteen months ago, the voters of California rejected a proposal that would have had the effect of shutting down the development of nuclear power plants in the state. Now the state government seems to be moving toward doing by administrative action what the voters refused to do. The immediate decision before the state relates only

to a proposal by a group of utilities to build a nuclear power plant in the desert some 200 miles east of San Diego — but its repercussions could be far wider than that. For this particular plant is so sound — technically and with respect to its remote location — that if it is turned down by the state's energy development commission, or if its approval is delayed for a long period of time, the utilities are unlikely to propose another nuclear plant in California any time in the foreseeable future...

The trouble... with the policy of Gov. Edmund Brown Jr. — which favors solar and geothermal power to the exclusion of nuclear power — is that no one really knows whether it is feasible. Sooner or later, Californians, like people in the rest of the country, are going to have to face nuclear power squarely instead of playing games with its proponents. If the decision is not to have any more nuclear plants, then the reality of where electricity is going to come from in the future must be faced. It should be obvious, even in California, that oil is not an alter-

native. Neither are geothermal hot spots in the ground and energy from the sun, unless there are major technological breakthroughs or a huge reduction in the use of electricity. Even coal, which provides the most likely alternative, has shortcomings in its destruction of land and its risks to human life that must be weighed carefully against the shortcomings of atomic energy.

... But it is hard to understand why so many opponents of nuclear power regard these problems as not solvable while they are prepared to stake so much on the ability of scientists and engineers to solve equally difficult problems involving the safe and cheap production of electricity from coal or solar or geothermal sources... At present, however, it seems to us that the burden of those who want to close out nuclear power is to tell us how they expect future needs for electricity to be met. Otherwise the next generation is likely to be sitting around in the dark blaming the utilities for not doing something this generation's officials won't let them do.

## Is Schlesinger On His Way Out?

Energy Secretary James Schlesinger may soon find himself the first Cabinet-level official in recent memory to have been fired from two consecutive Administrations. The prime victim of Gerald Ford's October 1975 "Halloween Massacre" as a result of his espousal of the policy of "limited nuclear war" during his tenure as Secretary of Defense, Schlesinger and his heavily conservation-oriented national energy plan are now widely perceived in Washington as a political liability Jimmy Carter can ill afford in 1978.

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### ENERGY

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The principal public complaints about Schlesinger's performance are coming from the liberal wing of the Democratic Party, the so-called strongest supporters of the Carter Administration program he authored, embodied in the House version of the energy bill. As the accompanying box shows, however, the disaffection with Schlesinger spans the entire political spectrum.

Schlesinger's situation is complicated by the fact that his efforts to strike a compromise with Sen. Russell Long (D-La.) spokesman for conservatives who radically rewrote the Schlesinger program before passing it in the Senate, have run into difficulty. Rep. Thomas Ashley (D-Ohio), leader of the House forces on the joint Congressional conference committee now seeking to put together an energy bill in final form, has bitterly attacked Schlesinger for remarks he made at a Nov. 21

press conference where Schlesinger outlined the parameters of the proposed compromise, and according to well-placed Capitol Hill sources, is feeding the rumors of Schlesinger's resignation.

Moreover, Sen. Long himself, although still publicly professing expected agreement on the energy bill, appears determined to drive a hard bargain. Last week Long postponed the conference committee's consideration of the "centerpiece" tax portions of the bill until at least Dec. 6 in order to observe the results of conference negotiations on natural gas pricing and controls, another major outstanding issue.

Earlier in the week, Sen. Henry Jackson (D-Wash.), a leader of the Senate conferees considering the natural gas issue, predicted there would be no action on oil and gas pricing by Congress this year unless industry ordered its spokesmen in the Senate to give ground on key points. Long remained adamant. "If I were in their shoes," he said referring to the Administration, "I'd take whatever I could get."

Rep. Toby Moffett (D-Conn.) who claims to lead a bloc of some 70 House liberals who will vote against the energy package if the conference committee makes substantial concessions to Long, is becoming more vocal daily; one of his allies, Rep. Abner Mikva (D-Ill.) expressed a sentiment increasingly heard in the House that the energy bill "looks like a loser." A senior partner in a major Wall Street investment banking firm flatly asserted in an interview yesterday that no energy bill will be passed. The collapse of the bill would virtually guarantee Schlesinger's ouster, Washington observers believe.

# A 'Golden Age' Of Austerity

*The following are excerpts from Energy Secretary James Schlesinger's remarks to the American Petroleum Institute conference held in Houston Nov. 16. Although the speech was widely reported as an effort to conciliate the oil industry, and many passages reflect that desire, Schlesinger made it perfectly clear that the promise of prosperity he was holding out to the industry was strictly limited by a Malthusian perspective of "limited resources" which required a general effort toward economic austerity. The New York Times reported that many industry executives had walked out of the speech while it was in progress.*

...I want to talk to you briefly this morning about three matters. First, the national security. Secondly, I will turn to some issues that have seemed to me to have pervaded the mind of the industry which I regard as unproductive. And thirdly, some areas which I will express some personal judgments on, but they are, it seems to me, appropriate areas for discussion and debate.

With respect to the national security there has always been a close and intimate connection between energy production and security...

In 1956, as a result of an explosion in the Middle East, the shutting capacity in Texas and elsewhere was sufficient to tide us through a period of turmoil, and not only tide this country through that period, but to provide the necessary fuel for our allies in Western Europe that had been cut off.

That intimate connection between the national security and energy production underscores American preeminence in the world after 1945....

In recent years we have become increasingly dependent and dangerously dependent upon sources that are insecure. It is a period in which the relative military strength of the United States has declined. It is a period also in which the external world has grown more fractious and similarly, the growth of our dependence has contributed to greater difficulties with regard to the national security...

The attacks on the plan from the petroleum industry on the one hand, or by consumer and labor groups on the other hand, are irreconcilable. The only point of agreement is that there are deficiencies in the plan from the standpoint of those particular groups....

...I jotted down a number of points that I wanted to bring to your attention as part of what I regard as a mythology that has spread widely in this industry, and which really has no direct relevance to the present problems that the nation faces....

What are these points of mythology? One is that the federal government or people in Washington do not believe that there is more oil and gas out there. That is

not true....

...Of course we do not depend entirely upon American reserves for our consumption of oil, and that is part of our political and economic and security problem.

The second point that I should like to make is that there are no incentives in this program. We had thought that there were generous incentives. Indeed, in our naivete we had expected some grudging acceptance, indeed, even a degree of enthusiasm on the part of the industry about the national energy program. It resolved the issue of whether or not oil prices should be at the world price level, and indeed, it provided, for the first time in history, that the world oil price would be provided to producers for new oil...

With regard to gas prices, \$1.75, rising, the BTU equivalent to fuel oil, to domestic crude, represented a price that in light of the tangled history of emotions over the natural gas act, was a very generous price indeed, and it would apply to the interstate market....

A third point under this heading I will put as suspicion or paranoia. There is some tendency to believe that all those folks up there in Washington have it in for the industry. That is least an exaggeration. Some do....

A fourth item under the heading of mythology, that this program is all conservation and no production. That, I think, is a colossal exaggeration....

What we are attempting to do is very modest, which is to squeeze the rate of growth of energy use in the United States, from approximately four percent to two percent....

Providing certainty for the industry, it seems to me, is necessary, and in that you can help us. If you ask for too much, more than is politically acceptable in this country, you may get it temporarily, but it will not be consistent with stability in planning....

...For a variety of reason, mostly unwelcome, in terms of the prospective availability of oil in relation to worldwide demand, we will see a future in which oil prices gradually go up. This will be the golden age of the oil industry. It will be temporary. In a sense it will be an Indian summer for the use of oil as a fuel. But it will be, for the next 20 years, golden age of the industry that will rival in many respects the romance of oil of the past....

...This will be a difficult transition for our entire people. We have had it, in a sense, too easy, in terms of the availability of cheap and abundant sources of energy....

...But this industry, as I indicated at the outset, has, as its fundamental belief a can-do attitude, that you will get the job done. And once we get past this period — what did Thomas Jefferson say — of barbarous and petty squabbles, I think that that can-do attitude will help carry this nation through in a difficult period....

## What They're Saying About Schlesinger

"There is something less than 100 percent support for Schlesinger inside the White House... On Capitol Hill, he's seen as a puppet on a string. Schlesinger is in a precarious position."

— *the office of a leading Western Democratic Representative.*

"I understand the oil industry is up in arms after Schlesinger's recent speech to the American Petroleum Institute in Houston. The word here is that they're digging in their heels and will make no substantial concessions to him on the energy bill."

— *a Washington source with excellent access to the business community.*

"Schlesinger is a calamity. The conservatives don't trust him and the liberals don't believe him."

— *an unnamed liberal quoted by columnist Mary McGrory, frequently a conduit for the views of the Kennedy wing of the Democratic Party.*

"My sources in the White House indicate it is likely that Schlesinger will be the first Cabinet official to be replaced in the Administration."

— *syndicated columnist Jack Anderson, on the ABC-TV program, "Good Morning, America."*

"It wouldn't surprise me at all if Schlesinger were on his way out as Energy Secretary."

— *a syndicated columnist well-known as a long-time intimate of Rockefeller Family circles.*

"Schlesinger has a real credibility problem in Congress."

— *the office of a prominent midwestern Republican senator.*

"Can the Administration adopt a rational energy policy? Not as long as Schlesinger writes it."

— *Republican Senator Harrison Schmitt, in response to a question at a conference of the American Nuclear Society in San Francisco.*

"Arrogant...puffy...lugubrious...eminently hatable. He sold House liberals on the energy bill...they sold it to their constituents...and it hasn't been a good bill to defend."

— *the office of a midwestern Democratic Senator*

"I don't think he intends to stick around for the long haul"

— *a source personally close to Schlesinger*

## ExIm Bank Fight

A major battle is now shaping up in Congress and in the business and regional banking communities over the future of the Export Import Bank, whose charter comes up for renewal in early 1978. All parties to the fight agree, implicitly at least, that far more than the ExIm Bank per se is at stake. What is actually being debated is the future of the increasingly export-dependent U.S. agricultural and industrial sectors, and the fundamental stability of the U.S. economy as a whole.

The Congressional hearings on the bank's charter, which are scheduled to begin in the Senate Banking Committee when the Administration submits its charter recommendations in late January-early February, are promising to develop into a far-reaching argument, over much broader economic and political policy issues.

The battle lines over the ExIm Bank are being drawn between two basic factions. On one side is the vast majority of U.S. industry, labor and agriculture who view a vibrant, expanded ExIm Bank as a key vehicle for promoting economic prosperity by underwriting an aggressive program of increased, high-technology exports, along the lines spelled out by former Treasury Secretary William Simon in his speech to the conference

on "Capital Formation for Exports" held in Chicago November 29.

On the other side is the "British faction" group around Treasury Secretary Werner Blumenthal, Energy Department czar James Schlesinger, and Special Trade Negotiator Rober Strauss, and their New York-London investment banking constituency. Actively engaged in a City of London conspiracy to bring down the dollar — and the U.S. economy along with it — these wreckers are opposed to any measures which might bolster the U.S. economy — Blumenthal's recent statements supporting increased ExIm funding notwithstanding.

On the ExIm Bank question, the "British faction" forces in Congress are being led by William Proxmire (D-Wisc.), chairman of the Senate Banking Committee, and Clarence Long (D-Md.), chairman of a House Appropriations subcommittee. Both Proxmire and Long are fully committed to doing away with the ExIm Bank altogether. Proxmire — whose longstanding ties to Lower Manhattan financial circles are well-known — is expected to argue at the upcoming hearings that the "private sector" can do the work of the ExIm Bank far more efficiently — in hoped of roping conservative "free

enterprise" ideologues behind his anti-bank (anti-trade) demagoguery.

Well aware that such a drastic proposal stands little chance of passing, other British-linked elements intend to impose a slew of limitations to the bank's charter which would effectively castrate it, especially in terms of its capacity to underwrite substantial, high-technology deals. This campaign has already scored certain victories: When the bank's appropriation came up for a three-month extension in October of this year, Congressional Fabians, following the lead of Rep. Stephen Neal (D-N.C.), succeeded in restricting ExIm's ability to finance nuclear technology exports. This is particularly significant because the ExIm Bank has historically provided the financing for every major nuclear export deal negotiated by the U.S.

This time around, however, the saboteurs will focus their efforts on "human rights." The ExIm bank has already been severely hobbled by the Jackson-Vanik amendment of 1974. Now, anti-industry liberals in Congress such as Rep. Andy Maguire (D-N.J.) and Neal are planning to slap amendments onto the bank's charter banning it from extending credits to countries which violate "human rights." The Center for International Policy, a Fabian Washington-based think tank, is working closely with both Maguire and Neal on this push. In addition, they are urging them to sponsor another amendment which would force ExIm to get Congressional approval for every loan it makes.

Even more insidious is a bill sponsored by Senators Ribicoff (D-Conn.), Heinz (R-Pa.) and Roth (R-Del.) to create a new Cabinet-level Department of International Trade and Investment which would take over the ExIm Bank lock, stock and barrel.

Senator Heinz has several other tricks up his sleeve just in case the Department of Trade legislation isn't passed. Identified by Proxmire's chief Banking Committee aide as the Senator who "will lead the pro-ExIm charge," Heinz is actually moving to transform it into a vehicle for the crazy protectionist measures which Bob Strauss is now so avidly promoting. Specifically, Heinz is demanding that the bank's charter incorporate a clause which would define its Number Two task to be bringing pressure on its foreign equivalents to cut back export subsidies to their domestic industries.

This campaign to rewrite the Bank's charter is being complemented by moves to stack its board of directors with people tied to the Blumenthal-Schlesinger clique. Chief among these is Thibaut de Saint Phalle of Coudert Brothers law firm, widely known as the "economic warfare specialists of Wall Street." In his Senate confirmation hearings Nov. 28, de Saint Phalle defined his view of how the ExIm Bank should function in blatantly protectionist terms.

#### *ExIm Supporters*

Arrayed against these saboteurs is a host of industrial, agricultural, banking and other groups who are committed to expanding and upgrading the ExIm Bank's role in promoting U.S. sales abroad. One of the key movers in this campaign is the U.S. Chamber of Commerce. Last April, the Chamber's Task Force on Export Policy issued a brief urging that 1) all restrictions on ExIm Bank lending to communist countries be rescinded; 2) that the bank be empowered to provide financing at fixed rates of

interest and lower the average cost of credit supporting export sales; 3) that Congress authorize an additional one billion dollars of capitalization for the bank; and 4) that since the developing countries "represent the markets of the future," one-half of this additional \$1 billion should be "specifically allocated for the ExIm Bank to finance exports to developing countries."

However, neither the Chamber's proposal for expanding ExIm Bank, nor related ones now being circulated, take up the crucial question of how to expand trade when the world monetary system is about to blow apart. With the Chicago conference on Capital Formation signalling a major decision by certain industrial circles to push for aggressive trade expansion, the U.S. Labor Party's proposal for transforming the ExIm Bank into a de facto Third National Bank with funding in the \$40 billion range, is sparking intense interest and debate. If the Labor Party's proposal is adopted by circles around Simon, the Chamber of Commerce, etc., then the British attack on the ExIm Bank can be turned right on its head.

— Kathy Murphy

## FBI Acknowledges End Of Investigation Of NCLC

*The following is the text of a Nov. 23 letter received by Warren Hamerman, a member of the National Executive of the U.S. Labor Party, from Clarence Kelley, director of the Federal Bureau of Investigation, acknowledging the ending of the investigation of the Labor Party and the National Caucus of Labor Committees that dates back to 1968. In a statement released by the NCLC-USLP, the National Executive Committee stated that the FBI decision reflects widespread recognition of the U.S. Labor Party's well-known global programmatic initiatives toward nuclear energy and related expansion of industry and agriculture.*

*The statement also called for an end to illegal activities of other agencies, namely the Federal Elections Commission — which has carried out early morning "investigations" of Labor Party contributors — and the Justice Department and Treasury Department's efforts against the International Brotherhood of Teamsters.*

Mr. Warren Hamerman  
Director of Organization  
National Caucus of Labor Committees  
General Post Office box 1972  
New York, New York 10001

Dear Mr. Hamerman:

Reference is made to your letter of September 9, 1977, wherein you allude to this Bureau's investigation of the National Caucus of Labor Committees.

For your information, this Bureau's investigation of the National Caucus of Labor Committees was discontinued in September, 1977, because its activities, as known to this Bureau, no longer brought it within the criteria for investigation under the Attorney General's guidelines for domestic security investigations.

Sincerely yours,  
Clarence M. Kelley,  
Director

# Europeans Ponder Gold Money System, Fixed Rates

*Exclusive to the Executive Intelligence Review*

Despair of getting U.S. cooperation in stabilizing the foreign exchange markets has prompted Western European and Japanese governments to consider instituting a fixed-rate currency system, with a major role for revalued central bank gold reserves.

## GOLD

According to banking and official sources in Western Europe and the United States, the French, West German, and Japanese governments are now in negotiations for a three-way fixed rate arrangement, excluding the U.S. dollar.

In addition, both private and central banks are accumulating gold positions in anticipation of a return to gold's central reserve status in international monetary affairs.

The Europeans and Japanese are playing a tough, sophisticated game that does not show up on the free market in gold, according to authoritative sources. A principal in the transactions says that the dominating influence in the price fluctuations on the gold market—which has swung wildly in the \$158-\$167 range during the last three weeks—is Soviet sales and Saudi Arabian purchases. This source, the former chairman of a Western European bank involved in these events, reports that the range of the market has been determined in the following fashion: at every strong peak of the gold price, the Soviet Union has sold substantial quantities of gold. The sales are not directly related to the recent purchases of grain required by the disappointing Soviet grain harvest, but are an ongoing necessity due to the deterioration of the Soviet payments balance due to world trading conditions. Under European guidance, the Saudi Arabian Monetary Agency purchased gold at every trough of the market, and only at the trough of the market, to avoid bidding the gold price up higher than the market will sustain. In this fashion the Soviets have earned considerable foreign exchange and the Saudis accumulated substantial gold reserves, with the rest of the market, in effect, acting as a buffer.

Knowledgeable European banking sources report that there have been discussions about bypassing the market through direct Soviet sales to the Saudis, through the mediation of Swiss banks, but there is no confirmation that such sales have taken place.

*Strong Gold Positions*

In the private banking sector, some of the key European institutions are taking strong gold positions. According to reliable sources, the board of West Germany's Dresdner Bank has decided to invest half of the bank's foreign deposits in gold.

Senior Western European officials explain the swing towards gold as an inevitable consequence of the dollar collapse. "There is no question that not only individuals, but central banks, will grab for gold, if the dollar continues to fall," said a top Western European central banker. "I personally am distressed by this. I am an SDR man (Special Drawing Rights). But there is no question that this is what will happen."

For the first time since the dollar was unpegged from gold in 1971, strong sentiment has emerged in Japan for a return to the gold standard. In November, the respected weekly *Japan Economist* proposed that Japan return to the gold standard. Authoritative Japanese banking sources report that the big Japanese trading companies are already accumulating gold on their own account. The two largest, Mitsui and Mitsubishi, are involved in this activity, which is mediated through Japanese brokerage houses with international presence, the sources said. According to Japan specialists at a large New York commercial bank, who substantiated this report, the trading companies are probably acting for the Bank of Japan itself.

Policy circles in the United States are aware, broadly, that these maneuvers are underway. Said the chief of international operations at one of the top U.S. multinational corporations, "I wouldn't be a bit surprised if the Europeans turn toward gold. It's the only thing they can do. In the eyes of our sophisticated international trading partners, this Administration appears naive and unreliable. They are late to respond. When they do respond, it's usually ludicrous." One of the country's top-name consulting firms believes that if the Administration continues on its present course, a "catastrophic run against the dollar is a real possibility," and that if this happens, "the Europeans will fall back on gold."

End-of-the-week events on the foreign exchange market, in which the dollar fell from above 2.23 to 2.2050 German marks, indicate that the hoped-for lull in the dollar's decline has not materialized. Earlier in the week, the dollar gained against the Japanese yen and stabilized against other leading currencies as the market—gullibly—discounted Japanese official

statements that the country would reduce its trade deficit and take pressure off the dollar. However, the dollar fell on Friday from 246 yen to 244 yen, and declined even more sharply against the West German mark and the Swiss franc.

Contrary to past experience, the gold price has not gained at the expense of the dollar. Given the strong political control over the market, there is no reason to expect a direct relationship between a weak dollar and a high gold market price, not, in any case, in the short run.

There has been no firm decision taken as to how to proceed to return gold to its old monetary role, although

the way is made considerably clearer by the expiration of the Jamaica International Monetary Fund meeting's ban on central bank gold trading during 1978. One suggestion that has been floated is that central banks will intervene in the market sufficiently to stabilize gold's trading price, giving the private sector the opportunity to denominate payments in gold, which would become more stable than the dollar. Reportedly, the Bank of England is especially terrified of this prospect, because a numeraire role for gold would undermine the reserve value of both sterling and the dollar.

— David Goldman

## London Exploits Dollar Downfall

The French financial journal *Les Echos* has provided new evidence that the Bank of England and allied British merchant banking interests are manipulating the latest round of international monetary chaos so that London can "come out on top" and restore the faded glories of the British Empire. *Les Echos* revealed on Nov. 29 that

The debilitating effects of dollar instability on world trade, however, will undermine U.S. industry, and London banks will be the prime beneficiaries in the end. Many commercial bankers have realized this belatedly, as reflected in a Dec. 1 *Wall Street Journal* feature which reported that many foreigners will no longer accept payment in dollars, forcing U.S. corporations to take the foreign exchange risks.

### FOREIGN EXCHANGE

the Bank of England itself has led the recent dollar-dumping, driving the speculative momentum which has brought the U.S. currency to record lows against the Japanese yen, West German mark, and Swiss franc.

"Hot money" flows into Britain as a result of the dollar's weakness and the short-lived "bubble" in British securities markets have allowed the Bank of England to add a full \$16 billion to its reserves this year. The British central bank has reinvested the bulk of its huge dollar hoard — the second largest in the world after Saudi Arabia — into U.S. Treasury IOUs. The Bank of England has therefore gained strategic leverage not only over the fate of the dollar, but over the financing of the Carter Administration's budget deficit! According to *Les Echos*, the central bank has been "trying, on and off, to get rid of its dollars" — ostensibly because it fears the depreciation of its dollar holdings — and has been joined in the dumping by "commercial banks and Arab dollar holders."

Admittedly, those New York-centered financial interests which have backed the wing of the Carter Administration centered around Treasury Secretary Blumenthal and Special Trade Negotiator Strauss — especially the British-linked investment banks, such as Lazard Freres, but also factions within the major commercial banks — share the responsibility for the dollar's precipitous decline. The commercial banks' view has been that the dollar drop is "not calamitous" since it will bludgeon the Japanese and West Germans into reducing their industrial exports and "solve" the problem of a \$30 billion U.S. trade deficit.

### *Japanese Feint*

This week's Japanese cabinet shakeup, and the apparent "capitulation" of Japan to Special Trade Representative Strauss's demand that definite steps be taken to reduce the country's trade surplus, have momentarily buoyed the dollar against the yen. On Nov. 30, the dollar rebounded to ¥244.20 in Tokyo against -241.88 the previous day. But seasoned observers say the Japanese have no intention of carrying out measures which would cripple export-based industry and send their economy into a major recession.

New York Federal Reserve officials and some foreign exchange experts say that the dollar could strengthen between now and the end of December, if only for technical, end-of-year book-balancing reasons. Although the Fed spent only \$365 million in support of the dollar during the third quarter, New York Fed vice president Scott Pardee has promised that: "We have done a lot and are prepared to do more. We aren't sitting on our hands." Nevertheless, by Dec. 1, the "confidence game" appeared to have already evaporated as the dollar slipped to new lows against the West German mark and Swiss franc, 2.2144 DM and 2.1415 respectively.

### *Eurodollar Explosion*

The rapid multiplication of excess dollars abroad insures that — without a U.S. government-backed high-technology export policy — no *long-term* stabilization is possible. As a Nov. 23 Dow Jones special report on the Eurodollar market documented, the "explosion in Eurodollar bank credit," which began in the third quarter, so as to cover national trade deficits and debts, has seriously aggravated the pressure on the dollar.

"Medium-term Eurocurrency lending this year could exceed \$36 billion with more than 80 percent of that amount in dollars. This would not only be a record but would exceed the previous annual total of \$29.3 billion in 1974 by nearly a quarter."

Although such heavy borrowing would normally strengthen the dollar, most of the loans are immediately converted into other currencies, often to allow countries to support their own currencies against the zooming yen, mark, and Swiss franc. "Even when bank loans are for construction of plant and equipment, the proceeds are often converted into other currencies" as countries choose to buy from the more technology-conscious Japanese and West Germany than from U.S. producers. Add to this the \$18 billion so far printed in the U.S. to pay the current account deficit, and "the ability of central banks to keep an orderly market is in doubt," the Dow Jones concludes. "If so, the dollar's decline could become pronounced."

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## British Refloat 'Europa'

Although British EEC Commissioner Roy Jenkins's proposal to create a new European currency, the "Europa", as an open rival to the dollar, has been firmly rebuffed by other European governments, a diluted version of the proposal received wide circulation this week. Under the "Europa" plan, all national European currencies would be eliminated and replaced by one single currency. National governments would lose control over their own economies, allowing London — with its strategic control over Arab money flows — to buy and dominate continental industry.

An article in the Nov. 29 *Daily Telegraph*, by economics editor Andreas Whittam-Smith, entitled "EMU (European Monetary Union — AB) Will Fly When the Political Flight-Path is Clear" lets slip the methods by which City of London forces hope to break down European resistance to the "Europa." According to

Whittam-Smith, the first phase must be the destruction of the "snake" — the joint European currency float, which is the sole remaining oasis of stability in the international currency markets. This will entail forced devaluations of the weaker currencies and austerity so as to eliminate the inflation rate "differential" between countries and pave the way for "integration."

Even Robert Triffin, the Yale University professor who popularized the original Special Drawing Rights "funny money" scheme, has gotten into the act. In a Nov. 25 London *Financial Times* feature, modestly titled "A Proposal to Shelter Europe from Currency Shocks," Triffin attempts to meet European objections that the "Europa" will undermine national autonomy, advocating a "step-by-step" approach. Triffin recommends the creation of a "parallel currency", which would replace the Eurodollar and other Euro-currencies in international transactions but would — for the moment — leave national currencies intact. Such a parallel currency, says Triffin, "would provide a far more logical 'centre of gravity' than the dollar," although, like the dollar, it would not be freely convertible into gold, nor would its expansion be limited by any other measure of productive economic activity.

The "option" of an expanded role for the pound sterling has also not been dropped. Two more Euro-sterling bonds, totalling £45 million, were floated this week, and *Times* of London columnist Hamish McRae claims that the Euro-sterling issues have successfully "endured" the test of the marketplace.

The drive to re-establish London's pre-eminence as "the world's banker" emerged as the major theme of the Institutional Investors conference held in London this week — under the guise of promoting "European Federalism." Summing up the anti-American tone of the conference, Lord Duncan-Sands, an old Winston Churchill crony, ominously declared: "The European Western alliance is too lopsided, too dependent on one super-power."

— Alice Blythe

# Administration Offers Steel Industry The Third World Treatment

In an effort to buy off sections of the steel industry, the United Steelworkers, and steel belt politicians, Under Treasury Secretary Anthony Solomon will feature a special loan guarantee fund as part of his forthcoming emergency program for the steel industry.

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## STEEL

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As described in a memorandum which is circulating among members of the congressional steel caucus and other involved parties, the financial loan program would center on a \$215 million fund which could extend \$500

million in loan guarantees over four years. The purpose would be to enable ailing steel companies to raise the capital needed to modernize. This aspect of the Solomon plan is clearly a response to the mounting pressure for a full-scale modernization program.

However, this "concession" to smaller steel companies and the communities where they are located is tantamount to treating the companies like Third World debtors—offering them financial aid on a "case-by-case" basis to keep them from demanding a major program for putting the steel industry back on its feet. The miniscule size of the funds involved would probably keep near-bankrupt companies like Wheeling-Pittsburgh open just long enough to repay their debts, and while Solomon is trying to sell his proposals as an aid package for the

industry's survival, sources at the Treasury and in the office of Special Trade Negotiator Robert Strauss privately concede that the fundamental premise of the Administration's program is shrinking markets and a shrinking industry.

The other elements of the Administration's forthcoming package will be a system of "reference prices," designed to limit imports to about 14 percent of annual domestic consumption, some tax breaks, and possibly relief from environmental standards and the easing of antitrust statutes to facilitate mergers and joint ventures. While next to meaningless in the context of the Solomon plan, changing tax laws to allow accelerated depreciation of steel equipment would be an important part of a major modernization and expansion program, including the rapid introduction of the newest steelmaking technologies. Similarly, review of antitrust statutes would be important, not to foster industry consolidation and contraction, but to facilitate the kinds of economies of scale that the Japanese have achieved in their giant steel complexes.

Wheeling-Pittsburgh, which is in danger of having its credit line called in by a consortium of banks headed by Chemical, is already in line for federal loan guarantees. The company and state officials in Pennsylvania are seeking \$75 to \$80 million in federal loan guarantees from existing programs in the Commerce and Agriculture Departments. Through these loan guarantees and direct loans from the Pennsylvania Industrial Development Authority, company and state officials are hoping to keep the major Pennsylvania employer open. However, nearly half of the funds would go for meeting environmental standards, the rest for building a new rail mill.

In addressing a Continental Illinois-sponsored conference on "Capital Formation for Exports" in Chicago Nov. 29, former Treasury Secretary William Simon contrasted the underinvestment which has undermined the U.S. steel industry with the high productivity of Japan's steel plants and its workforce. If Simon and the industry leaders he is speaking to are serious about recapitalizing the U.S. steel industry—as opposed to minor modernization within a shrinking industry—they will have to start thinking about the appropriate credit policies and the creation of demand.

#### *Administration Package Sets Parameters on Debate*

The Administration's non-package has already infected the debate over the steel crisis. The proceedings of the Nov. 21 meeting of the Steel Communities Coalition in Pittsburgh were taken up with the import question and makeshift ways for raising capital for industry modernization, including a proposal previously floated by Sen. Metzenbaum (D-Ohio), to sell shares to steelworkers and steel community residents.

The meeting accepted the fundamental parameters set by Solomon: a shrinking market. The alternative,

proposed by the U.S. Labor Party, is to connect the energy issue and steel, and to tie the future of the steel industry to rapid expansion of the U.S. nuclear industry and nuclear and related exports.

While a fight is raging within Europe over whether to accept depression market conditions as inevitable, the Davignon plan—the European steel rationalization plan—is being adopted as a model for the U.S. In a special report prepared for the Steel Communities Coalition by Father William Hogan, the leading steel industry economist, explicitly endorses the Davignon plan. His study states that "Price is the heart of the problem," and calls for significant steel price increases along with measures such as investment tax credits, faster writeoffs for plant and equipment, and joint ventures to enable steel companies to modernize. Hogan's report nixes greenfield plant construction as too costly, and it basically accepts the idea of shrinking markets. This report will be the basis of the legislative proposals of the SCC.

The Davignon plan is one European import the U.S. can do without.

#### *Davignon Plan Gains Ground in Europe*

In Europe, the fight over implementing the Davignon plan was reflected in the mixed coverage of the European Economic Community (EEC) Ministers Council meeting on steel on Nov. 21. While the West German press reported that Viscount Etienne Davignon's plan for limiting steel imports into the EEC, regulating prices, and "restructuring" the European steel industry was shelved for the time being, the French press reported that Davignon got the "green light" from the ministers. According to the Nov. 24 *Le Monde* there was general agreement on the following latest measures: price increases averaging 15 percent on steel products in 1978; toughening of price surveillance mechanisms; regulation of imports from the East bloc, Spain, and Japan and Korea; and "decisive actions" on capacity reductions.

It is impossible to understand the French insistence on the plan—which means the sharp reduction of that nation's steel capacity—without understanding the enormity of the debt overhanging French steel producers: the debt is now about equal to one year's sales. French steelmakers are thus especially vulnerable to the effect of falling prices and revenues when markets are depressed, and they are already implementing the Davignon plan as it applies to France. According to latest reports, this calls for eliminating another 10,000 jobs on top of the 16,000 slated to go by June 1979.

Rationalization plans are already underway in Sweden and Great Britain. In the latter, the British Steel Corporation is offering to lay off 60,000 of its 200,000 workers in a "share the hardship" move. Thus far, the West Germans, with their high-technology export-orientation, have refused to give credence to the principles of the Davignon plan.

# Is There Any Hope For West Germany's Economy?

Under present global economic conditions and policies, there is no conceivable way to revive the most advanced and productive economy in Europe: West Germany. Yet without the technology and industrial exports of West Germany, without the import market a healthy West German economy would represent, it is unthinkable that

## WEST GERMAN ECONOMIC SURVEY

any other part of the industrial world, let alone Third World nations, could recover from the present global depression.

Unemployment in West Germany, despite much government "stimulation" adamantly refuses to leave the 1 million level. Corporate profits and investment rates are at their lowest since World War II. At the root of this, the heavily export-oriented industry of the nation is starving for orders, as region after region of the world economy plunges more deeply into economic collapse.

From the "experts" what one hears is "structural changes," "orthodox monetary principles," "high unit labor costs," "the factor of the oil crisis," and "needed stimulation." The same pretended causes, the same pretended remedies, were all identified at least 10 years ago, and the problem has only been aggravated.

Current policies and remedies all contain one fundamental flaw: the assumption that the present "zero-growth" condition of the international economy is a fixed parameter for national economic policy-making, which must therefore focus on reducing whatever may be credibly selected as the local "culprit" — wages, profits, what-have-you.

This study will prove that an energy-centered program of development aimed at supplying nuclear technology to the developing sector, with correlated monetary-financial measures, is the proper national policy for West Germany's economy. Only this sort of program would permit West German industrial capabilities to be maintained over the short to medium term pending a reorganization of the global monetary system on a hard commodity, nuclear energy-oriented basis for general recovery — the only viable international premise for national economic policy. Short of this, even if crutches can temporarily be applied to either West German investments or exports, there is no chance whatever of delaying the further collapse.

West German Chancellor Helmut Schmidt is oriented toward pursuing the correct policy. The West German nuclear deal with Brazil, another with Iran, ongoing collaboration with the French, are each exemplary. This fortunate fact, however, is tempered by national political realities which do not give Schmidt the political leverage required to pursue the correct policy fast enough. The immediate solution to the problem has been identified by

forces backing the Chancellor as a "Grand Coalition," expressing the converging interests of West German industrialists and labor movement forces irrespective of current political party affiliations.

Monetarist forces in London and New York are, however, engaged in all the terrorism and "environmentalist" attacks on Schmidt and the Grand Coalition project they can muster. The following study is therefore aimed at contributing to the climate of informed opinion regarding the West Germany economy which will facilitate an international mobilization in immediate support of Schmidt, and those Italian and French factions who seek to collaborate with his current policy.

## The Problem At Hand

West German industry, though the most advanced in Europe, remains senile: a large part of it is undercapitalized, and much of the machinery and equipment little better than junk, a development especially aggravated by the stagnation of the past dozen years.

There was a serious recession in West Germany in 1964, the real end of the postwar "miracle." Since then there has been a frightening acceleration of the rate of accumulating obsolescence of the industrial core of the economy, which began to be seriously felt by 1969. A secular decline set in by then, which has not abated since.

The labor force is now shrinking, and the ratio favoring skilled employed industrial operatives is shrinking even faster, leaving a fast-increasing overhead cost burdening the productive sector. While the output in industry at large and manufacturing in particular has declined only since 1973, in most of its essential components, exports alone have provided the relatively lasting and consistent prop — and it is this aspect of the picture that is now on the wane.

All the tricks in the book have been used both by corporations, the state, and West Germany's central bank, the Bundesbank, to delay the moment of truth. Corporations, holding back from investment and cutting down on their operating costs, have speculated in financial paper to maintain the dividends they pay to shareholders — since profits from productive operations as such could afford very little in the way of dividends. Among other devices used to paper over the problems have been the extension of long-term export credits to insolvent foreign customers, thus keeping the markets alive and the plants running.

This swelling of financial investment in fictitious paper values has been accelerated by the fact that, as the state's taxbase shrank, its swollen budget deficit required issuing of high-interest securities on a large scale. Corporations, among other investors, bought them up. The booming federal debt has consequently soared by 109 percent in only four years!

The tide of credit available to an economy no longer capable of using it productively has been made larger by the loose credit policy of the Bundesbank, helping to accelerate the shift from productive investment and employment into those kinds of service activity and industrial output which are not self-sustaining, but require constantly greater (inflationary) credit injections, thereby worsening the stored-up hyperinflationary potential in the economy.

In fact, for some time West Germany has been defenseless against any protracted slump in world trade — and that is exactly what started this year.

## A Tremendous Investment Gap

The nation's industrialists exclaim, "We are being undersold and outproduced by foreign competitors!" Just recently, the president of the Deutsche Industrie und Handelskammer, Otto Wolff, complained in a speech that a whole period of economic prosperity, full employment, and growth had come to an end. But better than such Cassandra cries, why not look at the dreary picture of investments — which constitute the basis for a "competitive" economy?

In real terms, there has not even been a solid stagnation, let alone expansion, of fixed capital investment since 1969, but only a rate of collapse which has accelerated since 1973, in spite of a series of fiscal measures aimed by the government at increasing capital investment; the trend is shown in Figure 1.

1: Fixed capital formation,  
machinery and equipment, 1973-1976  
in billions of DM

	1973	1974	1975	1976
Current DM .....	96.5	95.0	100.5	109.7
Constant 73 DM .....	—	89.3	88.44	89.97
DM difference .....	—	-7.2	-8.06	-6.53
% difference .....	—	-7.3	-8.3	-6.7

Source: Bundesbank

The computations in Fig. 1, based on the rather dubious Bundesbank measurements, must be complemented by other calculations which show investment specific to the manufacturing sector of the economy, shown in Figure 2.

Up to 1973, on the average, 26 percent of the annual Gross National Product was being poured into investment — and that was the basis for Germany's tremendous international expansion. The cumulative addition required in 1977 to invest just as much as in 1970 is a whopping DM 52.7 billion (constant 1970 DM), while the real cumulative investment deficit — that is, the cost of merely replacing aging and outdated capacity in the industry to maintain the existing productive capacity of the economy — has reached a stupendous DM 157 billion. In such terms, DM 12.4 billion *failed* to be invested in 1973, DM 35 billion in 1974, DM 51.3 billion in 1975, and DM 58.2 billion in 1976.

This establishes beyond the shadow of a doubt that there has been an accelerating collapse in the productive and regenerative capacity of the West German economy.

In 1970-71, industry had added 5 percent to its productive capacity, but only 1 percent in 1977. As all polls conducted by West Germany's economic institutes bear witness, the bulk of investment realized in the last few years consists not of expanded or added capacity, but of labor-saving and other "rationalization" investments. So — who complains that it is wage costs which ruin the West German economy? Instead, better investors, abroad, are out-producing and out-selling West German companies.

"But," the deluded conservative industrialist exclaims, "our unit labor costs have soared, and have reduced radically our return on sales, and profits!" Granted, returns on sales, according to the Commerzbank, hover around 1.5 percent, whereas a good 3 percent would be necessary to "encourage, as in the past, capital spending." But, as even the company's accountant could tell his boss, one needs little economic wizardry to realize that under conditions of shrinking total production, even stagnant wage costs imply rising "unit labor costs." Conversely, in a context of soaring production, even rising wages do not prevent lower unit labor costs, soaring profits, and therefore, investments.

Massively *increase* production, and profits will come. That is the prime economic lesson trade unions and industries in West Germany and elsewhere must learn.

The current problem is that West Germany's machine-tool stock is, on the average, 14 years old; only 37 percent of all machine tools are under 10 years of age. For comparison, the corresponding figure for Japan is 67 percent, for the USA 54 percent, as of December 1976. These figures should help get rid of a much-touted myth that it is the "Oil Crisis of 1973" which *caused* the current "recession." The world depression had set in long before that, and the West German economy's accumulated depression potential was only realized by the oil crisis. By 1969, capital investment was sagging, and there never has been an upswing since.

## Years Of Sagging Production

Taking the very crude "Real GNP" measure of the economy from 1973 onwards, the stagnation is made obvious by the miserable 2.76 percent "increase" recorded in these four years — an increase, we shall demonstrate shortly, which is entirely accounted for by

2: Investment in Manufacturing Industry  
in billions of DM

	70	71	72	73	74	75	76	77
Current .....	35.5	37.2	34.3	34.2	33.7	32.7	34.1	36.9
Constant .....	35.5	34.9	31.5	30.3	27.7	24.9	25.0	26.2
Annual gap .....	—	2.3	4.0	5.2	7.8	10.6	10.5	9.3

Source: DIW Institute, Berlin

actual *costs* to the economy which have been computed as "product" — more bureaucrats, more paper-shuffling, more unproductive activity, etc. Even the Bundesbank concedes that in that period, manufacturing

output dropped by 0.1 percent. The relevant statistics are shown in Figure 3.

**3: Change in Index of Output of  
Manufacturing Sector, 1973-1978**  
in %

Total .....	-2.1
Basic producer goods .....	-5.0
Capital goods* .....	-0.9
engineering .....	-3.6
automotive .....	+2.2
electrotechnical .....	+1.2
Consumer goods .....	-3.3
Construction .....	-16.4

\* The Bundesbank has the preposterous idea of accounting cars as a capital good, which permits convenient falsification of national accounts.

Source: Bundesbank

What is remarkable about the figures cited in Figure 4, spanning over more than four years, is — beyond the obvious collapse of steel production, construction, light metal construction, mining and machinery engineering — is how they can be used to mislead the public as to the real situation of industrial production. How much does the pump-primed auto boom (— 15 percent) account for in total manufacturing output index? The auto boom is typical of production that can only expand in the present period, so long as constant new amounts of credit to consumers are printed by the Bundesbank and relayed via the banks. It was hoped that the auto boom would itself prime other sectors — machine-tools through retooling, glass and chemicals, nonferrous metals such as copper, electrotechnical and so forth. To a very limited extent it has, necessitating gigantic credit injections to do so.

But it is by now clear that nothing more can be done

**4: Net Output of Industry**  
Index: 100=1970

	II quarter		% change 77/73
	1973	1977	
Total industry .....	112.6	114.4	- 1.6
Mining .....	93.8	75.1	-19.9
Manufacturing .....	112.2	115.2	+ 2.6
Basic producer goods .....	115.9	114.9	- 0.8
Capital goods .....	109.6	115.2	+ 5.1
Consumer goods .....	113.3	116.0	+ 2.3
Construction .....	111.4	103.8	- 6.8
Oil .....	110.5	101.0	- 8.5
Steel .....	112.1	95.7	-14.6
Chemicals .....	126.8	134.8	+ 6.3
Light metal constr. ....	110.1	97.8	-11.1
Machinery .....	100.4	95.8	- 4.5
Automotive .....	112.0	128.9	+15.0
Electrotechnical .....	121.5	132.6	+ 9.1

Source: Statistische Bundesamt

with it. As inventories have started piling up in factories since last spring, the hoax of an auto-boom-led "recovery" is vanishing. Foreign sales that have propped up production considerably in various key sectors increasingly depend on *political* considerations (to the OPEC countries, to the Comecon nations, etc.), and monetary changes (debt relief to the developing world and so forth). The chemical industry's 6.3 percent plus, the electrotechnical sector's 9.1 percent plus, are both dependent directly on such export conditions and credit injections.

Therefore, to arrive at the genuine underlying trends in the economic dynamic of West Germany, we must conceptually subtract whatever is dependent on "pump-priming" credit. The fundamentals then appear much clearer, as the performance of the machine-tool and steel industries indicates.

Taking a closer look at the components of the manufacturing industry, the truth appears clearly, and is reflected in Figure 5. The booming auto industry

**5: Gross Output of Capital and Consumer Goods**  
1970=100

	II quarter		% change 77/73
	1973	1977	
Total .....	108.7	113.3	+ 4.2
Steel products .....	114.2	103.3	- 9.5
Machinery (total) .....	101.5	102.7	+ 1.1
Metalworking machinery .....	86.6	81.7	- 5.6
Electrotechnical			
investment .....	115.3	118.6	+ 2.8
consumption .....	136.5	175.6	+28.6
Automotive .....	110.6	141.3	+27.7
passenger autos .....	109.8	140.1	+27.6

Source: Statistische Bundesamt

engulfed most of new machine tools produced; the consumer-goods segment of the electrotechnical industry gobbled up most of the rest...metal-working machine tools very sizably dropped (-5.6 percent), which should not be surprising, given the collapsing rates of fixed capital investment. The discrepancy between the barely edging up investment-goods segment of the electrotechnical industry, and the consumer-goods remainder, also points to the role of inflationary credit issued by the banking system as installment credits. The sectors that underwent sharp losses or stagnation of their output evidently did not invest anything significant beyond partial replacement of machines and some "rationalizing" devices, which only worsened their underlying productive capacity. They tried to produce as much as they could, especially during periods of relatively peak demand, like 1976, further stretching and overstraining existing equipment. A good chunk of the capital investment undertaken in the West German economy has been accounted for by precisely those industries whose boom is inflationary by nature.

It is high time that the truth be accepted as it plainly is: *there has never been a West German upswing*, and only the most hypocritical fools have been able to "see"

one. There has been (and is) zero growth, but they speak of an "upswing."

## A Fragile Export Business

Granted, exports is the one sector of the economy that has been in a relative upswing. As Figure 6 shows, even this should be taken with a grain of salt.

**6: BRD Exports, 1973-1976,**  
Evolution in constant DM,  
with % change and relative % weight  
in total exports of various regions

	total	OECD	LDCs	OPEC	Comecon
1973 .....	178.23	136.12	25.28	6.01	10.8
1976 .....	202.59	143.76	28.65	16.36	13.8
% change ...	+13.66	+5.61	+3.37	+171.39	+3.0
<hr/>					
% share of total exports ....	100.00	71.00	14.00	8.00	6.5

Source: Bundesbank, Statistische Bundesamt,  
Economics Ministry

Major, desirable deals may be made with leading OPEC nations, but they have not the slightest chance, in themselves, of *replacing* the poor trade volume with leading OECD countries. Total exports have increased by 13.66 percent, however, the recent trends indicate how dangerously dependent on collapsing economies abroad the simple maintenance of West Germany now is, as shown in Figure 7.

**7: Selected West German Industrial Exports**  
change, II Qr. 1977 over I Qr. 1977 and  
II Qr. 1976

Exports	II Qr. 77	% change		Deflated change over		
		% weight in total exports	over II Qr. 76	over I Qr. 77	II Qr. 76	I Qr. 77
<b>Machine tools</b> .....	12.2	17.9	+ 4.0	+ 0.7	+ 0.3	0.0
<b>Automotive</b> .....	10.5	15.4	+10.4	+3.9	+7.1	-3.2
<b>Chemicals</b> .....	9.0	13.1	+3.7	-0.5	+0.4	-1.2
<b>Electrotechnical</b> .....	6.7	10.0	+10.7	+5.3	+7.4	+4.6
<b>Iron and Steel</b> .....	3.3	4.8	-5.7	+5.0	-9.0	+4.3

Source: Statistische Bundesamt

For the three groups representing together more than 45 percent of total West Germany exports, the export curve flattened some time during 1977 and started plunging after a short respite, before or after the summer.

Such problems should have been seen before. Out of the

13.66 percent growth of exports from 1973 to 1976, 42 percent of that growth was due to OPEC nations alone. There was never a lasting basis for an export-led upswing, not so long as International Monetary Fund and City of London monetary policies were followed, and willy-nilly accepted by West Germany.

One thing will demonstrate that, under the conditions through which it was effected, the export "boom" has included a highly damaging element for the economy's medium- and long-term productive potential. Since foreign clients, with some happy exceptions, were finding themselves unable to take West German goods due to their own insolvency, massive devaluations of the client-countries' currencies, the continuous appreciation of the DM, and so forth, West German exporters as a rule have extended "soft" trade credits to foreign clients in the last 18 to 24 months. This has played a major role in keeping exports up.

Recorded figures, which do not include "leads and lags" in the settlement of export bills of exchange (which function as de facto credit), are still very explicit. Such foreign trade credit granted by corporations grew a stupendous 143 percent between 1975 and 1976, from DM 7.2 billion to DM 17.5 billion. West German industrialists granted the most extended payments delays, sold at quasi-losses, diverted liquidity from current operations, and so on, to keep factories open and running.

## The Financial Insanity

But this is not the worst — it represents an instinctive reaction of self-defense, a kind of West German muddling through. Where the story becomes ludicrous is in the realm of financial policy and its proponent, the Deutsche Bundesbank. The essence of the Bank's cosmetic policy has been to actively encourage the *diversion of resources away from long-term reproductive capacity* into short-term expenditures which afford an ephemeral appearance of "stability." The use made by industrial corporations of the credit they were taking from the banking system tells the story of West Germany's depression economics; see Figure 8.

**8: Financial Use of Credit Taken by Corporations**  
in billions of DM

	1975	1976	% change
Purchase of bonds .....	2.7	5.1	+ 88.80
Purchase of bank deposits .....	16.4	17.0	+ 3.65
Purchase of equity .....	3.3	2.3	- 30.30
Foreign trade credits .....	7.2	17.5	+143.05
Total .....	31.7	44.1	+ 39.10

Source: Bundesbank

Since corporations' current operating profits permitted them to pay little or no dividends, they systematically bought up high-yield government and other bonds. Moreover, the apparent stability in their bank deposits should not obscure the drop in demand deposits (short-term), which corporations keep with the banks for their immediate spending. These dropped from DM 12.4 to 4 billion, while corporate holdings of certificates of deposit (CD), long-term interest-bearing fin-

ancial instruments, soared more than threefold from DM 4 to 12.8 billion. Corporate CD holdings increased by 36 percent from 1974 to 1976, and three-fourths of that went strictly into long-term CDs, above four years.

In this way, massive amounts of money were channeled out of productive circulation and "sterilized" into financing government deficits, or into the burgeoning Eurodeutschemark market via foreign bank deposits. The Bundesbank's "orthodox" monetary principles therefore appear to the credulous to have successfully curbed the growth of the money supply and brought down the rate of inflation to an annual 4 percent or below. In reality inflation, in the form of spiraling fictitious paper claims against a stagnating productive base, has merely been "forced underground." West German firms that cannot pass on increased costs through increased sales prices have ingested inflation in the form of reduced profits.

The "excess liquidity" brought about by the collapse of production has allowed easy financing of burgeoning government debt. The depression has sharply eroded the tax revenue of both federal and local governments, by anywhere between -5.4 percent and -7 percent according to different measurements, with the result that public authorities, as of the middle of 1977, had piled up a cumulative deficit of DM 148.3 billion. In the 1973-76 period, the current DM indebtedness of public authorities went up by 78 percent, that of the federal government by a smashing 109.5 percent.

To what effect? We have seen the curve of industrial output. This is the core result of "orthodox monetary policies": more and more taxpayers' money has been expended with smaller and smaller net result. We are very close to a situation in which for every new deutschemark spent in "pump-priming," the corresponding increase in production will be counted in pfennings, a perverse multiplier.

Bondholders, on average, have cashed in 8.5 percent debt-service per year since 1974. Now, however, the over-liquidity typical of the depression has depressed bond yield to around 6 percent, the lowest rate in years (11 percent in 1974), while savings bonds carry an interest of about 3 percent! As The Bundesbank itself judiciously remarked, such extremely low rates will tend to deter corporations (and perhaps investors, too) from buying government debt, which would be a disaster.

Corporations at this moment are desperate over what to do with their useless money. For one, they have been attempting to restructure the maturity of their indebtedness in the last few years (no doubt the bankruptcy of Volkswagen was a powerful incentive to do so). Long-term bank debt of corporations represented 45.5 percent of their total debt in 1973, and increased by 36 percent into 1976 to 52.2 percent of total debt. Short-term debt grew only 8.3 percent in the same period, dropping from 40 percent to 36.5 percent of total debt in the process.

Corporations have thus barricaded themselves against "bankruptcy," but not against economic collapse.

The other effect of the mushrooming budget deficits of the government has been to finance and help finance the bogus "consumer-led recovery" of the last two years. Bundesbank figures show that the rate of growth of

credit increased 2.1 percent to manufacturing enterprises, 1976 over 1974, versus 15.3 percent to private individuals and 22.3 percent in installment credits.

Compare this with the growth of the public sectors deficit financing. A tremendous time bomb of pent-up inflationary potential is ticking within the West German economy. Figures on price inflation and growth of the "monetary aggregates" are utterly irrelevant to the argument. The amount of financial paper outstanding which demands its quarterly piece of flesh in the form of interest repayments has exponentially outstripped the simultaneous "growth" of present and future productive capacity. An overwhelming share of newly created money went into financing and refinancing the nonproductive burden against the shrinking productive sector.

This is where monetary policy per se can now have a role in preparing for effective economic recovery: *stop it!*

A huge share of West German money has, as we indicated, been channeled away from domestic hyperinflationary potential by way of a sojourn on the Eurocurrency markets. There, the lack of confidence in the dollar and the better-than-average (!) performance of the West German economy converged to produce a big demand for marks — a 30 percent-odd increase of the currency against a basket of 16 main currencies, and a 35 percent plus increase against other Common Market currencies. Speculative "hot money" puring into West Germany at each monetary storm in the last few years has faithfully been passed out onto this Euro-DM market. As the Bundesbank's foreign currency reserves did not increase during the period under review, and indeed dropped marginally, most such speculative inflows have been monetized into DM, then recycled abroad into the fastest growing paper business in town.

From 1968's level of \$3.9 billion, the Eurodeutschemark market had by the end of 1976 skyrocketed in size to \$48.7 billion, the equivalent of DM 112 billion. For reference, the size of the narrowly defined West German money supply was DM 176 billion at the same time. DM hyperinflation has thus been exported.

## What Happened To Skilled Jobs?

Few readers would by now question the imminence of a disaster. But in reality, the disaster is already around, in the form of a collapse of productive employment. This ongoing destruction of society's labor power is occurring via increased permanent unemployment, a tremendous drop in the ratio of employed skilled to employed unskilled workers, and in the ratio of production workers to "overhead" administrative, clerical, government, and related employees.

Figure 9 shows the shifts in major categories of employment. It reveals an almost 11 percent drop in the industrial labor force as a whole. Figure 10 shows the shifts in industrial employment itself. In five years, jobs in the manufacturing sector dropped by more than 13 percent, while paper-shuffling jobs in banks, insurance companies, and other "business services" increased 18 percent, in the context of a 6 percent general drop in employment. The sub-category of "community, social

**9: Employment by Major Category**  
in millions employed

	Employed	wage- earners	Industry	Foreign	short- time	Jobless
1973	26.7	22.6	8.3	2.5	0.04	0.27
1974	26.2	22.2	8.1	2.3	0.29	0.58
1975	25.4	21.4	7.6	2.1	0.77	1.07
1976	25.1	21.3	7.4	1.9	n.a.	1.30
% change	-6.0	-5.75	-10.8	-24.0		

Source: Statistische Bundesamt

**10: Shifts in Industrial Employment**  
(millions)

	1970	1973	73/70 (%)	1975	75/70 (%)
Manufacturing . . . . .	10.30	9.50	- 7.7	8.90	-13.5
Construction . . . . .	2.06	2.26	+ 9.6	1.92	- 6.7
Trade . . . . .	3.88	3.84	- 1.0	3.60	- 7.2
Transport, storage, .	1.48	1.55	+ 4.7	1.48	-
Banks, insurance, business services . .	1.10	1.30	+18.0	1.30	+18.0
Community, social and personal services . . .	4.60	5.10	+10.8	5.20	+13.0

Source: International Labor Organization

**11: Wage-Earners Compared to Total Labor Force**

in numbers and percentage

	Number (millions)	% in total labor force
Professional, technical and related workers . . . . .	2.30	9.8
Production, transport and related workers . . . . .	8.97	36.1
Administrative and managerial workers . . . . .	0.50	2.2
Clerical and related workers . . . . .	4.53	17.5
Sales workers . . . . .	1.63	8.9
Service workers . . . . .	2.22	9.5
Total . . . . .	20.54	100.0

Source: International Labor Organization

and personal services," whose hiring is also booming, represents, aside from employees in "psychological help" and the like, a taxpayer-paid unproductive buffer to keep down, not unemployment, but the unemployment figures! More bureaucrats. The numbers in Figure 11 do away with the silly myth that the oil crisis did all the wrong; the long-term trends presently in full swing were already taking off by 1970.

Note that production workers plus professional and technical workers constitute together close to 46 percent of the total labor force, a fast-declining percentage, whereas both socially necessary and totally parasitical "overhead" employment now adds up to a fast-growing 38.1 percent.

An emergency point has been reached, with a dangerously low ratio of productive to overhead employees which burdens the actual profits generated by productive and related workers. For example, in industry as a whole, the ratio of workers to total employment has collapsed from 77 percent in 1970 to 63.9 percent in 1975, according to the Statistische Bundesamt. Stated in other terms, as illustrated by Figure 12: whereas there was in 1970 one white-collar worker "living off" three industrial workers, that proportion has jumped to two white-collar per five industrial workers in 1976 — while the real profits the latter were generating sank. Fewer and fewer producers of real profit have to "carry" more and more paper-shufflers and others employed in parasitical jobs such as clerical work.

The complicated Figure 12 describes the 1970-1976 shifts in both absolute and relative terms of employment of industrial and white-collar workers. The first six columns indicate changes in employment in millions of jobs; the next column indicates the relative weight of each selected industrial branch for the industry as a whole, and the three last columns indicate the percentage change from 1970 to 1976 for the categories of workers and bureaucrats.

A close scrutiny of Figure 12 shows the disastrous development in terms of productive-to-overhead ratio. In all branches surveyed (save the auto industry), the number of workers has declined sharply over the six-year period — one miner out of four left the job, nearly one of five workers in basic producers goods, one out of 10 workers in capital goods, including a whopping one out of five in machinery, one out of four in consumer goods production. But the absolute number of non-productive employees has skyrocketed, in spite of the heavy drop in total employment. Even allowing for that segment of white-collar employees consisting of socially necessary workers, such as technicians, scientists, engineers, and so forth, the implied burden is rapidly crushing the declining numbers of productive workers, and indicates in the sharpest possible terms a process of *de-industrialization in West Germany*. One out of five productive industrial jobs has been phased out in six years!

At the same time, all standards of productivity used by the Geneva-based International Labor Organization — net production per person employed, net production per wage-earner, net production per employed man-hour, and wage-earner's man-hour, for an index of 100—1970 — show increases of 16 percent, 22 percent, 27 percent, and 34 percent respectively during the same period.

Of course, the definition of productivity should be referred (1) to the enormous weight of the overhead-to-productive workers ratio, which systematically distorts productivity computations by diluting what is fundamentally the productive employees' profit-generating activity onto paper-shufflers whose job is a cost, and no benefit; (2) to the failure of capital improvement to play its lawful role in fostering worker productivity. The arguments concerning a purported too low worker productivity growth rate with respect to 75 to 80% nominal wage increases in the 1970-to-1976 period are absurd, and would be, even if prices had not gone up a good 40 percent in the period. According to the Bundesbank's figures, "mass incomes" (gross wages and salaries), once we deflate the indicated 40 percent or so inflation in prices in the same period, has increased by a tiny 0.6 percent; net wages, once tax and benefit deductions are effected, increased 7 percent, and once social security pensions and benefits have been added, the resulting "mass incomes" has increased by 1.8 percent. Where is the wage explosion?

### 1977 Trends: Rushing To Disaster

What are the latest indications? It is, or should be, no secret to anyone that the short 1975-76 respite for the world economy, which absorbs 25 percent of the goods produced in West Germany, came to a grinding halt months ago. While West Germany's so is said to have increased by a tiny 3 percent in the first quarter of this year, and a miserable 0.5 percent in the second, deliveries to areas that absorb upward of half of West Germany's exports — France, Italy, Switzerland, the United Kingdom, non-oil LDCs (less developed countries), and the East bloc — have started to *drop* in the first half of this year. Developing countries bled dry by the lower Manhattan and City of London policy of forcible debt-repayment and negative growth are curtailing their imports to divert export earnings into debt service. Comecon countries face significant financial

### 13: Order Inflows for Selected Industries

comparison II Qr. 1977 to 1976, in %

Producers goods .....	+4.8
Capital goods .....	+6.7
Consumer goods .....	+0.9
Steel, etc.....	-7.6
Chemicals .....	-2.2
Light metal construction .....	0.0
Machinery .....	- 0.8
Automotive .....	+25.3
Electrotechnical .....	+ 0.1
Industry total .....	+ 1.6

Source: Statistische Bundesamt

imbalances which they must deal with cautiously, or at least so long as they have not implemented a transferable ruble monetary system. Major OECD countries are either plunging back into recession, such as Scandinavia, France, Italy and Britain, or trying to barely maintain levels of production, like Japan and the USA. Only OPEC is a relative, but under present conditions too small, bonanza.

Domestic demand will not pick up. Wages have not been rising so fast as to permit working-class and other households to spend liberally, in spite of small one-time sprees donated by government fiscal agencies. The very high savings ratios bear witness to that, especially in the context of a very gloomy employment perspective. The government's efforts will probably break the pump, not prime it. At best, the latest of the government's umpteen "stimulation packages" will fare no better than its elders, and merely *slow down the decrease* of figures at the statistical offices, while giving yet another boost to the shift from productive to unproductive business activities. To demonstrate that sad situation in detail, let us first glance at the orders flowing into the industry, shown in Figure 13.

12: Proportion of Productive to  
Non-Productive Employees, by Industry  
in millions

	1970			1976			weight	% change		
	Total	White collar	industrial	total	white collar	industrial		total	white collar	industrial
Mining	0.315	0.51	0.263	0.243	0.45	0.197	3.3	-22.8	-11.7	-25.4
Basic producer goods	1.774	0.458	1.305	1.576	0.48	1.088	21.2	-11.1	+ 6.9	-16.6
Capital goods										
—total	3.811	0.994	2.802	3.565	1.082	2.469	48.0	- 6.4	+ 8.6	-11.8
—machinery	1.147	0.347	0.795	1.000	0.346	0.649	13.5	-12.8	- 0.2	-19.6
—auto	0.574	0.109	0.464	0.600	0.122	0.478	8.1	+ 4.5	+21.1	+ 3.0
—electric	1.039	0.299	0.737	0.968	0.388	0.628	13.0	- 6.8	+29.7	-14.7
Consumer goods	2.000	0.352	1.632	1.600	0.336	1.249	21.6	-20.0	-2.8	-23.4
Food, etc.	0.520	0.145	0.370	0.444	0.139	0.302	6.0	-14.6	- 4.1	-18.3
Total	8.428	2.002	6.313	7.432	2.084	5.036	100.00	-12.3	+ 4.8	-20.9

Source: Statistische Bundesamt

Aside from auto, and its spinoff in machinery orders, the future is dreary. Seeing such orders, no industrialist can think of investing. Delayed and cancelled orders mean a further plunge, and so forth. The output trends (Figures 4 and 5) explain why a wind of panic is starting to spread, just as the contents of Figure 7 for major selected categories of exports show that most key export categories, save the automotive, have started what threatens to be a nosedive.

### In Conclusion

West Germany's 1978 budget shows a 10.1 percent increase over last year's — and no better idea of how to get out of the mess. The public sector deficit will increase another DM 47 billion. Michael Blumenthal, the U.S.

Treasury Secretary, and his London allies will keep on pressing for West German reflation, deutschemark appreciation, "voluntary" export restrictions on the part of West Germany, and so forth.

The City of London monetarists are out to get West Germany. Just as they strive to appropriate by hook or by crook the treasures of Arabia in the form of the Saudi financial reserves, they look to West Germany (as well as Japan and the USA) as a juicy lemon from which a lot of loot can be squeezed. West German reserves, they insist, must be used to bail out insolvent developing and developed nations; West Germany should "sacrifice" its exports and swell its import bill to help others. If this collapses investment, employment, and production, well, they have a good plan in their pockets — just like in the 1920s.

— *Laurent Murawiec*

# Supreme Court Questions Environmental Control Of Energy

*The case of Consumers Power v. Aeschliman proves "that an enterprising lawyer can always find a way to continue a case to stop a nuclear power plant."*

— Myron Cherry, attorney  
for the intervenors in  
*Consumers Power*

On Nov. 28, the U.S. Supreme Court gave some important indications that it may be preparing a major decision in environmental law — a decision which would turn around six years of court-sanctioned sabotage of the nation's nuclear energy development.

Since 1971, when Atomic Energy Commission Chairman James Schlesinger failed to appeal the famous Calvert Cliffs case, environmental law has been characterized by the above-cited quote from Mr. Cherry: prohibitively strict enforcement of the National Environmental Policy Act (NEPA) by federal agencies and the courts, plus the well-financed legal onslaughts of various Nader-style environmentalist groups have kept plant after plant from being built or from beginning operation.

However, the Supreme Court heard oral arguments on Nov. 28 for two cases involving nuclear plant construction — *Consumers Power v. Aeschliman* and *Vermont Yankee Nuclear Plant Corporation v. Natural Resources Defense Council* — which could significantly change that.

The seven justices sitting (Justices Powell and Blackmun were not present) showed extreme concern over the devastating economic effect of the environmental law which has been created by lower court decisions. Justice Marshall particularly stressed the lengthy delays in the construction of nuclear plants which have been brought about by environmentalist interventions in Nuclear Regulatory Commission proceedings and in lawsuits in federal court. He pointed out that it is now 1977 and the construction and operating permits in question were issued in 1971.

Other justices questioned the efficacy of a procedure in the Vermont Yankee case in which a nuclear reactor was issued a full operating license in 1972 and then had that license removed, after two years of safe production of power.

The concern of the justices was summed up by Mr. Marshall, who asked: "How can we run a nation on this basis?"

However, the issues raised in the two cases are far more significant than simply the economic dislocation

involved in delayed and uncertain construction of nuclear plants. In the Consumers Power case the environmentalists attempted to establish as a rule of law that "conservation," including specific recommendations to stop the consumption of power, must be considered as an *alternative* to building a nuclear generating plant. This conservation criterion, which — pending the Supreme Court's ruling — has been adopted by the Nuclear Regulatory Commission, is a foot in the door for a far more devastating method of fascist economic "planning." The environmentalist attorney representing the intervenors in the case, Myron Cherry, made this clear in an interview this week:

"What was raised in our brief to the Court of Appeals was what we call 'in use conservation.' This means that the environmental impact statement must analyze the environmental effects of the use of the energy created by the generating plant, rather than just the environmental impact of the plant itself on its surroundings. For example, the Midland plant (in Michigan; at issue in the Consumers Power case — ed.) was to produce processed steam for Dow Chemical. What if Dow wants to use it to produce chlorinated hydrocarbons? What if GM wants to use the electricity to build bigger cars? Should that energy be produced? Would conservation be more beneficial to the environment?"

"My concept of energy policy has to do with radical planning. I got the idea from (solar power advocate —ed.) Barry Commoner a number of years ago. Then you have to look for the right case so you can structure the legal argument. The Court of Appeals in its decision footnoted our concept of conservation and indicated that we didn't intend to press this claim. Well that's not true. The NRC has adopted a standard of conservation in general and now, in the current NRC hearings on the Midland plant we are pushing the in use argument."

In the Vermont Yankee case, environmentalists asserted that unless the Nuclear Regulatory Commission sponsored an essentially infinite series of "what if?" hearings on the disposal of nuclear reactor waste materials, it would have failed to fulfill its responsibility to fully "ventilate" and create a "meaningful dialogue" on every issue. In a marvelously contrived "Catch-22," the District of Columbia Circuit Court of Appeals, in a decision adopting the environmentalists' argument, refused to specify what procedures would "fully ventilate" the issue.

Confronted with the dismay of some of the Supreme Court justices at the havoc wrought by lower court

decisions, attorneys for both the Natural Resources Defense Council (NRDC) and for Aeschliman and the Saginaw Intervenors attempted to file a motion with the court dismissing the entire matter, claiming that the petition of certiorari (the Court's agreement to hear the case) was improvidently granted and should be revoked.

NRDC attorney Richard Ayres stated that because the NRC has issued its final interim rule on the nuclear fuel cycle (including the disposal of waste) that Vermont Yankee and part of the Consumers Power case were moot. He argued further that since Vermont Yankee had been issued an operating license, the original controversy no longer existed. The justices noted that this was a rather remarkable claim in view of the fact that the Vermont Yankee operating license had already been revoked once and the license on which it was currently operating was issued for an interim period of 18 months.

An attorney for the Center for Law and Social Policy, involved as attorney for the Union of Concerned Scientists which submitted an amicus brief, revealed the actual reason for the Naderites' unusual motion. "The U.S. Supreme Court is not the best place to raise the issues we were pushing. We filed the motion to try to prevent the Justices from overturning our victories in the lower courts.... The oral argument did not go well at all. No one showed very much interest in the merits of the case — how dangerous a problem radioactive waste is.

The Justices were primarily concerned with procedural questions."

However, reports from the power companies' attorneys indicate that the Court's concern with procedure went right to the heart of the issues before it. Particularly notable was Justice Rehnquist's sharp questioning of NRDC attorney Ayres. When Ayres argued for "full public participation" in licensing procedures, Justice Rehnquist asked where the law requires public participation. Ayres cited Circuit Court of Appeals decisions in support of his position, to which Justice Rehnquist retorted, "That is not this court." A repeated theme of other, more technical questions was — where in the National Energy Policy Act, passed in 1969, or in the Atomic Energy Act, does Congress require all these procedures? How do the courts read all this into NEPA?

The Court's concern on this point clearly indicates the effect of the amicus briefs, particularly the brief filed by the U.S. Labor Party, in raising the fundamental broad issues involved in the Naderites' efforts to make the courts their ally in legislating an end to progress and scientific development. Now it appears possible, from the tenor of the oral argument, that the Supreme Court is considering reversing the lower court environmentalist decisions which have blocked the road to the development of nuclear power. A decision is expected in the next 60 days.

## Cleveland Teachers, Hit With Payless Paydays

On Nov. 30 the Cleveland Teachers Union began a job action against the city's bankrupt Board of Education. Faced with payless paydays, the teachers voted Nov. 29 3,300 to 2,100 to conduct the action, because the school board failed to meet its payroll last week and again Nov. 30.

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### LABOR NEWS

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In the *Cleveland Plain Dealer* and *Cleveland Press* of Dec. 1, the teachers were attacked as "irresponsible" in their action. Cleveland's new mayor, United Auto Workers-linked Democrat Dennis Kucinich, has just assumed office with promises to create a New York City-style Emergency Financial Control Board and carry out confrontations with Cleveland's desperate municipal unions.

In discussions Nov. 29 with Cleveland Trust President Brock Weir, New Solidarity International Press Service learned that Weir personally is proposing a temporary moratorium on the schools' \$15 million debt, due Dec. 29, to his bank and to Central National. Weir also stated that he has offered immediate refinancing and is prepared to agree to a repayment schedule of as long as 10 years. So far the Ohio Legislature — which is adhering to a state law forbidding school districts to end the year in debt — is rejecting moratorium and insisting instead that the Cleveland schools, which service 110,000 students, close now for the rest of the year.

Next week, Ohio Labor Party Chairman Allen Friedman is scheduled to meet in the state capital, Columbus, with economic advisers to Governor Rhodes and with state legislators. Friedman plans to organize for debt moratorium coupled with implementation of the U.S. Labor Party's program for cheap credits to Ohio's — and the country's — crumbling steel industry, as the only sound method of building back the industrial infrastructure and tax base upon which, according to Friedman, future repayment of the school debt, and future financing of Cleveland's schools, depends.

### N.Y.C. Labor Crisis Looms As Koch Assumes Mayoralty

Over 75 municipal union contracts will expire between Jan. 1, the date Democrat Ed Koch assumes the post of mayor of New York, and June 30. Already various plans appear to be near-operational for provoking a major municipal crisis.

One option was broadcast by the *New York Post* Nov. 28 which quoted an anonymous union official, mooted to possibly be American Federation of State, County, and Municipal Employees District 37 (AFSCME) leader Victor Gotbaum, warning that since the unions have been denied a wage increase for three years under Emergency Financial Control Board management, confrontation could occur. "If they think they can get away with that, they are going to have to face a citywide strike."

The unions have already agreed to enormous "productivity" raises, have "loaned" pension funds to bail out the City, and lost 66,000 jobs. A general strike, or any major strike, would simply fuel a "winter emergency" operation featuring chaos and confusion on a grand scale due to the lack of city services.

In the event that options for an almost-certain-to-lose general strike fail, prolonged negotiations between the Koch administration and the unions could lead to an Emergency Financial Control Board takeover through crisis management. Evidence that the crisis-management scenario could be the more likely came in the form of the recently announced agreement by the New York City Board of Education to accept residency as a requirement for employees, and the Policemen's Benevolence Association's acceptance of the New York City residency requirement for all new members of the force. On Dec. 1, the *New York Post's* front-page headline blared that 20 percent of all city employees must decide to "Move or Lose Your Jobs."

### Layoffs Take Toll In Transport

The continuing trade collapse in the U.S. has spread to the transport industry the epidemic of layoffs which hit the steel industry in September. Announcements of major layoffs by rail companies last week were directly attributed to the collapse of U.S. trade. The Milwaukee Road Railway, servicing the northern wheat belt area from Wisconsin to North Dakota, laid off 700 workers in November due to lack of produce freight.

The Chessie Line, which services West Virginia's coal region, dropped 2,200 employees from its workforce and pointed to the upcoming coal strike as the reason.

Steel layoffs continue to mount. The Pueblo-based Colorado Fuel and Iron Company laid off 700 workers, bringing total layoffs in the Rocky Mountain steel production center to approximately 26 percent, or 1,300 out of 5,000 workers.

The ultimatum that 20 percent of all city employees must now reside within New York City's limits hints strongly at the enactment of the plan proposed by *New York Times* editor Roger Starr to restructure the city. Outlined over a year ago, the Starr Plan called for relocating professional and administrative personnel within the city's neighborhoods; while closing down "dying neighborhoods" (ghetto areas), sending their residents to supply the labor for technologically primitive low-wage public work schemes.

## UAW Pushes Conservation At Ontario Labor Conference

The United Auto Workers (UAW) and the Canadian Union of Public Employees (CUPE) combined to use strong-arm tactics and committee-packing to prevent the introduction of a resolution favoring the development of nuclear power at the Ontario Federation of Labor Conference Nov. 27. The resolution, which called for the construction of a contested nuclear power facility in Darlington, Ontario, and is generally for nuclear power development, was termed "unacceptable" by the conference's presiding officers.

Cliff Pilkey, President of the Ontario Federation of Labour and an International Vice President of the UAW, supervised a series of veiled threats designed to prevent an official of the International Brotherhood of Electrical Workers (IBEW) from introducing the resolution.

Instead, the CUPE and UAW packed the resolutions committee with proponents of conservation, to ensure that the environmentalists would prevail. The final resolutions submitted to the conference for passage

### As Coal Strike Looms:

## UMW In Final Phase Of IPS-Planned Destruction

A nationwide strike in the coal fields was termed "inevitable" this week by United Mineworkers President Arnold Miller after the union chief angrily stormed out of a Nov. 25 intensive bargaining session with members of the Bituminous Coal Operators Association in Washington, D.C.

With this collapse of negotiations Miller, aided by the foolish coal operators, has begun the process of dragging the once-powerful union and the coal industry through the terminal phase of a 10-year conspiracy to destroy the mineworkers. This plan was concocted by such union busters as the United Autoworkers' Joe Rauh, the Miners for Democracy's Chip Yablonski, the terrorist Institute for Policy Studies, and the financial interest group around David Rockefeller's Chase Manhattan Bank. Miller, himself a synthetic offspring of the Institute-spawned Miners for Democracy, has apparently been assigned oversight of the final destruction of the union.

Agents within the mineworkers, echoing the 1960s calls of the Miners for Democracy, have spelled out the blueprint for this destruction: an end to national contract

included a call for dismantling public utilities through so-called public ownership schemes; a ban on the Alaska-Canada natural gas pipeline as "U.S. exploitation of Canada"; for the development of solar power; and a nonproliferation proposal against Canadian export of nuclear technology.

## Hartford's Pratt-Whitney Offers IAM Unacceptable Contract

United Technologies Corporation of Connecticut is forcing part of the nation's most skilled blue-collar work force, the aerospace workers, to accept a contract far below their standard of living. Twenty thousand workers at the Pratt and Whitney subsidiary of United Technologies, the largest employer in the state, have been offered a five-year no-strike contract with a tiny 10 percent wage increase over three years and no job security, on a take-it-or-leave-it basis. The "offer" comes after the International Association of Machinists' strike benefit fund has been exhausted by two west coast strikes. Management also counts on a pension bribe to split the older workers from the younger. The union has voted to reject the contract but not to strike, hoping to renegotiate. The management is refusing to reopen negotiations.

The IAM International earlier this week placed a California IAM local into receivership after the local, which is striking Lockheed, voted Nov. 25 to return to work. A depression-strike mentality appears to be spreading — or being spread by the International — throughout the union.

bargaining, forced implementation of decentralization, and district autonomy. These proposals threaten to return the union to its impotent 1890-1920 posture, a status which was changed only by the determined efforts of John L. Lewis, who recognized the importance of a centralized command structure in effective contract bargaining. Operators Association President Joseph Brennan has already attempted to use the chaos within the mineworkers to force Miller either to bargain district-by-district, or to abandon union demands for a right-to-strike provision and company-supported restoration of the union's bankrupt Health and Welfare Fund.

The stupid Brennan, now a de facto participant in the IPS plan to dismantle the Mineworkers union, has brought the coal industry to the brink of chaos with this foolish threat to bargain district by district. The Coal Operators Association would do well to remember the antagonism and cutthroat competition that plagued the industry prior to the stabilizing effect on the UMW of John L. Lewis's strong leadership.

### *Miller's Role*

But the self-defeating intransigence of the Coal Operators cannot by itself assure the Mineworkers' destruction. Arnold Miller shares that responsibility with the host of IPS countergangs that have infiltrated the miners union with the aid of the Miners for Democracy's Rich Banks, Rob Burlage and Ed James — all formerly top aides to Miller. These countergangs include the terrorist October League, the Revolutionary Union, the old Jay Rockefeller-run VISTA networks, and individuals like Lewis (Skip) Delano, and Mike Branch, members of the Chicago-based National United Workers Committee, an RU front group. The gangs have recently emerged to provoke violence in the mines to further discredit union-management efforts for a peaceful settlement. The terrorist violence, expected to increase during the strike, is intended to provoke government intervention under the auspices of the crisis management task force envisioned by Carter Energy Czar James Schlesinger.

The chief demand of the IPS gangsters, next to the Health Care Provision, has become the central demand of the union — the right to strike locally over grievances. This demand was introduced by Miller ostensibly as a weapon against the surge of uncontrolled maoist-led

wildcats that have plagued the union for over a year. But it threatens to transform the union into a collection of local fiefdoms, each vulnerable to the collective strength of government and industry forces. The right to strike locally in the context of a weak national leadership guarantees a breakdown in the command-and-control structure necessary to union bargaining.

Despite a last minute call by UMW District 6 Director John Guzek to extend contract bargaining 30 days, most union officials have joined Miller in predicting a long strike. Industry sources are pointing to huge stockpiles of coal building up at key electric power stations and steel plants as evidence.

The expectation of a long paralyzing strike, and the busting of a once-powerful union, however, has moved the more sane elements both within the union and among prodevelopment labor and industry forces outside the UMW to come forward with proposals upon which a sound settlement could be made. High ranking UMW official Mike Trbovitch and Miller's 1977 union elections opponent Leroy Patterson have both endorsed a program for mechanization of the U.S. coal industry to be carried out in connection with a revival of U.S. industry based on nuclear power development.

## TDU, PROD, Labor Dep't Plan Fix Of Detroit IBT Elections

Newspapers here last weekend carried front-page charges by members and supporters of the FBI-controlled Teamsters for a Democratic Union (TDU) that the leadership of Teamster Local 299 is planning to "massively defraud" so-called insurgent candidates for the office when the local's mail ballot is counted Dec. 27. In fact, the TDU, their allies in PROD and the media, and officials in the Labor Department are preparing to engineer an embarrassing coup against the current leadership of Local 299, the IBT flagship local, and Teamster General President Frank Fitzsimmons.

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### ENEMIES OF LABOR

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According to sources close to the operation, the "insurgent" plan involves putting TDU member Pete Camarata into office as Local 299 Vice-President and then building a rank-and-file national insurgency modeled after the candidacy of labor lawyer Joe Rauh's puppet Ed Sadlowski in the United Steelworkers union. Camarata himself is a member of the rabidly anti-trade-union International Socialists grouplet.

Local 299, the home base of former Teamster President Jimmy Hoffa and of Fitzsimmons, is regarded as "the springboard to power" in the national union.

### *Build-up of Camarata*

Camarata is being puffed into a national figure by liberal, Lower Manhattan-linked press. According to knowledgeable sources, a spate of pre-packaged Camarata advertisement articles will appear across the nation right before and after the election.

The scenario for a Camarata victory has two variants. "We are counting on a lot of pissed-off guys to cast their vote for Pete," said a TDU source. "They don't want him to win, but they want to show Fitz that they are angry and the media says Pete is the way to do it...." If enough of these duped "angry Teamsters" vote for Camarata, given the presence of two other full slates, the TDU feels that Camarata "will squeak in."

If Camarata loses, the TDU plans to go to its contacts in the Labor Department and cry fraud—a tactic used by Sadlowski's backers. The TDU feels certain the Labor Department would be willing to rerun the election. "We are going to win 299 and nothing can stop us," Ken Paff, the TDU's national director, told a reporter.

### *Detroit IBT Leadership Flops in Fighting TDU*

Robert Holmes, the Teamster International Vice-President from the Detroit area, is playing blind to the operation. The word is that Holmes is soft on PROD-TDU. When Camarata and PROD attacked Local 299 President Dick Fitzsimmons, the son of the Teamster president, Holmes refused to mobilize against them.

When he was told that PROD and the TDU were targetting locals under his control for takeover and subversion, Holmes refused to believe it; and when a local president asked him to be allowed to purchase copies of the U.S. Labor Party's brief "The Plot to Destroy the Teamsters," to inoculate their members against the PROD and TDU operation, Holmes reportedly instructed IBT officials to stay away from the Labor Party.

However, two weeks ago Holmes, who had boasted "I know how to take care of PROD and the TDU," nearly lost his post in Local 337 to a TDU member who, though practically unknown, got 43 percent of the vote. "If we can almost knock off Holmes," said TDU leader Paff, "then taking 299 will be a cakewalk..."

### New York Times Puffs Camarata

*Continuing the East Coast media onslaught against the leadership of the International Brotherhood of Teamsters, the Nov. 27 New York Times Magazine set feature writer Joseph Lelyveld to the task of boosting the candidacy of Teamster "insurgent" Peter Camarata, and legitimizing the Teamsters for a Democratic Union group. The following are excerpts from that article, titled "Hoffa's Legacy."*

In that great union hall in the sky, he (Hoffa—ed.) must be enjoying himself as he peers down on his old

local, which in the year A.D. 2—after his presumed death at the hands of his old Mafia allies—now teeters on the brink of rank-and-file rebellion....It could never have happened when Hoffa was in power, for he would have snuffed it out....With fewer than 2,000 signed-up adherents, TDU accounts for less than one-10th of one percent of the 2 million teamsters. Yet it is defining the issues on which politics now turn in Hoffa's old local...the strongest TDU candidate (Camarata-ed.) is running for the job that Fitz (IBT General President Frank Fitzsimmons-ed.) once held and Little Fitz (Dick Fitzsimmons-ed.) now holds—that of 299's Vice-President....If he wins, the symbolism of a victory will be grasped in Teamster halls across the country....An earnest Catholic, he (Camarata) justifies his new commitments (to the International Socialists-ed.) in terms of church doctrine. Capitalistic exploitation, he read in a document circulated by the Archdiocesan Pastoral Association, can be a "social sin."

If there's an ideological issue, of course, it isn't dreams of socialism but the feudalism of the Teamsters. Pete Camarata and his running mates have to convince the men in the truck terminals... that it's possible to overturn corrupt power in the national leadership....If it had been Jimmy Hoffa (the workers-ed.) would have believed that he was tough enough to protect them. But a local run as a democracy would have to protect itself. In Hoffa's old local, that's a strange proposition and a scary one but, stranger still, it's sinking in.

## USLP Demands Action Against UAW Attorney

*On October 8, 1977, the U.S. Labor Party filed a complaint against former UAW general counsel Stephen I. Schlossberg with the Disciplinary Committee of the Washington D.C. Bar Association. The complaint primarily rests on the documented history (see Executive Intelligence Review No. 48, Nov. 29, 1977) of Schlossberg's unethical behavior towards the U.S. Labor Party which well exceeded any normal legal adversary relationship involved in the UAW trademark and libel suit against the USLP.*

*The complaint provides documents showing Mr. Schlossberg's consistent attempts to incite various government agencies like the Justice Department, the FBI, and the Federal Election Commission to go after the Labor Party and its supporters on any number of specious and fanciful grounds.*

*Below are excerpts provided from the Oct. 8 complaint to the Bar and Mr. Schlossberg's heated reply of Nov. 14.*

I am writing to you to register a formal complaint against a member of the Bar of the District of Columbia, Mr. Stephen Schlossberg....

...David S. Heller represents the defendants in this trademark action, including the U.S. Labor Party and the National Caucus of Labor Committees (NCLC). This action was filed in 1974. At that time one Gregory Rose was a member of the NCLC. Mr. Rose was among the persons who attended attorney-client meetings con-

cerning the UAW case. Mr. Rose also performed paralegal duties for the NCLC's legal staff relative to that case. He had access to notes and files of counsel, and used the same to draft affidavits under the supervision of Mr. Heller in connection with a motion made in that case. In early 1975 Mr. Rose left the NCLC, apparently taking with him some of Mr. Heller's work product which he had access to, and which has been missing since that time.

This summer it was revealed to us that Mr. Rose had been in contact with Mr. Schlossberg for some time, had given Mr. Schlossberg information and documents, and was in fact to be a surprise witness at the trial of the trademark matter. At no time did Mr. Schlossberg inquire of our attorney, Mr. Heller, whether there might be a potential disclosure of confidential information. The facts surrounding the affair led to the conclusion that Mr. Schlossberg has received and made use of confidences and work product wrongfully conveyed to him by Mr. Rose. I believe this is a gross violation of Canons 4 and 9 of the Code of Professional Responsibility. In this context, I call the Committee's attention to the case of *Hull v. Celanese* 513 F2nd 568 (2 Cir. 1975) and ABA Formal Opinion No. 47 (1931).

The second, related charge against Mr. Schlossberg concerns his activities during June and July of 1975, the time when Mr. Rose left the NCLC and furnished information to Mr. Schlossberg. Mr. Schlossberg, bearing

anonymous "inside source" memoranda, approached both the FBI-Department of Justice, and the Department of Labor attempting to instigate prosecution of the defendants in the trademark action.

Addressing the Department of Justice and the FBI, Mr. Schlossberg accused the defendants of receiving foreign funds, obtaining and possessing illegal arms and ammunitions, and planning the assassination of the Vice President of the United States, among other things. Mr. Schlossberg also revealed that his purpose in bringing the trademark suit was not to protect a claimed proprietary right, but to bankrupt the defendants. In this context, I submit that Mr. Schlossberg in making such charges against his adversaries in civil action violated D.R. 7-102(A) and 7-105 of the Code of Professional Responsibility.

I note that the FBI investigation which Mr. Schlossberg sought to inflame, and which exposed the NCLC to expense and loss of reputation, has been terminated on the grounds of lack of probable cause. I am prepared to document both of these specifications.

Mr. Schlossberg represents a large and well-reputed labor union, while defendants in the UAW's trademark action are by no means so well financed. I request of the Committee the opportunity to prove the above charges, and the imposition of appropriate sanctions on Mr. Schlossberg. I submit that the integrity of the bar, and Mr. Schlossberg's abuse of his position and influence require not less....

Sincerely,  
Warren Hamerman  
National Executive Committee  
National Caucus of Labor  
Committees

## ...Schlossberg Responds

...What I do want to bring to your attention immediately is the following: an action is pending entitled *International Union, etc. (UAW) v. National Caucus of Labor Committees, et al.* — 74 Civ. 5131 (LWP) in the United States District Court for the Southern District of New York. I was formerly General Counsel for the plaintiff, UAW, and am now Director, Government and Public Affairs. The action was instituted in 1974 against defendants for trademark infringement and other tortious conduct and is now awaiting trial. Defendants have been engaged in a pattern of dilatory tactics designed to delay the trial, including a motion to disqualify in advance a prospective witness for the plaintiff, Gregory F. Rose, and also disqualify plaintiff's counsel as well. This motion is based on the same untruthful claims repeated in Mr. Hamerman's complaint letter of October 8, 1977. Obviously, his letter is written for the purposes of harassing me and plaintiff, and is an effort to carry on this litigation in another forum....

...May I respectfully request that further proceedings before The Disciplinary Board be held in abeyance pending the determination of these identical issues in the appropriate forum which is in the action pending in the Southern District of New York. It seems reasonable that the ruling of the Magistrate might be dispositive of this matter and would, at the very least, be helpful to you and your Board. Moreover, I hope by this request to avoid burdening your Board and you with voluminous and time consuming material which you may decide is unnecessary....

# Fascist Wave Of 'New Left' Terrorism Under Way

*The following analysis was issued on Nov. 18 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman.*

All crucial indicators show that the London-centered intelligence networks behind international terrorism and "zero-growth" policies are currently in the process of rapid reorientation of the terrorists, the terrorists' sympathizers and the "environmentalists" toward mass hooliganism based on an overt profession of fascist ideology.

The leading, exemplary signals of this development are the current "Autonomi" outbreaks in Italy and the complementary "ideological" retooling being done by such neo-Fabian conduits as the summer 1977 issue of the U.S. neo-Fabian journal *New German Critique*. These current developments are directly connected to "environmentalist" terrorist regroupments in progress in France and to the efforts toward establishing a "Green Party" in the Federal Republic of Germany.

The following summary analysis of this turn is designed to satisfy the special needs of the relevant intelligence units in the affected Organization of Economic Cooperation and Development nations, and to inform citizens generally in such a way as to contribute to the climate of informed public opinion essential to appropriate countermeasures.

The task of the intelligence and security specialists includes a working mastery of the essential features and interconnections among four facets of the fascist-terrorist wave being tooled for deployment. First, most narrowly, the specialist must define the kinds of deployments which have to be contained and neutralized. Second, the specialist must develop a sociological-political profile, together with a definition of the appropriate parameters of continuing surveillance and intelligence and counterintelligence operations. Third, the intelligence agencies fighting this fascist terrorism must follow the evolution of the "scenarios" to which effect the terrorists are deployed. Fourth, the responsible agencies must define the connection between the fascist-terrorist forces as such and the ostensible "liberal" outwardly nonterrorist forces in whose behalf the terrorist special operations are deployed.

This report covers those four elements in summary.

## 1. Summary of the Situation

The present turn in terrorist-linked special operations will feature the following notable elements:

1. The neo-Fabian "New Left" internationally will now orient around a doctrine of "corporate socialism" with increasing emphasis on the equivalence of the terms "corporate socialism" and "fascism."

2. The central issue of this shift will be advancement of "environmentalist" causes together with growing emphasis on demands for such initiations of the Nazi *Arbeitsdienst* as the proposed U.S. Humphrey-Hawkins bill program. These forces will define themselves as in opposition to "right-wing" "profit-oriented fascism" and will concentrate its ire against nuclear and related high-technology programs.

3. The shift will be accomplished by a convergence internationally between "right-wing libertarian" and certain professedly fascist groups with the "corporate socialism" elements gathered around such "environmentalist" figures as Ralph Nader and "cultural relativist" Margaret Mead.

4. The "chic" liberal environmentalists and their déclassé radical-youth activist allies will join with "right-wing libertarians" in efforts to rally a constituency from what they will term variously the "underworking class," the "lumpen proletarian," or simply the "poor."

5. The activist forces will mobilize various kinds of actions, ranging from U.S. anti-Teamster "Watergates" to Mussolini-modeled violent attacks against trade unionists and certain industrialists and related targets. These spearhead or "exemplary" actions will be intensified to catalyze mass violence along the same lines with support of the "poor."

6. The escalation of "proenvironmentalist" riot tactics by the fascist forces in general will overlap a continuation and escalation of terrorist special operations. The two operations will tend to shade into one another.

7. The fascists will be deployed to a twofold political purpose. For the short run, fascist deployments will be used as a psychological warfare special-operations capability in support of "liberal" anti-nuclear and related corporatist programs, such as the Humphrey-Hawkins Bill in the USA. At the same time, for the intermediate term, the liberals' intervention to prevent effective neutralization of the environmentalist-terrorist fascist forces will foster the growth of a new fascist movement, building an actual fascist-state alternative around the nucleus of the "environmentalist" New Left kernel.

## 2. Sociological-Political Profile

In Italy at this moment, New Left forces centered around the fascist "Autonomi" are deployed against the trade unions, high-technology industries and supporters of economic development. Otherwise, there is strict differentiation possible at this time between "squadristi" deployments of the autonomi and the actions of the terrorists proper.

Strenuous efforts to establish a similar deployment are being made in France. A similar policy is centered around the threat to launch a "Green Party" in the Federal Republic of Germany, and a parallel retooling process has surfaced around the present tours of Ralph Nader and his allies in the U.S.

The case of the summer 1977 issue of the West German *New German Critique* is appropriately seen as exemplary of the ideological reorientation associated with this turn. A comparison of that journal's contents with the current campaign ideology of Ralph Nader properly underlines the most relevant connections to be placed under surveillance by intelligence and security agencies.

As background to examination of the significance of the current activities of Ralph Nader and *New German Critique*, it is most relevant to include a thumbnail review of the current corresponding developments in West Germany, Italy, France and the United States.

In the Federal Republic of Germany, the central axis of related developments is the threat of forces associated in part with the *Sozialistische Büro* split away "left-wing" elements of the government coalition parties, the SPD and FDP, to establish a new, "Green Party" bringing together all the established political neo-Fabian currents with the environmentalist Citizen's Initiative movement. In this case, the intent of London-centered intelligence networks to destabilize the government of Chancellor Schmidt is most directly evident.

In Italy, the explicitly fascist form of the development is most luridly exhibited. Neo-Fabian elements associated with the Socialist Party's "left" (the Lombardi-Craxi currents), the Radical Party, the PDUP-Manifesto-Lotta Continua-Trotskyist bloc, and the fascist autonomi themselves, are deploying in support of the "autonomi" as an anti-labor, fascist force with targets indistinguishable from those of the terrorists per se.

In France, two sets of interconnected developments have erupted as part of this international "fall offensive." During the past week, the various "Trotskyist" groups in France have joined with the "Greenies" in the effort to establish a common command structure. That development is merely part of an ongoing effort to create a joint command structure around François Mitterrand's Socialist Party, the complicit reformists factions of the parliamentary parties and the "environmentalists" forces and the "extraparliamentary left." During this same past week, British intelligence controlled forces in France, the terrorist communalist forces of the Basque, Corsican, Breton and Polisario gangs, also convened through representatives to establish a common command.

There are three principal parameters to be kept most prominently in view in evaluating the capabilities and related characteristics of the new terrorist forces emerging from these developments. First, the sociological-political composition of the fascist formations. Second, the characteristics of the developing ideology of the fascists, especially as this ideology shapes the forms of action to which the fascist forces are most readily adapted. Third, the general nature of the connection to British intelligence networks.

The emerging fascist orientation of the environ-

mentalist and terrorist-allied forces depends chiefly upon classical fascist social composition: the combination of enraged, liberal déclassé middle-class elements with the enraged and manipulated criminal potential of the slum and related strata. The psychological feature of such social chemistries, especially under conditions of crisis, is the susceptibility of the white-collar middle-class youth and criminalized slum strata to violently heteronomic, individualist impulses. These strata have a special degree of susceptibility to violently antisocial attitudes and behavior, whenever cultivated individual and small-group (heteronomic) impulses are brought into conflict with a general social interest. Under such conditions, their outlooks may be described variously as Hobbesian, Rousseauvian, or that of the principal 19th century ideologue of fascist sociology, Max Stirner.

The clinically psychotic feature of the world outlook of these strata is exemplified by the fascist's representation of his antisocial tantrums as expressions of the impulses of the "people." He means "the people" in the sense of Max Stirner's Hobbesian schema, the projection of the peculiar impulses of a few heteronomic individuals upon the entire society, and the denial of that majority of society whose impulses do not coincide with the Stirnerian psychotic's own professions.

In correspondence with the pathological infantilism of the slum-criminal and déclassé middle-class elements, the characteristic mode of social behavior of the fascist and protofascist is the psychotic episode, or tantrum. This is usefully understood, in first approximation by the layman, as a kind of adolescent's or adult's parody of a bad two-year-old child's tantrum. The homicidal psychotic either murders his family or holds his wife or some other mother-surrogate hostage, and will normally kill the hostage as a kind of ritual homicide against the symbolic mother. The susceptibility of mentally damaged terrorists to homicidal bombings and homicidal attacks against "father figures" (authority-figures) can best be understood, for purposes of first-approximation insight, in these terms of reference.

It is also characteristic that the fascist and protofascist employs the neurotic's "you made me do it" charge against the victim, and attempts to adopt a morally justified position vis-à-vis his or her victims. "If you prevent me from imposing my will on society, you are guilty of the consequences your stubbornness forces me to impose upon you."

The case of the Heidelberg Socialist Patients' Collective (SPC) illustrates a vital feature of all fascism. The SPC made a central point of defending its sickness against those who would attempt to take this sickness away from them. The same argument is used by the best-known group of Mexican terrorists, the "Sick Ones," who threaten even some of their sympathizers on this point.

The transformation of such mere mental pathology into a political movement depends upon a certain kind of social reflection within the ranks of established social authority. Someone in a position of authority (communications media, politicians, religious authorities, academic authorities) must say, "These terrorists or fascists have 'something to say'..." When the criminal element finds its behavior accredited in the mirror of some authoritative stratum of society, that reflection

tends to strip away the voice of conscience. The criminal no longer considers himself a criminal, the psychotic no longer heeds the inner voice that warns him against his insanity.

Once those parameters of character and capability are taken into account, the third, decisive feature of the emergent fascist-terrorist forces is the controlling role of networks dominated by British intelligence services. The immediate point of reference for this purpose is the development of British intelligence services during the 1919-1945 period. The knowledge associated with that point of reference, combined with general knowledge of approximately two centuries of British intelligence history, and with knowledge of British advantages within postwar Anglo-American networks, gives the qualified intelligence and counter-intelligence specialist the basic points of reference for his duties.

The intelligence and counterintelligence specialist needs to proceed from the following basic facts, otherwise his work must be tainted by essential incompetence. First, he must know that the enemy behind fascism and terrorism today is an Anglo-American faction centered in British intelligence. Secondly, he must understand how British intelligence develops and uses terrorism and fascism as a form of special operations against targets such as the governments of Italy, Germany and France today. By assessing the connections and capabilities involved in fascist terrorism as a British SIS-SOE operation, the intelligence specialist begins with the indispensable premise for his work.

This is exemplified by the case of France. The four "communalist" groups meeting this past week, the Breton, Basque, Corsican and Polisario organizations, are each creations and tools of British intelligence. In basic technologies, these "movements" are parodies of British special operations techniques of World War II, and indeed are based on second-generation vestiges of British special operations networks of the 1939-1945 period in the same areas of operations.

It is instructive to examine conflicts among allied French, U.S. and British intelligence services during World War II, which conflicts have a significant hereditary connection to British intelligence's deployments and capabilities of today.

For example, the use of two areas as important bases of operations for West German Red Army Faction (RAF) operations: the French-Swiss border area and sections of the Low Countries.

The French-Swiss border has been a base of British operations throughout the present century, with elements of safehouse and other British intelligence capabilities established under the cover of the Boy Scouts organization. (e.g., camp areas owned by the Boy Scouts network, used for terrorist training.) This was one of the key British-controlled areas during the war.

Similarly, with close cooperation between British intelligence and the Dutch government, and agreement with the Belgian government, the Low Countries were kept under British control, to the virtual exclusion of French and American services. This coincides, of course, with British occupation privileges of Germany itself, and also with the British control of Italy dating from the days of Horatio Nelson.

Without those elements of British intelligence networks daying from the past, RAF terrorism in West Germany today would not have been possible.

Also notable is the London International Institute for Strategic Studies. Not every participant in the IISS is a British agent, of course. The IISS is a network-organization, which has a priority included task of penetrating governments, communications media and military services in order to spread IISS influence through persons coopted into IISS associations. However, the IISS itself, the controlling hardcore of the operation, is the Oxford-Cambridge Anglo-American intelligence establishment, an extension of the Royal Institute of International Affairs and of the London Round Table. It is coordinate with the British monarchy, the Institution which exerts extraparliamentary control over British intelligence, and with a group of London and New York merchant bankers typified most significantly by Lazard Brothers and Lazard Frères.

The USA side of this same network is, most conspicuously the neo-Fabian networks associated with the "mother" organization, the Washington, D.C. Institute for Policy Studies. The USA-based neo-Fabian or "left CIA" networks interface with, notably, the London Institute for Race Relations and the Netherlands-based Transnational Institute. In the United States, the same network includes the Rand Corporation, the Ford Foundation, and uses of "Jewish Lobby" (Joint Distribution Committee, B'nai B'rith) as a major cover.

Environmentalism, terrorism, and the emerging fascist international movement are being created now out of environmentalist movements. Terrorist and counter-cultural forces generally as special operations puppet-forces of these Anglo-American networks, networks under the central control of a British Secret Intelligence Service (SIS) which has absorbed both the old Special Operations Executive (SOE) and Special Air Services (SAS) into a joint agency.

### *3. The "Scenarios"*

Although the uses of fascist and terrorists are limited by the intrinsic sociological-political potentialities of such forces, the direction and purpose of terrorist and fascist deployments do not arise autonomously from within those forces themselves. Like any covert special operations force, the potentialities of the forces recruited are directed to purposes determined by the controlling agency. The peculiarities of the employed tools do, of course, affect the course of action taken, but do not determine the coordination of purpose of such action.

As U.S. columnist Drew Middleton emphasizes, in citing the contents of two reports of the Central Intelligence Agency, international terrorism is a form of surrogate warfare used by governments against governments. It is primarily a bloody expression of British psychological-warfare practices as developed by the Tavistock Institute and that Institute's USA partner, the Rand Corporation, and has the same guiding purposes and principles laid down for psychological warfare by the British command early during World War II. However, as World War II experience also emphasizes, at a certain point, special operations of psychological warfare can go over

into auxiliary deployments in force in aid of regular and irregular warfare.

The special significance of the overt turn to fascist ideology by Ralph Nader and others is that such a turn represents a shift in terrorist policy of British intelligence, from mere psychological-warfare use of isolated acts of terrorism to irregular warfare. That is, to the launching of large-scale destabilizations intended to foster preconditions for "stability" or "civic" operations along Northern Ireland or Chile lines within OECD countries. The objective is to create a situation in which British control of NATO can be exerted, with aid of complicit elements of USA intelligence and commands, to intervene in Western European nations to deal with situations created by escalation of British intelligence's terrorist-centered special operations.

The deeper objective of this operation is already advertised by such British figures as British Finance Minister Denis Healey, and EEC Commissioner Roy M. Jenkins, and by such cothinkers of Jenkins, Healey et al. as the World Bank's Robert McNamara and James R. Schlesinger. The objective of the financial interest behind Healey, Jenkins, McNamara, and Schlesinger is to impose a neo-Schachtian world order of hyperinflationary suprausterity. Under this arrangement, most of existing industrial capacity would be triaged in favor of the prosperity of a narrow, cartelized residue. Outside the privileged, cartelized area, general deindustrialization and resort to Nazi-modeled sorts of labor-intensive "full employment" projects (e.g., the *Arbeitsdienst*, the Humphrey-Hawkins proposal) would be directed to the end of an economic final solution to the "overpopulation problem."

Just as the Churchill-linked British intelligence services, with aid of the Einaudi and Benedetto Croce circles, imposed Anglo-French intelligence agent Benito Mussolini on Italy, and as British intelligence developed fascist movements in Germany against the Rapallo tendency in Weimar Germany, so the new fascist movements of environmentalists, terrorists, and so forth are being created as shock troops of destabilization to aid in establishing a British-designed fascist world order today.

This circumstance ought to make clear that no secure prevention of terrorism and related problems can be effected without overt political warfare against the British-centered forces responsible for international terrorism. Those forces and their policies must be publicly identified, and national forces mobilized both to oppose those enemies and their policies and to support appropriate treatment of the fascists and their accomplices as traitors under conditions of de facto political warfare.

This is not, of course, a war against the English people, but a war against those forces which have already reduced the British internal economy to the most bankrupt of all the OECD nations. It is war between forces for two opposing policies, in which connection the majority of British people, especially British industrialists and working people, must be mobilized as allied wartime special operations forces mobilized the forces of the European continent against fascism then.

#### 4. The Liberal Complication

The most painful fact concerning fascism is that it is in significant part an outgrowth of liberalism, specifically that form of liberalism which associates itself with the traditions of Max Stirner, Simmel, and Max Weber. This sort of liberalism goes over into fascism in the way exemplified by such cases as Soren Kierkegaard, Herman Hesse, Martin Heidegger and Jean-Paul Sartre, through the route of radical existentialism. Kierkegaard's symbol seduction, and Hesse's symbolic acts of monstrosity are the identification of those impulses within Hobbesian (Stirnerian) man which, given sensuous reality, are the acts of the fascist and terrorist. Sartre exemplifies that transformation from an evil fantasy-life to the acting-out of such fantasies by those he patronizes.

Historically, this is exemplified for Germany by the case of Hjalmar Horace Greeley Schacht, the American-born leader of the Weimar German Democratic Party. Schacht's economic policy and the Nazi regime of 1933-1936 were Siamese twins, neither of which could have been a reality during that period without an organic tie to the other. It was the economic policy of Schacht's liberal German Democratic Party which created the Frankenstein's monster which proceeded without Schacht after a surgical semi-separation of 1936-1937.

In Italy, Mussolini had been a British agent subsidized financially through French army intelligence conduits intimately linked to British intelligence. It is merely an evil fairy-tale that the march of Mussolini's beggars-opera troupe on Rome autonomously established fascism in Italy. That "March on Rome" was a stage performance, a mask for more significant operations run by British intelligence behind the scenes. Behind the scenes, the key forces were liberals, including British intelligence agents of influence such as Einaudi, the father of PCI leader Giorgio Amendola, and, above all, Benedetto Croce and his circle.

Contrary to the post-1925 myth of Croce the anti-fascist, it was the pre-1925 Croce who contributed most significantly to the creation of Mussolini's movement. Like Giorgio Amendola's father, the post-1925 Croce participated in founding the anti-fascist movement among those who have created fascism but who decided, after 1925, that Mussolini had outlived his usefulness. With the conquest of Naples by the British during the Napoleonic wars, that former southern center of Italian humanism was transformed by the British into a nest of horrors, with the 19th century University at Naples a virtual extension of Oxford in creating most of what has become evil in Italy to this date.

It is the children of Croce, notably the circles around the Einaudi Foundation and the circles of the former Italian Action Party, who are the nucleus of terrorism and all other major evils within Italy to this day. They influence the Communist Party of Italy through such Naples University circles' products as Amendola and Napolitano; they exert top-most control over the Republican Party through Ugo LaMalfa; they control the majority of the apparatus of the Socialist Party through the circles around Riccardo Lombardi; the Radical

Party of Italy is their creation and a center of terrorism. The extraparliamentary proenvironmentalist left including the Trotskyists, PDUP-Manifesto, Lotta Continua, the Autonomi, the Red Brigades, and so forth are creations of the same networks all converging as networks upon the circles of Croce and Einaudi. In Italian finance, Cuccia of the Mediobanca exemplifies the case of a member of the Croce circle, of the Action Party, who is overtly linked to British intelligence through Lazard interests.

The nominal fascist movement in Britain itself, was the creation of the same wing of the British Fabian organization which spawned the Independent Labour Party, and which operated internationally such organizations as the German SAP and the Spanish POUM. Sir Oswald Mosley of the British Union of Fascists created the British fascists as a covert ILP project, a project of the same currents in British intelligence circles on the Labour side as Jenkins and Healey today.

This nasty historical correlation between liberalism and fascism is sociologically lawful. It is the liberal circles as a political market in souls of the petit-bourgeoisie which combines all the *potential* qualities of the middle-class déclassé fascist in his petty soul. There is nothing properly astonishing in the connection between certain lawyers and other chic petit-bourgeois liberals and the terrorists. This petit-bourgeois in the one moment fawns upon big industrial capital, but with an outlook like that of Uriah Heep of Dickens's *David Copperfield*. He admires big industrial capital with the passion of a potential embezzler.

His alienation makes such a liberal intrinsically infantile in world-outlook relative to the industrialist and the industrialists' banking associates, relative to the socialized world-outlook of the skill-proud industrial worker. He has a fragile grip on social qualities, and under stress, his nasty proclivities of envy of the powerful transform him into a raging beast — at least of the *Steppenwolf* variety. Thus, this *Steppenwolf*, this chic liberal aids the terrorists in acts which such a liberal would undertake only in his fantasies.

Like rats and squirrels, this sort of liberal is dangerous only in feeding-packs. Individually, he is *Steppenwolf*, or the Kierkegaard of symbolic rape.

It is not *tolerance* as such that defines the *Steppenwolf* variety of liberal. It is, rather, a perverse kind of tolerance which is based on intolerance for the notions of

natural law. (*Naturgesetz* in German, not the ordinary interpretation of *Naturrecht*). He is no defender of Giordano Bruno, but rather a descendant of those evangelical Protestant officials who connived with the Spanish Hapsburgs' Inquisition in ordering the assassination of Giordano Bruno. He denies the existence of historical imperatives for nations and peoples, the existence of a relationship between acts and generalized consequences of acts, a relationship ordered by natural law. To this sort of sickly minded liberal, the central issue is to prevent any perception of knowable natural law from discrediting his own heteronomic impulses.

This lack of morality among the *Steppenwolf* variety of liberals is of course sociologically associated with the petit-bourgeois condition of life. His mode of existence is inherently mendacious. He lives by securing a patron for his individual employment and advancement of his individual status, and maintains that desired condition of patronage by adopting an ideological relationship to the patron not unlike that of the prostitute to her favorite clients. He hates his patron, but slavishly submits to the will of the patron as long as he must, and changes his opinions as a change of patrons prescribes this. He is a sociological phenomenon.

He is not a "liberal" in the ordinary attributions for that term, but rather a "libertarian," a cowardly libertine of the *Steppenwolf* sort.

These liberals are hostile both to industrial and to labor-movement forces. Their cynosures are the financial aristocracy and the aristocracy proper — these petty Talleyrands! This current within liberal parties, as exemplified by the amoral world-outlook articulated by the evil Croce, is intrinsically the prostitute for those monetarist financial interests which have been for centuries hostile to technologically vectored industrial and agricultural progress.

This feature of liberalism, which is only an emetic sort of endemic moral problem of political life under ordinary circumstances, reveals its potential menace to humanist forms of society under conditions of social crisis. Under those conditions, just as the liberal German Democratic Party of Hjalmar Schacht provided the economic and related policies for the Nazi development, the liberals of the *Steppenwolf* sort are the decisive complementary force for the fascists and terrorists at such ominous junctures.

# New Left Journals Shape Fascist Debates

The ideologues of the New Left in the United States and Western Europe, since the summer of 1977, have initiated an open debate directed toward the creation of a belief structure appropriate to a new fascist movement. The layers being tapped for that movement will include avowedly terrorist "extremists," terrorism's "liberal" sympathizers, and the broader self-styled "radical" movement, especially environmentalists.

The primary agencies shaping the debate have been heirs of the Frankfurt School tendency: the publication *New German Critique*, and the Institute for Policy Studies (IPS) of Washington, D.C. The mouthpiece for IPS has been *Radical America*, a New Left publication that evolved out of the 1960s IPS pilot project, *Studies on the Left*.

A number of recent articles in these publications have gotten the debate started among susceptible circles, thus providing a springboard to actual organizing forums and the cultivation of appeal for their ideas among sympathetic layers.

To this end, a conference under the title of "Eurocommunism and the political and economic future of Europe" took place in Frankfurt, West Germany, last weekend, bringing together the likes of Jochen Steffan, a close associate of Peter von Oertzen in the "left-wing" SPD, *Die Zeit* editor Theo Sommer, Italian Communist Party member Sergio Segré, and the sister of Italian auto magnate Gianni Agnelli.

In the United States, the liberal *Washington Post* has recently conducted a series of "bleeding heart" articles on discrimination against and harassment of environmentalist groups, and NBC television producer Paul Altmeier is preparing an "objective" documentary on the subject. Assisting Altmeier is Donna Warnock, director of the Nuclear Surveillance Department, an offshoot of the now-defunct IPS publication *CounterSpy*.

## New German Critique:

### The Common Roots of Socialism and Fascism

Over the past year, the *New German Critique* has attempted to portray a "historical continuity" between Marxism and fascism in a series of articles on the career and writings of philosopher Ernst Bloch. The *Critique* itself is published by a group of primarily expatriate German academics at the University of Wisconsin-Milwaukee.

The person who introduced this subject into the journal's pages in an early 1977 issue is Oskar Negt, along with Angela Davis a star pupil of Herbert Marcuse. In that issue, Negt celebrated Ernst Bloch's 90th birthday by drawing out the conceptual bases of Bloch's 1935 work, *The Heritage of Our Times*, which was officially condemned at the time of publication by the Comintern as an apology for fascism.

The *Critique's* editors devoted the entire summer 1977

issue to Bloch, featuring an editorial and detailed analysis of Bloch's 1935 book under the byline of Anson Rabinbach. Excerpts of the Negt article, the summer 1977 *Critique* editorial, and Rabinbach's analysis are reprinted below.

### Negt: "Socialists Lack Fantasy"

Initially fascism has to do with the same interests and needs as revolution. It is not the beyond, the completely different of the revolutionary process, but rather an obstructed revolution, produced in part by socialists' lack of fantasy, but reversed in its teleological content and turned in a destructive direction... (what fascism has that socialism lacks is, in Negt's words, the) blood and soil, leader, esprit de corps, images and archetypes with an enormous power of attraction and mobilization....Hitler mobilized the people's anxieties with symbols and archetypes of salvation and strength... socialism, this most human of all concerns, requires a human face at the top.

### Rabinbach: "Fascism Fills the Void"

Because Bloch takes seriously the power of myth in the contemporary world, he is able to take seriously precisely those "irrational" or mythic elements to which

## British Intelligence's Frankfurt School

The Frankfurt School was established by British intelligence in Germany in the 1920s, employing a variety of leading British-agent intellectuals in the socialist movement. Among these were Karl Korsch, the leading agent of British intelligence in the early years of Comintern, and such others as Theodore Adorno and Herbert Marcuse. Oskar Negt, a frequent contributor to the University of Wisconsin publication, *New German Critique*, is a protégé of Marcuse.

As Marcuse's own career exemplifies, the Frankfurt School's principal role for Anglo-American intelligence agencies was to develop the synthetic ideology which later would be employed throughout Europe and the United States to create a "New Left" movement.

The Frankfurt School itself moved to New York during the period of Hitler's regime, attaching itself to Columbia University under the name "Institute for Social Research." It was here that the school conducted intensive profile studies of the German Nazi and Italian fascist models, and developed the techniques, for example linguistics, that would later be used to create the protofascist New Left.

fascism appealed: not only does he attempt to reveal the fertile and productive soil from which these ideas emerged, but he is concerned with them as an *unclaimed* radical heritage passed over by the left in its abstract critique of the illusory and "false consciousness" of fascism.... Thus, the accent in heritage of our times ...rests on Bloch's commitment to the view that even if fascism's claim to earthly transcendence is itself false and hypocritical, the myths behind it are not exhausted by their misuse. These images retain their power despite their appropriation by the right....

Bloch's contribution, therefore, is to show where fascism filled a void at the heart of Enlightenment rationality.... The desires unleashed by fascism are not merely those irrational drives which bourgeois society necessarily repressed, but the genuine striving for commonality and emancipation — the cultural surplus — that was also abandoned by Marxism and is expressed in Bloch's motto: 'Human beings do not live by bread alone, particularly when they have none.' ...Therefore, even the revival of the occult and mysticism under the Nazis has to be taken seriously, not only because the mystical critique of science was taken seriously, but because it contains precisely those motifs which could not be absorbed in the universe of technical rationality.

#### Editorial:

#### "Fascism Is Romantic Anticapitalism"

As heirs to the Enlightenment, neither Marxism nor Liberalism could grasp that positive content of the Fascist revolt which, as the restoration and actualization of "authentic experience," as the aestheticization of everyday life, pointed to an immanent critique of instrumental rationality. Nothing could be more misleading than critical theory's interpretation of fascism as an extension of the rationalized domination of nature in extremis. Even (some of) the contributions in this issue .... Do not go far enough in underscoring the point made by Bloch: that fascism is the heir to the legitimate and powerful tradition of romantic anticapitalism, a tradition that emerges from the critique of enlightenment rationality as a fettering of experience. By fusing aesthetics and politics, this links fascism explicitly to the history of the European avant garde and its attempt to aestheticize everyday life. This is done not merely in the negative sense which rejects the history as "irrational," but rather in order to demonstrate that the power of fascism lies in its ability, in contrast to the Left, to evaluate precisely that positive critical impulse which is the heart of the cultural experience of the avant garde. The recognition of the legitimacy of those powerful and potentially critical impulses that lie at the center of fascism is also the starting point for its criticism. In this way the real *ambivalence* that is at the heart of fascism becomes the critical problem.

## Radical America :

### Clamshell Alliance Is Revolutionary Movement In The Making

*The September-October 1977 issue of Radical America featured an in-depth analysis by Marty Jezer of the political evolution of the New England-based Clamshell Alliance, an anti-nuclear coalition which espouses both violent and nonviolent action. Of primary importance in the article is Jezer's analysis of how the Alliance, which has a relatively large social base, is well on its way "into the mainstream of the revolutionary movement." Excerpts of the article, "The Socialist Potential of the No-Nuke Movement," appear below.*

The no-nuke movement is currently the most visible manifestation of radical protest activity within the United States....

The Clamshell Alliance builds on the tradition of the ban-the-bomb movement and the nonviolent phases of the civil rights and anti-war protests. The model has become a familiar and — to a point — a successful one. Dramatic acts of personal witness publicize an issue and lead to the creation of single-issue mass movements based on moral courage.... But concessions defused the issues, and the movements never achieved the political basis to sustain themselves past the initial stage of moral outrage....

The Clamshell Alliance has broken decisively with the main organizational thrust of this model. It is structured to involve everyone in the political direction of the organization.... The anti-intellectualism and spontaneity so endemic to the New Left is for the most part missing. If the Clam seems theoretically naive from the outside, it is because there are not enough politically mature leftists acting as organizers and educators on the inside. The opportunity is there. Individual leftists within the Clam have been able to raise political issues and win support for their positions. In the past year, the Clamshell Alliance has moved away from liberal environmentalism to a more leftist perspective...

Leftists within the Clamshell Alliance, some of them looking beyond the immediate issue of nuclear power, have been urging the Clam to build contacts with working people and to expand its base of support. The situation is ripe for such a move...

... The Clamshell Alliance is predominantly white, middle-class with a counter-cultural orientation. But with the economic depression, this class is rapidly becoming proletarianized. Most "back to the landers" have not been able to buy land. To settle down in rural areas means going to work side by side with the native working class....

A number of new political understandings are implicit in that decision. People are now beginning to define

“direct action” in broader terms....

Until this past year, the nuclear issue was fought primarily on the issues of environmental health and safety. Recently, leftists within the Clam and within the no-nuke movement in general developed an analysis that portrayed the nuclear industry and the investor-owned utilities ... as a paradigm of monopoly capitalism.... Nuclear plants are more expensive to build than other generating facilities. The increased capital investment is included in the rate base and passed through to the consumer. Moreover, capital to build nukes comes from banks and financial houses who invest heavily in the utility industry.... A cut-back in electric use lessens the need for an increase in generating facilities and destroys the opportunity for financial interests to profit from capital investment.

This argument is now an accepted part of Clam literature. Not everyone is willing to accept this paradigm as an economic model for the rest of society, but the mystification of economic theory has been shattered and the argument for socialism has ceased to be an ideological abstraction. By looking at the utility industry, people begin to see why socialism is a concrete prescription for running the economy in a humane and sensible fashion.

Once the economic issue is raised the limitations of

single-issue environmentalism become apparent.... If the Clamshell Alliance decides that nuclear power cannot be stopped by direct action confrontations, no matter how militant or large, it must abandon its single-issue approach, broaden its analysis, and reach out to new constituencies. This is where leftist input could be decisive and the movement's socialist potential realized.... Marxists, in general, perceive the environmental movement as middle-class and consumer-oriented. Correctly, they have criticized it for its insensitivity towards class issues and worker demands. But, on the whole, they have not analyzed it objectively to see what environmentalism can and should mean as opposed to what it is now....

While Marxists have generally faltered on environmental issues, anarchists have made it their special field, and when people in the Clamshell Alliance begin to move left, it is anarchism that has allure....

The Clamshell Alliance offers a vehicle for a synthesis between environmentalism and the left. Insofar as the left can integrate itself with the working class, it offers the opportunity to integrate environmentalism with a working class movement. Leftists willing to work within the Clamshell process and to develop its political analysis can move the organization towards socialism and into the mainstream of revolutionary politics.

# Whatever Happened To The Transfer Ruble ?

The unenviable position in which the Soviet leadership presently finds itself vis a vis the fast moving developments in the Mideast — that of glowering suspiciously from the sidelines at a process over which they have no control — is a direct result of their own failure to carry out the “transfer ruble peace offensive” which they themselves initiated during the December, 1976-February 1977 period.

Had the Soviets maintained the determination to shift world politics in the direction of economic development which the T-ruble policy represented, they would now be in a position to determine an agenda for the upcoming conferences in Cairo and Geneva: a plan for developing the entire Mideast region. Lacking this, the Soviets are left with, at best, careful ambiguity in their public statements on the actions taken by others, and at worst, a sour grapes rejection of the very idea of Mideast development as “Israeli colonialism” (see article excerpted below).

The principal factor in aborting the T-ruble offensive last spring, and eventually bringing it to a near standstill, was the reluctance of Soviet Communist Party head Leonid Brezhnev and his factional allies to pursue any policy which might “jeopardize SALT”.

The proposal by the Council for Mutual Economic Assistance (CMEA, the economic alliance of the socialist countries) to make its internal unit of account, the transfer ruble, available to nonmember countries is not new. It originated during the mid-1960s, as part of a Soviet effort to win allegiance in the developing sector and to organize a Conference on Security and Cooperation in Europe (CSCE) based on a policy of economic development and security guarantees for “Europe from the Atlantic to the Urals.” However, political counterorganizing by the U.S., combined with deficiencies in the functioning of the T-ruble, prevented the realization of the CMEA proposal.

Then in December 1976, in the changed geometry of the deepening economic crisis in the West, the CMEA’s International Bank for Economic Cooperation (IBEC) reissued the proposal, including new provisions facilitating T-ruble use by nonmembers. The offer was repeated in the form of a vigorous call for all-European development projects and a new T-ruble-based world monetary system, in the January 1977 issue of the Soviet foreign-circulation journal *International Affairs* (excerpts below). Extended parleying with visiting foreign trade delegations began.

## What’s It Good For?

Despite the insistence by many U.S. economists that the T-ruble *is not money* and therefore could not possibly be of any use in the West, there has been intense interest in the IBEC proposal in Western Europe. Those who understood the proposal correctly realized that — because the T-ruble is a method for clearing trade accounts and not a currency — it would be useless for individual firms or even individual countries to acquire T-ruble balances, since they would not be able to spend them anywhere except in the CMEA countries. The proposal would only work as a starting point for a new international monetary system, to provide the basis for immediate government-to-government low interest credit for development projects involving East, West and the developing sector (including the OPEC nations).

On the other hand, some British monetarists and their allies elsewhere in Europe thought they could use the IBEC proposal as a means for achieving monetarist penetration and looting of the CMEA economies and enhancing British political control internationally. In the press and in interviews, they hoped that the T-ruble could become a means for payment of the debt of the CMEA countries, and that broadening the use of the T-ruble would eventually lead to convertibility of the Soviet national currency (despite repeated Soviet insistence that it would not).

## The Convertible Press

In January the *Journal of Commerce* reported that the four largest British banks find the IBEC proposal “interesting,” particularly in light of the Soviet debt.

The London correspondent of the Italian financial daily *Il Sole 24 Ore* wrote in February an article headlined “IBEC Resurrects the ‘Red Dollar’ — Moscow to Make the Ruble Convertible?,” stating that “City of London circles are working with alacrity on the hypothesis of including the ruble in the worldwide currency chess board,” including the installation of a Euroruble market, and the “transformation of the convertible ruble from a unit of account to an international currency.” Two days later, the same correspondent wrote, “The City Confirms Trust in Comecon,” saying that in light of the huge Eurodollar bank and developing sector indebtedness, the Comecon countries are the only places worth lending to.

The London *Financial Times* gave repeated coverage throughout the spring and summer to the T-ruble proposal and to a counterproposal by Hungarian Central Bank head Janos Fekete. East Europe correspondent David Lascelles wrote in July that there are four different concepts circulating in the East: 1) Rumania and Hungary want convertibility of the individual CMEA currencies; 2) Fekete advocates a new gold-backed monetary system and a new "basic currency", in opposition to 3) the IBEC T-ruble policy and 4) an externally convertible ruble as a gold-based common CMEA currency. Lascelles concluded that the latter two would never work, since the T-ruble is not a currency at all.

British enthusiasm for Fekete is matched by skepticism about his ideas within the CMEA. Hungarian Vice Premier Havasi stated at a Milan press conference in March that Fekete is a "highly esteemed expert...but a new monetary system is a complex thing." More recently, at a conference on East-West trade in Budapest where Fekete delivered a paper urging full convertibility of the CMEA currencies and virtually endorsed the scheme of European Economic Community (EEC) head Roy Jenkins for a common Europa currency (see *Executive Intelligence Review* No. 45, Nov. 8, 1977), Soviet representatives attacked him more sharply. They charged that his proposal was against the basic principles of central planning and would mean supplanting the T-ruble.

To the extent that the City of London hoped to derive some benefit from the T-ruble offer, it was quickly disappointed, since by its very nature the T-ruble is useless as an instrument for looting the socialist sector. Nevertheless the British hanky-panky did tend to reinforce the views of certain backward strata in the Soviet bureaucracy who concluded, "There you see, you can't trust capitalists." This in turn contributed in a secondary way to Brezhnev's abandonment of the T-ruble drive.

Thus in February a delegation of 180 Italian bankers and industrialists arrived in Moscow hoping to conclude massive scale trade deals, including T-ruble credits. (This followed shortly upon a large FIAT deal involving the USSR, Italy, and Libya, which had been engineered by Lazard Freres and the British-allied Enrico Cuccia of Italy's Mediobanca.) The credit negotiations broke down, partly over the Italian demand that Soviet notes be discountable on the Eurodollar market. On Feb. 21, the eve of the stalemate of the talks, Czech Deputy Finance Minister Mirko Svoboda wrote in the Czech daily *Rude*

*Pravo* that "any thoughts of some kind of future world monetary system are illusory" since the capitalists will always try to maneuver for themselves a privileged position. Svoboda attributed Czechoslovakia's 1968 crisis to "economic adventurism, an effort to deliver the nation's economy over to the capitalist world."

The 180-man delegation left Moscow nearly empty-handed, and the whole issue was abandoned while the Soviet leadership devoted its attention to trying to figure out the Carter Administration and to SALT.

### Backing Into The Corner

The bankruptcy of this policy was dramatically revealed when U.S. Secretary of State Vance arrived in Moscow at the end of March and — contrary to the hopeful predictions of *Pravda* — presented the Soviets with a series of outrageous demands on strategic arms limitation. Following the inevitable collapse of the talks, the aggressive pro-T-ruble policy saw a temporary resurgence. The weekly *Ekonomicheskaya Gazeta* ran an article in June reiterating the IBEC offer, placing it in the context of the principles of the Helsinki CSCE — thereby hinting it might be taken up at the upcoming Belgrade Conference on the implementation of the 1975 Helsinki accords. In July the West German industrialists' paper *Handelsblatt* wrote that if the present monetary system collapses, the "ruble is ready" to replace it. And in August, Niccolo Gioia, the Italian head of the Italo-Soviet Chamber of Commerce, was quoted on the favorable outlook for expanding the use of the T-ruble in a TASS release printed in the weekly *New Times* and in the *Moscow Narodny Bank Bulletin*.

But these potentials were never realized. The Belgrade Conference devolved into a circus of accusation and counteraccusation over the "human rights" issue. Anglo-American networks in the USSR associated with Georgii Arabtov of the USA and Canada Institute used British intelligence-deployed terrorism in West Germany — and the Schmidt government's determined response to it — to foster a fear of German "neofascism" in the Soviet Communist Party, and thus a reluctance to support Schmidt's genuine efforts to break monetarist control over his country.

French sources report that when recent banking delegations to Moscow urged the Soviets to go with the T-ruble and to initiate joint projects in the developing nations, the Soviets merely shrugged.

— Susan Welsh

# One Soviet Journal: Economic Cooperation Necessary

*The following are excerpts from the International Affairs article "East-West Relations: Possibilities and Realities", authored by Y. Shiryayev and T. Sokolov, in the January 1977 issue.*

...If both socialist and capitalist countries promote mutual trade, participate in working on major international problems and actively cooperate in improving infrastructure, utilizing new kinds of energy, exploring outer space, solving public health problems, protecting the environment and so forth, this will lead to the economic growth of each nation concerned, deepen mutual trust and strengthen peace....

## *Realities Within Greater Europe*

...(The) rapid expansion of trade with capitalist countries shows that socialist integration by no means leads to the isolation of the CMEA (Council for Mutual Economic Assistance — ed.) states and presents no obstacle to lively and mutually beneficial business relations with countries of the opposite system. Moreover, the fulfilment of measures under the Comprehensive Program (of the CMEA — ed.) aimed at raising the efficiency and technological level of production will create the material conditions for intensifying the CMEA countries' economic ties with third states, West European nations in particular.

Today there is a solid political basis for further European-wide economic development....

The Soviet Union and other socialist countries are today mapping out a long-term economic strategy featuring large-scale comprehensive programs for periods of ten to fifteen years. These programs cover fuel and energy, metallurgy, leading branches of heavy engineering, and food problems. They take into account scientific and technological progress at home and abroad. This will place economic, scientific and technical, and production cooperation between socialist and capitalist enterprises on a more long-term footing and steadily increase its scale, a fact confirmed by Western economists as well. There can be no doubt, the French economists A. Faire and J.P. Sebord wrote, that the development of Siberian mineral deposits will result in profound changes in the Soviet Union's relations with Western Europe, whereby their economies will draw closer together and mutually penetrate....

The expansion of European East-West trade and economic relations within Greater Europe presupposes the solution of a number of problems linked with international settlements. These problems are due to the dissimilarity of the currency mechanism in the countries of the two systems. It will be recalled that in 1943-1944 as a participant in the Bretton Woods Conference, the Soviet Union had helped draw up projects for the establishment of the International Monetary Fund (IMF) and the Inter-

national Bank for Reconstruction and Development (IBRD). However, when these monetary organizations began operating, it became evident that their functional structure did not guarantee equal rights to all their members and that they could not facilitate equal international cooperation.

Subsequently, the monetary system of the CMEA countries was created. The transferable ruble underlies settlements between these countries. This is not a national but a collective currency, the earnings of which are linked with the actual export of goods and services, in other words, in a commodity-based currency. The system of multilateral settlements in transferable rubles set up by the CMEA states can play an important role in promoting world economic cooperation, especially in the realization of continental-scale projects. There already exist the technical and organizational possibilities needed for incorporating other, including West European, countries into the CMEA currency system. Any country wishing to become a member and recognizing and abiding by their regulations can join the international banks of the socialist countries, namely, the International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB)....

## Another: Mideast Economic Cooperation is "Aggression"

*The following are excerpts from a Nov. 22 Izvestia article, "Businessmen's Aggression", in which author L. Koryaun describes a brochure he read recently in Beirut entitled "Israel in the Year 2000":*

...In it was depicted a picture of the region in which, the authors write, Israel will in the next century play a special, "leading role". Israel, the monograph stresses, will become the most advanced state from the point of view of "technical thought." It may begin "brain exports", that is, exports of a large number of specialists and business people, who will still be needed at that time by the Arab and African countries.

The brochure contains an unambiguous hint: ... open your doors, and an "avalanche of minds" will pour in — engineers, teachers, doctors, military specialists.

But this is a dangerous avalanche. It threatens to collapse on the Arab and African peoples and wreck everything they have gained in a difficult and long national-liberation struggle.

Under the guise of supposed "cooperation", and "integration", Israel, resorting to methods typical of a colonial power, wants simply to colonize the awakening countries, to prepare for them the old fate of raw materials subsidiaries and suppliers of cheap labor power....

W. Germany, Poland, Italy:

# For Energy, Against Terror

*An interlocking series of state visits involving West German Chancellor Helmut Schmidt, Polish head of state Eduard Gierek, and Italian Prime Minister Giulio Andreotti over the past two weeks has created the basis for trilateral cooperation between those countries in coal and nuclear energy resources and in coordinating measures to curb terrorism.*

*This unusual East-West coordination began with Chancellor Schmidt's visit to Poland Nov. 21-25, the first such trip by a West German head of state in seven years. Two days after Schmidt left Poland, Polish Communist Party chief Gierek made a two-day visit to Italy Nov. 28 and 29, during which he met with Prime Minister Andreotti. On Nov. 30, Gierek met with Pope Paul VI, for the first such meeting between a Pope and a leader of the Polish Communist Party. On Dec. 1, Schmidt and Andreotti closed meetings in Verona, Italy, where they discussed Polish-West German-Italian cooperation in the European Economic Community and the terrorism issue.*

*Although only the preliminary results of the Schmidt-Gierek and Gierek-Andreotti meetings are known, these agreements are qualitatively superior to those concluded during the former Chancellor Willy Brandt's much-touted Ostpolitik trip to Poland in 1970. Gierek stated in the Nov. 23 West German daily Frankfurter Allgemeine Zeitung that the Schmidt government "has done much more to improve Polish-German friendship than was ever done before."*

## Schmidt, Gierek Begin Trade Diplomacy

The topics discussed included:

\*A power grid transporting coal-generated electricity from Polish coalfields to West Germany, which might include West Berlin.

\*Increasing Polish exports to West Germany, while decreasing Polish debts to the same country by lowering West German tariffs on a variety of Polish products.

\*Establishing a "third market" arrangement in which West German and Polish industries will jointly create markets in third countries.

\*Convening a January 1978 session of the joint Polish-West German Economic Commission that would handle, among other topics, the problems smaller West German exporters have been having in getting credit for trade with Poland.

\*Several major Polish industrial projects to be constructed by West German firms. This has prompted Berthold Beitz, chairman of the giant Krupp steel and engineering firm to announce that he will shortly make two

trips to Poland to settle these projects.

In addition to these energy and economic plans, the joint communiqué issued at the end of Schmidt's trip included a demand for pan-European efforts for cooperation in science and technology and in the production and transport of energy throughout Europe. This demand is an implicit endorsement of the pan-European conference on energy previously proposed by Soviet President Leonid Brezhnev.

Both Schmidt and Gierek tried to dispel the myths and fears that both nations were subjected to during the post-World War II Occupation period. Speaking at the site of the Nazis' Auschwitz concentration camp, Schmidt said, "At Auschwitz and Birkenau, no one can avoid the recognition that politics is something else than a game of power and interests." The Chancellor also attacked the myth of eternal collective German war guilt, saying, "We Germans today are not guilty as persons, but we have the political heritage of the guilty to bear." The Warsaw daily *Zycie Warszawie* in turn discounted the recent New Left label of the "ugly German" with "in fact, there is not an increasing number of enemies of normalization (of relations with Poland -ed.) in the Federal Republic (of Germany), but the opposite process is taking place."

In interviews following his return to West Germany, Schmidt continually stressed that a new era of cooperation had begun between Poland and the Federal Republic. Schmidt startled a *Bild Zeitung* reporter who asked him if the Polish-West German relationship could be compared to that of West Germany and France by answering: "Yes, I think that is a realistic description... although there are some efforts to be made to reach this."

## From The West German Press

*Here are excerpts of other West German press accounts of the Chancellor's report on the meeting:*

*Frankfurter Allgemeine Zeitung, Frankfurt daily, Nov. 23:*

*Gierek said that Schmidt and his friends have done much more to improve Polish-German friendship than was ever done before... Speaking before the Institute of Foreign Affairs in Moscow, Schmidt gave a speech in which he said that detente is not a goal in itself, but is an ongoing process which needs initiatives from all concerned nations....*

*Die Welt, Hamburg daily, Nov. 25: Excerpts from the speech West German Chancellor Helmut Schmidt gave at the site of the Nazi concentration camp at Auschwitz:*

*Actually this place should make one silent, but I am sure that the German Chancellor cannot be silent here.*

We have come to Auschwitz to remind ourselves and others that there is no way in the future, and also no way to new and unencumbered relations between Poland and West Germany, without recognition of the past.

At Auschwitz and Birkenau, no one can avoid the recognition that politics is something else than a game of power and interests, that politics requires moral foundations and moral orientation. This place makes it forcefully clear that history can not be understood as a causal chain of events and actions, but that responsibility and guilt go with it; that responsibility and guilt are also historical entities. The crimes of Nazi fascism and the guilt of the German Reich under Hitler are our responsibility. We Germans today are not guilty as persons, but we have the political heritage of the guilty to bear. Herein lies our responsibility. What arises from this is a demand not to leave the future to accident but to form it in courage and insight. No young German need feel "unfree" when he meets a Polish comrade. But he must know what Germans did in the name of Germans....

*Bildzeitung*, Hamburg daily, Nov. 28: *Interview with Chancellor Schmidt on his return from Poland. Said Schmidt:*

Our two nations are both brothers on the one European continent, and we both want to build an order of peace for Europe which is durable... There was too much energy wasted during the Cold War.

## Italian-Polish Energy Cooperation

Gierek's meetings with Italian Premier Andreotti included the equally crucial questions of joint energy projects and mutual efforts in curbing European terrorism. Specific proposals under discussion were:

\*Establishment of a joint Polish-Italian Economic Council.

\*A plan for a coal-slurry pipeline to carry pulverized coal from Katowice, Poland, through Czechoslovakia and Austria, to Trieste, Italy. This pipeline was already approved by Austrian Chancellor Bruno Kreisky.

\*Joint Italian-Polish research and cooperation in nuclear energy.

Several days before his separate meetings with Gierek and Schmidt, Andreotti built support for both his groundbreaking discussion of energy investments with an East bloc leader, and his discussion of coordinated action by the three governments against terrorism in two interviews.

In an interview carried in the Nov. 24 West German weekly *Deutsche Zeitung*, Andreotti stated that the "instigators of terrorism" and the anti-German riots in Italy during the summer "should be investigated at an international level." "We believe in the consent of the vast majority of Italians who are against terrorism, and who want to work," Andreotti continued, "Many circles have tried to do everything to split Italy from Germany." The next day Andreotti continued his attack in the Italian daily *Il Giornale* by defending his efforts to attract West German and American investment capital to Italy in the face of demands by Republican Party leader Ugo LaMalfa that he resign.

### PCI Support

Andreotti was also supported by the Italian daily *Unita*, the daily of the Italian Communist Party. *Unita* powerfully connected the Schmidt-Gierek-Andreotti proposals on more investment in all three countries, and the terrorist opposition to investment, whether energy-connected or not.

*Unita* first praised Schmidt's Polish trip, writing, "The Chancellor will be attacked when he returns to Germany but he will be shown to be ultimately coherent." It then attacked a provocative strike "against the Germanicization of Italy" that was called by a union leader of the Metalworkers Union to protest West German investment in Italy! — the very investment Andreotti wants to attract. The Communist daily said that calling for such a strike on Dec. 2, one day after Schmidt and Andreotti meet to plan coordination involving Poland, against terrorism, "has a direct connection" to the terrorism carried out by Italy's Red Brigade.

## Italy Pushes Nuclear Power Development; Expands Trade Deals With Soviets

The government of Italian Prime Minister Giulio Andreotti has decided to push ahead with nuclear energy development, and has just signed a series of trade, technology, and raw materials transfer agreements with the Soviet Union. The agreements are to stabilize the country's faltering economy in the short-term, while strengthening Italy's industrial underpinnings in the long term. These Soviet-Italian agreements will go hand-in-hand with the recently concluded energy transfer agreements made with Canada, Poland, and West Germany, and the projected trade agreements Italy hopes to sign with U.S. multinationals.

The pacts for proceeding with joint Italian-Soviet nuclear development are a result of the Italian-Soviet Energy Conference that took place in Moscow the week of Nov. 20. The conference was attended by the heads of the major Italian state energy sectors, including National Research Center (CNR) technology head Silvestri, national electrical energy sector (ENEL) chief Angelini, national nuclear energy sector (CNEN) director Clementel, and representatives of state-sector heavy industries.

What has emerged from the conference has been the institution of a joint commission to study the feasibility of fast breeder nuclear reactors as the most reliable electrical energy transfer technology, based on the existing common Italian-French-West German project, for Italy to play a role in the Soviet five-year energy development plan, and to study the possibility of linking Soviet and European energy grids. The Soviets have made it clear that they are particularly interested in vastly expanding nuclear energy throughout the East bloc and Siberia. Both Italy and the Soviet Union have issued statements pledging only peaceful uses of nuclear energy.

The Italian daily *La Stampa* reported Nov. 25 a statement by Soviet Energy Vice-Minister Zhores Lavrenko

that "nuclear plants are an important part of our energy development plan, and we are intensifying our efforts." CNEN head Clementel echoed this for Italy, and noted that "delays in nuclear plant construction are suicidal for energy intensive societies." The two major Italian financial dailies, *Il Fiorino* and *Il Sole 24 Ore* expanded on this, stating that "if we want zero growth, we should say so; otherwise, if we want development, we need the Soviets' energy resources." Both sides dismissed environmentalist charges on the radioactive dangers of nuclear plants, with Clementel saying, "One thing is sure: nuclear plants do not explode, and they do not fly."

While the energy conference was going on, Italian Foreign Trade Minister Ossola was also in Moscow to finalize the details of the \$650 million credit line Italy extended to the Soviets earlier this year. The Soviets have asked for European technology transfers in exchange for Soviet raw materials, particularly oil. Soviet Prime Minister Kosygin, meeting with Ossola, apparently agreed to buy all production from the chemical firm Liguigas, which is now virtually bankrupt. Liguigas, importantly, is outside of the financial control of Italy's London-backed Cuccia network.

Other agreements signed by Ossola and Soviet Foreign Trade Minister Patolichev will bolster the rest of the Italian chemicals sector, including a \$90 million Euro-tecnica fibers plant; a \$60 million Balestra detergents plant; and two dye and plastics plants furnished by Tecnimont (a subsidiary of the public utility, Montedison), and Snia Viscosa, worth \$200 million total. There are also agreements slated for a Montedison chemicals plant, a Finsider steel plant, a Fiat-Allis machinery plant, and a Finmeccanica-built energy plant.

The West German newspaper *Frankfurter Allgemeine Zeitung* reported on Nov. 29 that the Soviet-Italian agreement is particularly favorable to Italy, since that financially strapped country won't have to lay out money to actuate the deals. The Euromarket will be glad to get Soviet bills of exchange with Italy that are backed by the European Economic Community, and Italy's tottering chemicals sector, which is half state-owned, will be considerably strengthened, the West German *Frankfurter Allgemeine Zeitung* stated.

# Policy Battle Takes Shape Over Nuclear Energy, Industrial Development

Despite deliberate City of London moves to block any healthy expansion of the domestic British economy, rational political forces within the government, the trade union and industrial sectors, and the banking community itself are drawing the battle lines for a potentially decisive fight around the issues of industrial development and nuclear energy investment.

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## BRITAIN

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The Labour Government is immediately faced with two major policy decisions: whether to use North Sea oil revenues to rejuvenate industry, or to repay debts; and whether to embark on a program of nuclear energy development. The resolution of the debate will determine whether the British government remains under the thumb of the City of London monetarists or joins its European allies in a push for economic development.

The Bank of England's fight to triage industry is being challenged on two levels. First, a growing faction within the Labour Government, which is strongly influenced by trade union opinion, has demanded that revenues from North Sea oil production now pouring into government coffers be directed toward industrial reconstruction, the expansion of public services and the raising of working-class living standards. In the words of a statement issued by the Trades Union Congress-Labour Party liaison committee, the oil revenues should not be frittered away in "unnecessary or premature repayment of overseas debt" — a favored option of Chancellor of the Exchequer Denis Healey and the Bank of England.

Second, these same trade union forces have proposed that the City of London end its speculative investment and contribute £500 million toward a new lending facility which would finance industrial development at low interest rates. Leaders of the Trades Union Congress submitted their proposal in writing to a committee chaired by former Prime Minister Harold Wilson which is investigating whether or not City of London institutions were remiss in financing trade and industry.

Think tanks and London bankers are also breaking

ranks to attack the City's wrecking job. In its latest *Review*, Britain's most influential economic think tank, the National Institute for Economic and Social Research, debunks the view prevalent in financial circles that Britain's "miraculous" recovery was due to close fiscal supervision by the International Monetary Fund. The Institute attributes Britain's economic turnaround to successful government policies and charges that the IMF's ceiling on government borrowing led only to "an increasingly restrictive fiscal stance" which "depressed output, inhibited industrial investment and swelled unemployment."

David Lomax, chief economic advisor to National Westminster Bank — one of London's major clearing banks — has openly clashed with the Bank of England over the future of Britain's interest rate structure. The Bank of England raised its Minimum Lending Rate — the yardstick which determines interest rates throughout the banking system — from 5 percent to 7 percent, thus choking off industrial borrowing. Lomax had advised a few days previous to the Bank of England action that a sharp rise in the Minimum Lending Rate would be "entirely inappropriate under present conditions." A higher rate would only attract highly volatile short term funds into the City, pushing up inflationary pressures and adding to the difficulties already faced by Britain's struggling exporting industries, Lomax pointed out.

What will finally determine whether Britain enters the 21st century is the debate currently going on around nuclear energy investment. The Energy Commission — a body set up by Energy Secretary Anthony Wedgewood Benn to advise him in developing a national energy strategy, which includes trade unionists, consumer representatives, industry and energy officials — has warned that unless Britain prepares for massive investment in nuclear power before its North Sea oil reserves start to run out, the country will face an "energy gap" after the year 2000. Options such as accepting a lower rate of economic development (implied in conservation and reliance on fossil fuels) are rejected as unpalatable solutions and a major push is made for the expansion of Britain's nuclear capacity. The Commission's report will be incorporated into a government discussion document slated for publication early next year which will no doubt spur decisions on Britain's industrial future.

# What's Behind The Cabinet Shakeup?

Japanese Prime Minister Takeo Fukuda's announcement last week of a near-total reshuffle of Japan's cabinet had been long anticipated as an important signal of what kind of policies the new government will pursue, especially in regard to the difficult trade negotiations Japan is now facing with the Carter Administration.

Japanese cabinets are never simply appointed by the

## JAPAN

Prime Minister, but reflect an intricate process of negotiations between both the various factional groupings inside the ruling Liberal Democratic Party (LDP) itself, the business community and, to a slightly lesser degree, the country's powerful government bureaucracies to achieve some degree of "consensus" on the new government's policies. Fukuda's new cabinet is no exception to that rule.

What is most striking about Fukuda's new government is the clear influence Japan's top business leaders (collectively termed the "zaikai") had on its formation.

The zaikai has been long arguing for a policy of granting certain real economic concessions to the United States, particularly by simplifying Japan's complex system of "indirect tariffs" and other bureaucratic obstacles to free trade. Japan's business community, led by Toshio Doko, the president of the country's main business federation, has, at the same time, taken an emphatic stand in favor of economic growth, the rapid development of advanced technologies — in particular fission and fusion power—and a strong push for strengthened economic ties between Japan and both China and the Soviet Union. These business leaders totally oppose the attempts of U.S. Special Trade Negotiator Strauss's office to force Japan to restructure its economy along low-growth lines.

Striking as well are the simultaneous moves taken by Fukuda to consolidate his position within the LDP against low-growth supporters of LDP Secretary General Ohira, by ending an intra-party feud with the faction of fusion-power advocate Yashuhiro Nakasone.

Three of Fukuda's four new ministers specifically in charge of economic affairs directly reflect zaikai thinking. They are Toshio Komoto, the new head of the powerful Ministry of Trade and Industry (MITI); Kiichi Miyazawa, new chief of the Economic Planning Agency; and Nobuhiko Ushiba, who will head a new post as Minister in charge of External Economic Affairs.

Both Ushiba and Miyazawa are highly skilled diplomats, and considered top experts in dealing with the United States. The appointment of both men is a clear

signal that Japan is fully willing to engage in serious trade negotiations with Washington.

Komoto is also highly regarded as an "internationalist" politician. However, Komoto's elevation to MITI head is due to widespread zaikai demands on Prime Minister Fukuda to personally drop his own extreme fiscal conservatism and pursue an active high-growth policy. Komoto, a firm supporter of former Prime Minister Takeo Miki (Komoto was head of MITI in Miki's cabinet), had been the major spokesman for business demands inside the LDP and was Fukuda's main economic critic. Himself a businessman who heads a major shipping company, Komoto's role in MITI will be to push for increasing domestic demand by expanding Japan's electric power industry, especially nuclear power. It was Komoto who first proposed that Japan reduce its surplus with the United States by offering to purchase a billion dollar's worth of U.S. uranium stockpiles.

The return to government of men like Komoto, Miyazawa, and Ushiba (Japan's ambassador to the U.S. during the Nixon era) will strengthen those forces both in the U.S. business community and in Washington who want to maintain friendly relations with the United States' number one ally in the Pacific and weaken the "extremists" in the U.S. cabinet like Vice-President Mondale, Treasury Secretary Blumenthal, and Special Trade Negotiator Strauss, who are using the protectionism issue against Japan as a smokescreen for their actual policy of manipulation against the dollar.

The influence of Komoto in the Cabinet will further weaken the hold of such bureaucrats as Fukuda and Japan's new Minister of Finance Tatsuo Murayama, a long-time Finance Ministry technocrat and low-growth cothinker of Fukuda's. Japan's Kyodo wire service reported that most business leaders hope Murayama would "brush aside such bureaucratic thinking"; one knowledgeable Japanese observer commented that "Komoto will have more influence than the Ministry of Finance" in the new cabinet.

### *The Fight Inside the LDP*

Fukuda's shift toward a more industrialist-centered government stemmed from the need to greatly improve his own ties with industry and to prevent a group inside the party led by current LDP Secretary General Masayoshi Ohira and elements of former Prime Minister Tanaka's faction inside the LDP to dump him and put Ohira in as the new premier.

Ohira is now being strongly backed by Peking, which is trying to discredit Fukuda politically, denouncing him for wrecking Japan's ties with China by his refusal to immediately sign an anti-Soviet peace treaty with Peking. Before the Cabinet reshuffle, Ohira and Fukuda

held a bitter four-hour meeting in which Ohira tried to prevent Fukuda from changing both the cabinet and the top leadership of the LDP at the same time. Fukuda ignored Ohira and shifted Komoto from his post on the LDP executive board to MITI. Even more significant, Fukuda appointed Yasuhiro Nakasone, probably the leading advocate of nuclear fusion power inside the LDP, to one of the party's three top executive posts. Nakasone supporters also received such important posts as head of the new Construction Ministry in the new cabinet.

Until now, Fukuda and Nakasone have been bitter political rivals. The new alliance between the two is one

more signal of the increasing strength of the growth-oriented elements inside the new government which guarantees that the LDP will enter the elections in 1978 with a strong, fairly stable coalition backing the Prime Minister.

Thanks to that fact, Fukuda now has a great deal more breathing space to resist the pressures from Ohira and his Chinese supporters. In return for that, however, the Prime Minister has paid a price. From now on, it won't be Fukuda but the zaikai itself which will be calling a lot of the shots from Tokyo — starting with the composition of the new cabinet.

## How The New Cabinet Lines Up

*Here, the new Japanese cabinet ministers and the faction each minister is associated with. Traditionally the ruling Liberal Democratic Party has been subdivided into factions, each grouped around a prominent party leader. While the factions have been formally dissolved as part of a recent series of party reforms, they continue to play a significant role in political affairs.*

<i>POST</i>	<i>APPOINTEE</i>	<i>FACTIONS</i>
Prime Minister .....	Takeo Fukuda .....	—
Justice Minister .....	Mitsuo Setoyama .....	Fukuda
Foreign Minister .....	Sunao Sonoda .....	Fukuda
Finance Minister .....	Tatsuo Murayama .....	Ohira
Education Minister .....	Shigetami Sunada .....	Nakasone
Health and Welfare Minister .....	Tatsuo Ozawa .....	Tanaka
Agriculture-Forestry Minister .....	Ichiro Nakagawa .....	(Independent)
International Trade and Industry Minister .....	Toshio Komoto .....	Miki
Transport Minister .....	Kenji Fukunaga .....	Ohira
Posts and Telecommunications Minister .....	Yasushi Hattori .....	Ohira
Labor Minister .....	Katsushi Fujii .....	Miki
Construction Minister .....	Yoshio Sakurachi .....	Nakasone
Home Affairs Minister .....	Takenori Kato .....	Fukuda
Chief Cabinet Secretary .....	Shintaro Abe .....	Fukuda
State Minister .....	Sakonshiro Inamura .....	Mizuta
Director General, Administrative Management Agency .....	Seijuro Arafune .....	Shiina
Director General, Defense Agency .....	Shin Kanemaru .....	Tanaka
Director General, Economic Planning Agency .....	Kiichi Miyazawa .....	Ohira
Director General, Science and Technology Agency; Chairman, Atomic Energy Commission .....	Tasaburo Kumaga .....	Fukuda
Director General, Environment Agency .....	Hisanari Yamada .....	Tanaka
State Minister for External Economic Affairs .....	Nobuhiko Ushiba .....	(No faction)

## New MITI Minister: 'Man's Wisdom And Technology Are Unlimited'

*The following are excerpts from an interview with Toshio Komoto, the new Japanese Minister of International Trade and Industry, published in the Nov. 28, 1975 issue of Far Eastern Economic Review. At the time of the interview, Komoto was the international trade and industry minister in the Miki cabinet.*

There are a lot of people who can't recover from the oil shock. Because it was such a great trauma, people are saying that the period of rapid growth is over, that Japan can only hope for a much slower growth now, and that the same applies to the whole world. But I disagree. It's true that the earth is limited and, hence, resources which are buried in the earth, and their potential energies, are limited. But man's wisdom and technology are unlimited. We can see this by looking at the last 100 years of history. Several decades ago, nobody thought of getting nitrogenous fertilizer from the air. Now that's become possible. A few decades ago nobody could foresee the present petrochemical industry, with hundreds of thousands of products, nor nuclear energy, nor nuclear

fusion. Now, nuclear fusion is a matter of time. We're spending a lot of money on this and so are the Americans, and the Germans. It will probably come in 20 or 25 years. And what that means is that energy will no longer be limited.

To convince yourself that you've hit your limit, to go around saying "it's all over, it's all over," closing your eyes to possibilities — that just won't do. We have to have a broader outlook on mankind's needs. There are 4 billion people in the world today and at the present rate of increase, there will be 6.5 billion people at the beginning of the 21st century. And all of them are going to want to decent life. In Japan, in the shorter term, too, there is a lot to be done. We'll have to find new jobs for 700,000 people each year. We have to increase social investment to improve the quality of life. There's a lot of social injustice that has to be corrected. We want to increase our economic aid. We have to restructure our industry.

None of this will be possible if the Japanese industry loses its vigor. It's not good to have our politicians talking like representatives of the "Club of Rome."

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'EX' WATERGATE PROSECUTOR CHARGES 1.5 BILLION DOLLAR COST  
OVERRUN IN ALASKA PIPELINE

AUG 18 - IN A HIGHLY UNUSUAL PROCEDURE, THE STATE-RUN ALASKA PIPELINE COMMISSION, ITSELF SPENDING MORE THAN 1 MILLION DOLLARS IN ITS INVESTIGATION, HAS CHARGED THAT THE ALYESKA PIPELINE SERVICE CORPORATION 'WASTED' SOME 1.5 BILLION DOLLARS IN CONSTRUCTION OF THE MUCH PLAGUED ALASKA OIL PIPELINE. THE ALYESKA CORP. HAS CHARGED THAT THE STATE REPORT IS BIASED AND THAT THE INVESTIGATORS 'NEVER INTENDED OBJECTIVITY.' THE 678-PAGE REPORT WAS PREPARED UNDER THE DIRECTION OF TERRY LEVZNER WHO WAS PREVIOUSLY INVOLVED IN THE POLITICAL FAC-TIONAL WAR AGAINST NIXON WHEN LEVZNER WAS DEPUTY COUNSEL TO THE SENATE WATERGATE COMMITTEE. INFORMED SOURCES IN THE PETROLEUM INDUSTRY CONFIRM THAT THERE HAS BEEN AN INTENSE BEHIND THE SCENES EFFORT BY THE ROCKEFELLER FAMILY POLITICAL AND FINANCIAL EMPIRE ACTING AT TIMES THROUGH ITS EXXON PETROLEUM BACKED EFFORT TO DEVELOP THE VAST ALASKA OIL RESERVES. THE DAMAGE CAUSED BY AN EXPLOSION AND FIRE EARLIER THIS SUMMER HAS ALREADY CAUSED SUBSTANTIAL DELAY IN EP ALASKA OIL REVENUES, WHICH WAS FURTHER AGGRAVATED BY A US INTERSTATE COMMERCE COMMISSION DECISION FORCING DOWNWARD REDUCTION IN RATES CHARGEABLE BY THE PIPELINE CONSORTIUM TO ITS CUSTOMERS.

BRITISH NUCLEAR REPROCESSING INQUIRY GETS BOOST

AUG 18 - THE ONGOING BRITISH GOVERNMENT-ORDERED PUBLIC INQUIRY INTO THE QUESTION OF WHETHER THE EXISTING NUCLEAR FUEL RE-PROCESSING CENTER OF BRITISH NUCLEAR FUELS LTD. AT SIND-SCALE GOT A MAJOR BOOST WITH THE TESTIMONY THIS WEEK FROM THE NUCLEAR INSTALLATIONS INSPECTORATE THAT 'THERE AP-TO BE NO SIGNIFICANT SAFETY PROBLEMS THAT CANNOT BE OVER-COME. IN OTHER TESTIMONY, DR. STANLEY BOWIE OF ABERDEEN ENVIRONMENTALIST GROUPS, THAT THE PLUTONIUM BYPRODUCT SUCH REPROCESSING WAS ONE OF THE MOST DEADLY SUBSTANT BOWIE POINTED OUT THAT ALMOST EQUALLY DEADLY SUBSTANCE THE CAFFEINE PEOPLE DRINK EVERY DAY IN THEIR COFFE-TRAINED BY MORY LEVINS IS BELIEVED BADLY FALTERI BRITISH AFFILIATE OF THE SO-CALLED FRIENDS OF THE BRITISH NUCLEAR REPROCESSING COMI-EXPANSION. THE EXPANSION IS PART OF ONE JAPANESE ELECTRIC UTILITIES FOR A M-CONTRACT.

NUCLEAR REPROCESSING COMI- GOVERNMENT WILL S- PROCESSING OF I- THE CR-