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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

Detente faces a tough test over the **Horn of Africa** flare-up...and the political faction centered in London is unfolding a gameplan to make sure detente is destroyed...with an **array of provocations** to force both the United States and the Soviets into a Cold-War-into-nuclear-war mode...This week's **INTERNATIONAL** report puts the story together...featuring a strategic analysis by **Lyndon H. LaRouche**, chairman of the U.S. Labor Party...LaRouche warns of the dangerous folly of "**blowing the Horn of Lunacy**" into a U.S.-USSR face-off...shows the link between this British strategy and the troubles besetting Britain's enemies in Europe...in an incisive delineation of the **imminent danger of all-out war**...

* * *

Backing up the Horn of Africa story, a review of some of the most **egregious lies** in the prowar press...the facts on how Europe is urging a "**cooling out**" of the volatile Horn region...and an evaluation of the **economic potentials**, versus the current near-nil strategic value, of the embattled area... On the **Mideast** hot spot, a look at what motivated the **New York Times's** recent "exposé" of the Saudis and Aramco: a City of London-scripted plan to **bust up U.S.-Saudi relations** and **grab Saudi oil**...Plus a report on Egyptian Presi-

dent **Sadat's trip to Washington**, and the prospects for peace...all in **INTERNATIONAL**...

* * *

An **Emergency Strategic Memorandum** by the **Labor Party's LaRouche** makes up our **COUNTERINTELLIGENCE** report this week...on the profound implications of the confirmation...from Britain's own press outlets...that "Soviet agent" Kim Philby is —a **British triple agent!**...LaRouche points out the British policymakers' centuries-old strategy of "let's you and him fight" as the active ingredient in today's moves to Cold War...and describes the **foolishness of Moscow** that could well lead them all the way into the British trap...Included: **full excerpts** from the British newspapers that "blew" Philby's cover...

* * *

Setting the **hectic tempo** of the drive for war, however, is the **policy impasse** into which the City of London gang has been driven on the monetary front...by a powerful combination of **European and Japanese** politicians, industrialists, and bankers...the story leads **ECONOMICS** this issue...including a series of **interviews with London-linked bankers** and their opponents, laying out what both sides plan

U.S., Soviets Face Test Of Detente Over Horn Of Africa

The Soviet Union and the United States are locked in a confrontation, set up and managed on both sides by British intelligence, over the Horn of Africa. But, despite the tough talk, there are signs that both Washington and Moscow are taking steps to prevent the crisis from escalating wildly out of control.

The Horn of Africa confrontation, however, is only part of a general campaign by the City of London and its American allies like Henry Kissinger to poison U.S.-Soviet relations. The sudden Canadian expulsion of the Soviet Ambassador and several aides, itself a throwback to the days of the Cold War, and related British intelligence provocations in Europe and the Middle East have created a climate in which the intensifying Horn of Africa fighting might send U.S.-Soviet relations into a dangerous tailspin.

The immediate onset of the crisis emerged last week with the reports of an offensive by Ethiopian troops against Somali positions in the Ogaden desert region of Ethiopia. That area, which is claimed as part of "Greater Somalia" by the Somali government, has been occupied by a synthetic army of "ethnic" Somali troops. According to highly informed sources, however, the level of actual armed conflict in the backward region is miniscule, and hardly merits the headlines it receives in the world's press. But key conduits for the City of London, including the Reuters news agency, have blown the war in Ogaden way out of proportion. Further, the *New York Times*, the *Washington Post*, and the British press have wildly exaggerated the extent of Soviet and Cuban presence in Ethiopia.

On Feb. 10, Secretary of State Cyrus Vance delivered a low-key policy statement that reflected the efforts of the State Department to avoid manufacturing a major crisis over the strategically barren Horn of Africa. Vance implied that Washington had received assurances from the Soviet Union, which has given military support to Ethiopia, that Ethiopian troops would not carry their offensive beyond the Ethiopian-Somali border. "We don't see it going that far," said Vance. The day before, State Department spokesman Hodding Carter III said that the U.S. supported the Organization of African Unity moves to settle the crisis.

But grave danger still exists. With the approaching defeat of Somali forces in Ethiopia, the government of

Somali President Siad Barre is in severe jeopardy. Barre's position in Somalia, now linked inextricably to the mad "Greater Somalia faction," is undermined by the defeat his forces are suffering, and his country is faced with an unconditional surrender. The blatant illegality of the Somali claim to Ogaden, which has lost Somalia backing from virtually every country in the world, has so far prevented the West, the Arabs, and the Africans from aiding Barre.

Worrying Signs

The crisis facing the Somalian regime is being used to demand an urgent NATO intervention to provide arms and military supplies to Somalia. Particular efforts are being made to draw the Arab states, led by Egypt and Saudi Arabia, into support for Somalia's lost cause, in order to wreck Arab-Soviet ties and create a general framework for a NATO-Arab Cold War bloc.

Certain worrying signs have come from Washington about the regional flare-up. Vance himself warned that the U.S. is concerned about the presence of "2,000 Cubans" in Ethiopia, and the *New York Times* reported that the U.S. has called a halt to the talks on demilitarization of the Indian Ocean as part of a warning to the USSR. In addition, there are reports that U.S. naval vessels are patrolling the waters off Ethiopia. High-level U.S. intelligence officials report that, if the Soviets are foolishly drawn into a show of force in the area, then the U.S. might consider raising the ante again.

As of late last week, both the Europeans and the Organization of African Unity had begun limited diplomatic efforts to mediate the conflict. At a meeting in Paris between French President Giscard d'Estaing and West German Chancellor Helmut Schmidt, the two European leaders pledged to support efforts to restore peace in the Horn, and as a signal the French sent an aircraft carrier to their base in Djibouti, between Somalia and Ethiopia. The Nigerian government also sent a mission to both countries to seek a middle ground. The French daily *Le Figaro* reported that a four-part plan is under discussion: (1) a general ceasefire, (2) a Somali withdrawal from Ogaden, (3) the arrival of an international peace-keeping force, and (4) peace negotiations.

— Bob Dreyfus

Washington Blows The Horn Of Lunacy

The following statement was issued on Feb. 6 by U.S. Labor Party chairman, Lyndon H. LaRouche, Jr.

The fiction, traded by the British, that Soviet and Cuban activity in Ethiopia represent a "Soviet imperialist threat" is utter nonsense. However, if the United States behaves on the basis of reacting to that British fabrication — and the announced Sixth and Seventh Fleet deployment are a step in that direction— then the United States' action in support of an illusion will transform the fantasy into a deadly reality.

The problem in the United States centers around the British-inspired destruction of the Central Intelligence Agency and other vital instruments of U.S. intelligence capabilities. By this sort of "sensory deprivation" of the U.S. political command, the British and their agents-of-influence within leading U.S. political and other organizations have been aided in virtually brainwashing former President Gerald Ford and others into swallowing and pathetically regurgitating deadly nonsense on the "Horn of Africa" and other key points of the strategic picture as a whole.

Given the objectives which impel the City of London and the British government, and given the total strategic picture at this moment, an escalation around an otherwise minor point on the strategic spectrum — the Horn of Africa — could set into motion an irreversible political chain reaction leading rapidly into total intercontinental thermonuclear war. My foolish friends in Washington and elsewhere could wake up radioactively dead very soon unless they quickly come to their senses and cease the sort of nonsense former President Ford, among others, is currently regurgitating.

Facts About the Horn of Africa

The following are the facts concerning the Horn of Africa. No leading Pentagon official or U.S. intelligence officer could competently deny any of the following facts.

(1) The conflict between Ethiopia and Somalia was created by British intelligence, with the complicity of Henry Kissinger during the Ford Administration.

(2) Kissinger, in particular, worked with Georgetown University's Center for Strategic and International Studies and other relevant institutions inside and outside State Department channels to induce the Ethiopian government to "perceive" Somalia as its natural adversary. This was pushed at the point Somalia was receiving substantial Soviet military and other aid, and was regarded in Washington as the Soviet's "client" on balance.

(3) Meanwhile, British intelligence, working through institutions such as the London Institute of Race Relations, promoted the idea of a "Greater Somalia" involving areas of Ethiopia, Djibouti, and Kenya — one of the British intelligence "particularist" destabilization antics closely interfaced with British international terrorism.

(4) Following the "entropy" developed among the Non-Aligned nations during 1976 following the 1975 Rambouillet summit, Somalia was impelled into an hetero-

nomous direction, and the Organization of African Unity was largely neutralized as a stabilizing institution. Under these circumstances, the government of Somalia was drawn into accelerating support of the "Somalia Liberation Front," a British intelligence creation, in violation of continental agreement of the Organization of African Unity.

(5) Meanwhile, coups in Ethiopia, run by British intelligence (chiefly), with complicity from Kissinger, backfired, bringing into dominance a new Ethiopian governing combination which had connections to networks of Soviet influence.

(6) During the following period, the Soviets exerted their influence in both Ethiopia and Somalia for the purpose of ending the conflict.

(7) Subsequently, influences were recently brought to bear on the government of Somalia to break all significant relations with the Soviet Union and break off relations with Cuba entirely. That blunder on the part of the U.S. government (in part), set into motion the current form of "destabilization" of relations in the Horn of Africa.

(8) The policy of the United States ought to be to establish borders status quo ante, and to foster negotiations relevant to all real issues between the states of Ethiopia and Somalia. Instead, under pressure from the British government British agents-of-influence in the United States, the State Department has been induced to dredge up a factually worthless 19th century swindle, euphemistically regarded as a protocol concerning the Ogaden region, and now takes the position of utmost folly: that Ogaden is de facto and by color of protocol Somalian territory, and then and hence, that Ethiopian counter-attacks against invasion of its Ogaden territories are some form of "aggression" against Somalia.

(9) To insure a conflict in this area, the British and their dupes in Washington have put the Soviet Union into a double bind. If the Soviets continue to supply aid to Ethiopia, they are blamed for "aggression." If they pull out to please London and Washington, they lose credit they see as strategically essential throughout the world.

Strategic Implications

It is true that current Soviet strategic foreign policy includes a determined effort to secure consolidated zones of influence in the developing sector, to compensate for those zones in which it has lost influence since 1971-1974. However, as the offer for joint fusion research by Soviet Central Committee member Nicolai Basov indicates, and as the recent proposal of Boris Ponomarev also indicates, the Soviet leadership is also attempting to open up new dimensions of détente and cooperation with the United States. Overall, the Soviet policy is balanced between preparation for general war, and probing, seeking to find a stronger set of premises for war avoidance.

The significance of this duality in Soviet policy is that if the United States accelerates SALT agreements, creates a favorable environment for MBFR in Europe, and

Europeans Move To Cool Horn Crisis

Speaking on Western German television on Feb. 8 after his talks with French President Valery Giscard d'Estaing, Chancellor Helmut Schmidt said that he and Giscard had agreed that "no foreign power should intervene in the situation," thus completely discrediting press reports asserting that France and West Germany were supplying arms directly to Somalia. (For a fuller report on the Giscard-Schmidt summit, see EUROPE.)

In addition, West German Foreign Minister Hans-Dietrich Genscher held a meeting with all the African ambassadors to Bonn to discuss a resolution of the conflict on the Horn.

Military circles in Western Europe are fully aware that the question of full-scale warfare in the horn of Africa is but one front of confrontation between Zbigniew Brzezinski and Henry Kissinger's British-allied circles within the U.S. Administration, and other U.S. government officials working more or less honestly in the American national interest. Adalbert Weinsten, military correspondent of the conservative West

German newspaper *Frankfurter Allgemeine Zeitung*, gives this internal U.S. battle as the explanation for America's refusal so far to provide military aid to Somalia's conflict with Ethiopian forces. His editorial says in part:

"America's self-restraint has become so explicit that no one can dare to count on any American engagement in the horn of Africa. People in Washington are even secretly congratulating themselves on the policy being pursued at this point. In this war, they say, the Somalis are the real attackers; one ought not give encouragement to the aggressor. Aid for the Ethiopian rebels is also impossible, because Africa — which has elevated the inviolability of nations' borders to the status of a taboo — would turn against any nation giving support to the rebels. And why is America practicing such abstinence? This country's policies continue to be determined by what the Americans call 'the lesson of Vietnam.' Ethiopia and Somalia are a problem of American domestic policy, rather than one of foreign policy or even a strategic one..."

increases mutually beneficial cooperation with the USSR, the Soviets will be disposed to make substantial concessions on a variety of other issues. However, if the United States closes the door to the latter course, the Soviets will correspondingly shift at an accelerating rate toward a hard line, making virtually no concessions.

Up to the beginning of the recent Sadat-Begin peace effort, the British government was working to push the Soviets away from joining the United States in creating a favorable climate for progress of those negotiations. While London, with aid of British agents-of-influence Mondale, Brzezinski, and Kissinger, have virtually wrecked the Sadat-Begin negotiations, largely by making Begin a captive of Moshe Dayan, London dropped its mask and surfaced with a virulent Cold War profile, demanding that with the Soviet Union and Cuba over the Horn of Africa.

This is accompanied by the City of London's monetary demand to Moscow that Moscow and other Council for Mutual Economic Assistance nations subordinate their foreign debt and credit to the City of London markets in connection with the International Monetary Fund and World Bank. It is accompanied by London's efforts, with Kissinger's active support, to launch a "Chile scenario" in Italy, to destabilize the governments of France and the Federal Republic of Germany, and to break Japan to London's will.

Moscow will never accept the total package of concessions London is demanding that the U.S. government demand. The Soviets will go to total war before making such extensive submission of their sectoral economic integrity and global strategic capability.

Hence, although Moscow does not have the depth of commitment to Ethiopia it had to Cuba in 1962, when the confrontation in the Horn is situated, as it is now, as part of a total, globally interlinked strategic package, that matter has vital strategic implications which could not

be identified by the "geopolitical" features of the region itself.

Any qualified military commander in the U.S. ought to have the competence to see this clearly for himself.

The one thing which must be avoided is a direct confrontation between the forces of NATO and the Warsaw Pact. Indirect or "surrogate" confrontations are risky enough in this period. A direct confrontation means that either one of the powers must back down, or that the following order of warfare is activated:

(1) Total, intercontinental thermonuclear (and other atomic-biological-chemical — ABC) barrage, targeting strategic military and logistical targets out of the near-term reach of the Warsaw Pact ground forces.

(2) An accompanying short-range and intermediate-range ABC barrage, hitting rear-echelon military and logistical targets in the projected theatres of ground combat, and also "paving" the NATO front in-depth, preparatory to ground forces advance.

(3) A broad assault by mechanized forces, in combat group formation, through an ABC-contaminated line-of-march, and a de-escalation of warfare from "maximum deterrent" towards "conventional" warfare with some ABC augmentation.

Estimate of War Risk

The degree of risk of general thermonuclear war in a Horn of Africa direct confrontation between major powers is not to be compared with the situation of the Kennedy Administration Berlin Crisis, the 1962 Cuba Missiles Crisis, or Kissinger's wild gamble with war in 1973. Although there are some "built-in checks" in the "system" still, the Mondale, Brzezinski, and Kissinger-dominated Carter Administration does not have a relatively strong president such as Kennedy or Nixon in place to ensure that situations are more or less competently judged and that firm war-avoidance courses of

action are pursued during a crisis.

Most important is the desperation of London. The City of London is acting at the point that the world monetary system is on the edge of a chain-reaction collapse. London is a hair's breadth away from total bankruptcy. It is desperate to the point of insanity. It has an unprecedented degree of improper influence over the leadership of the Democratic and Republican Parties and the U.S. government, and is in virtual control, through the aid of agents-of-influence such as Brzezinski and Kissinger, of the National Strategic Estimate of the U.S. government.

This is aggravated by the decimation of Central Intelligence Agency capabilities under Kissinger and Schlesinger and now Brzezinski, Mondale, and Turner. The U.S. lacks the quality of intelligence and related capabilities it possessed during previous crises.

What is happening to a large number of influential Democrats and Republicans in the U.S. is that they are being inundated by fraudulent briefings through official and semi-official channels — since Mondale, Brzezinski, Kissinger, and Turner have a dictatorial grip on intelligence estimates to the point of blinding the U.S. policy and command structures in favor of whatever lies they put into circulation in cooperation with London. It is these fraudulent intelligence briefings which former President Ford and others are reflecting in their foolish public and semipublic utterances of the present moment.

Everything is set up to provide a maximized opportunity for triggering of total thermonuclear war by stupidity and miscalculation. This is relevant to the fact that the two major wars of this century developed the

course which they followed through monstrous miscalculation on the part of British policy institutions directly responsible for setting those wars into motion. The checks are such that general war now could occur only through combined stupidity and miscalculation on, in particular, the side of the U.S. government. Unfortunately, it is stupidity and miscalculation which prevails in U.S. leading circles at this moment.

It is to be emphasized that almost none of the leading Democrats and Republicans in the U.S. have better than the foggiest notion of what is occurring in the world. They have no independent intelligence capability even approximating that of the U.S. Labor Party. They depend chiefly on the think tanks, briefings through official and semi-official intelligence channels, and the gossip (and, in large part, calculated lies) circulated by the dominant portion of the so-called news media. Put the Intelligence Estimate in the hands of a small circle of British agents-of-influence, such as Mondale, Brzezinski, Kissinger, et al., and one creates the situation in which the more a Gerry Ford is "authoritatively" informed on world affairs, the less he knows in fact about crucial international and even national developments.

Yet, such grossly misinformed persons are the persons deciding U.S. policies, and represent the policy apparatus on which the fate of humanity depends in a major crisis.

We may witness the radioactive obliteration of most of the U.S. during the developing crisis — as things are going now, our survival will not be to the credit of foolishly credulous persons mouthing the sort of nonsense currently regurgitated by former President Ford.

The Horn Of Africa: Poverty, War—And Potential

The one overwhelming characteristic of the population of what now comprises Ethiopia and Somalia is deprivation and poverty, on a scale virtually unmatched in the rest of the world. In no area on the globe would a development program for establishing basic infrastructure capable of supporting modern living be more necessary, or more welcome.

It is this poverty which, above all else, dictates the actions and response to manipulations of the people and governments there, actions primarily linked to grants for aid and arms. The present war is not in the national interest of either country as any kind of territorial imperative, but is simply the manipulated outgrowth of a minor regional dispute which could have been settled through negotiation years ago.

More precisely, the entire Horn area has been the unfortunate product of British enforced backwardness — the British Empire's policy along the entire route through the Mideast to India for over a century, which has kept the two countries from even beginning the process of entering the modern world.

Ironically, Somalia may have under its soil one of the largest uranium ore deposits in the world, close to the

surface and susceptible to economical strip-mining. These were the findings of a United Nations geological survey of the area in 1968. Since then the estimates have been lowered to a very moderate amount, but still large enough for Westinghouse Corporation to attempt to set up a mining operation there, reportedly in collaboration with an East bloc country, in 1977. Although not yet confirmed as a direct countermove, the Ogaden fighting began to heat up at this same time, forcing Westinghouse to leave the area "for political reasons," according to a spokesman at the U.S. Department of Energy.

The significance of the uranium deposit is not simply that here is natural wealth the British are trying to control. It raises the possibility of changing the entire political and economic geometry of the area through the infrastructure which Westinghouse, its reported East bloc partner, and affiliated companies would have provided.

The current fighting in the Horn has been concentrated in the area of Harrar, in the foothills of a mountain range which geographically divides the entire region between the Ethiopian mountains to the west and the coastal plain which leads to Somalia in the east. The fighting has

centered in the vicinity of Harrar because along the whole mountain range, this is the only road passable by vehicular traffic. The mountains stretch from the sea near Djibouti to the Ethiopian border in the southwest. This physical constraint on fighting abilities is characteristic of this region, which contains very few all-year roads.

Basis Of Poverty

The economies of both countries are predominantly nomadic sheep- and goat-herding, plus rural agriculture which makes up 75 percent of the population's activities. There are larger cash-crop organized farms which grow coffee and raise cattle in the Addis Ababa area, due to an earlier European influence in that immediate region. The only larger farms in Somalia are banana plantations around Mogadishu. Natural resources are also very marginal, excluding the already mentioned uranium lode. Some gold and platinum have been found in southern Ethiopia, but in quantities too small and in a region too remote to make extraction worthwhile. All this, and the absence of any industry, leave each country with a per capita annual income of approximately 65 U.S. dollars.

Nonetheless, the entire region (excluding the smaller desert areas in Ogaden in the south and the Danakil in the north near Eritria) is fertile and very susceptible to high-technology agricultural methods of the type proposed for India and the Mideast by the U.S. Labor Party and others. Somalia especially has a well irrigated coastal plain stretching inland for 150 miles or so, and surrounding the country. The priority for developing both countries would minimally be a system of roads and railways to move goods and material; for instance for expanded coffee growing in the mountainous regions of Ethiopia.

Thus *strategically* there is nothing important about the Horn region but its potential — the potential of developing and educating the populations of both Ethiopia and Somalia and bringing them up to modern standards of living. Any talk of the importance of sea lanes or oil routes, which Israeli Foreign Minister Moshe Dayan is using to justify Israeli shipments of supplies into Ethiopia — in order to incite Arab opposition in Somalia — is British nonsense, the relic of geopolitical colonial strategy in the age of sailing ships. These two countries can either be developed in a spirit of U.S.-Soviet collaboration, as was the emerging option when Westinghouse planned to move in there, or the region can serve as a manipulated trigger for a much greater and more dangerous confrontation.

The Ethiopian And Somalian Armed Forces

The military strength of Ethiopia has undergone recent extreme changes since U.S. sources of weapons and supplies, which had been predominant, were

changed to Soviet models. This has left a severe shortage of spare parts, making maintenance and resupply difficult. The Soviets have had only six months to airlift supplies to the area, not really sufficient to equip the entire army.

The Ethiopian military consists of 50,000 total volunteers, 47,000 of which make up the ground forces. Since 1953 and until last year the U.S. has had the only contract to train and equip the ground forces. As a result, the armed forces were organized along U.S. lines.

Equipment was relatively modern, including tanks and modern armored personnel carriers and 125 large howitzers. In addition, the ground troops were equipped with the same type of equipment the U.S. provided to Vietnamese soldiers.

No matter what the equipment, it could be retained in relatively good repair. This allowed the Ethiopian army to play the role of stabilizing influence in the area, as the U.S. had intended. Important to this was a large reserve force and paramilitary police force numbering an extra 30,000. Naval and air forces are small but might be significant in several areas. The airforce comprises 36 combat aircraft, which has now been expanded with additional aircraft.

Somalia

The Somali military has Soviet origins. Somalia began to get Soviet aid on a large scale in 1963 when it rejected a U.S. and Italian offer as "too small" and "too restrictive." The Soviet equipment has not been high quality compared to the modern equipment which other countries such as Iran have been supplied with. Overall Somalia is better supplied per capita than the Ethiopians.

Ground forces are more mechanized but total half of the size of the Ethiopian army. An increased emphasis on artillery and armored personnel carriers, characteristic of Soviet training, is evident. In addition a huge anti-aircraft contingent has been added to these ground forces, which is characteristic of Soviet Mideast training and supplies.

In spite of this it must be said that the weapons are of older vintage, and is probably rehabilitated Warsaw Pact surplus. There have been reports that there have always been severe shortages of spare parts, a situation which has undoubtedly become acute since the Soviet pullout.

Paramilitary forces are negligible numbering roughly 13,000 compared to a total military strength of 25,000.

The air force and navy are formidable compared with Ethiopia, and were surely due for further expansion if the Soviets had continued there. Twice the number of combat aircraft were on line as of one year ago, although as stated, these were older vintage. The Somali air force is larger than that of Ethiopia by 300 men. The navies also compare unfavorably with the Ethiopians having only one formidable combat ship, while the Somalis have several smaller vessels which contain Soviet rockets.

The Soviets In Africa: Britain's View And Reality

British House of Commons Claims Russians to Invade Europe

The following are extracts from a House of Commons debate on Soviet intentions in Africa on Feb. 6:

Opening the debate, Rear Admiral M.C. Morgan-Giles (Cons. Winchester) warned:

There is hardly any part of Africa where the Russians have not got a finger in the pie, stirring up trouble wherever they went...There are a number of major threats to Britain and the West from Soviet strategy. The first is the risk of denial of raw materials; the second the strategic threat, particularly to the gulf oil; and thirdly the denial of the West of a large part of its uranium supplies. All of these threats amount to loss of western control of the Cape and the Indian Ocean and the Cape route...The Government no longer even pretends to be able to do anything to protect British merchant shipping anywhere outside the limits of the NATO area. Britain must reassess her position in NATO. Britain should progressively withdraw from her national strategy for NATO a large standing army in Germany and substitute as her contribution to NATO a much larger maritime capability...

Continuing the debate, Conservative spokesman for foreign and Commonwealth affairs, John Davies, said that the Soviet actions in Africa must be seen as a long-term effort "to buttress the political hierarchy of Russia." Davies warned:

There is no reason to suspect that Russia will run short of oil in the late 1980s and the material and natural resources involved might be another factor. The danger of miscalculating the African position could give rise to outbursts of an irreversible nature...

Well-known defense expert Julian Amery (Cons. Brighton, Pavilion) warned:

Angola was the first adventure and had come under Soviet control. Mozambique was more a Soviet protectorate than colony. If the Russians can take over in Rhodesia than South Africa will be next on their list. We are watching a couple of half Nelsons being established in Southern Africa and the Horn of Africa over the lifeblood of the West. Our trade routes and raw materials will be brought under the control of a power recognized as the chief adversary of the West....

The Guardian, London, Jan. 21:

...the ultimate purpose of Soviet military and political intervention in the Horn of Africa seems frighteningly obvious. The Russians are working steadily to establish the basis for naval and air operations that could control the strait of Bab el Mandeb...

Given the scale of their investment in Berbera, the Russians have solid reasons for supporting an Ethiopian invasion of Somalia...that would restore the port to them.

'Horn Being Blown Out of Proportion'

A knowledgeable member of the intelligence community in Washington told NSIPS:

The situation on the Horn of Africa is being blown out of proportion. There are a limited number of Cuban and Soviet personnel in Ethiopia. There is a small amount of fighting. Both the U.S. and the Soviet Union have zero strategic interests at stake. The strategic importance of the region has been wildly exaggerated. For the Soviets there is only a question of prestige with respect to their support for Ethiopia.

A Rand Corporation spokesman said last week:

No one expects the Soviet Union to go whole hog in the Horn of Africa. The Soviet interest is to free Ethiopia of the problem in the Ogaden with Somalia, so that Ethiopia can concentrate on the Eritrean problem.

Will Ethiopia Invade Somalia?

WHAT LONDON SAYS:

Daily Telegraph, "Threat of a Soviet Backed Ethiopian Invasion of Somalia." by Brian Silk, from Mogadishu, Somalia, Feb. 8:

Russian tanks and planes are leading the Ethiopians back into the Ogaden and smashing their way through the Somali guerrilla army... The tanks have formed a vast desert armada which is brushing all resistance aside as it advances through the northern Ogaden.

It has already pushed more than 100 miles past Somali positions and is moving along a line parallel with the Somali border only a few miles away...If they should swing left, there is nothing to stop them from crossing the border and attacking Hargeisa, the capital of northern Somalia, only 20 miles away.

New York Times, Possibility of Invasion of Somalia, Feb. 8:

Somalis fear a Soviet-aided invasion. There is some debate...about whether the Ethiopians, if they do repulse the Somalis, would continue over the border to take the northern Somali city of Hargeisa and perhaps even the port city of Berbera, cutting the country into two.

WHAT THE STATE DEPT. SAYS:

U.S. Secretary of State Cyrus Vance, Feb 10:

We have assurances from the Soviet Union that the border won't be crossed.

An African diplomat told NSIPS last week:

Only one man believes the Ethiopian counteroffensive will go beyond the border — Siad Barre. Many African countries are involved in various mediating efforts, and everyone knows that the border will not be crossed for purposes of occupying Somali territory.

U.S. State Dept. press briefing by Hodding Carter III, Feb. 8:

Our goal is not to directly or indirectly fuel the conflict... (in response to a question about U.S. arms sales to Sadat for use in Somalia) If anyone is interested in getting arms from the U.S. for purposes of getting involved in a war, then they won't get U.S. arms...

It is not Administration policy to link Soviet involvement in the Horn to other U.S.-Soviet bilateral agreements... (There are reports of) 1,000 Soviets and 3,000 Cubans in Ethiopia... (However) the Soviets are not involved in the fighting... (Cuban pilots) may have been involved, but we have not been able to confirm this.

Cyrus Vance, Feb. 10:

Events on the Horn cannot help but affect the political atmosphere (between the U.S. and Soviet Union), parti-

cularly with respect to the Indian Ocean, but there is no linkage... (Cuban involvement) will affect the atmosphere in our relations, but our intersection with Cuba is very important and will be kept open.

* * *

At the State Dept. press briefing on Feb. 9, spokesman Reston described the Ethiopian activity as a "counter-attack."

In sharp contrast to the caution demonstrated by the State Dept., President Carter's National Security Advisor, Zbigniew Brzezinski, in an interview in *U.S. News and World Report*, Feb. 13, referred to the possibility of the U.S. being confronted with a Soviet challenge in the Horn: "Just as a Soviet-Cuban intervention is now developing, it can also be reversed — and it should be."

Saudi-American Alliance Under Attack From London And Israel Lobby

A contingent within the Carter Administration is out to undermine the U.S.-Saudi relationship, thus disrupting traditional American interests in the oil-rich Mideast. Working with London-based merchant banks such as Lazard Freres and with the Zionist Lobby, Defense Secretary Harold Brown, Energy Chief James Schlesinger, and Senator Frank Church (D-Id.), this grouping has recently set off a propaganda campaign with an eye to discredit Saudi Arabia as a major oil producer.

The effort is directed not only at the Arabian American Oil Company (Aramco), but at its partners, Exxon, Socal, Mobil and Texaco, which service the Saudis' 8-9 million barrel a day (mbd) oil production. Moreover, Aramco, which the Saudi government owns 60 percent of, is a major institutional link between traditional progrowth U.S. industrial forces and the Arab world.

On Feb. 9, the *New York Times* printed the second article in two months on the Saudis and Aramco by that famous Glomar Explorer Seymour Hersh. Hersh challenged the efficiency of Aramco's management, alleging that a breakdown in Saudi Arabia's giant oil business is likely due to sloppy Aramco management. Hersh's allegations are based on the combined "findings" of notorious liar James Schlesinger, who just returned from Saudi Arabia, and Sen. Frank Church's Senate Foreign Relations Committee, Subcommittee on Foreign Economic Affairs, and the General Accounting Office. Hersh also tried to use his claims to build a case for lower estimates of future Saudi production and reserves.

Both Church and GAO coordinator of the study, Phillip Woodside, are presently "investigating" Aramco and Saudi Arabia. The GAO's division of energy and minerals' preliminary findings assert that Saudi Arabia will never be able to increase its production beyond 14 mbd. Hence, Woodside concludes that "major worldwide economic and political instability can be expected sometime between 1983-84." Senator Church — who last called for breaking up the Organization of Petroleum Exporting

Countries oil cartel — has pushed similar alarmist statements on future oil supplies based on incorrect predictions of Saudi output.

Schlesinger Wants It All

According to a well-informed Wall Street oil analyst, the motivation for destroying Aramco is the formation of a corporatist U.S. oil purchasing agency which would control the flow of fuel to the U.S. Schlesinger and his British allies hope to transform the Saudi-U.S. special economic relations which in part has brought 1 million barrels a day of Saudi crude to this country, into the first phase of such a plan. While in Saudi Arabia, Schlesinger proposed that the Saudis provide the U.S. Energy Department's strategic stockpile with 2 to 3 million barrels of crude a day. The stockpile represents the first major step towards transforming the Department of Energy into a major purchasing agency. Ultimately, Schlesinger hopes to eliminate Aramco and take direct control of acquiring Persian Gulf oil. The mastermind of the U.S. purchasing agency idea is Massachusetts Institute of Technology (MIT) economist Morris Adelman.

The Saudis, according to numerous press reports, did not receive Schlesinger's plan with enthusiasm, contrary to rumors emanating from London last week. The Saudi government is, in fact, very close to Aramco since it depends on the corporation not only for its oil production, but a major portion of its industrialization.

Just last month, Aramco submitted a \$22 billion three-year plan to the Petroleum Ministry in Riyadh for an increase in Saudi production capacity from the present 11.8 mbd to 16 mbd by the early 1980s. Numerous analysts indicate that by then, the Saudis could easily be producing nearly 20 mbd depending on global needs.

Saudi-U.S. Relations Pressured

The Saudis have come under considerable pressure to break the Riyadh-Washington axis. Schlesinger's cohorts in the cabinet, Treasury Secretary Blumenthal and Defense Secretary Harold Brown, are jointly implicated.

Primarily through Blumenthal's conscious efforts to let the value of the U.S. dollar slide, the Saudis and other OPEC members have been offered the "alternative" of breaking with the dollar in favor of pricing oil against a basket of currencies, a plan which came from London in 1971 after the dollar crisis erupted.

Secondly, both Brown and Schlesinger are on record as advocating a possible U.S. military move into the Persian Gulf to "protect" oilfields in the event oil flows to the consuming nations are disrupted.

This scenario spinning began late last year with the release of Presidential Review Memo-10 by the National Security Council. The Saudis and other Gulf Oil producers are expected to take anti-U.S. action by the London conspirators — like a Saudi nationalization of Aramco.

In the last month Oil Minister Sheikh Ahmed Zaki Yamani has twice publicly defended his country's relations with the U.S. He told visiting Rep. Clement Zablocki (D-Wisc.): "Although our views differ sometimes, the traditional friendship between Saudi Arabia and the U.S. does, and always will, remain steadfast."

An Aramco official expressed concern over the current press assault against both Aramco and the Saudis. He noted that fabrications like those manufactured by Hersh were aimed to "drive a wedge between the Arabs and the Americans" and weaken the Arab position in the current efforts to reach a settlement of the Middle East conflict.

From the standpoint of Britain and its allies in the Zionist movement, a "settlement" would include putting the Arab world and its oil reserves under surrogate military domination of Israel and Iran along the lines of the strategic thinking of the former-Secretary of State Henry Kissinger. This is a critical element in London's bid to recover its global colonial empire at the expense of the United States economy, and the developing Arab world.

—Judy Weyer

Influencing Oil Production

An aide to Senator Frank Church's Foreign Economic Policy Subcommittee of the Senate Foreign Relations Committee reveals the motivation for the investigation of Saudi Arabian oil production:

Q: What do you hope to discover in your investigations of Saudi oil production problems?

A: Oil production is the key to Saudi Arabia and if it is true that the Saudi ability to increase production is limited, then in terms of their political power there would be a new structure in the Middle East area. The Saudi influence depends on oil supply and their ability to increase or decrease it. If they can't deliver oil then the world looks different.

For example, the Saudis claim to be moderates on pricing. Well, that depends on their ability to threaten to increase production to keep prices down. The price of oil could increase if they don't have this threat. Thus, the point of our study is to see if the Saudis have this ability for the future. If the Saudis can't increase production

then we predict a major oil shortage in the early 1980s. You see, if the Saudi oil production is limited, Saudi power is limited.

Q: Couldn't the fact that you are investigating this, and then the publication of just a "report," significantly hurt Saudi influence?

A: Well, the report is a sensitive issue. The report itself could have an impact. It could affect relations with Europe and the Arab states. We will also look into the relationship of the oil companies and the Saudis.

Q: Did you hear of Senator Javits (R-N.Y.) speech on the international economic questions? He called for OPEC funds to go for the Third World, and for the commercial banks to be integrated with international lending institutions.

A: Yes, and Javits is the ranking minority member of the same subcommittee that Church heads. We will have hearings on orderly marketing and the state of world trade. We will also have hearings on the decline of the dollar and North-South relations. We will look into the questions that Javits raised in his speech.

Hersh Doesn't Know What He Is Talking About

An Aramco official responded to Seymour Hersh's Feb. 9 article on Aramco in the New York Times:

After the first Hersh article on Aramco our chairman of the board Mr. Kelberer, sent a letter to the New York Times editorial staff rebutting the conclusions drawn by Hersh. Among other things he stated that Aramco had found more new reserves last year than was the total output of oil. And you will take note that last year saw record levels of production. Well, the New York Times chose not to print Mr. Kelberer's letter. Now, we see that somehow, Mr. Hersh got access to the letter and excerpted it for his purposes. Unfortunately, Hersh does not know the first thing about oil.

"The Story Came From London!"

A New York oil analyst commented on the recent Hersh story.

...Hersh's story came from a small newspaper in London. This whole crew in the federal bureaucracy that is throwing out all this talk about Aramco mismanagement and declining Saudi oil reserves doesn't know the first thing about oil. The General Accounting Office is just a bunch of lawyers and accountants. No one in the government has the expertise to deal with oil adequately. It's all political. They are going after Aramco because they want to set up the purchasing agency that will replace Aramco in buying Saudi crude. This plan goes back to Adelman at MIT.

It won't be easy to accomplish this task since the Saudis are so dependent on Aramco and respect the company so much. Aramco will give the Saudis anything they want. It is Aramco that is helping the Saudis industrialize. The company has a lot more than just petroleum going in Saudi Arabia.

Lebanon Flare-Up Threatens Mideast Peace Process

The most serious fighting since the 1976 ceasefire broke out in Lebanon last week, with Syrian troops battling Lebanese Army troops and right-wing militia linked to the fascist National Liberal Party of Camille Chamoun.

The escalation in fighting, according to a prominent Arab spokesman, is a result of the dangerously stalled Mideast peace negotiations. As long as the peace process remains deadlocked, stated the official, Lebanon's unstable, polarized internal situation will only worsen, increasing the chances of an Arab-Israeli clash. He predicted that the Israeli military would openly join ranks with the Lebanese rightists against the Syrian Army and the Palestinian Liberation Army.

Panic reminiscent of the 1975-76 civil war has reportedly spread throughout Lebanon. Barricades have been erected in Beirut, and there is a run on canned goods as the population, fearing that the fighting will expand, prepare for a long siege. According to *Prensa Latina*, hundreds of people were found mutilated and butchered last week in Ain al-Rummaneh, a quarter of Beirut.

The deteriorating situation in Lebanon coincides with the intensified efforts of Israeli Foreign Minister Moshe Dayan to destroy Egyptian President Sadat's peace initiatives. Dayan, on behalf of British intelligence, arrived in the U.S. last week on a week-long speaking tour of the country to undercut Sadat's efforts to win support from the Carter Administration. Upon his arrival in New York, Dayan attacked Sadat personally in a speech to the Conference of Presidents of Major American Jewish Organizations, whose chairman, Rabbi Alexander Schindler, refused to meet with Sadat last week and is coordinating U.S. Jewish opposition to Sadat's peace plans. "Will the gentleman sign a peace treaty with us? The answer is 'no.'" raved Dayan, who favors a separate — and dangerous — Israel-Egypt treaty.

Dayan also issued provocative public support of continued Israeli settlement of the occupied West Bank, and attacked U.S. Jewish leaders such as Philip Klutznik, a prominent Chicago lawyer and businessman, for meeting with Sadat despite Schindler directives not to.

In contrast, Prime Minister Begin has adopted a more

moderate stance than his renegade Foreign Minister. Although he attacked the idea of U.S. arms sales to Egypt, Begin has been careful not to attack Sadat personally, saying instead, "We do understand his problems," referring implicitly to Sadat's isolation in the Arab world and his vulnerability vis-a-vis his restive military.

Backing up the Dayan-Israel Lobby wrecking operation is Sen. Jacob Javits (R-NY), an integral part of the Israel Lobby and a staunch opponent, like Dayan, of a permanent settlement of the Middle East crisis. Things will work out, said Javits in a statement in the Feb. 4 *New York Times*. "if Sadat is willing to negotiate and he'll get a lot of help from us. But it won't work on the basis of his saying, 'Look I went to Jerusalem, now roll over and play dead.' We're in for a tough period and I hope the President disabuses him of this."

While the Sadat trip to the U.S. failed to achieve the breakthrough that Sadat needs — namely, U.S. commitment to pressure Israel to compromise on the Palestinian issue and on the matter of Israeli withdrawal from the occupied territories — Sadat did win an important propaganda victory while here. On his departure for Europe, where he will conduct a parallel organizing tour, Sadat stated that he had been encouraged by his talks with Carter and will "persevere" in his peace drive.

Evidence of the limited accord between Carter and Sadat was reflected in the communique issued after the talks. Included was a U.S. commitment to the Aswan formula, recognizing the "legitimate rights of the Palestinian people," and affirming that any settlement must "enable the Palestinians to participate in the determination of their own future," are all formulations rejected by Israel. In a separate statement, Carter repeatedly stressed the need for an overall settlement and a "withdrawal from all fronts," and refrained from issuing any Cold War-style provocations on the situation in the Horn of Africa.

However, unless the U.S. makes a bold move to break through Israel's intransigence and give the peace talks the momentum that is needed to clear the way for Geneva, then the Mideast remains a dangerous tinderbox, with Lebanon the flashpoint.

Sadat on Arab British Agents

Egyptian President Anwar Sadat, in an interview published Dec. 11, 1977 in the Egyptian magazine October, made clear that he has long been aware of British intelligence activity to prevent successful conclusion of a Middle East peace. Sadat declared that he was not concerned about achieving unanimity among the Arabs on his peace initiatives. He then made an analogy between the Arab opposition to his policies and the Arab opposition to the late Egyptian president Nasser in 1956 when he nationalized the Suez canal. Sadat continued:

Nasser nationalized the Suez Canal on July 26, 1956....At that time, Anthony Eden (Britain's Foreign Secretary) was dining with King Faisal of Iraq and his prime minister, Nuri as-Sa'id. Eden received a small slip of paper and, after reading it, his color changed to that of wax and the cup fell out of his hand. The king and his Prime Minister could not find any reason to stay and

all left without eating.

The slip of paper said that Nasser had nationalized the canal. Then Nuri as-Sa'id requested Eden to save the Arab world from this man....Eden assured Nuri as-Sa'id that what Nasser had done would destroy him for good....On Oct. 31, Israel launched its attack in agreement with Britain and France....

On Nov. 2 and 3, 1956, an Arab summit conference was held in Beirut. This conference was chaired by *President Camille Chamoun, who has been a British agent all his life and who has now become an Israeli agent and an agent of anyone who will pay.* (Emphasis added)

The Arab summit conference sat in complete silence waiting for Nasser's downfall and Egypt's ruin....

I too will say: I am very sorry. I will not allow anyone to interfere with my decision....

Hearings Open On Expanded Eximbank Role

The crucial question whether the United States will succumb to the City of London's economic warfare or will instead adopt an "American System" program of aggressive industrial development and high-technology exports became the focus of heated congressional debate this week, as three congressional committees opened hearings on the future of the U.S. Export-Import Bank.

Speaking for U.S. industrial interests who see an expanded Eximbank as the key to revitalizing depressed U.S. trade, Sen. Adlai Stevenson (D-Ill.) kicked off hearings on U.S. exchange rate policy Feb. 6 with a vigorous defense of the dollar. Stevenson, who chairs the Senate Banking Subcommittee on International Finance under whose auspices the hearings were held, sharply rebutted testimony presented by two Administration witnesses, Federal Reserve economist Henry Wallich and Treasury Undersecretary for Monetary Affairs Anthony Solomon. They had cited "excessive oil imports" as the main cause for the dollar's decline. Further devaluation of the U.S. currency, Stevenson declared, would not help bolster exports but would actually lead to further inflation.

Republican Sen. Harrison Schmitt of New Mexico took Stevenson's arguments one step further, linking industrial development to the dollar's well-being. Schmitt specifically queried the Administration witnesses as to whether they had ever carefully studied the correlation between technological development and industrial expansion and the relative strength of the dollar, forcing them to concede that they never had.

Detailed evidence supporting Schmitt's and Stevenson's perspective was presented by Larry Fox, vice president of the National Association of Manufacturers. Fox presented an in-depth analysis of U.S. exports which demonstrated conclusively that they are not "price sensitive," that is, that a dollar devaluation would not bolster U.S. export sales, contrary to the arguments of Treasury Secretary Blumenthal, et al.

The Stevenson subcommittee hearings are scheduled to resume Feb. 23 and will continue through March with an intensive examination of the Eximbank's role.

The Long Campaign

While informed sources concur that the majority of Congress favors the Schmitt-Stevenson prodevelopment perspective, particularly in terms of expanding the Exim's financing authority, Capitol Hill figures linked to the City of London merchant banks, led by Rep. Clarence Long (D-Md.), went into high gear this week in an effort to discredit the Eximbank.

On Feb. 8, Long began hearings on the bank in his House Appropriations Subcommittee on Foreign Operations with an assault on its funding of nuclear and steel-manufacturing technology exports. Long, who prides himself as being the Congress's chief opponent of nuclear

power (and is considered to be "either senile or a nut," according to one Washington insider), raked Exim President John Moore over the coals for authorizing a \$644 million loan to the Philippines for the purchase of a nuclear reactor. Long based his objections on a hoked-up conflict-of-interest scandal and on ostensible "safety threats" the reactor would pose. Third World countries don't need nuclear power anyway, Long added, since they have plenty of "animal dung" to supply fuel.

Long's strategy, as disclosed in a recent interview (see below), is to undercut the bank's ability to finance high-technology exports as a prelude to destroying the bank altogether — a strategy entirely in keeping with London's ongoing machinations against the U.S. economy. Long has already introduced an amendment to the bank's charter proscribing it from financing any nuclear-related exports.

Both the *Washington Post* and the *New York Times* attempted to puff up Long's allegations with front-page articles. According to the *Washington Post*, Long hoped to halt the Philippine deal through the hearings. Long will be holding hearings on the Exim's underwriting of steel plant exports next month, and is expected to argue that the bank is subsidizing unfair foreign competition to the U.S. steel industry.

— Kathy Murphy

'Plenty Of Animal Waste'

The following interview with Rep. Clarence Long (D-Md.) was given to an independent journalist last month:

I think the whole idea that you have to have the Eximbank is specious...The only reason it exists is that certain industries want a subsidy for their exports. Without it, the nuclear industry, for example, would never be able to sell its products abroad...I favor dissolution of the bank, and I'm not alone in this...

The Eximbank distorts our export trade. It's built up industries that shouldn't exist at all. We've loaned more than \$4.8 billion through the bank since 1959 to build nuclear plants in developing countries. These countries don't really want nuclear energy — it's not necessary for them! After all, they've got plenty of sun and animal wastes. They only reason they're after nuclear technology is to build weapons...

Exim's been giving billions to the Soviet Union for food purchases. The Russians should have to pay cash on the barrel — but our farmers are stupidly pushing to increase our credits to them...

My latest thing is the steel industry — I've just discovered that the multilateral aid institutions as well as Eximbank have given billions to other countries for their steel industries. Have you ever seen a steel plant in Brazil or Egypt — It's pathetic! These people don't know

how to make steel efficiently—but that doesn't prevent them from producing their own and that means they won't buy steel from us!

I believe in free trade. After all, I've been an economist for 20 years. But the Eximbank subsidizes our competition. We're exporting hundreds of billions of dollars in capital a year. We should be spending that on pollution control and flood control at home. Instead, we're handing it over to the elites in these underdeveloped countries. They ought to be helping their little farmers, giving them little plows for their little plots. But, instead, they're buying big tractors and combines and forcing the little devils off the farm and into the cities...

The AFL Will Help Us

I don't think we'll be able to kill Exim...most export industries want it to go on giving out money. The farmers

are a problem too. But we can sure do certain things to make life difficult for it! We'll make sure it doesn't give loans to the Soviets, or export nuclear technology or steel plant equipment...

We'll be working closely with the Congressional steel caucus on this. Also, the AFL will definitely help us. They've already helped us kill OPIC (*the Overseas Private Investment Corp.—ed.*)...If they go against Exim completely, that'll really do it in. But I don't think labor will go all the way on this — there are still too many elements in the AFL who work in export industries....

Don't get me wrong, though. I'm not all that sympathetic to labor. They're to blame for the mess they're in. They've shoved up their wages to the point where they're no longer competitive. I'm very reluctant to protect them...But they depend on me too much for other things, so they don't ask questions about why I don't vote for higher tariffs and things like that...

Slanders Backfire; NAACP Gathers New Support

A month of press slanders and attempts to isolate the National Association for the Advancement of Colored People for advocating the development of nuclear power has backfired. The Association's energy policy gathered still more support last week, with statements from the labor and industry grouping, the Michigan Committee for Jobs and Energy, and the president of that state's major utility, Consumers Power.

In Chicago, NAACP Board Chairman Margaret Bush Wilson and NAACP President Dr. Benjamin L. Hooks made it clear that the Association's commitment to its energy policy had not been shaken by either the flagrant distortions appearing in many newspapers, or their blackout of the actual content of the policy.

The NAACP leaders' statements resulted in accurate coverage Feb. 7 in both the *Chicago Sun Times* and the *Chicago Daily Defender*, headlined "Critics of NAACP Energy Views Hit" and "NAACP Assails Critics."

At a speaking engagement, Hooks indicated that the support of organized labor may be forthcoming. "The labor movement is split on deregulation. But William Oliver of the United Auto Workers is on our board, and he supports our energy policy, (UAW president) Doug Fraser is on our board, and I haven't heard any comments, so I guess he is endorsing our program."

William Oliver verified his support for the NAACP's progrowth energy stance Feb. 6, when he told the audience at a dinner honoring lecturer Dick Gregory "The history of the labor movement has depended on the fight for jobs and energy production, ... they are tied together."

That the NAACP had not been isolated by the criticism of its former "liberal" backers was the theme of an editorial-page feature in the Wall Street Journal Feb. 7. In a piece titled "Free At Last," Journal editor Jude

Wanniski detailed the twisted interpretation of the NAACP energy program printed in such "publications of record" as the New York Times, the Washington Post, and the New Republic. Portions of the Wall Street Journal editorial appear below.

There is no question about it. The National Association for the Advancement of Colored People has torn free of the liberal labor coalition that it joined in the early New Deal days. Is it too strong to suggest "Free at Last" as the NAACP's statement of liberation from the rigid dogma of the liberal coalition?

"Use it," said Benjamin Hooks, the NAACP's executive director, when I suggested it as the title of this piece when we discussed it over lunch in Manhattan a few days ago. "It's perfect."

"Yes, yes, it fits," said Margaret Bush Wilson, chairman of the NAACP's board, when I visited her in St. Louis last week. "That's how we feel."

The divorce has been brewing for quite a while, but the formal break came a month ago when the 69-year-old organization withdrew support from President Carter's energy policy on the grounds that it emphasized conservation instead of energy growth. Confusion followed amid conflicting reports on whether or not there was an explicit endorsement of oil and gas price deregulation (there was no specific stance either way).

What is clearly of paramount importance, though, is the fact that its dissent is part of a broader policy shift. The NAACP has thrown itself open to alternative ideas in a conscious reassessment of philosophy. No longer will it unquestioningly accept as its own public policy gospel as developed by the labor liberals....

Which is not to say either Mr. Hooks or Ms. Wilson expects a wholesale reversal of policies or a new coalition with "conservatives." Rather, the NAACP has

simply decided it's going to make up its own mind on a range of public questions previously assumed to be beyond its purview as a civil-rights organization. "It isn't where we came out on the energy deregulation issue that's important," says Mr. Hooks, "but the dialogue itself. This is what's caused these terrible shock waves — the horrible thought that the NAACP is actually confronting alternatives."

The experience has been educational and, if anything, has put a frost on any chance of reconciliation for the moment. Ms. Wilson is more or less amused at the implications that she's been bought, but she admits to irritation at the other reactions, which she found condescending. It is Ben Hooks, though, who really gets steamed up.

"There is a white elitist assumption that we don't have sense enough to know about things like energy and shouldn't say anything about them. But President Carter says energy is our No. 1 problem. Which tells us we have to look at it...."

A Parting of Ways?

All this suggests a parting of ways with the National Urban League and its leader, Vernon Jordan Jr. The Urban League stresses expansion of the public sector to enhance black economic welfare. "Except in the very short run," says Mr. Hooks, "only the private sector can provide the kinds of jobs we must have," and that's where the NAACP's emphasis will be.

The strain showed when the NAACP joined the New Detroit Coalition and Detroit Urban League in opposing the federal government's new fuel standards for light trucks and vans, on the grounds that this kind of government intervention will hurt black employment and won't save energy, immediately forcing the closing of a Detroit inner-city assembly plant that employs 3,000 blacks.

Vernon Jordan not only did not join in the opposition, although requested to do so by Francis Kornegay, president of his Detroit affiliate. He also called this newspaper and demanded a correction when it mistakenly reported that the Urban League as a whole was part of the Detroit coalition....

The Board of Directors of the Michigan Committee for Jobs and Energy commended the NAACP for its recent "statement of position on a national energy policy," in a letter to NAACP President Benjamin Hooks dated Jan. 23.

In its sober, temperate and well-reasoned statement adopted Jan. 9, the NAACP rightly recognizes that jobs depend on energy, that energy supply depends on energy development, and that prevention of energy shortages is the only sure way to prevent widespread unemployment and economic disaster for all who work and wish to work. In urging the Carter Administration to adopt a more positive attitude toward the development of energy sources, the NAACP also rightly recognizes that a limited-growth policy works its greatest hardships upon those lowest on the economic scale.

The Michigan Committee for Jobs and Energy also opposes no-growth policies because of their disastrous effect on jobs and the economy. Our committee agrees

that energy conservation, which trims wasteful fat but does not cut the productive muscle of our economy, should be an essential element of national energy policy. But just as much and even more emphasis should be placed on energy development — further exploration and development of existing domestic oil and natural gas resources, greater reliance on coal and uranium, our most abundant and economic domestic fuels, production of more synthetic oil and gas substitutes from coal and other available sources, and accelerated development of alternate energy sources such as biomass, solar, wind, geothermal and nuclear fusion.

It was to be expected that the NAACP energy statement would be strenuously attacked by those who do not agree and will never agree. But the Michigan Committee for Jobs and Energy urges the NAACP board of directors to stand firm. Total environmental purity at the expense of economic security does not fulfill the American promise of life, liberty and pursuit of happiness.

(signed)

Stanford D. Arnold, Chairman
Michigan Committee for Jobs and Energy

Power Spokesman Praises NAACP Energy Policy

John Selby, President of the Michigan Utility Consumers Power Company, praised the NAACP's support of nuclear energy in a speech before the Engineering Society of Detroit Feb. 3. Selby proposed that engineers also take on the challenge "of answering the critics" of nuclear energy by publicly endorsing the NAACP's policy. Here is a portion of Selby's speech.

...As I have already indicated, in this country the no-growth advocates, and the ardent environmentalists are determined to strip us of the coal and nuclear options.

The result would be economic chaos, yet there are many among us who indicate just about every day that they think this would be a good thing.

The more restrictions on the use of energy, they say, the better we will all be. I certainly join the Sakharovs and the Dinnings on the side of an independent and strong America, and I find it discouraging that a large vocal minority of antienergy activists so easily manages to drown out exponents of a more prudent approach to meeting the needs of our society and the needs of its allies in other parts of the world....

...The (NAACP) statement was reasoned, carefully constructed and very politely phrased, but its message was clear:

An energy program which does not recognize the needs of the poor and does not reflect the ever-present job requirements of more and more Americans is no energy plan at all. It is an issue of doctrine shaped to please the people who would rather experiment with society in pursuit of various selfish personal or political goals under the guise of preserving our natural environment. Well, as Edward Teller once said, poverty is the worst pollutant of all.

...I believe I have the duty as an engineer to suggest we engineers can do more, as the NAACP has done, along

the lines of exposing to public view the deficiencies and the hazards of subscribing no-energy policies which are thinly disguised no-growth no-progress policies.

... We were encouraged with the NAACP statement, for example, on nuclear power. Recognizing the debate, and the problems the debate centers around, their conclusion was that nuclear problems can be solved through the dedicated efforts of government, the scientific community, and industry working cooperatively.

I have stated many times, and to many groups, that there is no nuclear problem in the commercial power generation field that has not only been solved, but solved again and again. Except one. We haven't gotten the message through to the opponents!

...Gentlemen, I suggest that you bring your forces to bear in that battle for a better tomorrow, bring your knowledge and expertise to the issues and for heavens sake get somebody to listen to you!

If you remain silent our Soviet friend Sakharov, and our English friend, Mr. Dinning, might one day have to wonder why in the world we surrendered so quietly, and to so few.

Hooks: We Don't Want Handouts

Margaret Bush Wilson and Benjamin Hooks condemned the media for their near boycott of a press conference held by the two civil rights leaders Feb. 7 in Chicago. "We can mobilize the troops," Wilson said, but "a blackout is being used to keep the word from spreading."

The question asked by the lone CBS Radio reporter present and answer by both Hooks and Wilson appear below.

CBS: What is the controversy that has developed over the energy report you released this past weekend?"

Hooks: Bleeding hearts want to keep the NAACP tied to government handouts and WPA jobs ... and now have generated monumental silence on the NAACP energy policy...Energy shortages will result in all the major industries shutting down...When Blacks start talking about energy, liberals begin to freak out... the liberal press has made a conscious effort to black out the NAACP... They have contempt for what we stand for... The press has pursued a form of overt racism — if we supported deregulation, we would have said that...we can spell deregulation. The liberals will support us as long as we walk in step with them... they'll pat us on the head... You don't see the media attacking Jewish groups who supported a similar energy policy."

Mrs. Wilson: I am shocked at the 'hysterical overkill' used by the media to try to stop our organizing drive by individual attacks as a cover for avoiding the real energy issues...

Asked if he was considering resigning, Hooks replied:

You could say that I've thought about dying but I'm not dead yet...I've got the full support of the board...

Hooks also announced a new educational program to be launched in Chicago on Feb. 12 called Afro-American Cultural Technological and Scientific Olympics, commemorating both the birthday of Abraham Lincoln and the anniversary of their founding. This will enter the leading black scholars in high schools and colleges in

competition for excellence in learning. Hooks stated on education: "I am very proud that in the USA there are 1 million black students in college — double the number of the entire white student enrollment in England. We need to develop brain power ... We need to turn every church basement into the 'sandlot of the mind' for our youth. We need to develop black peer pressure to model themselves on the outstanding student, not the stompers and hooligans, that are so often supported by the media.

The Press Has Confused the Issue

Margaret Bush Wilson attacked reporters and environmentalists responsible for distortions of the NAACP's energy policy in remarks she made before the Black Writers Association.

I find it interesting that Vernon Jarrett from *Chicago Tribune* described the NAACP's energy report as "controversial." It isn't, although it has generated a great deal of hysterical reaction.

Certain columnists have implied or clearly stated that the subject of energy is not involved with civil rights. I disagree with this approach. I find this fallacious and slightly dangerous.

...Nowhere in the (NAACP energy policy) document is there a reference to deregulation. I think certain columnists of national syndication are trying to create confusion by attacking us for something we haven't said. I think it is actually an attempt to confuse the public and redirect the real issue.

Reuss: 'Every City Needs A Rohatyn'

In a speech at De Paul University Feb. 6, Congressman Henry Reuss, the head of the House Banking Committee, criticized the Carter Administration for its lack of social economic policies. In his speech, excerpted below, Reuss outlined a program of hyperinflationary public works to cure the U.S. economy's ills.

The cities and the poor who live in them have been thrown on the back burner... We need a massive attack on structural unemployment as the core of our economic policy... Closed factories should be reopened to manufacture solar energy equipment. Unemployed blacks should be put to work at local conservation projects, like the old Civilian Conservation Corp... (The black unemployed) could also renovate old buildings into daycare centers... These are the types of labor-intensive, job-creating projects we should begin....

We need a czar for a "jobs now" kind of program in each of the 30 major cities, someone like Felix Rohatyn (the Lazard Freres financier who headed New York's Big MAC—ed)...The jobs czar would tally up the structurally unemployed and put them back to work...

(Federal Reserve chairman-nominee) William Miller has demonstrated his interest in such an attack on

structural unemployment.... I hope we will be entering a new era of openness at the Fed.

There is a cloud on the horizon, and that is this policy of Federal Reserve intervention into the international markets to support the dollar... This is ill-conceived, and cannot do anything but hurt us in the end.

While I am not happy about the decline of the dollar, I do think it helps make our exports more competitive and I favor keeping the Fed away from intervention.

I also think it would be a drastic mistake to link the dollar to anything else, such as the deutschemark. This would be a threat to our monetary independence, we would be turning it over to the West German Bundesbank (the West German central bank — ed.).

At the close of his speech Reuss gave a brief interview:

Q: Congressman, are you aware that the National Association for the Advancement of Colored People has rejected public-works employment with the announcement of an energy program supporting the development of nuclear energy?

A: No I was not; I haven't read their policy (statement) ...Well, if the NAACP's policy is what you say it is, then I am sure God will forgive them.

Q: What do you propose?

A: I think relocation programs could be effective, but not as the only policy, only as an overall attack on structural unemployment. But I have to be very careful about the language I use, because I don't want to sound like Hitler.

Senate Recesses, No Energy Bill In Sight

ENERGY

Senator Henry Jackson's offer of a compromise on the natural gas bill in order to have the Senate rapidly pass an energy bill was of no avail. His efforts failed this week and the Senate adjourned Feb. 10 for a 10-day recess with little headway having been made on the energy bill.

Jackson's compromises would have allowed the price of gas to rise a specified amount yearly until it reached \$2.77 per thousand cubic feet in 1983, when prices would no longer be regulated. This proposal was rejected by the

* * *

Republican members of the Senate compromise committee, six of whom united to draft their own counterproposal which would have put the gas price at \$3.27 by 1983. Jackson, whose strategy had been to split Republicans, was furious, but was forced to reject this since he couldn't give so much ground. Privately, he admitted that it was clear from the beginning that the Republican proposal would not be acceptable to the Democrats.

On Feb. 8 Jackson met with President Carter to tell him he had failed to get a compromise on the gas part of the energy bill, but stoutly declared, "I haven't given up." The next day Jackson met with several of his opponents in hopes of swaying them. "I wouldn't term it 'picking them off,' " he said of his effort to woo them individually.

* * *

U.S. Senate Passes Percy Nuclear Nonproliferation Bill

By a vote of 88 to 3 the U.S. Senate last Tuesday passed the Percy-Glenn Nuclear Non-Proliferation Act, S. 897. The bill will place stronger controls on U.S. nuclear exports, supposedly to control the proliferation of nuclear weapons. Commenting on the bill, Senator James McClure (R.-Idaho) told NSIPS that in his estimation, if the bill had not been rushed in last week by the Carter Administration for a hurried vote in the aftermath of the press scare over the crash remnants of the Soviet Cosmos-954 satellite, opponents of the Percy bill could have substantially weakened provisions which they and nuclear industry say will severely damage U.S. nuclear export prospects. A vigorous fight to propose or amend the negative features of the bill was waged by

Senator McClure and several other pronuclear energy legislators as well as by the U.S. Labor Party and the Fusion Energy Foundation.

A State Department source opposed to the Percy legislation mandate for shackling nuclear exports under a maze of additional governmental checks, said that it will be "difficult to live with this bill". A number of foreign nations considering purchase of U.S. nuclear technology are stalling, waiting to see what happens to the bill. Iran, which has been discussing possible purchase of eight additional Westinghouse reactors, has to date refused to sign a final agreement because of apprehension over the implications of the Percy legislation on Iranian domestic sovereignty.

Percy's office in an interview last week claimed that passage of S.897, which must now be reconciled with a House-passed version and sent to the White House for the expected approval, would actually aid U.S. nuclear exports, but the nuclear industry and others disagree.

U.S. Threatened With 'Gov't By Scandal'

Republican Party National Chairman William Brock undoubtedly regards his recent call for the resignation of Attorney General Griffin Bell as a "shrewd political move"—calculating that the "Marston affair" and the noisy reemergence of the long-running "Koreagate" scandals will produce Republican dividends at the ballot box in 1978. In the national interest of the United States, which happily coincides with the interest of his own party, Chairman Brock should reexamine the role of British agent-of-influence Henry Kissinger in the original Nixon Watergate scandals, and the proximity of Kissinger to the ears of the current Republican leadership, before contributing any further to the "corruption scandals" hysteria being generated through the pages of the *Washington Post* and *New York Times*.

In fact, President Carter's statement at his last press conference that the removal of U.S. Attorney Marston was handled as 'a routine matter' was essentially correct in outlook. Since Bert Lance resigned last summer, the Tory faction in the U.S. has repeatedly attempted to remove any and all potential pro-development "sunbelt" and industrialist channels of communication to the President, concentrating especially hard on close associates such as Bell, who successfully repulsed an attempted Tory takeover of the Justice Department by forces aligned with Tory Vice President Walter Mondale. This operation has been only partially successful, as is shown by the continuing wide publicity given by the *Times* and *Post* to the fact that Bert Lance still confers regularly with Carter. The targeting of Bell in the Marston affair—Brock's call for his resignation occurred shortly after the *Post* trotted out a prominent Philadelphia lawyer, Henry Reath, to charge Bell with perjury for testifying in his confirmation hearings that the Justice Department would pursue a policy of merit selection in federal appointments—represents an escalation of this offensive. Disposing of such threats has indeed become a matter of routine for the Administration.

Background to the Marston Affair

Marston's investigation of Pennsylvania Democrats Joshua Eilberg and Daniel Flood had its origins in the same Tory desire to eliminate potentially pro-industrial development forces, in this case networks centered on Philadelphia mayor Frank Rizzo, a "Nixon Democrat" long targeted by Philadelphia banker John Bunting of First Pennsylvania Corp. The results of Marston's and related ongoing investigations of Flood and Eilberg around the construction of a 21-story wing of Hahneman hospital in Philadelphia are now being leaked to the press—and so far show routine patronage arrangements, despite loud allegations of Congressional graft. Republicans are nevertheless demanding that the House Ethics Committee also investigate Flood and Eilberg; in the last week Flood has also been hit with charges reputedly coming from a former aide convicted of bribery that Flood himself has taken \$100,000 in bribes

and organized a coverup in his own defense, as well as charges that he conducted improper dealings with the government of Haiti.

As a result of Bell's removal of Marston, the *Washington Post* is also promoting "merit selection" of U.S. Attorneys, a scheme currently being pushed by Institute for Policy Studies Democrat Robert Drinan of Massachusetts to ensure that Fabian "public interest lobbies" like Common Cause can exercise veto power over the appointment of federal prosecutors.

The Koreagate Angle

Bell has also come under increasingly heavy pressure as a result of the "Koreagate" scandals. These have been consistently oriented to disrupting U.S. relations with the South Korean government, as part of British destabilization of Asia with the aim of pushing the U.S. into "alliance" with Maoist China, whose foreign policy consists of open requests that the U.S. and USSR destroy each other in thermonuclear war.

After successfully negotiating the return of Korean influence-peddler Tongsun Park to testify in the trials of two retired Congressmen and before Congress, Bell is now faced with a demand by House Ethics Committee special counsel Leon Jaworski (introduced as Watergate special prosecutor by Kissinger agent Alexander Haig) to secure former South Korean Ambassador to the U.S. Kim Dong Jo as a witness as well. On national television Feb. 5, Jaworski demanded that Carter himself force the State and Justice Departments to "get in line" behind him, again threatening a complete cutoff in congressionally approved aid to South Korea if the Ambassador was not produced. Jaworski promised that the Ethics Committee would discipline with expulsions as many as a dozen Congressmen as a result of Park's testimony. In subsequent testimony before Congress, Secretary of State Vance again asked the legislators not to link assistance to South Korea to their demand that the Korean government waive its claim of diplomatic immunity for the former Ambassador.

On Feb. 6, however, the *Washington Post* rehashed an old SEC investigation of a Texas-based electronics firm, E-Systems, a major contractor for U.S. intelligence agencies, in an attempt to link the firm to illegal dealings with Tongsun Park. The *Post* cited as evidence a 1975 letter from a former South Korean ambassador casting Park in the role of an unofficial lobbyist for South Korean defense programs, and urging "it would be most advisable for you to recommend to your friends at E-systems that they should accommodate Tongsun's requirements."

The *Post's* campaign will undoubtedly increase pressure on the South Korean government, and the House International Relations subcommittee run by Mondale Democrat Donald Fraser which has openly pursued in its investigation the line that Koreagate is a "KCIA plot" against the U.S., has six more months of life before its authorization expires just before the elections.

European-Japanese Gold Moves Put London In Policy Tailspin

Interviews from a comprehensive cross-section of British, American, West German, and Japanese bankers and officials, and the international financial press this week showed clearly that the City of London's drive for world reflation to prop up the rotten pound sterling, recently pushed by the Warburg family (as reported last week) under the "Roosa Plan" rubric, has collapsed. Instead, sterling and W. Michael Blumenthal's dollar head for another round of foreign exchange market crisis, the Europeans and Japanese stand ready to exercise their financial "Option A": as announced at the January meeting of the Bank for International Settlements, they will force the remonetization of gold by asking the United States to support the dollar through gold swaps at market prices.

In response to the political failure of their initiatives and the oncoming demise of the Federal Reserve-Bank of England control of world monetary policy, the City of London has within the last few days printed a flock of new and even more unsound scenarios — outright calls for deflation, U.S. bank failures, and mass runs on the European currencies to halt the continent's political unity. So far, international response has been summed up by a New York foreign exchange trader who, when told the British are trying to talk the pound up to \$2.00, replied: "Baloney!" (see *Foreign Exchange*).

The best evidence on the European and Japanese coalition to force the U.S. into a gold-backed monetary stabilization of the dollar in spite of itself came directly from the offices of Robert Roosa at Brown Brothers Harriman and the research department of Lazard Freres. Roosa's aide, questioned about what Japanese Premier Fukuda meant by endorsing a "Roosa Plan return to fixed rates," angrily said that what Japan — and West Germany — are talking about when they say "Roosa Plan" is not at all reflation and central bank coordination of monetary policy. Rather, the aide complained, Fukuda endorsed precisely what the Europeans and Japanese threatened at the January Bank for International Settlements (BIS) meeting: a move to stabilize the dollar through the reintroduction of gold at market prices, and the expansion of industrial exports to the Third World. Japanese industrialists are demanding this of Fukuda, he said.

A review of the Japanese press explains the commotion. The *Asahi Evening News* this week, under the headline "What is the Roosa Plan?", runs an analysis by former IMF Director Hideo Suzuki that openly says that the "Roosa Plan" called for by Japan's corporations means stabilization of the yen-dollar parity and all foreign exchange relationships through comprehensive central

bank support agreements — emphatically including gold swaps at market prices. The question, writes Suzuki, is "Will the U.S. agree to this?" Suzuki also notes that real expansion of world trade is the only way to give such an agreement a sound economic basis — but urged that the monetary actions be taken promptly, rather than waiting for the trade expansion to be negotiated. The *Yomiuri Daily* warned the same day that unless Fukuda moves quickly on real economic development programs for Japan, the country's industrialists intend to have his government replaced.

A top partner in the research department of Lazard Freres investment bank said the same: Gold and the swaps are a real alternative if the dollar continues to erode. He cited this week's London *Economist's* egregious blowout article on gold, "Now They're Fleecing the Golden Sheep," which documents extensive moves into the gold market by French, German, Swiss, and other investors and governments. He warned that London can opt to destroy the gold market by forcing South Africa to dump gold to pay its debts. If that fails, the *Economist* fulminates, then London's own G.W. Miller can always dump U.S. gold when he takes over at the Federal Reserve. A likely threat, as many economists who read the article pointed out — because this is exactly what the Europeans want the U.S. to do; any sale of gold at market prices plays right into remonetization and currency stabilization.

Similarly, a large cross-section of bankers and European government officials denounced reflation and the Roosa Plan in interviews with NSIPS. One West German official openly mooted the introduction of gold as a force for "discipline."

British Scenarios Rampant

In response to the strengthening European political situation, the City of London forces have outdone themselves with vicious plans for chaos and confusion — anything to regain the political initiative. If allowed to have their way, they could repeat their triggering of the 1929 crisis.

One option floated by Lazard's research department is, if the West Germans and Japanese won't reflate, and insist on going to gold when the dollar falls as a result, then the U.S. must *deflate*. Lazard cited the hike in U.S. interest rates, forced through by Treasury Secretary Blumenthal, as their faction's single most important accomplishment this year. The dollar can be stabilized, Lazard research said, by hiking rates up high enough so that dollar bank deposits look more attractive than German mark or Japanese yen deposits, even with a \$30

billion annual U.S. trade deficit — which will take a lot of interest rate hiking. Even if this means the U.S. economy will go into “negative growth,” with a “rather prolonged recession,” said the Lazard spokesman, anything will do, just so the Europeans and Japanese are not presented with an immediate choice between reflation, dollar collapse, or gold (and choose the latter).

The other major scenario presented — aside from a flopped one-day attempt to talk up the pound (see *Foreign Exchange*) — was announced by a limited partner of a top British merchant bank after he was told that no one in the U.S. would buy the deflation scenario above. The main problem, then, he pointed out, is that from the British standpoint the European *political* situation needs “a blowoff...a little bit of bloodshed.” Since the overriding threat to Britain’s policy goals is the European-Japanese political solidarity for expanded industrial development, trade, and a gold-backed monetary system to back this up, then this political configuration must be ruthlessly attacked and destroyed.

The British intend, he said, to start a general currency destabilization in Europe which would make their attack on the French franc last week look mild. “The \$64 question is, if French, Italian, and Netherlands investors — that began just last week — start to get out of their own country’s securities, it would counteract what the Swiss and Germans are trying to do.” Pushing Fabian Socialist Mitterand in the French elections, he said, would start a run on the French franc that would turn into a general run on European currencies. The perception that West Germany would also suffer from the general European crisis would quickly bring on an attack even on the mark — and the entire political situation would be so disfigured that Britain would be able to take over in the chaos.

If carried out, however, this dangerous scenario would hit sterling too. It need only be taken seriously to the extent that the United States and its European and Japanese allies sit still for this kind of threat from the City of London — and that is a political question.

‘Mr. Roosa Is Upset About How His Plan Is Being Used’

The following are excerpts from an interview with an aide to Robert Roosa at Brown Brothers, Harriman:

Q: What does Japanese Prime Minister Fukuda mean by endorsing the “Roosa Plan” as a return to fixed rates?

A: Look, the entire discussion of Mr. Roosa’s plan has gotten out of hand. People are going way beyond his meaning. What Mr. Fukuda said could not be further from the truth. The Roosa Plan is a system for coordinating central bank policy explicitly within floating rates, including reflation of the major economies.

Q: Wasn’t Mr. Fukuda perhaps referring to the “BIS scenario” arrived at at the Bank for International Settlements at Basel last month, where European and Japanese central banks demanded support for the dollar and reintroduction of gold into the system?

A: It may well be. Mr. Roosa is upset about the way his plan is being used. Fukuda is under mounting pressure from Japanese industrialists to go to fixed rates. Fur-

thermore, the Bundesbank (West German central bank—ed) was asked at a press conference last week if they had been discussing the Roosa Plan. They denied it, but we don’t even know what they mean. We do know the Germans demand maintaining control over their own national economy, and that they certainly don’t feel that the time is right for the Roosa Plan now, or in the near or even medium-term future at all. I can tell you further that no one in the U.S. is discussing the Roosa Plan as we see it, as a real option.

It’s Only A Short-Term Tactic

A spokesman for the research department at Lazard Freres had this to say:

Q: Will Germany and Japan go for the “Roosa Plan” with reflation?

A: Ridiculous—Germany and Japan will never reflate.

Q: Well, if Fukuda and the Bundesbank mean going to remonetization of gold when they say “Roosa Plan”, then isn’t that their intention?

A: Yes, supporting the dollar using gold swaps is the obvious alternative if we keep on like the Carter Administration would like to keep on. If the U.S. continues to reflate, to run a deficit, to keep domestic demand high through printing money, and to insist—and fail—at German-Japanese reflation, then we have a real crisis and gold is the obvious action: a real potential development. Look at the *Economist* this week. They really think it might happen, not like the stupid *Wall Street Journal’s* editorial comment two weeks ago, which said people would be too stupid to remonetize gold. The Japanese, for example, have their trading companies buying gold for the Finance Ministry.

Q: Then we’re headed for a gold-backed system, since they won’t reflate?

A: No, not unless the U.S. deflates. This is, in fact, what will occur. Instead of what the Administration would like to see, which would cause a gold move in short order, we have already begun to defend the dollar with the single most important thing we could have done: *raise interest rates*. This will stop imports, by stopping economic growth here, thus slowing down world trade and causing a rather prolonged recession. Just by having the economy grow slowly is in fact the best way to have a Roosa Plan. Look at Anthony Solomon (U.S. Treasury—ed.) and Henry Wallich’s (U.S. Federal Reserve—ed.) testimonies in Washington this week. They said that intervention at any given level does not imply the dollar is being held to that level—that is, we will not support the dollar by intervention, but through higher interest rates.

Q: But won’t a fallout of the U.S. economy weaken the dollar and make the Europeans jump into gold anyway?

A: Sure, in the long run. All I’m saying is that if we raise interest rates the situation will look better, the dollar will be stabilized, by the time of the heads of state economic summit in Bonn this summer. *But it will only be artificial and short-term improvements*. Then we can put less pressure on them to reflate, and in return they will pull back from gold for awhile.

“We Have to Have a Little Bloodshed”

Here, an interview with a limited partner of a top British merchant bank:

Q: Our reading of the figures is that off-budget financing, particularly to support FNMA and the other real estate agencies, will bring the federal deficit up to about \$140 billion. Do you agree?

A: Yes, the deficit will be in the range of \$120 billion to \$140 billion. The total financing requirements of the economy will be \$350 to \$360 billion.

Q: Rothschild sources in Europe projected a two-tier credit system geared towards real estate. Is that what we're seeing?

A: What do you mean by Rothschild? There is a vague sort of network people call 'Rothschild,' but I don't know what you're referring to.

Q: N.M. Rothschilds and Sons and the Lambert people in Brussels.

A: Oh, right. The Federal government will do everything available to support the real estate market. We have had a two-tier system for some time, and this will certainly increase the trend.

Q: The scenario we are projecting is that if the dollar collapses—as a result of the deficit we are talking about—the Europeans will remonetize their gold reserves, and London will be collapsed.

A: Oh, not necessarily. The Europeans may want to do that. But there are \$350 to \$400 billion, and the market for that is in London and will continue to be. Inflation will ensure that the market will continue growing at at least the rate it has in the past. Most of the money that comes through London isn't of British origin—London is the financial center because it has the best transportation, communications, restaurants, and warehouses in Europe.

Q: What the French, Swiss, and Germans have in mind is to use European gold reserves to take command of capital flows — for example the plan to create a parallel gold and deposit market in Luxembourg and draw funds out of London. That would eliminate London.

A: I wouldn't say 'eliminate.' There are numerous private investors moving into the Eurodollar market. Those securities and time deposits mature constantly and will have to be turned over. There is a secondary market that will have to remain in Britain. The prime market may be dominated by the European banks and controlled by the central banks. But private funds—and you can count them in the hundreds of billions—will stay in London and some in Zürich. The \$64 question is if French, Italian, and Netherlands investors—that began just last week—start to get out of their own country's securities, it would counteract what the Swiss and Germans are trying to do. The French elections are extremely important. It may surprise you, but I am in favor of a socialist government in France. There are huge amounts of franc-denominated funds held by investors outside France...

Q: French Socialist leader Mitterand last night put the figure at 400 billion francs.

A: That's right. There is also a growing perception in West Germany that a non-growth Europe can't survive without a readjustment of the mark. That will mean a shift back to dollars. It would only be a transfer—it would not help the U.S. balance of payments, since the central bank would buy up the deutschemarks going out and sell dollars, so it would only move dollars from one place to another. But this will stabilize the dollar against the mark and the Swiss franc.

We Want Socialism In France

Q: Our estimate is that it won't happen that way. Schroeders, Warburgs, and a few other organized the run out of the franc last Thursday...

A: When you say "organized," you seem to imply that a group of men in black hats get together for lunch and plan what will happen. I've been in the banking business for 30 years, and you won't find anyone more cynical and suspicious than me, but it doesn't happen that way.

Q: Henry Simon Bloch (of Warburg, Pincus) has been talking. In any case, Giscard and Schmidt met on Tuesday and held the franc together and rapped the speculators' knuckles.

A: Giscard has been tough on speculators. They're starting to put speculators in jail. They never used to do that before. But we'll know on the 12th — the first round will go socialist.

Q: If the Socialists win, Giscard will stage a De Gaulle-type coup. The Socialists won't be allowed into the government. This is what Debré has been saying.

A: Maybe so, maybe so — perhaps that would be best...

Q: I thought you wanted the Socialists in the government.

A: Let me tell you! We want the Socialists to win the elections for even more insidious reasons that you would suspect. A Socialist government would be a capitalist-oriented conservative government. It would get it all over with. We need a blowoff. To get back on the track we are going to have to have a little bit of bloodshed. Then we can go back to capitalist-oriented free enterprise.

West Germany Wants 'Nothing Connected to Inflation'

Here, comments from a West German economics official:

Q: What is your opinion of the "Roosa Plan"?

A: Roosa spoke before the Banking Committee of the Senate early December, and issued his proposal for a basket of currencies there. Our reaction? It is not at all favorable. The problem with the proposal is that it is the same as Bretton Woods: fixing of rates without any coordination of inflation problems or coordination of economic policy.

Q: What kind of coordination are you speaking about? Would you accept any kind of coordination which involves stimulating or inflating the West German economy?

A: Nothing connected to inflation. Central banks are faced with a wave of attacks from speculators. If intervention is done, there must be concerted action. We defend the dollar all day in West Germany, the exchange closes, and then speculators go to New York and by the

next morning the dollar has fallen again. The U.S. must intervene here. There is definitely discussion occurring on using gold as a disciplining factor in international currencies.

Franc Attack Judoed Against Pound

The London-orchestrated speculative attack against the French franc was signally reversed last week and the pound took a licking in reprisal at the hands of European bankers. On Feb. 7, before the joint Paris press conference by French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt, the franc had sunk to 4.94 against the dollar. The day after the press conference, in which Giscard announced that he had instructed Premier and Economics Minister Raymond Barre to "take every necessary technical step to oppose the depreciation of the franc," the currency reached 4.87 without direct support purchases by either the French or West German central bank.

FOREIGN EXCHANGE

Indeed, the only central bank visible in the markets that day was the Bank of England, trying to keep the pound above \$1.91; news that a miners' strike had been averted only nudged sterling up half an American penny, even though London bank representatives in New York were euphoric at a token of the resilience of the government's pay restraint and thus the future of the government bond market and the sterling crossrate.

Not only was this mania derided by the majority of international bankers, both pro-sterling strategists like Lazards and "neutral" short-term operators at the New York commercial banks; the Europeans made the defense of the franc into more than a mere tactical victory by "banging sterling in revenge," as one trader put it Feb. 8.

When Chancellor Schmidt was asked in a West German television interview about support for the franc, he commented that he had not discussed the subject with Giscard because it was already a bilateral matter-of-course; what they had talked about, he said, was "a more important currency," that is, the dollar — thereby putting Treasury Secretary Werner Blumenthal and other London satraps in Washington and New York on notice that no further monkey business like the franc stunt will be tolerated.

From Franc to Dollar

The run on the franc had amounted to a new attack on the dollar. Aside from purely technical reasons, involving dollar sales required to perform franc support, the Warburg, Rothschild, and Schroder group of London banks were racing to draw international funds out of the franc, the dollar, and other "weak" currencies into a

wild, reflation-hyped deutschemark-Swiss franc-yen axis including the pound as a major reserve currency, despite the sub-Dickensian state of Britain's material assets. (See *Executive Intelligence Review* Vol. V, No. 5.)

In the wake of the European counterattack, the Rothschild strategists have lost an important margin of credibility. The next time they want to use their powers of persuasion to direct central bank and other major depositors in or out of a currency through hoked-up rumors (like the "certain" March victory of the French left) they may be left talking to themselves.

The State of Sterling

The other immediate deflator of London's pretensions is the state of sterling finance itself. Having sucked in continuing piles of international funds through high long-term interest rates, and with the expectation of launching a new imperial re-lending drive abroad, the City is now forced to tacitly acknowledge that it lacks the political clout to abandon its exchange controls and funnel others' liquidity into anti-growth channels of its choice. Lazards confirms that to lift controls at this point would simply mean a £10 billion outflow to safer shelters with no London control of the funds. In fact, the tremors of an anticipated run out of sterling investment that surfaced in the London *Financial Times* at the end of last month are growing louder. The *Los Angeles Times* reports British bankers are protesting a bit too loudly that OPEC holdings will never be withdrawn from the pound; Citibank derided British backpatting over the miners' settlement: off the record, Lazards admitted that all the "fundamentals" point downward — the City's antagonism to industrial expansion is catching up with it at home.

In expectation of Bank of England chief Gordon Richardson's Feb. 9 policy speech, the British press is clamoring for action to curb the domestic money supply, swollen by inflows London hasn't figured out how to put to use at a 24 percent annualized rate in December. On Feb. 3, the stock and "gilts" markets had both tumbled due to the money-supply announcement, and the *Financial Times* expects real estate to remain the only point of foreign interest. No one proposes to encourage real investment in the U.K., but the expectation is rather a reimposition of a "corset" on clearing bank deposits, and hence, a new IMF-style tightening of domestic credit, the remedy for inflation whose inefficacy deters its advocates no less than its austere discomforts. The importance of this bind, however, is the opportunity for European and American strategists to make a terminating, victorious onslaught against pretentious sterling swindles so that the bank edifices and the skilled British labor force can be put to use by wiser directors in the aftermath.

British Concede Arab Outflow Potential

These excerpts are from an article in the Feb. 7 Los Angeles Times, "Arabization' Bother British," by William Tuohy:

...Ever since the price of oil was quadrupled four years ago, billions of dollars from the Arab petroleum-producing countries have been flooding into London.

No one knows just how much money has come into Britain from the Arab countries because the desert nations are reluctant to publicize the extent of their investments, and some Arab money reaches London through Swiss banks or offshore holding companies.

But the Bank of England estimates the net inflow of cash from the oil exporting countries last year at \$6 billion. Bank holdings from the oil exporters ran around \$24 billion....

"It is true that Arabs are investing heavily in Britain," one senior money manager said. "But this means that they have an increasing stake in the fate of our economy and institutions. I think that this will be a force for stability rather than otherwise."

...The inflow of Arab money into Britain is still heavily overshadowed by the amount of Arab investment in the United States, mainly because of the long connection between America and the richest of all Arab countries, Saudi Arabia....

The "or else," it was suggested, could result in the Arabs abruptly pulling out of sterling and the British market, leaving the pound and financial institutions badly battered.

Sterling: A Rothschild Bank Vs. a U.S. Commercial Bank

The Chief of Foreign Exchange at a Rothschild-family-owned bank in New York:

Q: Don't you think sterling is beginning to look weak?

A: Oh, no, the pound is going up to \$2. The miners' union just settled for a 10 percent wage hike where they had been demanding 80 percent, and they are the flagship for all the British unions. The only thing bearish for sterling had been those wage negotiations, and now that is

favorably settled. Sterling is headed up, British government gilts (government bonds — ed.) will go flying.

A Sterling trader at a top New York commercial bank:

Q: The British say sterling is going up to \$2.

A: Ah, baloney! I see it falling to \$1.90. Even with the rumor this morning that the Minimum Lending Rate is going up 2 percent on Friday (February 9 — ed.), sterling fell this morning from \$1.93 to \$1.92 today, at which point the Bank of England had to support it. And after the miners' settlement came out, it only rose half a cent, not even back up to where it had started — peanuts — and that's all it's going to do. If sterling had any inherent strength, as they keep saying, this was the best possible news — and it didn't move: the market had plenty of time to react.

Furthermore, the European continentals (banks — ed.) were banging sterling in revenge for their hit against the French franc. When the franc went down, sterling went down. The only difference is that the franc came back up, but they're still banging sterling. A \$2 pound — baloney!

A member of Lazard Freres' International Department:

Q: Do you believe that sterling is as strong as British banks say?

A: Look, off the record, I'll give you our private forecast — only off the record. Sterling is the weakest currency in Europe. By late 1979, Britain will be back in a deficit — no matter what they say about North Sea oil. The rise of the pound thus far from its low last year (\$1.66) to current levels has already wiped out any export advantage Britain would have had due to the complete uncompetitiveness of British industry. And the oil trade won't cancel out the trade deficit which will reappear on the non-oil balance. Furthermore, the capital account is going into deficit because although invisibles are still high, North Sea foreign investors are beginning to repatriate earnings. M3 (the money supply, broadly defined — ed.) is growing at outlandish rates even though the capital inflow has stopped, which means money growth is being churned up internally in the banking system. Inflation will go back to double digits as soon as Healey's reflationary budget goes through — which it has to, or else unemployment will get politically out of control. And if they tried to take off exchange controls, there would be a capital flight out of Britain — they don't dare.

Lazard Readies Alternate Credit And Banking System

At this moment Lazard Freres, home of "financial wizard" Felix Rohatyn of New York's Big Mac, is using the bank's networks inside the U.S. government to ready an alternate credit and banking system appropriate to restructuring the U.S. economy into a technologically backward, labor-intensive nightmare.

This on-going, multipronged operation involves principally the use of federal loan guarantees, federal procurement policies, and the reform of federal regulations governing the investment of pension funds, to channel credit into designated "energy development projects," "industrial parks," and the like in "high-unemployment market areas." One of the eeriest things about this operation is that it represents a total perversion of the principle of dirigism—the use of the government's powers to foster high-technology economic development—as it was understood by Alexander Hamilton and the other men who built this nation into a leading industrial power.

In this latest Rohatyn perversion, the government's powers are used to channel liquidity into the worst sort of labor-intensive projects while starving capital-intensive industry and agriculture of needed credit.

The Pension Fund Grab

Sen. Jacob Javits (R-N.Y.) plans to exploit the atmosphere created by the multimillion-dollar Department of Labor suit against the former trustees of the Teamsters' Central States Fund to push ahead with pension "reform." According to a Javits aide, the Senator will shortly draft legislation to "reform" ERISA (the Employment Retirement and Income Security Act of 1974), relaxing its requirements on prudent management and freeing some \$150 billion in union and corporate pension funds for investment in "socially responsible" investments such as MAC bonds and the "rehabilitation" of inner cities.

Pension fund "reform" has long been the special pet project of Lazard Freres, the Senator's personal investment bankers. The passage of ERISA, sponsored by Javits, increased the potential liabilities of pension fund fiduciaries, thus terrifying union pension fund managers into handing the funds over to professionals like Lazard for "prudent" management. In this atmosphere Javits along with Senators Percy and Jackson, his colleagues on the Permanent Investigation Subcommittee of the Senate Governmental Affairs Committee, launched the investigation of the trustees of the Teamsters' Central States Fund, which, in the spring of 1976, led to the Department of Labor and Justice Department ordering the trustees to hand the \$1.4 billion fund over to a consortium of professional managers, led by Equitable Life Assurance Co., which included Lazard Freres.

Javits's role in recommending Lazard Freres for the

business may soon be the subject of a conflict-of-interest investigation.

Federal Loan Guarantees for MAC Notes?

On Feb. 9 the Senate jettisoned New York City's request for a renewal of its seasonal financing loan from the Treasury, however Lazard's New York City had already shifted. The same day Eugene Keilen, MAC's executive director, told the *New York Post*: "We could say to Washington that we will do the short-term financing, if they will help us over the long term." Under MAC's latest scenario, the city trades off its short-term loans from the federal government in return for federal loan guarantees to back the sale of \$2.5 billion in long-term bonds to raise capital to rebuild the city's crumbling streets, sewers, and bridges.

Targeted Government Procurement

A third aspect of the "alternate credit system" involves diverting the \$140 billion in federal spending on military and nonmilitary goods and services to "high unemployment labor markets." The Urban and Regional Policy group, the interagency taskforce headed by HUD Secretary Patricia Harris, is now running with this policy, for which no legislation is needed. Public Law 9589, passed some 20 years ago, allows the federal government to target government procurement to areas of unemployment. Last November President Carter issued DMP (Defense Manpower Policy) 4A, which instructs government agencies to direct 10-15 percent of their procurement to "high unemployment labor market areas."

The taskforce is presently working on removing the remaining restrictions on directed procurement and intends to turn directed procurement into a key tool of government urban policy. "It could take 700 years to pass an Urban Development Bank," one HUD official explained. With directed procurement, "we're talking about \$140 billion in federal spending as early as Fiscal 1979. This policy tool can have a much greater effect than any of the other proposals which have been under discussion."

Youngstown: Lazard Pilot Project

One of the test cases of the procurement policy will be Youngstown, Ohio, hit by the crisis of the steel industry. Gar Alperovitz, director of Lazard's Institute for Policy Studies-linked Exploratory Project on Economic Alternatives, is telling reporters that the directing of government procurement orders to Youngstown is a key element of the plan to reopen the 5,000 man Campbell Works with community-control, community-ownership.

According to Alperovitz, if the government were to place advance orders for steel with Campbell Works, this

would ensure the profitability of the plant and, together with the extension of federal loan guarantees, create the basis for the flow of credit from private investors, to raise capital beyond that which can be squeezed out of the community.

Alperovitz and the people he is working with at the Youngstown religious Coalition are assembling a blue-ribbon group of experts to put together a hardheaded plan which packages a variety of elements—directed procurement, federal loan guarantees, community ownership, advanced energy-conserving techniques. Among them, Stanley Luke of ITT, described by Alperovitz as the foremost acquisition specialist in the country, has recruited himself to act as Sen. Howard Metzenbaum's (D-Oh.) special adviser in arranging the

community-ownership swindle.

On Feb. 16 Alperovitz and members of the Religious Coalition plan to launch a propaganda blitz to sell the concept of community-worker ownership of industry to the Youngstown population. There are going to be mass meetings, sermons in the churches, and literature will be distributed to school children to take home to their parents. Since no corporation has been formed to purchase Campbell Works, no equity can be sold yet. However, Alperovitz is telling reporters that there is nothing to stop the collection of "earnest" money from the community, which can be later applied to equity participation in a new public corporation. Local bankers are already opening "Save our Valley" accounts to collect the money.

* * *

Javits Aide: Sure We're Looking At New Ways To Invest Pension Money

These statements were made by an aide to Senator Jacob Javits on the Senate Human Resources Committee:

Right now, the minority counsel is considering amendments to ERISA that will both increase the protections under the bill for beneficiaries and clear up some confusion as to what would amount to "prudent investments"... The Senator is interested that some of the money should go into socially useful investments. His particular thing is low-income housing, but there are other possibilities like development bonds for industrial parks, solar energy, etc....The Labor Department is going to promulgate some regulations that might handle the thing. They will say that the way to judge a "prudent investment" is to look at the whole portfolio. If the portfolio is secure overall, then it would be all right to have some high risk investments. We don't want all the money tied up in blue chips or Treasury securities...

The Teamster suit also raises some interesting points.

The way things are set up now, if there were to be several big defaults, say a hundred million or so, there would be no way that you could recover this money by holding the trustees personally accountable. The Pension Guarantee Benefit Corp. can't cover the losses since they only handle funds that are going out of existence...so there would be losses and probably benefit cuts.... But the suit is still necessary because it is a major psychological plus, deterring officials in union offices especially....

There is another problem, that has been raised by *Fortune* Magazine and others about funds being underfunded...we don't think that this is a problem so much with private sector funds, but it is a big problem with public employee funds...the only way you can handle the fact that there are so many public employees being forced into retirement without bankrupting the funds is to force a diminishing of payouts. You do this by preventing younger retirees from collecting benefits while they still can work — in some cases they collect benefits and hold down a job...there's no way to solve the problem unless you deal with that...The unions will scream, but would they rather see the fund go under, like the Firemen's (in New York City—ed.) is going?

Blumenthal's 1979 Federal Budget: Blueprint For Destruction Of The U.S.

The following analysis was written by David Goldman, USLP Director of Financial Intelligence.

Sifting through thermonuclear rubble some eons from now, a future archaeologist might be struck by a thick brown booklet, entitled, "The Budget of the United States Government: Fiscal Year 1979." After sufficient cross-checks, that researcher might be satisfied that he had discovered, in the black-and-white of official records, why the America of enduring legend had destroyed itself — much as present-day archaeologists can grid the destruction of the Babylonian Empire against economic data on surviving clay tablets.

If, indeed, the Fiscal Year 1979 Budget that Treasury Secretary Blumenthal presented on Jan. 23 remains unchallenged, the American economy will be a subject less fitting for journalism than for archaeologists. It is not just that Blumenthal's budget guts research and development, especially basic research, and therefore undermines the national security of the United States: as a unified policy document, the budget commits the United States to an economic program identical to that of Hitler and his Finance Minister, Hjalmar Schacht, during the 1930s.

Before the public release of the budget, New Solidarity exposed what the City of London and its allies inside the Carter Administration schemed for the American economy. The London scenario involved a two-tier credit system oriented toward real estate and related speculation, and away from productive investment in industry — a devil's converse of an earlier USLP plan to penalize speculative credit and create special long-term, low-interest credit facilities for industrial investments and export.

Blumenthal's Big Lie

That is precisely what Blumenthal's 1979 budget is: a plan to choke off credit for American industry in favor of real estate and related speculation. As told by the press — including the Wall Street Journal, Business Week, and other specialized financial publications — the cover story for the budget is that the total \$500.2 billion in spending is substantially no different from the last Ford Administration budget. Moreover, the federal deficit — the amount the federal government must borrow from the credit system to make up for expendi-

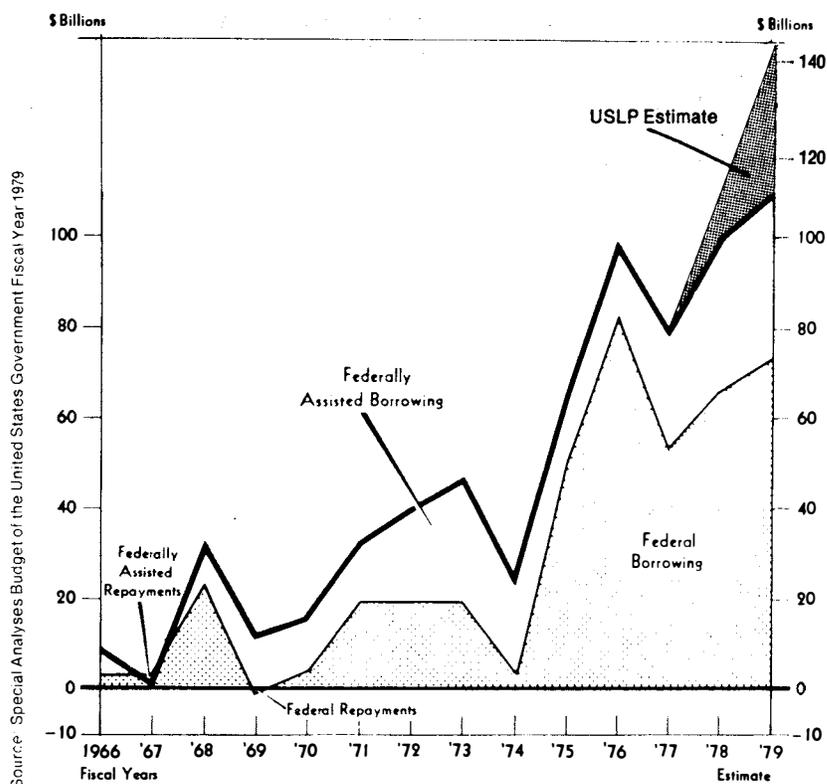
tures in excess of tax revenue — will reportedly be \$62 billion in Fiscal Year (FY) 1979 (starting on June 30, 1978), compared with \$61 billion in FY 1978, the year ending June 30, 1978.

But as Graph I shows, the actual volume of federal borrowing will total \$100 billion in the year ending June 30, 1979, by the government's own estimates! The Big Lie with numbers involves shaving off some \$30 billion in federal borrowing and expenditures, and classifying them as "off-budget" activities by "federally-sponsored agencies," a swindle invented in 1967 by the Johnson Administration.

Conservative economists get apoplexy over the \$62 billion figure, warning that federal borrowing will swamp the credit markets, push up interest rates, and choke off the flow of credit to the productive sector. As far as it goes, that is correct. The last time gross federal borrowing neared the \$100 billion mark, in 1975, the economy was in shambles, so private sector credit demand had, in fact, collapsed. None of the economists' computer models could print out the present impact — while private credit demand is at an all-time record — of a \$110 billion deficit.

Even the \$110 billion figure is a gross underestimate.

Graph I — Federal and Federally Assisted Borrowing



The Real Estate Swindle

It assumes a level of tax revenues generated by real economic growth of 4.8 percent a year through mid-1979. Even a drop in the growth rate to 3 percent by the end of 1978 — the consensus view of most forecasters — will add another \$10 billion to the deficit. The devastating impacts of this budget on the credit system will push the real economy into an absolute downturn during 1978. As Graph I shows, the last time that happened, the loss of tax revenue from the stricken economy pushed the deficit up by almost \$50 billion. On top of this, various Republican analysts pointed out certain fraudulent underestimates of spending, e.g. the \$20 billion assumption that federal agencies will spend only 88 percent of funds allocated to them, where they spent 92 percent last year.

The actual volume of federal borrowing implied by the budget is between \$140 and \$150 billion under the best conditions, or close to one-third of total spending. Since that estimate is based on publicly available information, it appears that conservative opponents of the Administration are too horrified even to perform the required addition.

But the least-informed and potentially most disastrous response is the "fiscal conservative" demand to cut essential expenditures out of the budget (not one of these "fiscal conservatives" has yet objected to the big real estate swindle, described below, which is the biggest mass corruption operation since the days of Andrew Jackson).

As far as the deficit is concerned, there will be no difficulty containing it, provided the right policies are pursued, for two reasons:

- 1) Drying out speculative fluff in the credit system, including the U.S. real estate bubble and the worst aspects of the \$600 billion Eurodollar mess, will draw vast amounts of funds from speculation and into U.S. government credit. The U.S. Labor Party has already shown how it can be done through the Eximbank ("How a Hamiltonian Eximbank Will Work," by Nancy Spannaus and David Goldman, Special Supplement to the Executive Intelligence Review, Jan. 1, 1978). Apart from the use of Eximbank to centralize the tens of billions of dollars in loose international funds under its 1945 statute, the Federal Reserve must cooperate in the interim by putting the clamps on speculative markets, and providing long-term, low interest credits to the productive sector directly.

- 2) Hamiltonian credit policies will immediately open the floodgates of suppressed demand for industrial investment at home, and for purchase of American goods abroad. Directly and indirectly, the U.S. Labor Party's proposed Eximbank strategy can generate \$100 billion of exports per year, with radiating effects several times that in terms of feeder industries, stimulated capital investment, additional consumer goods purchases, and so forth. Even more directly, government support for high-technology capital investment will unlock literally hundreds of billions of dollars in potential investment over the next two to three years.

All this creates taxable revenue — and should to the extent that the Federal government would be in position to cut taxes within six months.

Therefore, what really matters is not the mere size of the deficit, but the real economic content of government spending. Alexander Hamilton, John Quincy Adams, Henry Clay, and Abraham Lincoln used the federal budget to centralize the nation's credit for investment in national improvements — roads, canals, harbors, factories, railroads — that delineated the overall course of economic development for the "private sector." Whatever direction it takes, the federal government determines the general thrust of economic development.

In Blumenthal's budget, the *entire margin of increase* in the deficit — the "off budget," "government-sponsored agencies" — occurs in the extension of federal monies to back up the speculative market in real estate paper! As shown by Table I, the Federal National Mortgage Association, the Federal Home Loan Bank Board, and their dependents are slated to increase their borrowing from \$7 billion in (calendar year) 1977 to \$17 billion in 1978 and \$14 billion in 1979. Since the federal agencies that support agricultural credit, student loans, and other relatively useful activities will constrict their activity, the net increase in funding of real estate speculation will be close to \$12 billion during 1978.

Although the homebuilding industry and others will point out that these agencies ultimately get some real construction underway, that occurs only after the mortgage on a dwelling or office building has been traded, retraded, gambled with on the Chicago options market, discounted for cash, and so forth, many times over. Bank of America, the nation's largest bank, estimates that it turns over 80 percent of its entire portfolio of real estate paper in a single year. The Federal National Mortgage Association ("Fannie Mae"), the Government National Mortgage Association ("Ginnie Mae"), and related entities are re-discount agencies for the secondary market in real estate paper. In other words, they raise a kitty by issuing federal securities to the credit system, and become the last-in-line purchaser of real estate paper. Under present conditions, that's not much different from the government lending chips to gamblers at a Las Vegas casino. The total effect on the economy is vastly greater than the \$12 billion in new credit from these agencies — which, to add insult to injury, are now privately controlled. When the government acts as a lender of last resort to a speculative market, the total volume of new speculation made possible by the additional federal money grows in a "reserve ratio," or multiplier, on the markets. That \$12 billion will unleash several tens of billions of dollars of new real estate speculation.

Anyone who has tried to purchase a single-family home in the last couple of years knows exactly what this means. In some parts of the country, the process has grown to the proportions of the 1920s Florida land bubble. California residents have seen a \$40,000 house turn into a \$110,000 speculation over the last two years.

But the deadliest feature of the whole business is the extent to which the economy is already hooked on to the real estate bubble, which has replaced industrial investment as the driving force of economic activity. Federal Reserve Board Governor Dr. Philip Coldwell reported in a speech on Jan. 26:

Demand for credit from the private sector was especially strong (during 1977) in three major areas but relatively weak in others. The strength came in the real estate sector, as new home building increased and the multi-occupant condominium and apart segment began to redevelop. In addition to this basic demand for real estate credit though, many homeowners found that they could withdraw the equity from their homes where inflation had bid up the prices, by means of new and second mortgages. The credit going into this form raised the volume of real estate credit by a record amount.

On Wall Street, it is notorious that the American real estate boom is a British plaything. The London-based investment banks have their eyes on a managed flow of speculative foreign funds, picking up hot items through the Sunbelt and other boom areas.

In fundamental economic terms, the real estate boom of 1977 — which has a “you-ain’t-seen-nothing-yet” relationship to what the budget implies for 1978 and 1979 — channels the critical margin of new profit into *ground rent*. “Investment” in real estate creates no new wealth, or attaches a gigantic speculative premium to a relatively small amount of new wealth creation, as with homebuilding. The ground rent, or income from non-productive investments, is extracted from the productive sector of the economy, *through political strongarming*.

None of this could take place without the direct support of “federally sponsored,” privately controlled agencies like FNMA. Ground rent has been the sacrament of the British system since the 17th century, when the tithing landed oligarchy allied with the House of Orange and its financial backers in Amsterdam to create the most concentrated, enduring force for evil in world history.

The point of mortal danger has already been passed when ground-rent income controls strategic portions of the credit system. That is why Fed Chairman Arthur Burns, New York Fed President Paul Volcker, the Wall Street Journal, and other voices who know better prefer to utter pompous stupidities about inflation than to attack the real inflationary horrors of the Blumenthal budget. Consumer credit, which galloped ahead last year at the rate of \$2 billion or so every month, depends heavily on second mortgages on family homes. Auto and other durable goods sales depend overwhelmingly on

consumer credit, which is now “tapped out,” in the view of every run-of-the-mill bank economist. The banking system is creaking under the weight of about \$30 billion in speculative real estate loans, most of which are goners. Chase Manhattan alone has \$5 billion worth, at least half of which are dead paper. Atlanta’s top bank, the Citizens and Southern, might have to write off 10 percent of its total loan portfolio, all real estate, the New York Times gloated in a Feb. 6 feature.

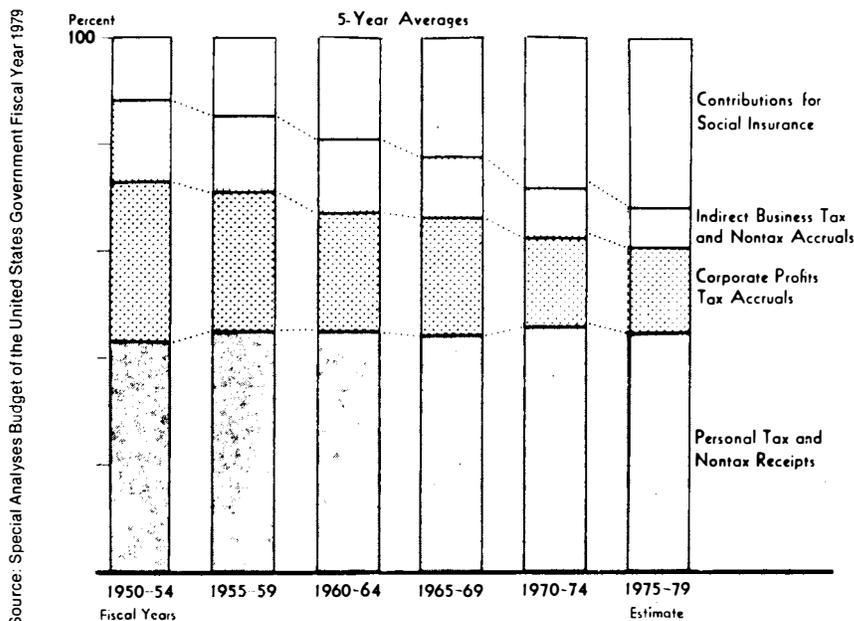
Burns and his fellow chickens are terrified that a collapse of the secondary markets for real-estate paper would take the economy down with it. As things stand, that fear is entirely justified — unless the federal government adopts a Hamiltonian economic program.

The Economy’s Deterioration

Since the federal government — whether it claims to or not — determines the nature of economic activity, the budget itself sets out crucial parameters of the economy’s health. Blumenthal’s budget demonstrates, in the nuts-and-bolts of federal income categories, that the United States will turn into a version of Hitler’s 1933-37 nightmare, unless Blumenthal is stopped.

Compare, in Graph II, the sources of federal government revenues during the Eisenhower years, on the left-hand side of the graph, and Blumenthal’s projections for the present period. The striking difference is that the corporate sector’s share of total government revenues is a third of what it was 20 years ago, while the share of social insurance contributions has tripled. This occurred despite huge, even punitive increases, in corporate income taxes. In compensation for the collapse of the industrial base of taxation, paycheck deductions and personal income taxes, which used to form roughly half the federal tax base, now form virtually all of it.

Graph II
Distribution of Federal Sector Receipts by Category



Projected into the nightmare future of a British System economy, the gutting of the federal tax base leads to a precise replica of Hjalmar Schacht's "social insurance" looting policies.

The same deterioration of the productive sector of the economy is shown in Graph III, which describes the increase of "public service," or makework employment. Federal expenditures for makework jobs will almost double during the first two years of the Carter Administration, to \$15 billion a year in mid-1979. Workers employed in leaf-raking and ditch-digging produce less real income than required to maintain a working-class family at current living standards; the result is a spiralling decline of living standards for the entire working class.

Breaking the budget down by specific programs, the Blumenthal Treasury has worked out its ground-rent, deindustrialization plans in all categories of economic activity. Total research and development expenditures are frozen at the present miserable level, adjusted for inflation, of \$23 billion in the current fiscal year, and \$25 and \$27 billion in the succeeding two fiscal years. The budget states bluntly that the most urgent R and D programs will be scrapped in favor of the most wasteful:

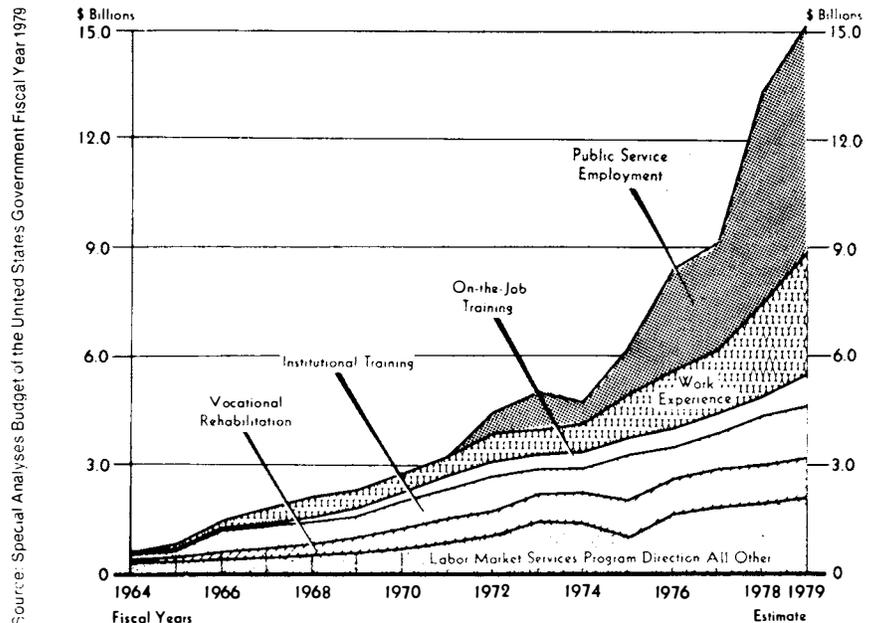
The Department of Energy will continue to develop solar, geothermal, and fossil fuel technologies, with emphasis on using coal in an environmentally acceptable manner. The Department will also continue to develop advanced nuclear power generating systems that do not increase the risks of international proliferation of nuclear weapons. *Overall funding for nuclear R and D will decrease*, however, reflecting the Administration's decision to defer the development of the liquid fast metal breeder reactor...The advanced nuclear fission R and D program is being redirected from its earlier emphasis on early commercial introduction of the liquid metal fast breeder reactor to systems that minimize the risks of international nuclear proliferation...

Efforts to package (nuclear) wastes from commercial reprocessing plants are no longer necessary, given the infinite deferral of commercial reprocessing."

The most advanced aspects of energy development are deliberately shoved aside, for all the Administration's flap about the danger of dependency on imported fuel. Funding for thermonuclear fusion research is token.

In the natural resources budget, funding for "pollution control" — i.e., compelling industries to adopt expensive and inefficient band-aid solutions rather than introducing new technologies which eliminate the source of the problem — grows geometrically.

Graph III
Federal Outlays for Employment and Job Training



Support for the agriculture sector — the most stricken of the entire depressed economy — is cut in half.

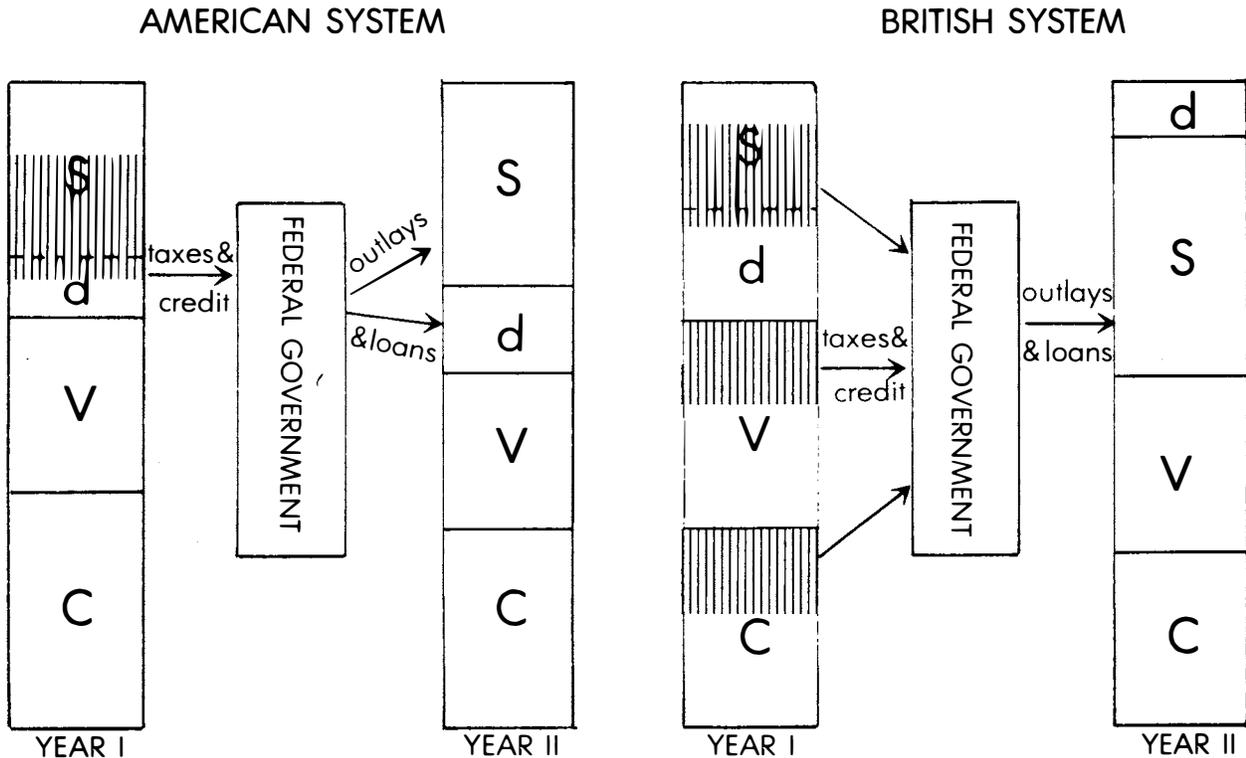
What The Federal Budget Should Be

All competent political economists of the past 600 years, most emphatically our Founding Fathers, have correctly insisted that the central purpose of the capitalist Republic is to manage the reinvestment of society's economic surplus. All economic costs fall into three categories: maintenance of the productive population at living standards commensurate with the educational and skill-demands of the workforce, or *variable capital*, maintenance of plant and equipment and other improved nature, or *constant capital*; and net real income above these requirements, or *surplus value*. Surplus value is society's fund for investment in expanded productive facilities and new technologies, and expansion of the workforce and improvement of its living standards. The surplus category also maintains the non-productive population, including scientists, doctors, teachers and — when abused — investment bankers, prostitutes, excess government and corporate bureaucracy, and similar waste.

Competent allocation of surplus income demands the highest degree of mastery of human science. The required standpoint is the application of available frontier technologies for the greatest enhancement of man's power over nature, and deliberate generation of new frontier technologies through increased commitments to basic research. That is the only important subject of economics, and the single overriding task of the Republic.

According to the strict demands of the U.S. Constitution, which dedicates the American Republic to the task of progress, the federal budget must be *dirigist*, that is, it must appropriate a portion of social surplus, and

Graph IV



allocate it to create the most effective diffusion of technological advances through the economy. Specifically, the federal government must take on the groundbreaking work of developing nuclear fission and fusion energy, related industrial processes, space exploration, and basic research in all scientific fields. Further, it must assure the availability of the right type of long-term credit for industrial investment and international development.

The federal government can appropriate surplus in two different ways. Less preferred is taxation of corporate profits and the upper range of personal incomes (surplus income) and direct funding of the required programs. The more "energy-dense" method of accomplishing the same goal is to organize the "private sector" to take on the tasks of development, by channeling the most important credit flows into high-technology industrial investment. That was the purpose of Alexander Hamilton's Bank of the United States, as well as the U.S. Labor Party's proposed Third National Bank of the United States, and the related interim proposal to

activate the commercial banking powers of the Exim-bank.

Under American System economics (Graph IV), the federal government appropriates a portion of social surplus, or S, either through taxation or through directing part of the monetary form of the surplus into a national banking system. It reallocates the surplus into industrial investment, part of S, and related scientific activity not directly productive, in d.

Blumenthal's FY 1979 Budget, by contrast, is illustrated in Graph IV, the "British System." Acting as a looting instrument for the London clique, the federal government obtains funds either through taxation of, or borrowing from, social surplus (S), working-class family income (V), and the fund for capital maintenance (C). It then channels this income into the London clique's speculative real estate and similar operations, the non-productive sector, that is, d. Such is the British System model of government finance — the one conservatives have in their minds' eye when they scream about "Big Government."

Emergency Strategic Memorandum:

Vital Strategic Implications Of British Intelligence

Admission Philby Was Treble Agent

The following analysis was issued on Feb. 4, by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman.

British Secret Intelligence, acting through controlled, "tongue-in-cheek" leaks published in the Feb. 1 *London Guardian* and the Feb. 2 *London Times*, has semi-officially "blown the cover" off its treble agent, "Kim" Philby, currently last known to be in place in the Soviet KGB establishment. This means that British intelligence has also "blown" major elements of the Soviet leadership as British agents or agents-of-influence, including the command of IMEMO and the USA-Canada Institute of Georgii Arbatov. (See reprints on page 7)

This action by British intelligence is the indirect consequence of my own detection and exposure of Philby as a British SIS triple agent during the closing months of 1977. This evaluation of Philby — and of the IMEMO and Arbatovian circles — is now known by Western intelligence services to have been adopted by relevant Soviet circles. Under these circumstances, British intelligence reacted instinctively, attempting to get the proverbial last drop of blood from the wasted Philby, hoping, no doubt, to set off the sort of purge wave in the Warsaw Pact nations earlier triggered with aid of wasted British agent Noel Fields (the complicit British agent in the Polish security apparatus) during the postwar period (the so-called Splinter Factor affair).

An immediate by-product of British SIS's action this week is a notable increase in the reputation for authority of the U.S. and European Labor Parties among military and other intelligence services of several nations. It has been strongly recommended by several such sources that I immediately develop my own evaluation of the implications of the new turn in the Philby case, and give this evaluation the widest immediate circulation.

The implications of the Philby case have the most profound bearing on the possibility of general, intercontinental thermonuclear war during the immediate future.

The Philby Case As Such

Although my associates and I obviously lack the material resources for intelligence work commanded by governments, it is increasingly recognized in leading military and intelligence circles of a number of nations that in our area of work on certain matters of strategic intelligence we are *conceptually* superior to corresponding efforts of any established intelligence service.

The principal source of our advantages in the conceptual side of strategic intelligence is our unique superiority in political economy, most notably our mastery of

methods of application of epistemology to work in the physical sciences as well as political matters, and the mastery of these skills over approximately a decade to date of persons who represent a selection of the finest young intellects of the 1960s university graduate and undergraduate strata. It was my focusing on the epistemological characteristics of the finely cross-referenced work and influence of Arbatov, IMEMO's Maclean, and Philby that we cracked the Philby case, and set into motion the process which has now led to British SIS's extraordinary action.

The crucial additional piece of outside source information which enabled us to crack this case was the receipt of verified information from a major Western intelligence service source that "Kim" Philby was working within KGB circles at a high level last summer and fall, and that he was important in the effort to induce the Warsaw Pact's intelligence services to support British intelligence services international terrorist deployment. This received information, cross-checked with appropriate other sources of information, was the vital, additional piece of knowledge which enabled us to prove conclusively that Philby, Maclean, and Arbatov were British agents.

The immediate reason we "blew" a top British agent within the Soviet hierarchy was our determination to benefit the vital interests of the United States, France, Italy, and the German Federal Republic. The long-range aim was to restore a form of detente between the USA and the Soviet Union which President Franklin D. Roosevelt and Josef Stalin developed—prior to Roosevelt's untimely death and Britain's creation of the Cold War, and at least twice since a near-miss with total thermonuclear war.

For, if the British succeed in putting the capitalist sector on a neo-Schachtian "fiscal austerity" under the rule of the International Monetary Fund and World Bank proposals now afoot, and if Fed nominee G. William Miller, a British agent-of-influence, together with Mondale, Brzezinski, Schlesinger, Blumenthal, and Kissinger, wreck the value of the U.S. dollar according to the adopted scenario of the London merchant banks, then total thermonuclear war is virtually unpreventable during the period ahead. Unless the merchant banks of London are bankrupted, and unless British intelligence's international terrorist, Maoist, and "environmentalist" movements are quickly and resolutely crushed in the United States and Western Europe, there is no possibility for preventing total thermonuclear war and the radioactive extinction of most of the area and population of Central Europe and the United States.

The primary danger until recently has been that British agents such as Philby, Maclean, and Arbatov working from the Soviet side, and British agents pushing anti-communism from the Atlantic Alliance's side, would set up an international right-left political hysteria which would facilitate the imposition of the neo-Schachtian zero-growth fascist order on the Western nations, exploiting manipulation of the Soviet leadership to feed that process. Under such a scenario of London's "anticommunist" manipulation of foolish leading forces in the United States and Western Europe, with the foolish Soviets playing into the game, the countdown to total war becomes inevitable as it was after Churchill, personally and directly, blocked Admiral Canaris and the Wehrmacht command from overthrowing Hitler in 1938.

It was part of our effort to destabilize crucial elements of the evil British plot, that we blew Philby publicly in such a way as to aim that the Soviets would prepare to purge the entire British network with which Philby, Maclean and Arbatov are associated. The timing of this exposure was dictated by British intelligence's July murder of Dresdner Bank President Jürgen Ponto, and September kidnapping and death of West German industrialist leader Hanns-Martin Schleyer. It was urgent that the Soviets put their influence and resources on the side of Chancellor Helmut Schmidt and others in making feasible such things as the Mogadishu airport antiterrorist police action.

These cited points are leading elements of the present and growing danger of total thermonuclear war. There is an additional major blunder of policy perception on the Soviet side which must be corrected quickly. I shall turn your attention to that problem in due course in this memorandum.

The Ho Chi Minh Case

Recently, there was a seminar on the current problems among representatives of U.S. Labor Party intelligence and some leading retired and other senior military officers. These senior officers had been involved in every principal military action of the United States forces from World War II through the Vietnam war. The purpose of the meeting was to debrief Labor Party intelligence at leisure on strategic estimates, so that the judgment on these matters might be informally conveyed to other relevant senior officials.

During this seminar, a question from one senior officer to the Labor Party set off a most profitable Platonic dialogue. The kernel of that dialogue is appropriately reported here for the benefit of those competent to understand its present strategic implications.

The notable question was: "Why did the United States lose the Vietnam war?" The Labor Party representative answered, "Because Giap used the methods employed by Washington in the American Revolution, whereas the U.S. used British methods."

It happened that one of the participants was the leading officer who had been sent to work with Ho Chi Minh and Giap in U.S. interests during World War II. He enthusiastically intervened at some length. They had

worked out an independent Vietnam to be based on a constitution evolved from the model of the American Declaration of Independence. He outlined for the others from first hand knowledge of Ho and Giap how the model of the American Revolution had been central in the minds of these persons. He concluded that but for the folly of the French reoccupation, all of Southeast Asia would have become "the jewel of U.S. foreign policy."

On the later stages of the Vietnam developments, the French and U.S. follies in that region were caused by British influence over French and American policies. The facts to add to the observations of the officers in the seminar are these. Some of this information originates with documents dating back to 1943 in archives. Other elements are directly from U.S. senior officials on the scene at the relevant points.

The consistent strategic policy of President Roosevelt, according to reports of witness Elliot Roosevelt as corroborated by other sources, was to break up the British empire, replace the bankrupt "18th century method" (President Roosevelt's own term) of Churchill et al., and proceed to build the world, especially the developing nations, using high-technology American System methods. This policy thrust was revived during the second Eisenhower Administration, and the revival of the Eisenhower Atoms for Peace global strategy was attempted by Secretary of State Rogers and others during the Nixon Administration. Roosevelt's policy was to put the lunatic nation of Britain into its proper, modest place in the world, and to establish durable detente with the Soviet Union.

Roosevelt's effort on these and other crucial matters was sabotaged by British sympathizers in the U.S. State Department and other channels, the British forced the Cold War upon the United States, the British sabotaged Eisenhower's effort. According to Washington official archives for the 1943-1945 period, it was the British who forced the reluctant United States to drop the A-bomb on Hiroshima and Nagasaki. According to bloody-handed Harold MacMillan's own corroboration, it was British influence which blackmailed Kennedy and the United States with the Berlin Crisis and the Cuban Missile Crisis. According to documented and corroborated sources, it was Henry Kissinger, massively documented to be a British-trained, British agent-of-influence, who not only ran all the inside aspects of the "Watergate" affair, but who additionally sabotaged the Atoms for Peace policy, worked with London to create the 1973 Arab-Israeli war, and worked with London to trigger a near-miss of thermonuclear war during that period.

It was the British who got the United States into Vietnam. It was the British General "Malaya" Thompson who, during the early 1960s, first set the Vietnam war into motion with his role "on the ground" in shaping U.S. policy in that nation. It was the British who pushed the United States into escalating the war—through British "friends" McGeorge Bundy and Robert McNamara. It was McNamara and his British friends who sabotaged the nearly successful CIA peace effort around "Big Minh," and set the war into its escalation. It was the British and their agents-of-influence in the Democratic Party (chiefly) who prevented President Johnson from getting out of that war. Nixon intended to have the war ended within weeks of his inauguration. Henry Kissinger,

and his aides Daniel Ellsberg, James R. Schlesinger, Colonel Alexander Haig, and other British agents-of-influence (linked to the Royal Institute for International Affairs and the International Institute for Strategic Studies) worked under London's direction (a documented fact!) not only to prevent an end to the war, but to force through the Cambodian escalation.

Similarly, today, the British created the Horn of Africa problem, in direct collaboration with British agent-of-influence Henry Kissinger.

The relevant institutions involved in the Horn destabilizations include the following: the Royal Institute for International Affairs, the IISS, the London Institute for Race Relations, Roy Jenkins, British Chancellor of the Exchequer Denis Healey, the Washington, D.C. Institute for Policy Studies and its European affiliate, the Transnational Institute and the British intelligence "sunni" networks deployed widely up into high places throughout the Islamic world. Elements of Israeli intelligence allied with British intelligence networks inside the Socialist International are also significant in Africa, as the Socialist International is used as a key cover for British black intelligence operations in India.

The principal covering British intelligence projects are the "nationalities" projects. This is represented by the British intelligence "black consciousness" movement in Africa, the Islamic separatist movement in Yugoslavia, and the Corsican, Basque, Breton and Polisario "nationalists" terrorist groups in France. These "particularist" terrorist movements are so closely interfaced with other terrorist groups, the Maoists, the environmentalist movement, and so forth, that no efficient distinction among these "movements" can be made at the command level or their particular points of interpenetration and interface. (They also interface British intelligence's Italian Mafia, Corsican brotherhood, and the British-controlled fascist international network.)

This indicated British network, operating partially through Oxford, Cambridge, and the London School of Economics (the Sodom and Gomorrah of the international intelligence community) launched a double game in which Henry Kissinger played a leading contributing role. While London and Henry Kissinger incited Somalia to perceive Ethiopia as its major adversary, British networks working the Somalia side manufactured the "greater Somalia" particularist movement in Somalia, Kenya, and Ethiopia, and staged some provocative triggering gestures around the issue of Djibouti. In the wake of Rambouillet, 1975, then-Soviet-allied Somalia was pushed into the Ogaden operation at the same time that the British-launched process of coups in Ethiopia took a turn which the British had not expected.

The Ethiopian leadership, some of which knows the British well from Oxford University days, has blown the kernel of this story during recent weeks, while the British press and government has been utterly shameless in their demands that the U.S. government follow Kissinger and Brzezinski's advice in making a new Cuban Missile Crisis over the issue of Soviet aid to Ethiopia.

Similarly, it was British intelligence, with aid from Socialist International figures and from British agents-of-influence in the United States, which sabotaged the Begin-Sadat negotiations. Known British agents in Egypt fostered (some shamelessly wrote in their own names) a

flood of invective against Begin personally. These press clippings were assembled in detail by Moshe Dayan and his associates. A British intelligence operation maneuvered to threaten Begin into a box controlled by friend-of-Britain Dayan into which box Dayan poured upon Begin's head the collections of invectives culled from British agents — scribblers — in the Egyptian press. Kissinger, Brzezinski, Mondale, and others meanwhile conspired with London to wreck the peace effort, at the same time that Secretary of State Cyrus Vance was struggling to keep the negotiations going.

It is the British, together with their agents-of-influence in Peking, who run the Moro bandits in the Philippines. It is the same combination which controls that nation ruled by a savage lunatic, Cambodia, and deploys that hapless nation against both Vietnam and Thailand.

One wonders when the world will learn its lesson. The British have been responsible for every war European civilization has fought since 1773, including the creation and pre-1940 backing of Adolf Hitler. Speaking as an American, anything which weakens Britain is a defense of the most vital interests of the United States, continental Western Europe, and the developing nations.

If the Soviets and other Warsaw Pact nations choose to put the whole pack of Philby, Maclean, and Arbatov cronies to trial for high treason and capital crimes of espionage, no sane person could object if Soviet courts aid such criminals in hastened descent to their spiritual reward. It would be in the interest of every nation of the world, but Britain, that such proceedings occur quickly and neatly, with a minimum of destabilizing machinations or misguided excesses. Obviously, the British don't appear to care — since it was British SIS which semi-officially and most publicly delivered the death sentence to its agents Philby, Maclean, and Arbatov.

Obviously, as we have indicated, the British would like a wave of silent purges, or something in that order. They must have pre-calculated, in the nasty way peculiar to such immoral creatures, whether or not such a purge process would weaken the Soviet command for awhile. It would not, if conducted in the way I estimate the Soviets would probably conduct it. The British may have reached the same conclusions. Nonetheless, they have certainly calculated that the purge would be exploitable as anticommunist propaganda, for manipulating political processes within the Atlantic Alliance nations. Unfortunately, within the Atlantic alliance we have too many leading figures who are perennially hysterical dupes of the British on such matters.

Soviet Follies

Despite reawakened Soviet awareness that Britain is the true enemy of all continental Europe and most of the rest of the world, and despite the appropriateness of Soviet leader Boris Ponomarev's proposals to the U.S. government, the Soviets have not yet adopted the policies which could stop the present march of the Western nations toward intercontinental thermonuclear war.

First, once again, the question of war. I know, and my judgment is corroborated by leading military professionals and some other leading strategists, what the Soviet order of warfare would be in circumstances of

any direct confrontation between NATO and Warsaw Pact forces. This order of warfare has no resemblance to the lunacy passing for official wisdom in NATO command or IISS circles.

War begins with a combined strategic intercontinental thermonuclear and other strategic ABC weapons strike against NATO territories for maximum nullification of combat and logistical rear echelon capabilities out of near-term reach of Warsaw Pact ground forces. This initial combined strategic salvo is accompanied by ABC salvos against intermediate range military and logistical targets — including (at last report) two 50-megaton bombs on Britain — plus an ABC “paving” of all NATO ground forces’ frontal positions in depth, preparatory to ensuing mobile Warsaw Pact forces advancing on a broad front of assault through heavily ABC-contaminated routes of march in combat group formation.

The war lasts probably for a maximum of four weeks in a pattern of progressive “deescalation” from maximum thermonuclear strategic strikes toward “conventional” modern warfare. Between 10 and 30 percent of Soviet population and production capability is lost as a penalty of war, and the Warsaw Pact, by accepting this hideous penalty, wins the war in approximately a month or less.

This is what the British lunatics are toying with, and what all those who vacillate before, temporize with, the British policies are aiding to occur. Obviously, the horrifying indicated deterrent capability of NATO forces prevents any Soviet military ventures, except under conditions of NATO forces’ demands that the Soviets make decisive strategic concessions under threat of military confrontation. If that matter occurs, as Britain moots now for the Persian Gulf and the Horn of Africa, then the war occurs.

This Soviet capability is being augmented not so significantly by new generations of missiles, but through the development and deployment of new qualities of weapons, of which a most notable part are derived from plasma physics research of the type not presently matched in the Atlantic Alliance nations. The Soviets possess the technological capabilities — although the extent of deployment is not yet ascertained — to neutralize the control of the entire NATO ballistic missile force, and do have specifics needed to develop weapons which can destroy missiles in flight.

Ironically, it is the British-created environmentalist movement and its supporters which is destroying the Atlantic Alliance’s nuclear and related high-technology activities, and thus eliminating the broad base of scientific training and application on which “Western” nations would depend to match Soviet technological capabilities.

The public debate of NATO policy, the foolish babbling about such junk as cruise missiles and neutron bombs, has no connection with the emerging realities of the strategic balance and capabilities.

Apart from the military side of the strategic question, on which our conceptual competence is not to be doubted by any sane professional, there can be also no competent doubt of our judgment concerning forward strategic Soviet capabilities. As official (FOIA) releases document, on a number of occasions the U.S. govern-

ment’s relevant departments have been stunned by the proven accuracy of our policy judgments concerning fusion research and our evaluations of the theoretical and practical implications of known Soviet plasma physics research. That, in brief, identifies the element of strategy on which Soviet command thinking is excellent and essentially correct.

It is on the political side that the Soviets commit their dangerous follies.

Exemplary of the problem is a recent piece of *Pravda* coverage of the current Italian crisis. The *Pravda* report correctly identifies Henry Kissinger as the principal open spokesman of the effort to destabilize Italy. It adds the childish explanation that Kissinger’s motive is to keep Italy solidly within the NATO alliance. That matter, of course, is the excuse Kissinger offers for his present “90-day” Chile-modeled scenario for Italy, but any government that believes Henry Kissinger’s explanation is behaving childishly.

Kissinger, as a British agent-of-influence — as we have given overwhelmingly documented proof of that fact in other locations — is working on behalf of the forces associated with the British (black Guelph) monarchy, the group of private merchant banks which own the London Round Table, the Royal Institute for International Affairs, the Tavistock Institute, the International Institute for Strategic Studies, the *London Times*, the *Financial Times*, and London’s *Economist*, and so forth. These are the policy institutions of the British monarchy, which control the British military and intelligence services — in effect, totally independent of the parliamentary government in the United Kingdom.

These financial institutions include Barings, Lazard Brothers, N.M. Rothschilds and Sons, Hill Samuel, Schroeders, and numerous others. These banks, through their international connections, own the leadership of the Socialist Party of France, own most of the leadership of the Communist Party of France (Rothschilds), own Jean-Jacques Servan-Schreiber of France, own elements of the French majority through Jean Monet-linked networks, and own the French branches of the environmentalist and terrorist movement (with included mediated role from a British agent-of-influence who worked for the first secretary to the U.S. Embassy in Paris). They also own the Lombardi-Craxi leadership of the Socialist Party of Italy, the Radical Party of Italy, the pro-terrorist Lotta-Continua, the Italian environmentalist movement, the Fanfani wing of the Christian Democracy, the Napolitano-Amendola wing of the Communist Party of Italy, the Italian Mafia, and Ugo La Malfa.

So far, in Italy, Europe has held off a fascist British takeover of Italy through a programmatic understanding between the forces of the Andreotti government and the Communist-linked trade union federation, the CGIL. Prime Minister Andreotti’s direct appeal to the trade unions, on matters of government economic development policies is what built and maintained that government. If that informal alliance breaks apart, then Italy is destabilized with intervening aid of either a Fanfani or a Moro government, or some hideous multiparty *minestrone* of the sort pushed repeatedly by Ugo La Malfa.

Under those conditions, under a Fanfani or *minestrone*

government, for example, the terrorists, the other hooligans and the Autonomi are unleashed, with a sideshow of bloodletting between the British-controlled Italian fascism (the Mafia) and the lunatic "left." The absence of a government to crush this destabilization at the outset leads, according to Henry Kissinger's calculations, to readiness for a Chilean "alternative" by about summer 1978.

If Socialist Party chief Mitterrand wins the election in France, and if the British-influenced "left"- "right" wings of the major parties bring down the Schmidt government in the Federal Republic of Germany, then all Europe collapses under control of the London merchant bankers and their International Monetary Fund and World Bank "fiscal austerity." That is Henry Kissinger's objective; that is the objective of Henry Kissinger's London masters.

The Soviets know this. They know that London's effort to bankrupt the U.S. dollar — with aid from British agents-of-influence in the Carter Administration and the Republican Party — is aimed at establishing control of the world's monetary system by the London merchant banks and their allies. London takes over control directly of the IMF, and with it, "friend" McNamara at the World Bank, puts the entire world under Schachtian forms of "fiscal austerity."

British intelligence's murder of Jürgen Ponto and of Hanns-Martin Schleyer had exactly the same motive as Kissinger's opening "anti-Communist" caper in Italy. And, Robert Triffin is presently in Italy to prove that I am absolutely correct, there conspiring together with the rest of the "black Guelph" Vienna crowd. Ponto was killed because he was key in developing the Luxembourg market as an alternative to the City of London. Ponto and Schleyer were selected as terrorist victims because Dresdner Bank and Mercedes Benz were key participants in a southern Africa development program effort. Ponto was also killed because he was influential with Chancellor Helmut Schmidt. It is industrialists, bankers, and politicians opposing British monetary swindles and pushing nuclear energy and other high-technology development who are the principally targeted victims of British intelligence's "proenvironmentalist" terrorists. The terrorists are an auxiliary arm of the "leftist" environmentalist movement created by British intelligence as part of its effort to create a Schachtian world fascist order of "fiscal austerity."

Any government which is able to defend its nation from environmentalism and terrorist influence, which blocks "fiscal conservatism" of the fascist sort demanded by the World Bank and IMF, is a target for British destabilization operations.

Kissinger's gutteral absurdities concerning "NATO" and "communists" are merely a London trick to lead foolish conservatives around by the nose. They have nothing else to do with the matter.

Is London concerned about NATO? Not as a central European military capability against the Warsaw Pact strategic forces! Why did the British use the issue of the surveillance of the Maoist KBW to push West German Defense Minister's Georg Leber's resignation? The KBW is engaged in undermining the Bundeswehr's capability. The Italian army has never been listed by NATO among

"acceptable forces" for defense of Europe against Warsaw Pact attack. Henry Kissinger's avowed concern for NATO is bunk. His object is to destroy the Christian Democratic Andreotti government by eliminating the crucial margin of Communist Party voting for that government.

Pravda, nonetheless, self-righteously edified its readers with shop-worn nonsense about the perennial anticommunism of "dark forces," such as Henry Kissinger. I could tell true and revealing stories about the days, not so long ago, when foolish Moscow listed Kissinger "realistically" among "peace-loving" forces — and Kissinger nearly stole Moscow out from under their foolish noses.

The truth of the matter is, Moscow ought to know this, that there is no likelihood of general war as long as the principle OECD nations are enjoying reasonable industrial prosperity and continued economic growth. London's lunatics have repeatedly brought us closer to the actuality of general war since 1945, but have never succeeded, because the OECD nations generally — especially the United States — had reasonable prosperity, and therefore too many good things to lose to jeopardize those things in one of London's insane adventures of general war risking. However, put the entire capitalist sector under the sword of open Schachtian looting "fiscal austerity" which London, the IMF and World Bank now demand, and one sets into motion the same kinds of processes which were set into motion by London installations (through Hjalmar Schacht and Schroeders Bank) of Adolph Hitler in the Chancellory, in behalf then of the same program of Schachtian "fiscal austerity" London demands today.

If Moscow really wanted to avoid general war, it would put its weight entirely into the balance to aid the developing and key OECD nations in crushing the City of London, and in launching economic recovery around a nuclear energy centered high-technology boom. If Moscow follows any other course, it is in effect sitting back and waiting for general war. The cited *Pravda* coverage of Italy is just such insanity on Moscow's part.

The same problem is found in East German circles. Poor old, tired, Julius Maader, poured out new supplements to Grimm, howling like a *grundliche* (obsessively thorough) sort of enraged gnome against the supposed neo-Nazi "revanchisme" in the Federal Republic of Germany. What a poor fool Maader is! The fascists exist, but they are to be found chiefly among the liberal "left," the environmentalists who propose "labor intensive" forms of employment (e.g., the Nazi *arbeitsdienst*), and those liberals who propose Schachtian forms of fiscal austerity.

Maader has been so busy attempting to frighten the credulous children of East Germany with the "revanchist" bogey man, that the poor fellow never had the time or margin of wit to discover how the head of the German Liberal Party, Hjalmar Schacht, created Nazi Germany and embedded in it those policies which led to the notorious sequelae. Maader ignores the Weimar counterculture, the Nazi SS, and the likeness of that to the environmentalist left of today. Maader rails against fascism, but, unfortunately, has never discovered what he is wailing about.

Why Moscow Is Foolish

The problem in Moscow is the idiotic doctrine tediously poured out by the Institute of Marxism-Leninism. The gist of that pathetic litany is this: "The essential struggle is between the capitalists and the workers. Today the capitalists are essentially imperialists, since this is the epoch of imperialist decay. The Soviet Union is the bastion of the workers' movement." And so, on and on.

For the Soviets to face the reality, that the progressive forces of the capitalist sector are essentially the industrial capitalists, the skilled and semi-skilled trade unionists, and progressive farmers oriented to high technology would, as the current saying goes, blow their minds. Trade unionists, yes. Successful (e.g., "rich") farmers, a frown. Industrial capitalists and bankers committed to industrial capitalist policies: dark glower radiates from the students of the driveling doctrinal glosses issued by the Institute of Marxist-Leninism.

The City of London? According to the doctrine prevailing to the East, finance capital is merely an outgrowth of industrial capitalism, though after capitalism. So, they grip firmly Marx's original, credulous blunder on this point, in the tattered, pathetic form that blunder exists in Eastern capitals at this time. They have history and political economy wrong, but they would, in effect, rather go to general war than correct their foolish ignorance in this connection. At least, that is the kernel of the matter to date.

Since they refuse to regard industrial capitalism as the "progressive political force" against the oligarchical monetarists today, the Soviets will not — so far — put their forces on the side of the strategic balance with the industrial capitalist faction. They will make agreements with industrial capitalists, for Soviet *raison d'être*, but they will not ally with them politically for successful capitalist development in general.

Their policy towards the capitalist sector is one of war avoidance, waiting for the time when capitalism collapses of its own internal contradictions, and so forth. They manage this process usually by intervening in world affairs on behalf of "liberal" and "radical" currents within the capitalist sector, and choosing between the factions deemed "greater or lesser objective danger" at the given moment. Since 1962, their choices have been almost consistently wrong.

How War Will Come

It is possible that general war could occur within as brief a time as months or weeks. The instability of the present global situation makes this menacingly possible, although not probable. The evolution of general war outbreak will more probably follow a lawful course analogous to the case of Nazi Germany.

At the moment, London's strategy concentrates on breaking the will of the industrialists and skilled workers through deploying the "environmentalists" and terrorist forces it has created in many nations. The environmentalists, Maoists, and terrorists are London's contemporary fascist *sturmabteilung* (stormtrooper)

forces. Once London breaks the will of the industrialists, a transformation will occur analogous to that which occurred shortly after Hitler's accession to power; "left-wing" danger of the environmentalists, Maoists and terrorists *sturmabteilung* will be eliminated in the appropriately bloody fashion.

This transition will be accompanied by an accelerating emphasis on military production.

This military production dovetails precisely with the current policies of the London merchant banks for the United States. The scenario, as reported by a leading executive of those banks, and corroborated by undercover intelligence work of the U.S. Labor Party in the United States, is as follows.

The key to the establishment of global fascism is, according to London's current plans, the installation of G. William Miller, a key agent of London-connected financial and political forces, into the chairmanship of the Federal Reserve system. Miller, according to London's plans, will unveil himself as a "fiscal conservative." This means he will sharply increase the reserve requirements of the commercial banks and slow down the flow of liquidity to those banks. This will virtually bankrupt the commercial banks in favor of the investment and merchant banks. The bankruptcy will be averted in most cases through a total takeover of the commercial banks by the investment banks (which are not burdened with reserve requirements and other obligations, prudence, and costs imposed upon commercial banks.)

This financial power will then be used for forcing massive contraction of U.S. industry, by cutting off credit to industries the investment banks and London wish to drive out of business. A remaining core of industrial and other firms will be kept in operation. These will be forced to sell out their prize holdings to London interests at bargain prices. These surviving industries will then be financially cartelized — in effect, a revival on an international scale of the Schacht Rentenmark and Mefobill method.

The rest of the United States is scheduled to go under the rule of regional "economic development banks" of the sort proposed by Lazard Freres' Felix Rohatyn and by British agent-of-influence Sen. Edward Kennedy. This will be an evil "asset-stripping" operation, of the sort at which Miller became expert during his reign at Arthur D. Little's Textron Corporation. The armies of unemployed generated by Miller's fiscal conservatism will be herded into "labor intensive" employment of the sort consciously modeled on the Nazi *Arbeitsdienst*.

This hideous transformation of the United States will then undergo the same lawful degeneration that the Nazi society experienced during the 1933-36 period. The "1936" will arrive soon for the United States, at which point the imminently visible collapse of even the constricted, cartelized U.S. industry and skilled labor force will spell doom. At this point, the United States is impelled towards full-scale military production and general war — at whatever risk and cost.

Hitler could have been overthrown during the 1936-1938 interval — because forces outside Germany created an environment in which such internal possibilities existed

for the Wehrmacht command. Churchill prevented Canaris and the Wehrmacht from dumping Hitler. The United States under Hitler would not have such an opportunity to neglect. Either the process is stopped before it begins, or the whole business will run its course to the end, and no one will be able to stop it by any means short of total thermonuclear war.

We must stop London now at all costs. We can count only weeks at our disposal. The destabilization of Italy, of France, of West Germany, undertakings which London

already has visibly in process, combined with the installation of Miller in the Federal Reserve system, and the countdown begins with no visible opportunity ahead for stopping it.

If Moscow would come quickly to its senses and help to prevent such a catastrophe in the weeks remaining for this purpose, we would have a vastly improved possibility for saving the human race from a hell which is beyond almost anyone's power to imagine it.

London Press: Philby Is Still Ours

Back-to-back articles this week in the London Guardian and the London Times openly boasted that "Kim" Philby, the leading British deep penetration agent into Soviet intelligence who was exposed by EIR in late 1977, has in fact been serving Her Majesty from his post at the KGB for years.

Following are reprints of the two articles.

Britain's Guardian printed this article, entitled "How Many Stars for Our Spies?" on Feb. 1:

Spies get no public recognition, except when they fail, so that *Time* magazine's idea of awarding stars to espionage services, as Michelin does to restaurants, should do much to raise standards within the profession and encourage traffic in a better class of secret. The idea, though, is crisper than the execution. Britain gets the top four-star rating — rightly, assuming Philby was not a double agent but a treble agent, working for "M" even now — and so, by any standard, must the Soviet Union. But does either the United States or Israel, the only other countries so honoured, deserve to be in the four-star list? In the CIA's case especially it is easy to judge because all its affairs are conducted in public. Its daily appearances at Congressional hearings to announce what plans it has stolen, what regimes toppled, since the day before have been frankly unimpressive. Nor does its award distinguish between quantity and quality as Michelin would distinguish in approaching, say *Le Perdreau Rôti aux Herbes*. If every agent files everything from every outpost in the world the total of facts is magnificent, but is it intelligence? Or is it not merely le pudding de collège? Israel certainly has the reputation for sound intelligence, partly because its operatives speak English just broken enough to sound sinister. But if Israel really knew Sadat was coming, why had it not done some work beforehand? Why was Begin caught off balance?

If *Time* is to make its awards an annual event it must adopt more convincing criteria. Who are the judges? How are they empanelled? Are they active in the field, knowing which trails are hottest, or are they long retired? The idea of recognising merit is a good one. We do it in journalism, and doubtless there will soon be a permanent Under Sec. of the Year. But a man must be judged by his peers in these matters, and a spy who is well known to the trade surely cannot be a very good one.

"A Few Home Truths about Philby's Silent War" by Robert Cecil, printed in the London Times of Feb. 2, follows in full:

Interest in the three spies—Philby, Maclean, and Burgess — has been well sustained. They have been fortunate in the era into which they were born. Time was when spying was regarded as disreputable and treachery was relegated to dishonoured silence, but we live today amid shifting values and declining standards of public and private morality. It is a climate in which the anti-hero can flourish, especially the anti-hero who makes a fool of the "establishment."

Interest in the case has also been inflated by official reticence, which has left gaps in the story where gossip and speculation take root. In default of an authoritative account of what occurred, we are in danger of accepting at face value the glib evasions and half-truths of Philby himself. His book *My Silent War* was described by Graham Greene as "far more gripping than any novel of espionage I can remember." Unfortunately the public, including many who should know better, have not read the book as a novel, and it is all the more likely to be accepted as fact because SIS archives are unlikely to be published. An obligation to supply a corrective therefore rests upon those whose first hand experience enables them to straighten at least some of the "facts" that Philby has twisted.

Philby's book was composed in Moscow, when his double life was over and he could no longer combine the pleasure of living in a free society with the masochistic satisfaction of secretly working to destroy it. The hard realities of communist regimentation had at last caught up with him and, in retrospect, he naturally sought to glamorize his past life as a Soviet agent. His book also had to serve the disruptive aims of his Soviet masters by promoting the ideological struggle, extolling the virtues of the KGB and, above all holding up to derision the British and American counterespionage services and aggravating mistrust between them. This explains why his masters permitted him to write the book, it fails to explain why so many of his readers in the free world have apparently taken it as face value.

There are numerous passages in the book where facts have been twisted, but in what follows I propose to concentrate on one phase, which I observed myself, namely Philby's takeover of section IX of SIS, the section

that he built up ostensibly against world communism. I was transferred to SIS in September, 1943, as Foreign Office liaison officer, taking the place of Patrick Reilly (now Sir Patrick), who had been transferred to liberated Algiers. The post carried the designation PA-CSS, or personal assistant to "C," the head of the secret service. Shortly afterwards, a naval officer, Chris Arnold-Foster, was added to Sir Stewart Menzies's staff from within SIS with the designation CPA, or chief personal assistant (not PSO, as Philby writes). His primary task was to improve relations with MI5 and SOE. The latter secret organization had been taken as a rib out of the side of SIS and had objectives in the field that were sometimes in conflict with those of the parent organization. In comparison, relations with MI5 under Sir David Petris were reasonably good; the striking success of British counter-espionage during the war was, in the main, the result of loyal cooperation. Later friction between SIS and MI5, some of it exaggerated by the Philby case, has led some commentators to exaggerate wartime rivalry.

During the year before my transfer to SIS I had been assistant private secretary to the permanent Undersecretary, Sir Alexander Cadogan, whose office provided liaison between the Foreign Service and all the secret organizations. I was therefore well aware that there were two feathers in the cap of SIS: one was the skilful deciphering by the government code and cipher school at Bletchley, of which "C" was the nominal head, of enemy diplomatic and military communications. The other was the adroit use to which this and other material was put in the neutral Iberian peninsula by section V of SIS, which was getting the better of its opposite number, the Abwehr (German military intelligence). All counter-espionage was nominally directed by Valentine Vivian, who was designated DCSS, or Deputy to "C", but since 1941 section V had been headed by Felix Cowgill and it was in large measure due to his drive and energy that so much success had been achieved. Cowgill, who had earned his reputation as an anti-communist expert in India, had joined SIS early in 1939 in the expectation that he would eventually succeed Vivian, who was a much older man. As war against Germany loomed, both men directed their efforts against that country, the anti-communist work was relegated to a small records section, which was later to provide the nucleus of section IX.

Kim Philby headed the Iberian subsection of V and I was soon able to verify the favourable reports that had reached me before I moved into Broadway building. He was keen, hard working and attentive to detail, unlike some of his colleagues. He preferred argument to confrontation and his stammer and disarming smile inclined one to listen to his arguments. He was not above showing at times a certain obsequiousness, which seemed to derive from genuine modesty. These wiles he employed with particular effect in his relations with Vivian and Arnold-Foster. In the period before 1943, when V was still housed in St. Albans, Philby often travelled to London with Vivian in the latter's car and these journeys provided opportunities for discreet discussion of colleagues' weak points. It was a period when Vivian increasingly resented the initiative and independence shown by

Cowgill, beside whom the DCSS was becoming a less and less substantial figure.

The chapter in which Philby describes how he ousted Cowgill from succession to IX begins: "Long before the end of the war with Germany, senior officers in the SIS began to turn their thoughts towards the next enemy." The intention of this sentence is, of course, to imply that resources were being diverted against the USSR at a time when that country was still fighting on our side against Hitler. Philby is too cautious to supply any exact date, but he succeeds in placing the events in the summer of 1943 by adding the following: "The next step was to canvas the Foreign Office... a system was introduced in wartime whereby the foreign office seconded one of their officials for working in Broadway... The first member... to be seconded was Patrick Reilly, and he was still at his post in Broadway at the time at which I write." The fact is, however, that Reilly had left the SIS nearly a year before the question of reactivating IX was canvassed. Nor was an approach made to the Foreign Office, which was not required to approve staff changes within SIS. Philby's shifting of the date simply is a piece of cold war polemics.

The fact is that Cowgill has persistently advocated postponement of the buildup of IX until he had completed his commitment to the armed forces, by setting up in liberated Europe special counterintelligence units. In pursuance of this aim, he was absent from London on a tour of duty when the intrigue against him came to a head. It was October, 1944 that he returned to find on his desk a routine office circular to the effect that Philby would become head of a reconstituted section of IX in the following month. After Cowgill's resignation V was taken over by Tim Milne, who had been at Westminster with Philby, and his colleagues in V. Philby omits this fact and merely describes himself as having later headed both sections.

Towards the end of an exceptionally misleading chapter Philby observes: "Within a few days, I was taking over... I suggested to the chief that, to regularize the position of the new section IX, I should draft myself a charter for his signature. I cannot remember its exact wording." Here again, my memory serves me rather better than Philby's, his draft came to me late in February or early March, 1945. While SIS staff changes did not require the prior approval of the Foreign Office, approval was required for any changes in the direction of work, especially where there was a financial commitment for the future. The proposals submitted by Vivian and Philby did not impress me at all favourably. It seemed to me (though hindsight considered it may be thought politically naive to admit it) that an apparatus as large as that recommended might in the postwar world prove unnecessary. I was also critical of what seemed to me to be undue demands for "cover." The practice had been adopted before the war of using the post of passport control officer to protect counter espionage officers serving abroad. During the war the use of "cover" had expanded to a degree that was not relished by some diplomatic and consular officers, who hoped that the practice would be restrained after the war. I sent the

draft back to its authors.

Some effort of historical imagination is needed to understand the thinking of those of us who, unlike Philby, were not already committed to the pursuit of the Cold War. Between the growing pessimism of Churchill and the relative optimism of Roosevelt there was room for a considerable variety of intermediate opinions. Many harboured the belief that, if once the Russians became committed to the United Nations, it might be possible to build the world free from want and fear, of which the Atlantic Charter had spoken. Philby's "Charter" belonged to a very different world, the world of the secret agent and of the ideological struggle.

My rejection of Philby's draft caused perturbation. He and Vivian appeared in my room within a few hours and put their case in strong terms. Philby, reasonable as ever, produced the most cogent argument: surely, he said, if there was disagreement, the Foreign Office should be allowed to decide. The proposals, with a few minor modifications, were duly sent. I never saw the reply. I had already been notified of my transfer to

Washington and by April 1945 I was in the mid Atlantic. I can well understand that this episode finds no place in Philby's memoir. He has a stomach that no amount of hypocrisy can turn, even so, for his protagonist of the "peace loving peoples," "democracies" to have insisted on a larger Cold War apparatus, when he might have opted for a smaller one must have given him a queasy moment.

I only once saw Philby again. We met briefly in St. James Park one murky afternoon in the late autumn of 1952. He was out of a job, because his friendship with Burgess had linked him with the flight to Moscow in May 1951 of Burgess and Maclean. I was in London because I had taken over Maclean's post as head of the American Department. I knew that Philby was under suspicion but I was not privy to the investigation that was going on. He wore the hang-dog expression that went well with his predicament and, as usual, acted beyond reproach. We exchanged a few words and, as we parted, he smiled the wan smile of the unjustly accused.

The Textron Story:

The Bottom Line Is Union Busting, G.W. Miller's Labor Policies

Unlike the current Federal Reserve Board Chairman Arthur Burns, whom Jimmy Carter is trying to fire, George William Miller is not simply antilabor. Add up all the labor policies of Textron, under the chairmanships of both Royal Little and his successor Miller, and one coherent pattern emerges: *union busting*.

Granted Miller has taken some care to present a "pro-labor" facade echoing the style of Trilateral Commission member and AFL-CIO General Secretary Lane Kirkland, he is fully committed to corporatist "social contract"-type labor policies such as seating unions on labor-management-government boards envisioned in Felix Rohatyn's Energy Corporation of the Northeast (ENCONO). He is also committed to the Fabian "do-good" policy of hiring low-wage minorities, which he championed during his leadership of the National Alliance of Businessmen. And Miller is backing "Inner-City Industrial Parks" similar to the one Textron's Digital Equipment division hopes to sponsor in Boston.

But, the bottom line in all these policies is war on the trade unions: open strike breaking, scab herding, use of strike breaking goons, subverting local police to assault and arrest strikers, fire management if they fail to bust the union, and finally, to move production facilities with the intent of destroying the union.

The Nashua Story

The two most instructive examples of Textron's labor policies developed at the Nashua Mills in New Hampshire and Gorham Industries of Providence, R.I. Nashua Mills was a well-managed company founded in 1823 by Daniel Webster which earned a steady income and provided virtually the entire employment for the town of Nashua.

In 1947, after two years of ownership, Royal Little, Textron's president decided to liquidate the mill. He proceeded to milk the property by selling its cotton stockpile for a \$3 million profit, draining the working capital, and selling the equipment to the textile industry and the empty factory buildings to the town or a local development corporation.

In 1947, after Little had decided to liquidate, he called in the union, a local of the Textile Workers of America, and explained that the union was standing in the way of "progress" by refusing to accept new machinery and work rule changes. To remedy this, he proposed his "New Nashua Plan." Under this plan Textron agreed to keep 2,300 workers and spend \$1.3 million for new

machinery if the union could guarantee a labor cost saving of \$2 million a year. For its part the union had to agree to lower wages, high work loads, and the company's right to arbitrarily fire regardless of seniority. From the town, he demanded lower taxes.

The union was understandably apprehensive; Textron had already reduced the work force from 5,000 to under 2,500, and had sold two warehouses, shipped a portion of the textile machinery to a South American company, and sold the No. 7 Mill to the Great American Plastics Co.

The union agreed to all these conditions, including a time-study operation run in the mill. In effect, the union was agreeing to its own dismemberment.

The time-study report on new job specifications was a morass of details including wage calculations to the tenth of a cent per hour. On the basis of such studies, the company changed work rules and job specifications for what was to be an agreed upon two-week trial period. However, the changes became permanent. When the union complained, Textron set up meetings in Boston, only to repeatedly cancel them. At a conference that was finally held on April 15, 1948, the company said it was going to implement a "wage-incentive system" and refused to give further details. On July 27, 1948, the union accepted a piece-work system which entailed an incredible speed-up of the remaining workforce. Royal Little then announced that it would take one more year for the company to implement its promised equipment upgrading.

Seven weeks later, on Sept. 13, 1948, Little announced that the entire mill would be closed immediately and ongoing work would be finished by a reduced staff no later than Dec. 31, 1948.

In Senate hearings called by New Hampshire Senator Charles Toby, Emil Rieves, General President of the Textile Workers Union howled: "Mr. Little is a capitalist, but in the field of finance, rather than the field of production. He is in the tradition of Jim Fisk and Jay Gould and Commodore Vanderbilt — and maybe Ponzi, too.

"...Textron is a vast and tangled structure. Only the most expert work can discover the hidden meaning of its deals, both internal and external....I feel that, that is a job for the Un-American Activities Committee because I think that Mr. Little through his manipulations is doing more to undermine private enterprise than all the Communists in this country could ever do in a lifetime."

It is doubtful that Rieves knew that he was, in fact,

dealing with a subversion operation, run by the Rothschilds, but he was properly outraged by what he did recognize as Textron's "conspiracy" in dealing with the union.

Why, for example, did the company make such insistent demands for job classifications and then only change the job descriptions of only 17 workers? Why the charade of time studies down to the last months, when Little had already sold the entire cotton stock, and decided at least two years before to asset-strip the mills and abandon them? And, finally, why the "New Nashua Plan" charade?

Textron was trying to bust the Textile Workers Union. Textron, which in 15 years would entirely desert the textile field, was not going to leave a functioning union in the wake of its wreckage of the industry. Little's dealing with the union was simply to have the union agree to its own demise. The destruction of seniority; the company's right to arbitrary firing; arbitrary job reclassification; constantly making, and immediately breaking, agreements with the union; threats of plant closings or relocation to nonunion areas are nothing more than union busting. All were part of an operation very much styled after the Rothschilds' conduct of British foreign policy.

Miller's Dirty Laundry

But, one could almost say that this is the "clean" part of union busting. The dirty part is how George William Miller ran the union-busting operation at Gorham Industries in Providence, Rhode Island in 1975-76.

This old family firm was gobbled up by Textron in 1966. "Things changed right away," said the former president of the union, United Steel Workers of America (USWA) local 1603-1. "With the old management, we had one or two strikes, but they lasted three or four weeks, and they were settled. We knew where we stood."

A longstanding grievance, subcontracting to the Far East before idled workers in the plant were recalled, triggered a strike on Sept. 13, 1975. The strike lasted seven and a half months and was known for the extraordinary violence thrown at the workers.

According to union head Bill Kennedy, "They wanted the union out. That was all. They must have told Walter Robbi (the head of Gorham Industries), and (William) Alexander (Gorham, Vice President in charge of Administration) that if they didn't bust us they were fired."

In fact, when the union won, Robbi and Alexander were fired.

Early in the strike, the company put out a call for scabs. Eventually, it became difficult to get scabs past

the effective picket lines, the company brought in the most vicious labor goon organization in the country: Wackenhut Guards, which includes a division trained especially for strike-breaking.

Strikers were assaulted by both Wackenhut guards and Providence police. Then the Providence police moved in with arrests, canning 39 strikers including Kennedy, for "obstruction of traffic," "disorderly conduct," and "assault." The local police took their orders from Providence Mayor Cianci.

"Cianci was in bed with Miller," claimed Kennedy. Cianci, who lived next door to Miller, had been involved with Textron in various tax shelter schemes, including buying the local railroad station.

As the picket line stood fast, it became difficult to get scabs through individually. Buses were hired to run the scabs in. Then came the typical Textron-Miller touch: as the Gorham workers were preparing to vote on the second company offer (which the union recommended be rejected), Textron advertised in the *Providence Journal* that it had acquired land in Los Angeles and was considering relocating. Uncowed by the threat, the workers spurned the settlement and won the strike on April 26, 1976.

Has Labor Caught On?

Miller's labor record is now becoming known to at least state-level AFL-CIO leaders. Miller's proposal to, as the *New York Times* put it, "improve the investment climate in Rhode Island," prompted Edwin C. Brown Secretary-Treasurer of the Rhode Island AFL-CIO to respond, "This program would take away unemployment benefits. Take away holidays, create a compulsory seven-day work week, and put Rhode Island in the same category with retarded Southern states with the obnoxious 'right to work' law."

What could be more logical than that George William Miller, a leading Rothschild industrial penetration agent, should be a union buster? Just as he wrecks the institutions through which American capitalists make policy for the economic growth of the nation, he will turn on working class institutions and attempt to destroy them. The very notion of a stable, increasingly productive labor force is anathema to an asset-stripper whose profit occurs from industrial chaos.

So, Mr. Labor Leader, is George William Miller really the man you want to have replace the "antilabor" Arthur Burns, managing the American currency system as head of the Federal Reserve Board?

—Leif Johnson

Franco-German Summit

A Blow To Britain

The latest biannual French-West German summit between French President Valery Giscard d'Estaing and West German Chancellor Helmut Schmidt, held Feb. 6-7 in Paris, produced significant commitments to both international peace and technological progress that have seriously weakened Britain's ability to manipulate Europe through certain foreign policy and industrial channels.

The meeting also marked the 15th anniversary of the signing of the Franco-German friendship treaty in 1963 between French President DeGaulle and West German Chancellor Konrad Adenauer, which was recognized at that time as a major counter-offensive against manipulations aimed at Europe from both the British government and the Kennedy Administration.

Schmidt and Giscard went right to the point in destroying one manipulation through their discussion of what could turn into one of the world's hottest war zones — Ethiopia's Ogaden region, which has been invaded by Somalia. In a statement on West German television Feb. 7, Schmidt said that both he and Giscard agreed that "no foreign power should intervene in the situation." This statement gives the lie to press rumors that both West Germany and France are secretly arming Somalia. Moreover, it implicitly attacks the British press line that the West should intervene in the Horn of Africa to counter alleged Soviet intervention in Ethiopia.

The two leaders were not as explicit in discussing President Giscard's recent disarmament proposals, in which qualitative and quantitative disarmament from the Atlantic to the Urals would be handled by a special United Nations institution. Although French radio said on Feb. 7 that Schmidt supported the proposal, Schmidt himself did not mention it on television giving rise to speculation that Giscard's proposals were either too vague, or too similar to disarmament proposals that NATO has been making to the Warsaw Pact for some time.

Oppose Britain's Currency War

Surprisingly, support for the French franc was not discussed explicitly, even though the franc has been under attack by London banks in an effort to cripple Western Europe's second largest industrial power. Schmidt explained that detailed discussions on this topic were not necessary because bilateral agreements already exist between France and West Germany to cope with just such an attack.

"However," Schmidt added, "we were in total agreement that there is a more important currency (the dollar—ed.); and this is what we discussed."

Such a statement puts France and West Germany squarely in alliance against the City of London plan to collapse the dollar so that the overvalued British pound

can regain its 19th century position as the world's most important currency.

The Feb. 7 French financial daily *Les Echos* reflected the tone of the summit by reporting that all of the joint French-German proposals "will be put before the British" at various European institutions, including the European Council. "Germany and France will no longer play their guitars under the window for Britain," the daily commented.

Although both statesmen pledged their countries' support for the development of the nuclear fast breeder reactor, the European decision to plan its future without Britain became most apparent in the nuts and bolts of the European-built wide-bodied twin-engine Airbus passenger jet. The Airbus model produced until now has been the A200, a tripartite production by Britain, France, and West Germany. But Schmidt and Giscard struck a preliminary agreement to build the B-10 model, which is only a joint French-German product, and drop production of the A200. Both countries are so anxious to get the B-10 off the ground, despite West German complaints about the high development costs, that French officials will be in Bonn next week to finalize the details.

No Stiff Upper Lip

London could not keep a stiff upper lip over the bilateral attacks on its monetary policy and its bellicose plans for the African Horn. British press outlets in West Germany screamed about the decision to drop British Airbus participation, one of Britain's last means of manipulating and stalling the advanced European aerospace sector. The *Süddeutsche Zeitung* of Munich ran an article Feb. 8, titled, "A200 not dumped, just stalled." The London *Financial Times* had a more realistic estimation of the damage. As a result of the continental decision to back the B-10, Britain now has three poor alternatives, said the *Times*. It can try to produce the A200 on its own; it could try to produce a totally British plane, the X-11; or it could link up with Boeing's projected new plane and become the European bridgehead for this plane against the Airbus.

To add insult to injury, Japanese Trade Minister Ushiba mentioned in connection with the European Economic Community's Foreign Ministers meeting in Brussels that Japan might reduce its European trade surplus — by purchasing Airbuses.

This new boost in Franco-German economic cooperation has even affected such mundane issues as French coal imports and the huge West German coal stockpiles in the Ruhr. Giscard agreed that France will cut its coal imports from the Comecon countries and the United States, while increasing its coal imports from West Germany, a direct boost to the depression-wracked West German coal industry.

Berlinguer Proposes An 'Emergency Pact' To Replace Communist Demands For Emergency Gov't

After a two-hour meeting with designated Italian Prime Minister Giulio Andreotti Feb. 8, the Italian Communist Party secretary general announced that his party was dropping its demands for "an emergency government" with direct Communist participation. Although cabinet posts remain a future goal, the Communist Party leader, Enrico Berlinguer, stated that, "taking into account other parties' positions, we are willing to . . . agree to an emergency pact, a negotiated program sanctioned by the formation of a clear parliamentary majority."

ITALY

Berlinguer's statements accepting Andreotti's proposal for Communist entry into a "parliamentary majority" and not into a political majority at cabinet level, cut through the Christian Democracy-Communist Party impasse of the past week allowing Andreotti to move ahead into the formation of a new government. The parliamentary majority will increase Communist participation in state affairs by passing from the present abstention formula to the party's actually voting for government programs. Thus, it could satisfy both the Communists' demand for greater responsibility, and Christian Democratic demands that the Communists not be allowed into the "political" majority that an emergency government would entail.

With the deadlock broken, Andreotti has reinitiated consultations with other parties aimed at forming a new cabinet. These include the Socialist Party and the very small Liberal, Social Democratic, and Republican parties which have formed part of the six-party programmatic accord supporting Andreotti's government. Knowledgeable sources report that Vatican

backing was key for the leadership to give Andreotti a "free hand" to get an agreement with the Communist Party. Although the new ministers are still being chosen, the Italian press has reported rumors that the Communists asked for the dismissal of the British agent in the Treasury Ministry, Gaetano Stamatì, together with the industry, labor, and justice ministers.

The final option left open to attempt to sabotage the formation of a government is the tiny Liberal Party which barely holds 1.3 percent of the votes, but which, as a right-wing "constitutional" (i.e., not fascist) party could cause trouble on the right flank of the Christian Democracy. Following Berlinguer's statements the Liberal Party president announced that his party will not sign any pact with the Communist Party. Such an operation, however, is most likely doomed to failure. The Communist press is already warning that right-wing forces in the Christian Democratic Party are "trying to use the Liberals in the same way that China uses Albania."

A British Ultimatum

From Corriere della Sera, Feb. 8:

In a semi-private speech delivered in London last Saturday, Roy Jenkins, president of the European Economic Community (and former British Home Secretary-ed.), posed the Eurocommunist issue in the following way: if the PCI's presence in the Italian government becomes more direct, then "Italy, under suspicion of moving away from democratic pluralism," will end up moving away from the EEC. "If membership to the EEC," said Jenkins, "is based on a system of pluralistic democracy, then it can be deducted that any move away from pluralism must also correspond to moving away from the Community"...With this Jenkins has aligned himself with the U.S. State Department thesis, giving it an even more precise interpretation.

Bonn's Defense Minister Hounded Out Of Office

Faced with the prospect of 17 new wire-tapping scandals directed against him, West Germany's Defense Minister Georg Leber announced Feb. 1 that he was willing to resign from his post. His resignation became official two days later when Leber declined to follow Chancellor Helmut Schmidt's request to reconsider.

WEST GERMANY

During the past two months Leber had been hounded by an escalating series of scandals, beginning with the revelation in December that an East German spy working in the Defense Ministry had stolen documents potentially damaging to NATO security planning. When it became clear that Leber could and would successfully defend himself against the charge that he had deliberately played down the affair's seriousness, a new wave of bugging scandals was launched, centering on his military security agency, the MAD.

In one episode, the maniacal head of the Bavarian Christian Social Union, Franz Josef Strauss, accused the MAD of having illicitly eavesdropped on his (Strauss's) ordering the destruction of material implicating himself in the old Lockheed scandal. In another, certain members of the Christian opposition parties formed a parliamentary committee whose purpose was to open the files on every scandal in the past four years.

This pressure was orchestrated by Britain and by a group of Britain's allies within the West German media

and defense establishment, a fact clearly demonstrated by reports of the final hours before Leber decided to resign. According to an inside report from the regional newspaper *Kieler Nachrichten*, Leber, until late Jan. 31, was resolved not to give in to the efforts to undermine him and Chancellor Schmidt. But late that evening a group of Leber's top aides lured him to a four-hour session, during which they convinced the Defense Minister to "take responsibility" for the 17 new bugging cases. According to the daily *Frankfurter Allgemeine Zeitung*, it was "a disloyal and conspiratorial group of people (which) has forced Leber to resign."

The "conspirators" include Harald Wust, Inspector General of the West German Army (the Bundeswehr); the head of the military intelligence agency MAD, Comossa; and State Secretaries Helmut Fingerhut and Gen. Karl Schnell. During last week's investigatory hearings into the original anti-Leber spy affair, Wust and his associate Gen. Domröse were in the forefront of those accusing Leber of negligence.

Leber has been thoroughly hated by the British not only for his close relationship to Chancellor Schmidt, but for his recent drive to install more West German generals in the NATO leadership as a counterbalance to the British representation, which is grossly out of proportion to Britain's responsibilities in the alliance. Along with Schmidt, Leber has also opposed Henry Kissinger's attempts to stir up anti-Communist hysteria in Europe. This attitude is exemplified by Schmidt's statement last month, at a joint press conference with Romanian President Ceausescu, that he does not consider West Germany to be a "pillar" of NATO.

W. German Cabinet Reorganized

The resignation of Defense Minister Leber has prompted Chancellor Helmut Schmidt to undertake a long-planned reorganization of the Social Democratic members of his 15-member cabinet. Although some of the new ministers have little experience in their allotted fields, Schmidt has expressed confidence that this will be outweighed by the broader leadership qualities the Chancellor hopes to instill into them. The new cabinet will nevertheless have vulnerabilities in the areas of financial and economic policies.

Defense Minister Georg Leber has been replaced by Dr. Hans Apel, who has been Finance Minister since mid-1973. Both Apel and Schmidt are part of a moderate, industry-oriented grouping of Social Democrats based in Hamburg. He is a trusted ally of Schmidt, and in recent months has not yielded significantly to harebrained British schemes for reflating the West German economy. If anything, he will probably be an even stronger Defense Minister than his predecessor.

Apel's Finance Ministry post will be occupied by Hans Matthöfer, until now the Minister of Research and Technology. Matthöfer has a background in the Metalworkers

Trade Union, where his role has always been to keep contact with, but not join, the British-controlled "left-wing" groupings used to control the West German labor movement. He is, for example, an Honorary President of the German Section of the London-based terrorist front, Amnesty International, and during his term as Research and Technology Minister has had a poor record in supporting the urgent development of West Germany's nuclear sector. However, his turn last year away from a full "zero growth" perspective indicates that he can be favorably influenced both by Schmidt and by his working-class base.

The new Research and Technology Minister is Volker Hauff, since 1972 a State Secretary in the same ministry. Hauff is only 38 and represents the next generation of national leadership being cultivated by the Chancellor. He has a background in computer technology and telecommunications, having worked for IBM Deutschland before entering government service.

Minister for Regional Planning, Housing, and Urban Development Karl Ravens has resigned in order to return to his home state of Lower Saxony to lead the

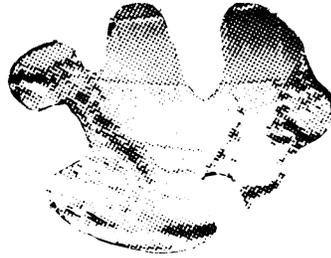
campaign for the June 4 legislature elections. Replacing him is Diether Haack, a State Secretary in that ministry. Through Ravens and through his association with the Federal Ministry for Intra-German Relations during the 1960s, Haack has close ties with the conservative "Kanalarbeiter" ("sewer workers") grouping of Social Democrats which form an international part of Schmidt's political base.

Minister of Education and Science Helmut Rohde is being replaced by Jürgen Schmude, who has served as State Secretary in both the Education and the Interior

Ministries. He ran his own law office in Essen from 1964-1971, and is reported to be close to Schmidt's ally Herbert Wehner, leader of the Social Democrats' parliamentary group.

Rainer Offergeld has been appointed to succeed Marie Schlei as Minister for Economic Cooperation. With a background in tax law, he served as State Secretary under Karl Schiller's Economics and Finance Ministry from 1972-1976, remaining with the Ministry of Finance when the two ministries were separated in 1976.

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THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO CUTOFF NUCLEAR COOPERATION WITH INDIA. IN A SCATHING DENUNCIATION OF THE CARTER VISIT TO INDIA, THE 'OPEN NINE' INCIDENT AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, THE JOURNAL STATES: 'SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION, THE JOURNAL CONCLUDES: IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE NIXES AND IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS HAND OFF THE HEAVY WATER SHIPMENT. BUT ON THE OTHER POLICY IMPACT DESPITE THE HEAVY WATER SHIPMENT, BUT ON THE OTHER HAND PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR TO TELL US A LIE WAS USING THE PLOY TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET 'PROMISES AND CLOSING DETAILS AT THIS TIME. TODAY'S SECRET ASSURANCES TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINERS AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT A DAY. HOWEVER A SECOND COLD FREEZE IS EXPECTED TO HAVE THE UTILITIES AFFECTED ALL OVER THE STATE.

WEEKEND THE ONGOING MINERWORKERS' STRIKE IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE PRODUCTION BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH FIRING OPPOSITION

TOM KING, BRIT. GOVERNMENT HIS D. OF

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