

EXECUTIVE INTELLIGENCE REVIEW

July 24-30, 1979

*Carter unveils program
for new dark age*

Nicaragua after Somoza



**Exclusive interview tells of plans
of reconstruction government**

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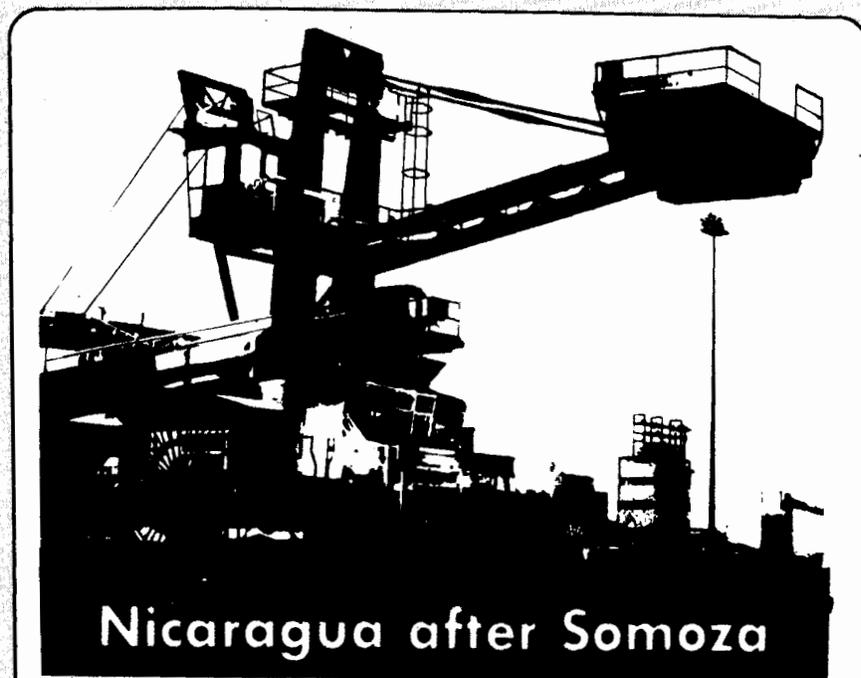
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EXECUTIVE INTELLIGENCE REVIEW



This week's cover story features an exclusive 10-page interview with Dr. Carlo Gutierrez, a spokesman for the new Reconstruction Government of Nicaragua, conducted by Executive Intelligence Review editor-in-chief Fernando Quijano. In the interview, Dr. Gutierrez, just named Nicaragua's ambassador to Mexico, discusses the new government's goals, and, importantly, reviews the outlook for relations with the United States, which installed and, until its last days, supported the Somoza family dictatorship which the Nicaraguans have now overthrown. Also in our SPECIAL REPORT, editor Quijano's assessment of the program of the Reconstruction government; and, a report on the fall of Anastasio Somoza.

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Chaos follows Carter's call for a New Dark Age

Chaos reigns in Washington following President Carter's back-to-back calls for a program that would accomplish the deindustrialization of the United States and bring on what one observer called a "New Dark Age." Our coverage in this week's U.S. REPORT features an analysis of the events by Criton Zoakos, with emphasis on the President's state of mind, and reviews the dangers and the opportunities arising from the present state of affairs. Included: the growing role of the Alexander Haig candidacy, and the role of GOP opposition to Carter..

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The case against the Anti-Defamation League

The B'nai B'rith's Anti-Defamation League has long an object of controversy for its involvement in right- and left-wing hate groups—involvement which the ADL has defended as an effort to combat such groups' influence from within. Now, the ADL has been slapped with a multimillion-dollar lawsuit by the U.S. Labor Party, in which the party charges that the ADL has conducted a systematic campaign to deprive it of its political rights. This week's COUNTERINTELLIGENCE report features a series of affidavits by USLP investigators and officials which are included in the suit, and the information they contain paints a disturbing picture of the ADL's activities.

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Mexico won on July 1

This week's two-part LATIN AMERICA report features a look at the historic Mexican legislative elections held this month in which the nation's policy of allowing the enfranchisement of more political parties was tested at the polls. The results will serve to strengthen the progressive government of President Jose Lopez Portillo, writes our Mexico City correspondent Robin Quijano. Also: an interview with Ernesto Samper Pizano, one of Colombia's leading advocates of drug legalization, which reveals Carter administration plans to legalize marijuana.

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London's policy collapse

The turmoil in Washington has reached such an extent that even some British spokesmen now worry that the Carter administration may wreck the very scenario Carter's collapse was designed to promote: Britain's plan to resurrect Sterling as a reserve currency. Economics editor David Goldman analyzes the furor in the lead story in our ECONOMICS report. Also: a special trade feature takes a look at the personalities and motives behind the proposal to levy a 15 percent surcharge on Japanese imports; Gold rises above \$300 per ounce; and Europe's attitude toward the dollar.

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Cleaning up the mess in Washington

During the 1976 presidential campaign, Lyndon H. LaRouche, Jr. raised the following question concerning the Democratic Party's nominee for the nation's highest office: "Is Jimmy Carter Brainwashed?" The lunatic game of musical cabinet chairs being played out in Washington over this past week, following the visibly dissociated Carter's disastrous "energy" address to the nation on July 15, has more than confirmed for millions of Americans the aptness of LaRouche's diagnosis. There is no government in Washington.

"Carter will be out by fall," observed one Washington insider who ought to know—he is a close advisor to the unannounced Haig for President campaign. The two New York Council on Foreign Relations pre-rigged Democratic and Republican nominees, Ted Kennedy and Alexander Haig, have accelerated their drive for the 1981 Presidency.

On July 18, Kennedy released an interview to the national press, in which he claimed that the Chappaquiddick Bridge incident of ten years ago would not hurt his chances to be elected President of the United States. Almost simultaneously, it was revealed that the Washington Star is about to publish a series of "Watergate"-related tapes that will burn up the chances of GOP aspirant John Connally, thereby bringing would-be Man on a White Horse Alexander Haig to the fore of Republican contenders.

What a victory for either—the CFR is betting on Haig—would mean can be evaluated by simply remembering that the CFR's *last* handpicked candidate was Jimmy Carter.

But the CFR's choices have been forced to expose themselves far in

advance of their controllers' intentions. The very pace of the "controlled disintegration" plan being put into effect along the guidelines of the Council's Project 1980s has opened the American population to the audacious alternative of electing a President *outside* the two major existing parties. This is a very real possibility for the first time since Lincoln's Republican Party captured the Presidency in the national crisis of 1860.

Lyndon H. LaRouche, Jr., the 1976 U.S. Labor Party presidential candidate who correctly identified the Carter Administration then and predicted its consequences, is again running for the U.S. presidency. For the vast majority of Americans still organically committed to progress, his candidacy represents the only way to clean up the mess in Washington and save the nation from disaster.

LaRouche has defined the major issue of this campaign as follows: the rapid development of nuclear energy; the wiping out of the plague of psychotropic drugs that is destroying American youth; and the creation of a national bank to issue credit for high-technology industrial

growth, in the context of a new global monetary system based on the expansion of the European Monetary System along lines indicated in LaRouche's "Riemannian economic model" and related proposals. A key issue will be the rebuilding of Nicaragua in this context, now that that country is emerging from the disastrous effect of four decades of the "free enterprise" system espoused by LaRouche's opponents.

LaRouche's scheduled address to the July 22 Annual Awards Dinner of the Illinois Anti-Drug Coalition has stirred an all-out national battle between the forces committed to stopping dope and the Kennedy crowd with its plans to enforce a new Auschwitz on America's inner city black population in particular. As LaRouche's campaign moves ahead, and "town meetings" convene to bring the candidates' decision making powers before the scrutiny of a developing republican citizenry, the artificial candidacies of Haig and Kennedy will be thoroughly exposed. This is the real fear of the CFR and its friends, who have mobilized all-out to sabotage LaRouche's appearance at the Illinois event.

—Nora Hamerman

The Week in Brief

Iran's new deputy finance minister has endorsed by name the dark ages genocide policy perpetrated by Cambodia's Pol Pot. Abulhassan Banisadr—named this week to his post—stated that this is his policy for Iran, in an interview with the French weekly *Nouvel Observateur*.

Banisadr, who has been acting as de facto economic czar, called for a

complete halt to construction of industry and new buildings, and suggested that Iran's cities be decentralized and their inhabitants be dispersed into the countryside.

Several more industrial projects have been cancelled, including the huge pipeline to the Soviet Union for natural gas.

The long-brewing political crisis in India has come to a head with the forced resignation of Prime Minister Morarji Desai. Desai's Janata Party has lost its majority in Parliament and frantic efforts are now being made by the different parties and groups to form a new government.

The major candidates trying to form an unstable minority government are: Charan Singh, leader of the "jat" small farmers, who would have to rely on support from the two major opposition parties, the Congress-I led by former Prime Minister Indira Gandhi, and the anti-Gandhi Congress-S; and Deputy Prime Minister and Defense Minister Jagjivan Ram, leader of the "harijan" (untouchable) caste population, with support from the reactionary Jan Sangh component of the Janata Party and some of the smaller opposition parties.

Discontent with the Janata government had been rising rapidly due to rising inflation, severe shortages of electrical power, strikes and increasing communal, religious, and caste violence. The decay of government climaxed last month when the army was used to put down police strikes, resulting in the death of over 23 policemen.

Even if one of the contending groups is able to bring together the coalition to form a minority, it is not expected to last more than a few months until elections.

To break the deadlock new elections will soon have to be held. Of all the candidates in the running, Mrs. Gandhi is expected to gain the most, given her support among the populace as the leading opposition figure to the Janata.

* * *

Europe should keep in mind that a "total cutoff of oil imports to Europe would end the future of European civilization," warns Israel. This menacing statement from the director general of the Israeli prime minister, Eihu Ben-Elissar, was broadcast over West German television July 18. The Israeli official railed against Eu-

rope's "fixation" on oil in a brazen blackmail threat against Europe's oil supply. Other Israeli spokesmen meanwhile have attacked European nations, especially France, for not being aware enough of the "Holocaust."

Ben-Elissar revealed that the joint statement issued from last week's Egypt-Israel summit in Alexandria was "directed at Syria. . . . The Syrians will have to take it into account in their calculations. . . . Egypt and Israel want the Syrians to withdraw from Lebanon."

By July 18, Israeli jets had carried out their first sonic boom flights over Beirut.

* * *

Rep. Louis Stokes's House Assassinations Committee, while reaching no positive conclusions, has opened the door for Justice Department dirty tricks against the Teamsters Union by fraudulently naming the IBT as possibly complicit in the assassination of President John F. Kennedy. The committee report is demonstrated a fraud in completely omitting any consideration of the exhaustive and fruitful conspiracy investigation undertaken by former New Orleans District Attorney Jim Garrison, and subsequent U.S. Labor Party investigation, which established—based on the factual material assembled by the Garrison probe—the top-level British-National Security Council-Zionist Lobby conspiracy that carried out the assassination through the Permindex apparatus of Major Louis Bloomfield.

The committee tied the IBT to the case by stating that former IBT President Jimmy Hoffa "had the motive, means and opportunity for planning an assassination attempt" on Kennedy. But it added that Hoffa was "unlikely" to have attempted the assassination because he was already under Justice Department investigation.

The latter conclusion is the committee's "carrot" to be applied as leverage toward influencing the Teamster position in the 1980 elec-

tion. The committee's report has been sent to the Justice Department, where the Assistant Attorney General will determine

The incoming Assistant Attorney General is New Jersey's Frederick Lacey, a protégé of the Resorts International gambling chain's Herbert Stern, the original prosecuting attorney in the frameup of Teamster leader Anthony Provenzano in that state. Louis Stokes, who headed the House probe, is known to be controlled by related Zionist lobby networks in the Midwest.

* * *

Presidential candidate Lyndon LaRouche, Jr., returned from Europe this week and began a nationwide tour July 19 in Jimmy Carter's home state of Georgia. LaRouche arrived in Atlanta by helicopter and was greeted by press, TV and radio.

The 1980 election will be one in which third parties are important, noted a commentator in his report for WQABC-TV's news that night. Mr. LaRouche is a "self-described republican, with a small 'r,'" who says that the ideas of his party, the U.S. Labor Party, are the ideas of the 70 percent majority of the American people—a commitment to progress.

In his well attended press conference, the presidential candidate emphasized the seriousness of the current crisis of government in the United States. The backbone of the policy of his own administration, he said, will be nuclear energy, including fusion power.

The conference was attended by the Associated Press and the influential Marietta Journal.

Mr. LaRouche's first stop in Atlanta was the estate of Mr. Mitchell WerBell, security expert. Mr. LaRouche stated that the current government of the United States is in no position to protect presidential candidates and that he was therefore seeking the security services of Mr. WerBell.

London's policy collapse

U.S. government turmoil threatens Empire's plans

Wire reports at deadline July 19 show the ongoing Cabinet purge in Washington to be less like an authentic Italian government crisis than a Victor Herbert operetta staging of an Italian government crisis. One Fred Schultz, formerly of the Barnett Banks of Florida, who was confirmed only Wednesday night as Vice-Chairman of the Federal Reserve Board by a Senate that entertained strong objections to his experience and competence, is now the Acting Chairman of the Board of Governors of the Federal Reserve System. The former Chairman, G. William Miller, has been appointed Treasury S.

INTERNATIONAL CREDIT

describe as a "major demotion," and a prelude to leaving politics. According to wire service reports, Mr. Schlesinger will be out within hours. Reportedly, the White House is getting tens of refusals for every acceptance of proffered Cabinet positions.

The country will be gagging over today's events for some time, probably to the detriment of understanding the source of the chaos at work on the Potomac. Attention should be directed less to the fate of any of the interchangeable Trilateroids now departing Washington, than to the one departure of a really important figure in the recent weeks—British Ambassador Peter Jay, whose influence in the Carter household at once point exceeded that of Sir David Ormsby-Gore at the time of the Kennedy administration.

Debate breaks out

In a "valedictory speech" that provoked one of the few authentic storms of controversy ever to affect recent British foreign policy, Peter Jay warned that (1) the world was about to dissolve into various competing, protectionist regional currency blocs; (2) that the International Monetary Fund and NATO were on the verge of dissolution; (3) that European attacks on President Carter's lack of leadership for the Western world were

"hypocritical" and undermined the American President's already weak position; and (4) that the United Kingdom should not join the European Monetary System, which Peter Jay characterized as a scheme to benefit West German industry.

Most commentators would not especially fault the pessimistic nature of Jay's address, given the events of recent weeks. But the real significance of Jay's outburst could easily be missed. What is interesting is not that the departing ambassador believes that the world is headed toward chaos, but, rather, that he *objects* to this.

To repeat: official British policy is to obtain relative advantage in a regime of world chaos, brought on by the rise in energy prices and disruption of supply, with the emergence of sterling as the world's "petrocurrency," in the words of this morning's *Journal of Commerce*.

The Bolton scenario . . .

That was the explicit subject of a "blind memorandum" authored by Bank of England advisor Sir George Bolton for the new British Chancellor of the Exchequer, Geoffrey Howe, and reported extensively in these columns two weeks ago. Bolton's perspective is that the Commonwealth, with its disproportionate share of natural resources, will emerge as the strongest of the various currency blocs to come out of the present period of "controlled disintegration," and sterling will ascend once again as one of the world's leading reserve currencies.

Any observer, of the foreign exchange markets, watching sterling's cross-rate against the major European currencies shoot through the ceiling over the past two weeks of American political crisis, would have to grant the Bolton scenario a certain amount of credibility on the face of it. The dollar has hardly moved against the deutschemark, Swiss franc, and yen during the entire period, while sterling has gained upwards of 10 percent over the past month.

Among Tory Government circles, the codeword for discussions of the Bolton scenario is the "1930s issue," as chief economist policymaker Sir Keith Joseph has put it. This refers to the historical fact that during the

The British controversy

From the front-page lead article of the July 17 London Guardian, "Jay signs off with 'NATO at risk' warning," by John Palmer:

The Government has been warned that NATO, the International Monetary Fund, and other Western institutions are threatened by the growth of "regional nationalism" which has been encouraged by developments in the Common Market.

The warning comes in a confidential valedictory message from the former British Ambassador in Washington, Mr Peter Jay.

Mr Jay's summing up of his views after three years as U.S. Ambassador runs to some 50,000 words and is headed "The West: the peril within." Its contents have already raised eyebrows and hecklers among senior Foreign Office officials and serving diplomats since it flies in the face of much current British foreign policy conventional wisdom.

Mr Jay accuses Common Market leaders and Britain's ambassadors in Europe of hypocrisy in criticizing President Carter. ... Mr Jay also makes a

personal plea to Mrs Thatcher and the British Cabinet to keep the U.K. out of the new European Monetary System—a device which Mr Jay b will only further the interest of German industry ... (and) whose basic inspiration he sees as "anti-dollar." He foresees a real danger of the West dissolving into a set of mutually hostile economic groupings which would undermine any wider political or military unity in the face of the Soviet bloc....

Foreign Office diplomats seem to be as sceptical and hostile to Mr Jay's analysis of the ills of the Western system and to Britain's EEC policies as they were to Sir Nicholas Henderson's condemnation of so much postwar British economic and foreign policy in his valedictory statement. Jay and Henderson are held to be exaggerating undoubted problem areas to the point of "doom-mongering." ... Mr Jay's former colleagues believe that his long-standing attachment to a rather dated form of "Atlanticism" has unbalanced some of his judgements. But they are impressed with the section of his report dealing with world monetary problems, where, it is conceded, Mr Jay has a particular expertise....

Great Depression, Britain experienced overall economic growth, while the United States lost over 30 percent of gross output at the depression's trough. Various unimportant things have been said about this, but the important angle was brought forward by the London *Economist's* lead editorial of July 7, discussed in this column last week: namely that the relative price advantages of Commonwealth raw materials plus North Sea oil gave the British Commonwealth bloc an advantage against the oil-dependent Europeans. That is the Bolton program.

... And the obstacles

It is now acknowledged in most British policymaking circles that this approach has collapsed. The reason it has collapsed is that Western Europe, the leading OPEC countries, and the Soviet Union are collaborating for a long-range, cheap-energy plan centered on crash nuclear development and state-to-state oil deals. British diplomacy in the Middle East is at a nadir comparable to the situation following the 1944 Casablanca meeting, when Roosevelt proposed to bounce the British Empire out of the Middle East entirely, before Truman and the Dulles brothers let the British back in. The bottom line is simple.

Price policy

The British assumed that—with North Sea oil with a cost of in the range of \$12 per barrel, European energy

costs in excess of \$20 per barrel, and American energy costs artificially rigged through some form of synthetic fuels and conservation effort in the range of \$25 per barrel and up—their currency bloc would come out on top.

Under that assumption, this conclusion seemed reasonable, and became the basis of British government policy. Therefore, it was in British interest to push the disintegration of the world situation to the maximum. The fact that the most recent dollar crisis occurred almost exclusively on the sterling rate is high-quality evidence of what the City of London and its corresponding institutions in the United States have been up to on this score.

However, once the Europeans failed to be dissuaded by strategic or other threats from obtaining a direct linkup with the Soviet Union on the issue of nuclear power production and an all-European electricity grid, and a linkup with OPEC—with strong OPEC support—for a policy of state-to-state oil deals excluding the London-based oil cartel—the relative British advantage disappeared.

That is why Peter Jay warned so heatedly of chaos, and why his speech caused a scandal in the British press. The London *Guardian* of July 18 commented on the address, "Some of [Jay's] colleagues feel that his commitment to an outdated 'Atlanticism' may have unbalanced his judgements." It is no secret that the central objective of British monetary policy has been

either to break up the European Monetary System or to join it, and take it over, perhaps on the strength of North Sea oil. Either way, what most worries the British is the evolution of the currency stabilization system into a European Monetary Fund, on the order of the International Development Bank proposed last week by the president of Italy's state oil company ENI, and earlier by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Dollar decisions

A related British objective has been, since the early 1978 visit of British Prime Minister James Callaghan to Washington, the replacement of the dollar by the IMF's Special Drawing Right, in a belated realization of the old John Maynard Keynes proposal for the international credit system. This has depended for its chances of success on the emergence of a really serious dollar crisis, including large-scale reserves diversification by big dollar holders like the OPEC nations.

However, as this week's Foreign Exchange column shows in some detail, the present dollar crisis is a real phony. It is entirely possible—as some wire accounts predict—that Carter will make another play for a "leadership image" with a big public policy speech on strengthening the dollar, as he did on Nov. 1, 1978.

But it is not especially important whether he does so or not. The important issues will not be decided in Washington, but in Bonn, Riyadh, and Tokyo, which control the most important bulk of foreign-held dollars. However anti-American, the prevailing sentiment in those capitals may be at this time—for understandable reasons—the Europeans and the Saudis have absolutely no intention of liquidating their long-term stake in their American dollar holdings, and receiving in return a dubious type of British-inspired IOU from the International Monetary Fund, which would inevitably result from this type of dollar collapse.

What can be done

With certain adjustments of their reserve operations the Europeans and Arabs can profitably use the dollars they now hold in reserves—plus a great deal more—to their own advantage. In one form or another, this will involve the creation of some link between the dollars held in international reserves and gold, possibly through the issuance by the European Monetary Fund or some similar institution of gold-linked bonds to absorb excess liquidity from the Eurodollar market.

At any point the Europeans choose to act on this score—and they will have the enthusiastic applause of the OPEC countries who have been accumulating substantial amounts of gold—the little squall on the London foreign exchange market will blow over, and the pound sterling will blow to pieces. The British know this.

The problem with Washington is, simply, that there is nobody in the government who is in the least able to think of an American policy that is not in London's interests, as is to be expected from a Council on Foreign Relations-Trilateral Commission government. No cheap energy policy is in British interests. No strong dollar policy is in Britain's interests. The only going, if illusory, concern in London is capital flight based on optimistic projections of the importance of North Sea oil.

There is no reason why the President could not announce a crash program of nuclear development that would make Soviet efforts look modest by comparison, and a group of state-to-state oil deals with cooperative OPEC nations that would ensure a long-term ceiling on the price of oil as well as a correction of America's current \$16 billion per year current account payments deficit.

U.S. blinkers

In short, there is nothing in the real world, except the intense anglophilia of the men who surround the incompetent President, to prevent the United States from adopting European policies. The only problem with this is that such an effort would sink Britain and its friends and financial networks abroad in the way that Franklin Roosevelt threatened to do in 1944. Among other consequences, the investments of major oil companies in petroleum inventory and coal would become a financial disaster area.

Judging from the ferocity of discussion around the Peter Jay statement, the British are far ahead of their cothinkers in the United States in realizing what sort of crisis has hit them. The Business Roundtable, the Committee on Economic Development, the National Association of Manufacturers, and other business organizations are still talking about a silly "free enterprise" version of the Carter energy program that would plough the effect of rising oil prices back into the oil companies rather than into a government energy corporation. The government's role in this, according to various business spokesmen, would be to put a *floor* under energy prices in such a fashion as to guarantee the viability of investments in the least efficient and most costly forms of energy use.

That is not going to happen. What Europe and OPEC are up to utterly prevents it from happening. Until there is a straightforward decision in the United States that no such thing will happen, the Administration will continue to suffer the nauseating effects of a terminal case of Anglophilia.

—David Goldman
Economics Editor

GOLD

A new gold rush: two monetary strategies

The world gold price soared to a new historical record of \$303 an ounce on July 18 reflecting international investors' perception that Carter is a lame duck president whose energy policies cannot be implemented in the face of overwhelming opposition by the U.S. population. How much higher the gold price will go will depend on whether this vacuum in U.S. politics is filled, and by whom.

West Germany's Dresdner Bank, which is rumored to be representing the Saudis, has continued to power the gold price rise. Dresdner carried away nearly 90 percent of the gold

offered at the latest U.S. Treasury auction held on July 17 and has purchased most of the gold offered at both the Treasury and International Monetary Fund auctions in the preceding six months.

This column agreed with Desdner's estimate several weeks ago that gold would reach the \$300 level—I analyzed it as an adjustment in the previous \$240 target to compensate for the increase in world oil prices. The targeted gold price has been a key component of the French and German plans for a European Monetary Fund. The fund—slated as the next stage of the European Monetary System founded a year ago by French President Giscard and West German Chancellor Schmidt—

would absorb 20 percent of its members' gold and dollar reserves. This was conceived as a capital base for generating long-term dollar credits within the European Community for industrial and agricultural development for Third World industrialization.

The EMS would effectively set the banks have already been doing to a considerable extent, and would gradually monetize the entirety of EMS gold reserves through the European Currency Unit accounting mechanism, whereby settlements payments would draw more and more gold into the fund's operations.

Opponents of the EMF have had no effect in their attempts to demonetize gold by U.S. Treasury and International Monetary Fund (IMF) gold sales; the latest Treasury auction was far from the first time Dresdner simply absorbed the gold. Nevertheless, the July 18 *Journal of Commerce* plays up a prediction by the New Jersey-based gold commen-

FOREIGN EXCHANGE

What will Europe do about the dollar?

The dollar continued to reach new 1979 lows July 16 through 19, but except for its six-cent depreciation against sterling, this collapse to pre-October 1978 levels was a threat rather than an imminent threshold. Vis-à-vis the mark, the dollar barely lost ground following Carter's nationwide energy address and Cabinet purge. This was initially due to central bank intervention, but by July 19 the markets were profit-taking and waiting for a dollar-support announcement from Washington—probably a significant interest-rate hike.

The dollar slide is widely attrib-

uted to European and domestic sentiment that Carter is not forcing America to "really bite the energy bullet." The economic choice is supposedly a) tightening credit and pushing the recession over the edge, or b) not tightening credit and leaving nothing but the central banks between the dollar and its collapse to below October 1978 levels. Then OPEC would end dollar pricing for oil and push up U.S. costs further.

The West German Bundesbank, which has been protesting its government's dollar-support commitments for months, is reportedly holding back from full-scale intervention on the grounds that dollar purchases would unconscionably swell the West German money supply. Apart from the fact that clever, forceful

bear traps are more effective than throwing lots of currency into the markets—especially if the latter simply serves to give speculators a guaranteed return—this excuse begs the question of the European Monetary System (EMS).

The EMS was set up last July precisely as a channel for absorbing unwanted dollars to then turn the dollar into a prized asset by forming a dollar-gold reserve pool (see Gold) for mammoth trade and investment credits. This would have the dual effect of drying up speculation and generating inflation-proof dollar returns.

Since the Europeans were pressured this spring into delaying implementation of this European Monetary Fund mechanism, the hope of the antidollar factions is that a new dollar crisis would catch EMS leaders unprepared, and force them to give up on their dollar rescue plans for good. The EMS's accounting unit—the European Currency Unit (ECU)—could then be shaped into

tator Charles Stahl that gold will sink to \$240 by October and possibly \$220 by next spring, because the Treasury will sell more gold to defend the dollar and the IMF will do the same to finance an "oil facility." Washington, D.C. veteran Thomas Wolfe commented to *Executive Intelligence Review* the same day that such sales would obviously backfire and drive up the price, once the markets saw Dresdner and others ready to buy the offerings.

In previous columns, I suggest that Dresdner's massive purchases were part of Franco-German strategy to integrate Arab petrodollar holders into the powerful new gold-backed monetary bloc centered around the European Monetary Fund. Although Dresdner may in fact be playing this role, another major force in the gold market, namely the British bullion houses, are also bulling the gold price for different reasons. The British and their cothinkers at the New York Council on

Foreign Relations hope to use this latest run on the dollar as a battering ram with which to force the U.S. to undertake an even more severe energy austerity program than that proposed by Carter—a program which can be enforced only by placing the U.S. economy under IMF receivership and by establishing the IMF's Special Drawing Rights as the world's new reserve currency.

The British game-plan is to play the Franco-German-Arab faction off against the U.S. by playing on their "anti-American" profile and circulating the line that only U.S. oil import reductions will "stabilize the dollar."

The German banking community's vulnerability to such British manipulations is illustrated by the case of Dresdner Bank managing director Hans-Joachim Schreiber who told *Handelsblatt* in a recent interview that he welcomed Carter's energy speech, but hoped he would go one step further and deregulate do-

mestic oil prices. Schreiber further predicted that world markets in the next several months would be characterized by a continued upward trend in the gold price, renewed dollar weakness with the U.S. currency swinging between 1.75 and 1.85 deutschemark, and increasing interest in gold on the part of oil-producing nations.

—Alice Roth

an "alternative reserve," supplementing or replacing the unpopular Special Drawing Right.

We recently reported the comments of Citibank's Harold Van B. Cleveland, at a Paris conference last month, that the EMS could not withstand a fresh destabilization of the dollar. Cleveland told a reporter July 15 that "enormous shifts of capital are in the works" into non-dollar assets—"even guilders." The reason for the dollar's drop, he said, is not Carter's energy inaction but the Fed's "relaxed" money supply policy, especially compared with the Bundesbank's. He predicted that the Fed will tighten funds, and added that the Saudis have been "assured" that there is nothing the U.S. can do about the dollar right now, and they—the Saudis—should take no drastic action. Meanwhile, he concluded, the upward pressure on the deutschemark is getting so intense that it will have to be revalued within the EMS's fixed parity grid.

However, West German Eco-

nomics Undersecretary Manfred Lahnstein rather dramatically stated July 18 that there will not be an EMS currency realignment, especially not before or during the discussions of the European Monetary Fund (EMF) implementation officially scheduled for early autumn. The lira and Irish pound, not the mark, are the system's strongest currencies, he said (which is technically true); there is no need for a Belgian or Danish devaluation because monetary authorities have taken suitable measures domestically.

Lahnstein's reference to EMF deliberations is the first such public statement; it comes on top of multiple signs, as we have reported, that something is on the drawing boards. What remains uncertain is its orientation toward the dollar.

A think-tanker at the Georgetown University Center for International and Strategic Studies, which maintains important conduits in West Germany, claimed July 16 that within six months, the ECU will be

established as a reserve currency to replace the dollar, that Chancellor Schmidt is totally in favor of this, and that OPEC will diversify into ECUs because "there are not enough marks, not enough yen, they have nowhere else to go."

There is little doubt that this is what Georgetown and its Chatham House associates in London would like to see, but neither the Europeans nor the Arab oil producers have been bashed into line. The immediate choice the EMS and its increasingly close OPEC allies face, instead, seems to be between waiting—and allowing austerity advocates to run amok in the U.S.—or taking some step in the direction of establishing the dollar's reserve value.

—Susan Johnson

DOMESTIC CREDIT

Fed Chairman Miller to pull the plug

In remarks to a luncheon meeting of the New York Financial Writers' Association on July 18, Robert H.B. Baldwin, president of Morgan Stanley, Inc., warned that a "soft landing is not in the cards" for the U.S. economy in 1979-80. He also predicted a period of even lower volume of new stock and bond issues in the nation's capital markets and vociferous competition among securities firms and banks over the dwindling business. Mr. Baldwin is the "Cassandra of the securities industry" who in 1974 predicted that 150-200 firms operating on the New York and regional ex-

changes would shortly go out of business—which indeed they did.

The monetary course outlined by Federal Reserve Chairman G. William Miller before Congress July 17 virtually ensures the sort of "hard landing" later this year foreseen by Mr. Baldwin. Miller said that the economy has entered a recession, which will be a lot deeper than the Carter administration spokesmen think. Miller, at the same time, assured the House Banking Committee that the central bank would resist pressures to ease monetary policy in response.

Seasoned Fed-watchers and stock market investors are reading Mr. Miller's remarks as the signal that the Fed is going to tighten mon-

etary policy at this time—that Miller is pulling the plug on the U.S. economy. The rationale for this policy decision will be the dollar's uncontrollable slide on world foreign exchange markets following the fiasco of President Carter's Sunday night energy address and the multiplying confusion in Washington.

The monetarists at Citibank pin the blame for the dollar's recent troubles principally on U.S. monetary policy, which they say has become less restrictive than it was during the post-Nov. 1 period. Between approximately last October and May, the U.S. monetary base (reserves supplied to the banking system and cash in circulation) was growing at a 6-7 percent annual rate. In the last six weeks, it has sped up to an annual rate of 9-10 percent. Predictions are now rife that Miller is about to return to his pre-June stance.

Interest rates are already headed up again in response to expectations of future Fed policy. At the weekly

CORPORATE STRATEGY

Computer industry shakedown?

The interconnections of three big corporate stories in the past week got fluffed over by the financial press. They were the International Telephone and Telegraph (ITT) shakeup, the shift in International Business Machines (IBM) marketing strategy, and the Lloyds of London payout to computer leasers whose contracts were terminated.

At stake is whether the electronics sector will become the leading edge of turning high technology into a war machine. The ITT and IBM shifts are in this light best compared with the recent changing of the

guard in the British government, followed by a campaign on the part of Margaret Thatcher and her fellow "Black International" spokesman, Franz-Josef Strauss of West Germany, for a huge push in the microchips and data processing fields.

The other side of this militarily-oriented drive is economic warfare against Japan and secondarily, France. IBM intends to capture the entire equipment market for the increasingly integrated data processing, telecommunications, and computer market, instead of merely the computer or small machines end of the industry. It will speed up its introduction of new technologies for this purpose, abandoning its traditional "you'll buy when we decide to market" approach. This is geared to im-

pose an "office of the future" electronics mode, geared toward the military, toward bureaucracies, and surveillance and manipulation of business—instead of developing the field's industrial and educational applications. Together, IBM and ITT are out to lock up control of strategic national telephone and telegraph systems around the world, and indeed all aspects of digital and voice-grade communications.

ITT shakeup

On July 11, the ITT board of directors sacked Lyman Hamilton, president and CEO since 1977. His replacement, Rand V. Araskog, West Point '53, was a special assistant in the McNamara Whiz Kids' advanced research agency at the Defense Department. After stints at Honeywell and ITT's Federal Laboratories, a top government contractor, Araskog was named president of ITT Defense Communications, and rose to EVP by 1976. He is a top

Treasury bill auction on July 16, interest rates rebounded to their highest levels since June 4—the rate on the Treasury's 26-week bills rose to 9.255 percent and the rate on 13-week bills went up to 9.336 percent. Several weeks ago, we predicted that when the impetus for higher rates appeared, T-bill rates would go up just as fast as they came down in the first weeks of the summer, due to the leveraging effect of the Treasury bill futures market. This is precisely what has happened.

Since Carter's Sunday night address, yields and prices in the bond market have been reflecting investors' jitters over the mess in Washington—and yields are generally up and prices down.

The most revealing statement in Chairman Miller's July 17 speech was what he had to say about the relationship between monetary policy and the recent oil-price hike: "If we tried to accommodate it, we'd unleash more inflation. If we tried to

overreact to it and send the economy into a tailspin, we would just open . . . more problems. As usual, we proceed with proper balance, perspective and brilliance" (sic). Miller's promise here that he will not finance the \$100 billion oil price increase (in the U.S. alone) through the expansion of credit and money means that the oil price hike will fall as a direct tax on industry, agriculture, and U.S. living standards.

In his address to the NY Financial Writers' gathering, Morgan Stanley's Robert Baldwin was negative about the synthetic fuels program presented in the president's benchmark energy speech. Baldwin cited the long lead time and galloping costs involved in the construction of South Africa's coal gasification plants, which he recently visited, and hinted that the private capital markets want no part in financing the president's "ambitious" proposals. This view is particularly interesting from the head of a firm which did the

financing for such major projects of the postwar period as Churchill Falls and the Alaskan Pipeline and is now involved in a big way in financing Australian oil shale production. Morgan Stanley is also the principal investment bank of most of the major oil companies. Perhaps Baldwin is saying that the private sector will only throw its support behind synthetic fuel production when the conditions are right: when the profitability of synthetic fuels has been ensured through the U.S. population's acceptance of "conservation" and fully decontrolled oil prices as a way of life and through complete government guarantees for private investment.

—Lydia Schulman

operating man in the style of ITT board chairman Harold Geneen, with a full background in high-technology military applications and espionage capabilities.

Geneen himself announced July 18 that he is putting together a venture capital group along with unnamed bankers in Munich (Strauss's home base), Lazard Frères' Felix Rohatyn, retired Alcoa chairman John D. Harper, and Henry L. Hillman of Pittsburgh. Geneen, who reportedly opposed Hamilton's policy of lopping off ITT's earlier acquisitions, is not exactly launching a "private" project, however. Such "venture capital" setups are simply fronts for ITT and IBM; in this case, no one is likely to think otherwise.

The ITT shakeups are complemented at IBM. In the second quarter of this year, IBM announced a rare earnings drop and a still rarer intention to borrow \$1.5 billion. This borrowing, it was explained, is to augment the \$4 billion cash appro-

priation for the new computer leasing system that will entirely reverse IBM's marketing strategy. Instead of slowly unveiling a succession of big computers and refinements on small office machines, IBM will use its immense resources to crunch competitors.

Those "competitors," like Amdahl, have merely operated to test the waters for IBM's new push. The real targets are companies like ITEL, which markets the large Hitachi AS/8 against IBM's yet-to-be-produced H series. Once IBM has beaten Japanese marketing toeholds in the U.S.—Japan has been largely terrorized or prohibited from directly marketing advanced computers in the U.S.—it will, with ITT, take on the Japanese and French national phone systems, which provide R&D capital to domestic electronics and telecommunication companies.

The Anglo-American electronics operation wrecked France's computer industry in 1974 by pulling Philips

out of the European computer partnership. The Japanese have continued to develop the most advanced technology on a scale sufficient to broadly apply computerization to industrial processes. Since this would reverse the "limits to growth" commitment of the IBM forces, IBM and Washington, D.C. have moved in for the kill.

Lloyds of London is part of this deployment. Even if it pays as much as \$1 billion to computer equipment lessors, Lloyds will not go bankrupt, contrary to *Wall Street Journal* and industry analyst rumors. Lloyds' payouts will liquidate industry debt, indirectly freeing IBM to float its new leasing arrangement. IBM will have plenty of resources for its marketing blitz: on top of the \$4 billion kitty and the \$1.5 billion credit line, pension funds, insurance companies, and offshore funds like Britain's GT Management are jointly moving a lot of money into electronics.

—Leif Johnson

BANKING

Proxmire hearings a sideshow

Last week's hearing before the Senate Banking Committee on three of the major issues facing the domestic banking system are not expected to alter the stalemate between the government and money-center banks on one side and regional banks on the other. One official at Blyth Eastman Dillon caustically characterized the hearings as a "sideshow that will resolve nothing," as everyone waits for some sort of coherent line to emerge from the shakeups in the Treasury and Federal Reserve following the firing of W. Michael Blumenthal.

The three issues go to the heart of the future of U.S. banking. They are:

(1) the extensions of Edge Act interstate banking privileges, including taking of deposits by Edge Act corporations; (2) foreign acquisitions of U.S. banks; and (3) the creation of tax-free and regulation-free international banking facilities, such as the one proposed for New York City.

All three have been stalled throughout the tenure of the Carter Administration, primarily by a wall of opposition by the vast majority of U.S. banks. If implemented, the three measures would wreck the U.S. banking system as we know it, and usher in a wave of banking acquisitions by the British.

Senator William Proxmire, chairman of the Senate Banking Committee, has piously taken a hard line

against any attempt by the Federal Reserve Board to unilaterally enact the IBFs and alter current Edge Act or takeover regulations. While undoubtedly seeking to portray himself as evenhanded and against the Fed's insistence on its right to "rule by decree" on these matters, there are indications that Proxmire is attempting to engineer a trade-off. Wall Street is buzzing that Proxmire may be trying to get the regional banks to accept the creation of the New York City free-trade zone (which would be followed by others), in exchange for the big banks dropping their attempts to directly encroach on regionals' home turfs through Edge Act changes. This coincides with 22 international banks funding a sizeable portion of a \$600 million note issue by the nearly bankrupt New York City, in order to curry favor for both the IBFs and permissive takeovers.

Although the deal is by no means consummated, further progression

BRITAIN

Sir Keith wields the ax against British industry

The Tory government's commitment to "free enterprise" was translated into action this week when British industry Secretary Sir Keith Joseph announced the first batch of proposals to "streamline" industry by reducing the role of the state in economic development. The most controversial measure, which was immediately attacked not only by the trade unions but by industry, is the plan to cut government subsidies to the economically depressed regions of Britain—by more than one third.

Expected to reduce the govern-

ment's regional development budget by \$525 million over the next three years, from its current level of \$1.37 billion, the cuts are geared toward speeding up the "deindustrialization" of Britain and dissipating the country's skilled industrial work force, except for a small high-technology elite.

The drastic pruning of industrial grants to areas worst hit by unemployment will be followed within the next two weeks by proposals for the future of the shipbuilding industry, which are expected to include plans to shut down several yards, and a decision on the role of the National Enterprise Board, a state-run entity which holds equity stakes in several

high-technology firms which it has rescued from the brink of bankruptcy. Sir Keith has also given British Steel a "doomsday date" of March, 1980 beyond which the government will no longer subsidize its financial losses. To achieve a breakeven level by this date, the corporation will be forced to accelerate closure of its less profitable steelmaking facilities.

The combined measures instituted by the government may mean the loss of anywhere from 80,000 to 100,000 jobs, say experts, and will turn many outlying industrial areas into ghost towns. The steel town of Corby in central England—sometimes referred to as Britain's Pittsburgh—will face a mass exodus if the shutdown of its steel mill, which provides most of the town's employment, goes ahead as planned.

When Engineering Union officials declared angrily that "for the first time we have a government cre-

would open the floodgates to the dirty-money game of the British banks, with the U.S. economy turning into one big roulette game—of the Russian variety, with the bullets pointed at the economy.

Background to the issue

As *Executive Intelligence Review* readers know, the British policy of buying up American banks is an attempt to establish a firm base for further corporate acquisitions as well as direct policy input into U.S. banking practices. In mid-1978, after triggering runs which severely devalued the dollar, British and British-allied foreign banks began a series of banking takeovers and branch expansion in the U.S. At that point, the U.S. Labor Party moved to block these acquisitions, targeting in particular the Hongkong & Shanghai Bank's efforts to take over Marine Midland. Through widespread dissemination of the USLP-authored bestseller *Dope, Inc.*, which documents the

HongShang's role as the premier international drug bank, plus legal action against the HongShang, the New York State Banking Department was provided the margin of ammunition with which to scuttle the Marine Midland bid last month.

While regional banks have increasingly opposed these foreign takeover attempts, both money-center and foreign banks themselves are lobbying for unrestrained acquisitions.

The push for expansion of Edge Act privileges is coming from these big commercial banks. This would permit them to operate full-service interstate branches, thus undercutting smaller regional banks through economies of scale and greater cash availability. Credit would become almost totally controlled by especially the major New York banks, with whole sections of industry cut off and a chain reaction of bankruptcies unleashed. While the International Banking Act of 1977 permits the

Federal Reserve to authorize these privileges, the opposition of regional banks has stalled the move so far.

As for the international banking facilities (IBFs) or "free trade zones," regional banks fear, rightly, that the large banks involved in these unregulated, reserve-free areas would be able to suck funds out of regional banks by offering more favorable loan terms and higher interest on deposits. What they generally fail to see, however, is that these unregulated zones will serve both as centers for illegal money laundering for the drug trade, gambling, and other illegal activities—accelerating inflation—pulling funds away from productive investment, and enable the British-oriented money-center banks to gain hands-on control of what regional business survives.

—Steve Parsons

ating unemployment" rather than alleviating it, Sir Keith replied that "local enterprise" and cooperation in "making business competitive" would restore Britain's industrial vitality. "The government seeks to create the conditions in which the whole country can prosper," Joseph told a new conference. "Nothing will do more for the prosperity of a region than a reputation for effective work, high productivity and cooperation between management and workforce."

Under the revamped Regional Aid Program, the proportion of Britain's employed population included in the so-called "assisted areas" will drop to about 25 percent from more than 40 percent. The three-tiered structure of classifying the weakest industrial areas into "special development areas," "development areas," and "intermediate areas" will remain, but scores of localities

will be downgraded. The reduction of selective aid and development grants to hard-hit areas in northern England, Scotland and Wales will make it less attractive for British and foreign-owned firms to invest in these regions, since qualification for subsidies will be more restrictive.

Instead of disbursing aid fairly widely, Sir Keith plans to concentrate the bulk of it on the worst-hit urban areas, leaving other regions in the "development area" category to fend for themselves. The "intermediate areas," where companies can now receive up to \$8,000 in government grants for each job created, will be phased out altogether over a period of three years. Certain industries such as oil and petrochemicals are expected to lose their automatic right to grants and will receive subsidies only at the Industry Department's discretion.

In response to a reporter's ques-

tion, Sir Keith declined to say how many jobs might be lost as a result of the cuts, which are expected to save the government \$525 million of the \$1.37 billion now being spent. In one region alone, estimated a union leader, some \$1.7 billion of investment is at risk, accounting for between 40,000-50,000 jobs a year. Spokesmen for the employers' association, the Confederation of British Industry, protested the program as well, saying that "in the present economic recession, with its difficult trading conditions, high unemployment, low company profitability, and cash flow problems," if aid is cut before a reasonable level of profitability returns to business, "trade and industry and employment prospects in the regions will be damaged."

—Marla Minnicino

U.S. aims guns at Japan's industry

Will the United States impose a 15 percent import surcharge on all imports from Japan? This question will be debated in hearings beginning in September before Congress's Joint Economic Committee (JEC). A months-long study of Japan's trading practices by the General Accounting Office will be presented to the JEC later this month and provide the basis for the hearings.

Officially, the Carter administration deplores the congressional move. Passage of such discriminatory across-the-board legislation is virtually unprecedented. Used against one of the U.S.'s most important allies, it could have irreversible repercussions for the U.S. polit-

WORLD TRADE

ical, economic and security position in Asia and the Pacific. Coming at a time when the U.S. itself is heading into a possible deep recession, such trade-war measures could provoke worldwide effects as disastrous as the Smoot-Hawley Tariff of 1930.

State Department and Treasury officials whine that Congress is under irresistible pressure from southern textile producers, California citrus farmers and Pittsburgh steelworkers. Yet, investigation of the upcoming hearings reveals that the administration itself is playing the leading role in the new round of what its advocates term "Jap-bashing." But the administration "Jap-bashers" are not concerned with protecting U.S. jobs. Rather, operating under the policy guidance of London's International Institute for Strategic Studies, they are seeking levers to force Japan to halt its rapid technological progress, and are particularly fearful that Japan will assume leadership in the export of nuclear technology to the developing sector, and leadership in the world computer and microprocessor industries—the latter a particular fixation of London policymakers.

As former Deputy Special Trade Representative and current Washington consultant Harald Malmgren recently observed, "The press overstates the initiatives and independence of Congress. It can be led, and prefers to be led, actually, but nobody's talking to Congress about the Japanese problem in an articulate way." Malmgren understates the latter point. Says a

top staffer on the House Trade Subcommittee, the fount of protectionist sentiment on that side of the Hill: "There is a group in the Treasury around [Deputy Secretary Anthony] Solomon and [Assistant Secretary C. Fred] Bergsten working very closely with the House subcommittee on this. This group is hot to get Japan on the trade issue."

In short, the administration sets the tone for Congress on the protectionism issue, not the other way around. The core of the protectionist lobby in Washington is a political faction based primarily among certain officials of the Treasury Department and pervading other sections of the Carter administration, including the National Security Council and Cyrus Vance's appointees at State, as well.

This faction is using trade war measures to coerce Japan into "restructuring its economy" away from the advanced, technology-led high growth, high capital formation model that produced the Japanese economic miracle of the 1950s and 1960s. Above all, this grouping is determined to prevent Japan from carrying out its 1971 strategy of moving into the "knowledge-intensive" era of computers and fusion power—a strategy that would have made Japan the world's largest economy by the 1990s (barring a U.S. reorientation toward technological growth). This Treasury-centered group is manipulating the Congress into carrying out the *Carter administration's* trade-war policy. In this process, Special Trade Representative Robert Strauss— aptly described as "not a strategic thinker, but the man who can get a message to Congress"—is acting as the Treasury's "enforcer."

The impetus for the congressional import surcharge hearings against Japan comes from none other than Strauss himself, and goes back to last October when Strauss held yet another meeting on bilateral trade issues with Japan's External Economic Affairs Minister Nobuhiko Ushiba.

At each of the previous meetings, each time Japan agreed to the previous list of U.S. demands, Strauss presented a new list. He told Ushiba that no matter what individual items were agreed upon—beef, citrus, multilateral trade negotiations (MTN), etc.—the talks would have to continue for years, because Japan was not "restructuring its economy" away from export-reliance rapidly enough.

According to accounts by Malmgren, "Ushiba answered, 'I'm tired of new lists. I want to know what

you really want. No more new lists after each agreement." Strauss said nothing, but he got really angry. Now, when Strauss gets angry, he doesn't get fierce, he gets icy cold. ... Since then he's been letting Congress know he's angry. This tends to get everybody on Capitol Hill angry and fired up against Japan, even Congressmen and Senators with no vested interest against Japan in their district."

Strauss and Bentsen

One of those to whom Strauss turned after the October meeting was his good friend from Texas, Sen. Lloyd Bentsen, the chairman of the congressional Joint Economic Committee. Elected in 1970, Bentsen's rise to the powerful post of JEC chairman was swift; but he has powerful sponsors. Bentsen owes his Senate seat from Texas to the backing given by none other than Robert Strauss, as well as Strauss's own patron, rabidly protectionist presidential candidate and former Texas Governor John Connally.

Not long after his tête-à-tête with Strauss, Bentsen ordered Congress's research arm, the General Accounting Office (GAO) to conduct a study of Japan's trading practices. Bentsen warned that he would propose a bill to impose an across-the-board 15 percent import surcharge on Japanese imports if the study showed that "unfair trading practices" were behind Japan's trade surplus with the United States.

A high official in Strauss's office leaked the following story, asking that his name not be used, but clearly anxious that the story be circulated: "Strauss talked to Bentsen about this recently. He told Bentsen that it would be bad if the bill were passed before the recent Multilateral Trade Negotiations (MTN) agreements were ratified—but that, if Japan continued its unfair practices afterwards, then Strauss might even support that bill."

A look at the GAO study that Bentsen commissioned begins to shed light on the deeper political process. The study covers overall trade plus special concentration on six industries: (1) computers; (2) telecommunications; (3) automobiles; (4) consumer electronics; (5) logs and lumber; and (6) soybeans. The study is to be a "factual study" of Japan's practices in these areas. It was conducted by consulting with U.S. firms in these industries and then asking Japanese government and corporate officials to respond to their

comments. Bentsen's committee will then hold hearings to determine if these practices are unfair and are responsible for Japan's surplus.

The real guiding conception behind the report is even more fundamental, however, according to several staff members. The study is headed by Eleanor Hadley. Not so well known these days, Hadley made her name when she served as a State Department official during the U.S. occupation of Japan in the late 1940s. She was part of the faction of the U.S. occupation which argued—here explicitly, there implicitly—that Japan should never be allowed to become an industrial powerhouse again: its factories should be dismantled and shipped abroad. Hadley's own job was attempting to bust up the "Zaibatsu," the large industrial combines that made Japan's rapid industrialization possible.

Hadley's views have not changed in 30 years, according to members of her staff. The viewpoint underlying the research is that the brunt of Japan's surplus cannot be attributed to specific "unfair" trading practices. Rather, the surplus is the unavoidable result of Japan's economic structure, which emphasizes technology-led high growth with a strong export orientation. "But what was all right when Japan was a small economy is no longer tolerable to the world when Japan is its second largest economic power. Unless the basic economic structure of Japan changes, trade imbalances will continue," added the staffer.

Treasury and the Vanik report

The same views certainly pervade Strauss's staff. Staffer Dick Rivers provoked an international scandal by bluntly demanding that Japan "restructure its economy" during his trip to Tokyo last year. But Strauss is really a point man for Treasury. While Strauss haggles on such items as oranges, TV's, and computers, the Treasury crew uses Strauss's blunter threats to "urge" Japan to "restructure its economy," "open up its banking system," "reduce the government-banking-industry collaboration," and "invest more in domestic service and less on exports."

The thinking in Treasury is what determines how Congress really responds on the trade issue. Many Democratic Party congressmen rely for staffing and proposals on the same Brookings Institution whose officials now comprise so much of the leading Carter administration staff (Bergsten at Treasury is a notable

example). Moreover, Anthony Solomon served only a few years ago as a consultant to the very congressional committee (House Ways and Means) whose Trade Subcommittee is running the protectionist campaign against Japan on the House side—a typical pattern throughout Congress. Nowhere has Treasury's influence over the thinking of Congress been more clear than in that subcommittee's January 1979 "Report of the Task Force on U.S.-Japan Trade." The subcommittee is chaired by Charles Vanik, who launched the congressional campaign for an import surcharge against Japan in a July 1978 letter to Strauss. In the letter Vanik urged "full consideration" of the President's using his powers under the 1974 Trade Act to impose a temporary 15 percent surcharge against Japan. Vanik said he saw "few alternatives."

Vanik claims he is motivated by the interests of the steelworkers in his native Ohio. The real story betrays the hand of Treasury pulling Vanik's strings.

Several months prior to the issuance of the House task force report, Solomon and Bergsten coined a new phrase, "the new Japans." In speeches to the Conference Board of New York and the Brazilian-American Chamber of Commerce, the two officials complained that countries like South Korea, Brazil and Mexico were turning into "new Japans" capable of producing important amounts of steel, chemicals and other industrial products both for export and domestic consumption. At the same time, they were using "Japanese-like protective methods" to enable their newly developing industries to grow unhindered by U.S. and European-based multinationals. Bergsten and Solomon said this posed a potential new major economic threat.

A year later, one of the key sections of the Vanik report is headlined, "A Recurring Trade Crisis with Japan to be Repeated by the 'New Japans?'" This section of the report begins, "Part of the certainty of a recurrent trade crisis with Japan is due to Japan's industrial policy, which has recently targeted or set as a goal Japanese leadership in high technology fields currently dominated by the U.S. and constituting our areas of strongest exports, computers, advanced electronics, telecommunications equipment, industrial robots, possibly aircraft (at least in the co-production stage), etc...."

The next section was surprisingly sophisticated for a Committee ostensibly concerned mainly with protecting the jobs of steelworkers in Ohio and shoemakers in Kalamazoo. "It has long been a theory of those who support open trade between nations that, as a high-technology/capital-intensive nation, the U.S. should lead in developing new technologies and that more labor-intensive, less technology-intensive industries would be taken up by other nations. Thus, there would be an economic gain as American workers continually moved into the higher-technology/higher-value-added

industries. ..." For those familiar with Japanese thinking, the words practically jump from the page: the theory being attacked in the report was the view behind the 1971 Long Term Plan of the Industrial Structure Council of Japan, an advisory body to MITI. This was a plan to move Japan into the "knowledge-intensive era" of computers and fusion power while helping the developing countries industrialize. The increased division of labor, the report envisioned, would help both advanced and developing countries.

The task force report continued, "If through subsidies and restrictive practices, Japan assumed leadership on these [advanced] technologies, the disturbing question will be raised, 'What industrial goods will America produce for export?'"

Then, in words almost identical to those of Solomon and Bergsten, the Vanik report concludes with an attack not only on Japan's strategy but on those countries that look to Japan's development success as a model. "We believe that the Japanese threat in these high technology areas may soon become the most explosive issue between our two countries. ... Further, we foresee 'Japan Trade Crises' recurring with other developing countries—the so-called 'New Japans' of the Far East such as Taiwan, Korea, Hong Kong, and Singapore—and later other developing nations of the world."

The attack on knowledge-intensivity is one reason the administration has singled out computers for special attention, as in the Nippon Telegraph and Telephone case (see Corporate Strategy).

Knowledge intensity versus "Project 1980s"

The hostility toward Japan by the political forces running the Carter administration goes back to no later than 1971, when MITI produced the Long Term Plan attacked in the Vanik report. By the late 1960s, Japan—shattered at the end of World War II—was producing 16 percent annual rates of real growth, with capital formation reaching a worldwide high of 30 to 35 percent of GNP. Japan's economic "miracle" was based on a commitment to ever-advancing levels of technology. Compared, for example, to U.S. steelmakers, who rarely built new plants in the postwar period, but only patched up old ones, postwar Japan repeatedly scrapped plants around 15 years old because Japanese engineers could economically build new plants that were bigger and better. Number-two Japanese steelmaker Nippon Kokkan's oldest plant was built in 1962! As a result of this policy, Japan's steelmakers got 3.5 times as much increased tonnage for every dollar they invested compared to U.S. makers. Each ton uses 30 percent less energy and 30 percent less coking coal. This, and not the mythical low wages or unfair trading practices, is

why the Japanese can outsell U.S. makers, as the United Steelworkers acknowledged last year.

Japanese government and business leaders intend to go even further. They have planned to organize capital investment around the perspective of moving into the "knowledge-intensive" era dominated by fusion power, computers, advanced electronics, fine chemicals, and so forth. One MITI official predicts that "Japan will supply half the world's energy in the year 2000 through mass production of fusion power reactors." Integral to this Long Term Plan was transferring such industries as auto assembly, basic steel, etc. to newly industrializing countries of Southeast Asia and Latin America such as Korea and Mexico. Hitherto reliant upon imports of technology from the U.S., Japan responded to the slowing pace of U.S. research by planning to increase its own Research and Development 20-fold to \$80 billion per year! They expected to surpass the U.S. in absolute GNP by 1990.

But the purpose of the program was not surpassing the U.S.; it was developing Japan. The men who run Japan came to maturity in the 1930s and 1940s. Their thinking is dominated by the experience of that era. They firmly believe that Japan cannot successfully move into the future without maintaining a partnership with the U.S. Thus, they did not propose simply to surpass the U.S. but, led by Chamber of Commerce and Industry leader Shigeo Nagano, proposed a U.S.-Japan partnership in developing the "Pacific Basin" countries of Asia and Latin America, the U.S.S.R. and China.

In early 1971 this perspective was presented at a meeting of the London International Institute of Strategic Studies (IISS) by Saburo Okita, an advisor to many Japanese Prime Ministers and Chairman of the Japan Economic Research Center. As explained in IISS's Adelphi Papers, the British leaders responded by "warning" that the U.S. would never tolerate Japan's knowledge-intensive strategy because it refused to carry out one itself, and therefore Japan would surpass it. To prevent that, the U.S. would launch trade war, currency warfare, reduce defense commitments in East Asia, etc.

While some figures in the Nixon administration proposed cooperating with the Pacific Basin proposal, beginning with Aug. 15, 1971 their opponents prevailed. Led by Henry Kissinger and John Connally—the forces who agreed with IISS that the U.S. would not and should not adopt a knowledge-intensive strategy of its own—the administration devalued the dollar, imposed a 10 percent import surcharge against all nations, abandoned its program of high-technology U.S. exports, and two years later imposed a soybean embargo on Japan.

What distinguishes the Carter administration is that while previous administrations were mixed in their composition, the Carter administration is exclusively composed of leading officials who are hostile to Japan

and its development perspective. The Carter administration was formed out of the Council on Foreign Relations' "Project 1980s" study group led by Blumenthal, Vance, and Brzezinski among others. The Project book "Alternatives to Monetary Disorder" denounces Japan, along with Germany and France, for state/private-sector cooperation for technology-led high growth. It calls for "controlled disintegration" of those economies, stating: "A degree of controlled disintegration in the world economy is a legitimate objective for the 1980's, and may be the most realistic one for a moderate international economic order." A co-author of that book, E.L. Morse, now serves as an aide to Assistant Secretary of State for Monetary Affairs Richard Cooper.

Those who agree with the Project 1980s viewpoint cut across party lines. The anti-Japanese ravings of Republican presidential hopeful John Connally are well known. Certain other Republicans express their views in more subtle ways. One of the best-known "friends of Japan" in the U.S. is President Nixon's ambassador to Tokyo, James Hodgson, a former Lockheed chairman. Hodgson conducts Pacific Basin economic studies at the University of California at Los Angeles, while serving as foreign policy advisor at the American Enterprise Institute, a think tank associated with many mainstream GOPers.

Surprisingly, Hodgson praised both Strauss and the Vanik report as "good jobs." Regarding the Pacific Basin partnership, he commented that "the Japan or Korea route of becoming industrial powerhouses is not applicable to countries with natural resources like Indonesia or Malaysia; they should concentrate on raw materials processing. ... Japan is having to rethink the 1971 Industrial Structure Council plan, but the pace of their thinking is too slow. If Japan were to restructure itself along the lines you suggest, knowledge-intensive, then they would be moving into one of the few strong areas of U.S. competitiveness. They would defeat the attempt to equalize balance of payments difficulties, thus ensuring protectionist legislation." Hodgson insisted he was against protectionism and counterposed to it a "rethought" Pacific Basin based on resource extraction, not manufacturing. Asked who else in the U.S. agreed with him, he answered right away, "Richard Holbrooke," Carter's Assistant Secretary of State for East Asian Affairs.

And in Japan? "Masayoshi Ohira"—the new prime minister—Hodgson replied. No wonder the Carter administration and Brookings Institution were so happy when Ohira replaced former Premier Takeo Fukuda last December. Those who investigate the actions of U.S. politicians in internal Japanese politics must wonder whether Ohira's surprising victory was the ultimate Carter administration protectionist move against Japan.

— Richard Katz

Nicaragua

Exclusive interview tells of

The night before my Interview with Dr. Carlos Gutierrez, I had heard the doctor speak before an audience of Uruguayan political exiles in Mexico. The audience and I were particularly impressed by the moral qualities shown by Dr. Gutierrez and by the force and conviction with which he expressed his ideas. These are not qualities that he alone represents among the Nicaraguan revolutionaries, but qualities which are part of a political process that he shares with the majority of the leadership of the Government of National Reconstruction (GNR) and the Frente Sandinista de Liberacion Nacional (the Sandinista Front for National Liberation).

The next morning, July 7, I had prepared my questions for the interview in such a way that we could get for our readers some of the concrete proposals, especially in the economic field, of the GNR. However, Dr. Gutierrez referred me to the published program of the Government of National Reconstruction and instead chose to talk at length on what I would call the moral imperatives involved in the Nicaraguan revolution and on the question of U.S. Nicaraguan relations.

As the reader will be able to see for himself, here is a man who is profoundly as expressed in his humanist conceptions, but here is also a man who until very recently (two years ago) had taken no part in any organized political activity. Gutierrez, moreover, considers himself a scientist, with many post-graduate degrees and is renowned throughout Mexico as a professional. Dr. Gutierrez, some would say, lacks political sophistication: Where, they ask, are the political and economic plans? Where is the knowledge required to reconstruct Nicaragua? Where is the required sophistication in international relations, international economics?

I, however, will say to them that with the moral qualities that Dr. Gutierrez demonstrated in the few hours I had the opportunity to be with him, he is by far more qualified in every area needed for the construction of a humanist republic than most. For years, I had had the opportunity, as a journalist, to see close up generals, colonels, presidents, ministers, ambassadors, politicians, economists, political scientists, advisers, etc., and almost all of them did not then or now have the "expertise" required and shown by Dr. Gutierrez. His speech on the night of July 6 reveals the most advanced economic conceptions and the most advanced political conceptions as to what a republic is.

Finally, having seen the program of the GNR and having met one of its most noted representatives, there is not question but that the GNR and the Sandinista front are real political scientists—undoubtedly they will make mistakes, political and economic, in the future—but they will be mistakes within parameters firmly established by reason.

That is not the crucial question: what is crucial is: what is crucial is the required mobilization and effort by the international community to assure that Nicaragua has the independence, the resources, the technical know-how, and the technologies to permit it to be an advanced industrialized humanist republic. Be it democratic, a republic of social justice à la Mexico, or socialist like Cuba.

—Fernando Quijano

after Somoza

plans of Reconstruction Government

Q: *Doctor Gutierrez, one of the facts we have been able to verify is that Zionism is in many ways supporting Somoza's dictatorship. It's well known that Israel supplies arms to Somoza. But that's not all. United Brands—formerly the famous United Fruit—is directed by a Zionist leader and it is known that Zionist networks involved in drug trafficking are intimately associated with Somoza and the National Guard. What can you tell us about that?*

A: Well, the United Fruit problem has been reduced somewhat in Nicaragua. Many years ago we were a “banana country”; Nicaragua lived through a sorry experience. It was a country which produced bananas in fearful quantities. It produced tuberculosis in the same proportion.

A member of the Group of Twelve made a documentary in the United States which includes 400 photographs showing the history of Nicaragua ... with the whole process in which the United States has intervened since William Walker, a southerner from New Orleans who made himself president of Nicaragua (in 1853—ed.), was recognized in less than 48 hours by the United States, and wanted to annex our territory to the slave states. In some of those photos, we see the homes—if you can call them homes—made of straw, of palm leaves, in the midst of water and mud, belonging to the banana workers. Truly lamentable conditions of life. ... And, on the other side, we see the mansions—because they truly were mansions—lived in by the United Fruit executives.

The production of bananas in Nicaragua fell as a result of the political ambitions of Somoza and the use of methods of exploiting current production without bothering to replant the banana trees. Naturally we still have plantations. Many, in fact, belong to Somoza and many of the fruit growing and fruit processing activities in Nicaragua are represented by U.S. companies or U.S.-owned companies associated with Somoza.

As far as Israel is concerned, we have simply this to

say: it is unimaginable for a nation for which the word “genocide” was invented to be an accomplice in committing genocide. This is a tremendous incongruity and, believe me, I’m not saying that out of hatred, but out of anger. I, personally, and the Nicaraguans in general, cannot applaud the Nazi crimes against the Jewish people in any way. Like all humanity, we condemn them. For civilized man, it is impossible to accept things like that. But, at the same time that we condemn Hitler for his crimes against the Jews, we Nicaraguans have the painful obligation of condemning Israel for complicity in the genocide, in the massacre, of the people of Nicaragua.

You know that there have been several proven cases of Israeli support for Somoza—not for Nicaragua, but for Somoza. It ranges from supplies of arms, munitions, rockets, mustard bombs to unconfirmed reports that the Israelis are testing certain arms in Nicaraguan territory.

We ask: “Why the Israeli government? Why also the Israeli people?” And we do indeed implicate both people and government—the government for providing all kinds of instruments of death against a people who have done nothing to harm it, against a people whose only crime has been 50 years of Somoza’s dictatorship and being stuck in a geopolitical position linking two oceans. We also protest to the people of Israel, as we now do to the people of the United States, although not in the same way as to the government. We protest their silence in the face of the acts of their government, which continues to aid Somoza up to the very end.

Despite Israeli government denials, you don’t have to be a very astute investigator, to show that this is true. I don’t know if you know that when Commander Eden Pastora showed to Mexican Channel 13 TV Israeli arms, the Israelis issued a declaration—I think here in Mexico—that Israel did not supply arms to the government of Nicaragua. Pastora showed Galil rifles, showed Israeli helmets, showed Israeli bombs. Then, the Israeli

chargé d'affaires, I believe, said something he shouldn't have. I personally have great respect for the intellectual capacity of the Israelis, but that diplomat destroyed the image I had of Israeli intelligence. He said that Israel officially only sells arms to governments and won't sell to private parties. The newscaster asked if there were Israeli arms in the black market and he replied: "No." Then, if Israeli arms aren't run through the black market, where do Somoza's Israeli arms come from? They have to be sent by the government of Israel to the government of Somoza.

Several Latin American governments are very worried by the appearance throughout Latin America of those famous little Uzi Israeli machine guns. Police departments and armies are equipped with them and more crop up every day. The Israeli chargé says his government doesn't sell arms to Somoza and arms appear. And three days later, the State Department or the Pentagon, whichever it was, because all those agencies are alike, turned around two Israeli ships loaded with arms for Somoza, making the Israeli government and its chargé d'affaires look ridiculous, and demonstrating that he is merely a vulgar liar. He was sent here to lie, but he can't even earn his pay as a liar.

Our concern with the Israeli case is genuine. Like many peoples of Latin America, we are ashamed of Israel. Poor Israel—when it must forget its past in order to live in the present, it is committing those acts it has complained of for so long. For two or three thousand years, the Jewish people have complained of persecu-

tion, of massacres, of injustices, of genocide, and have asked the whole world to help them, to raise a cry of protest against the Arab countries which, they say, are attacking them. I don't want to get into that problem; but truly, after what the Israelis are doing in my country, I frankly have strong doubts over who is the aggressor and who is the attacked. Examples are lived out in flesh and blood, and we are living through Israeli aggression. Truly, it's shameful that the Jewish people, who have made great contributions to humanity, who have produced scientists of great quality, now are becoming distinguished for supplying arms of great quality to kill a part of humanity which has done them no harm. Really, I think they are becoming the modern Hitlers, becoming that which they hate so much and have suffered from so much. Maybe there's a psychological reason, but that's for scholars to answer.

As far as drugs are concerned, I must tell you this. A journalist told me what he saw recently in Managua. This man is not a leftist reporter, not even a centrist, but an ultra-conservative. He came back shocked to see such scenes, because all over Managua, it's public and notorious that the Guards (Somoza's troops—ed.) from the Basic Training School directed by Somoza's son drug themselves up before going out on patrol. He told of scenes in León where he was barracked, in a manner of speaking, alongside the National Guard. He told me that the Guards who weren't on duty took turns sniffing cement, like U.S. Indians passing around a peace pipe. They sniffed cement, construction cement, which is

The Reconstruction Government assumes power

The complete rout of the remnants of the military and political machine of the Somoza dictatorship in Nicaragua is in its final stages as *Executive Intelligence Review* goes to press. General Anastasio Somoza, whose family ruled Nicaragua for 40 years, has fled to Miami, leaving behind, as his legacy, a country destroyed by war. The puppet government appointed by Somoza to replace him and headed by Francisco Urcuyo, a "former" employee of the drug-linked United Fruit Company, lasted one day. The disintegration of the National Guard has forced him to flee as well, as garrisons surrendered and turned in their arms across the country.

There is jubilation in Nicaragua,

where the Sandinista-backed Government of National Reconstruction is now in power. Headed by a five-person junta, with an 18-member cabinet already appointed, the Reconstruction Government has drafted a program which outlines their goals of providing for the development of the country: housing, health, jobs, industry and education.

The overthrow of the continent's longest lived dictatorship by popular insurrection marks a turning point in the Western Hemisphere, much as the humanist Mexican revolution of 1917 irrevocably shaped 20th century history of Latin America. The reverberations of Nicaragua, 1979 are already being felt in every one of the dominant military regimes currently

policing the inhuman levels of austerity and destruction demanded by international financial institutions like the International Monetary Fund and World Bank.

What's ahead

But, despite the scare-mongering cries of "Castroite Communism is now in power in Nicaragua" that are appearing in the U.S. press, the Reconstruction Government represents no threat to vital U.S. interests. In fact, as the interview of *Executive Intelligence Review* Editor-in-Chief Fernando Quijano with Dr. Carlos Gutiérrez, the representative of the Reconstruction Government in Mexico, demonstrates, the United States now has a potential new ally

intoxicating, because reinforcements weren't reaching them, liquor wasn't reaching them, drugs weren't reaching them, and they were resorting to devising drugs accessible to them in the barracks.

That shows the drug picture clearly.

Reaping the whirlwind

Q: *What is the political-military situation in Nicaragua and what kind of maneuvers are Somoza and the U.S. carrying out?*

A: I think that success is at hand for the Nicaraguan revolution, that it is a triumphant revolution. The north of the country is totally controlled; the center of the country, in total ferment; the south is cut in two and, where there are pockets of the National Guard, the military maneuvers of the Sandinista Front for National Liberation prevents them from receiving supplies at this time. Somoza, we might say, has only his Managua bunker. National Guard morale is constantly falling. The morale of the people of Nicaragua and its armed vanguard is constantly rising.

International opinion turns more positive toward the Nicaraguan people every day. There's no doubt that few revolutions have had the unanimous opinion of all peoples of the earth in their favor. I dare to say that I believe that the American people have their hearts with us. But you know what happens with the American people? For years they have been poisoned by fears of communism and ignorance about Latin America. In the best of cases, the U.S. mass media systematically

has distorted us or hasn't cared enough about Latin America, hasn't given us the importance which we deserve as a continent and as countries. And today this grave error is being shown.

The United States simplistically believed that Latin Americans are Indians with big sombreros taking a siesta under a tree. They never thought of us as people with the potential for intelligence, for education, people capable of discerning, capable of feeling, capable of planning, and capable of comparing our cultural capacity with U.S. culture. There is no doubt we are superior to many North Americans in this, because we have the two basic elements of a culture: the culture in itself and its humanistic complement. The United States has lost that sensibility, it has become more and more dehumanized. Many years ago, a Nicaraguan, Ruben Dario, wrote a poem to (Theodore) Roosevelt saying, "You have got everything, but you are missing one thing, God." This has made American society a little forgetful of first principles. The U.S. has viewed us, the inhabitants of Latin America, as wild animals. It's a problem of humanistic thinking.

Unfortunately, I think that (Henry) Kissinger was right when he said that the United States was going to reap the whirlwind; but this whirlwind is made by themselves. Today the U.S. is reaping the whirlwind not only in Latin America, but all over the world. Latin America is the worst for them, since they had an erroneous policy, because they based their position on the worst caste, on the people least competent to rule

for America's founding goals of fostering other humanist republics across the globe. Nicaragua is no Iran, where a medievalist Khomeini is now destroying the country. The Reconstruction Government has made clear its intent to develop the country.

A tremendous task of reconstruction lies ahead in Nicaragua. The six-week war carried a heavy toll: an estimated 40,000 dead, hundreds of thousands homeless, starving in food-scarce refugee centers; towns and cities in rubble from the National Guard's indiscriminate bombings.

As the leadership of the new government frankly states, if the job of developing the country was monumental before the war because of 40 years of Somoza's leeching of the population and resources, the job following the war is arduous. International support will be crucial.

Mexican President José López Portillo has already ordered that all possible aid be extended for reconstruction, and Mexican Defense Minister General Galván has expressed the willingness of the Mexican military to participate in that aid, including sending plane-loads of food, medicines, and supplies.

The Carter administration, however, has already made clear its intention to suffocate the Nicaraguan reconstruction effort in a blind effort to maintain the previous status quo of the backward, drug-producing-and-shipping Nicaragua of Somoza. State Department spokesman Hodding Carter announced the news of Somoza's flight two days ago with the warning that "today's events do not mark the end of suffering in Nicaragua"—if President Carter can help it. The *New York Times* and other press have already advocated

the use of economic aid to the war-torn country as the United States' greatest "bargaining chip" with the new government. It is threatening to withhold aid if U.S. demands are not met, just as, up until the last minute, the administration deliberately prolonged Somoza's bloodbath against the country as a "bargaining chip."

There still remains the possibility of renegade National Guard units running guerrilla warfare against the government. There are also reports of troops of the Central American Defense Council (Condeca), the Pentagon-run regional military body, massing on Nicaragua's borders.

If the U.S. persists in fomenting chaos in Nicaragua, it will only achieve what it protests so much to fear: an "anti-American" government forced to develop in spite of the U.S.

—Gretchen Small

in Latin America, on those with the least conscience as individuals, on corrupt soldiers. There are very honest military men in Latin America. A group of Uruguayan soldiers recently refused to bombard their own people and today they are political exiles. Look at the consciousness of these soldiers. They have their military training, but they also have their human consciences, respect for the lives of others.

It's very complicated, I think, to speak of relations between the United States and the countries of Latin America, because we Latin Americans become constant complainers and we constantly tell the United States of its deficiencies, its errors, and it seems like we are preaching in the desert. We, the peoples of Latin America, have tried to get along well with the United States, with the American people, but we haven't been understood. It's said that we're "going to go communist," but where do they want us to go? To continue with illiteracy, to continue with malnutrition, to continue with poverty? Which American earns \$1.50 a week? Not for an individual, but for a whole family. Many Nicaraguan rural workers earn the equivalent of that.

What do the Americans want from us? Why do they try to put the brakes on our process of liberation, since it is their rulers whose mistaken policies have brought us to this? There's an American senator who told us that Somoza is an unconscious Marxist. I say he's completely right, but I also say: the State Department, the Pentagon, the U.S. Government are full of unconscious Marxists. They say: "Let's fight Marxism," and the only thing they do is help make Marxists. I don't know what they think of Marxists in the United States, but in Latin America, we've already learned that Marxists—I hope this clears something up—don't eat grandmothers. We've been told that Marxism is something horrible. Well, it's a scientific method which perhaps is in accord with Nicaragua's aspirations. But we can't say: "Since we have socio-economic problems, let's be Marxists." That's what I'm saying.

Now, since the U.S. administrations have been so dominant, have made so many mistakes, have been the cause of so many misfortunes in Latin America, have been the traditional oppressors of Latin America, and the American people have not protested against this, we, the inhabitants of Latin America, are anti-American. They have made us anti-American, and not because we feel an obligation and a sacred duty to be anti-American. We are profoundly saddened that the United States, such a rich people, doesn't treat our continent justly, that they put up barbed wire fences to separate one human being from his neighbor instead of generating the consciousness of mutual collaboration. We, the Latin Americans, protest that Americans only see us as a source of production of raw materials and as a market for their finished products. We, the Latin Americans, protest that our nonrenewable resources are

exploited indiscriminately by U.S. firms, without adequate, just, and equitable compensation.

The U.S.-run mining companies pay off the Labor Ministry officials and the doctors so that they prescribe aspirin instead of antibiotics, because it is cheaper for them. I think that a company earning enormous quantities of dollars can set up a little hospital.

All that the Nicaraguan worker asks is to be able to live like the poorest worker in the United States. This is no big crime. What's criminal is to say, for the sake of preventing communist penetration, that we have to go on living in ignorance, in poverty, with all the results of this, like ill-health. I would like a group of American families to come and live for three or four weeks in the conditions under which our peasants live. Perhaps then they would understand our countries' need of profound social and economic transformation, because perhaps only by living in need could this be understood. Because the American tourists come to the Acapulcos, the Puerto Vallartas, to the night clubs, they go to Nicaragua to fish for sharks, but they don't pay attention to what's around them....

... (I) guarantee that in Latin America we know more about United States history than you do in the United States. Take any student here (in Latin America), he knows more U.S. history than his U.S. counterpart. This is what the U.S. ought to worry about instead of meddling in the affairs of other countries. They should concern themselves with racial integration; they should worry about the sharpshooters walking around in Houston or in New York, hiding in towers and killing people. They should analyze what's going on in that society. The U.S. should concern itself with why its children are attacking their teachers to such an extent that there are even statistics on this. I read in the San Francisco Chronicle about how many teachers will be attacked by their primary school students this year. They have problems with their youth. They have problems like drug addiction. And, if that weren't enough, they have very serious problems now as a result of the Vietnam war, of masses of Vietnamese citizens living in the U.S. with another culture.

Now I ask you, doesn't the United States have enough problems of its own without looking for them with the people of Nicaragua, El Salvador, Uruguay, Argentina, trying to dominate them, subjugate them, and tell us who ought to govern us, or if it's advisable or not for us to go communist! Let the United States first decide what's most advisable for the United States.

The Reconstruction Program

Q: Doctor, could you describe for us the principal changes anticipated in the program of the Government of National Reconstruction?

A: There are changes on the political level, changes on the social level, on the administrative level, in other

The program of Nicaragua's new government

The following is a summary of the program of the government of Nicaragua's Government of National Reconstruction. Its main planks are agrarian reform, housing (urban and rural), education and health. It calls for all properties and land of the Somoza family to be expropriated.

1. The new Nicaraguan government will be one of democracy and social justice, which will guarantee the full rights of all Nicaraguan citizens to political participation and universal suffrage.

2. Executive power will reside with the junta, which will designate a Council of State, to be made up of 33 members, representatives of the political and socio-economic sectors of the country.

3. The new army will be composed of the Sandinista National Liberation Forces (FSLN), soldiers and officers who have demonstrated honest and patriotic conduct in the face of the Somoza dictatorship, and those who have joined the fight for the overthrow of that regime.

4. Foreign policy will be independent and non-aligned.

5. A mixed economy will be established, with the coexistence of a state sector and social property with clearly defined scope and features; a private sector; and a third area involving joint investment by both public and private sectors.

6. A popular agrarian reform will be established, and export of agricultural products will be brought under state control.

7. Foreign debt will be restructured and renegotiated.

8. Foreign investment will play a strictly complementary role to domestic efforts. Foreign investment will be treated in the same manner as the acquisition of technology, industrial property, and the system of trademarks and patents.

9. Property and activities of the private sector not directly affected by measures established or foreseen by this program will be fully respected and guaranteed.

words, changes which will affect the entire structure of Nicaragua. For 50 years we have lived with a system that has proved itself of no benefit to the majority of Nicaraguan people.

In broad outline it could be said that there must be a complete reorganization of the ownership of the wealth. We need full agrarian reform. The majority of our arable land is in the hands of Somoza and his associates, while the peasant has nowhere to grow his crops. This makes full agrarian reform imperative. Otherwise, respect for private property in Nicaragua will be assured. We will achieve this through a mixed economy: private property, state property, and a combination of private and state capital in some sectors. This will exist in all areas of the Nicaraguan economy.

But we basically need a complete clean-up in the representation of the interests of the people of Nicaragua, i.e., the dissolution of the present congress and its replacement with individuals who faithfully adhere to the interests of the classes they represent. We must eliminate the judicial power that has been at the service of repression, at the service of a single family. It must be dissolved and replaced by a system of justice worthy of the name, administering justice with a strict sense of purity. Our Supreme Court magistrates have traditionally been venal judges. They must be replaced. The executive branch must be completely purged and the

era of boss-ism and unilateral decision-making must end. Therefore, the new government is making decisions as a collective body, so as not to fall into the trap whereby General Somoza or General So-and-so dictates what must be done. It is a highly principled body which analyzes problems that have previously been studied by various committees and makes its decisions as a collective body.

It's simple logic that five heads think better than one, and believe me, the Provisional Government has five extremely intelligent and well prepared heads. Sergio Ramirez is an intellectual, a cultured man; an absolute guarantee of correct thinking, as also is Moises Jasan. Alfonso Robelo's background is in private enterprise, a businessman who knows how business works. He has a well ordered mind, trained in U.S. universities—you see, we also will absorb U.S. technology. ... He's a good administrator and has demonstrated this in his businesses. Commander Daniel Ortega has an unimpeachable revolutionary record. He is an idealist who will not permit capitulation no matter how much blood is shed by his own comrades in the process of the Nicaraguan revolution. And Violeta Chamorro is the representative of the Nicaraguan woman (in the government—ed.), despite Latin American machismo, which the North American society always throws in our faces. The North Americans don't realize that they too

are machos. The North American society is actually much more macho than Latin society; look at it and you will see.

But the U.S. government, the Pentagon, the State Department, the CIA, and all the negotiators that have been sent have said that we don't have just representation in this government, that the interests of all Nicaraguans are not represented. What moral authority do they have to judge our interests? What moral authority does Carter have—who has been a betrayer of human rights—to judge if we have authentic representation? What moral authority would we have to judge the American people for having elected Carter? These are the United States's internal problems. Certainly the image of the United States during Carter's presidency has declined enormously in the world, which considers him an inept president, a president who doesn't know why he's there, and as we say in Latin America, one who's not worth a peanut. But these are the United States's problems. In any case, the United States should realize that the person they elect as president affects the entire world by his influence; that they should elect people worthy of respect, not mediocre people; knowledgeable people, not ignorant ones; capable and decent people. You, Mr. Quijano, who live there, should ask yourself if this has not been the case for recent U.S. leaders.

Our governing program includes everything relevant to the people of Nicaragua: education reform, graduated levels of social assistance, to be handled by medium level specialists. We must solve this problem using medium levels (of specialization—ed.) because our limited resources must be carefully administered. (We cannot afford) to reject a young man who has had 18 or 21 years of education because he didn't get a degree. We are going to make use of the acquired knowledge of this individual and put it to use for the society. We are such poor countries that we must take advantage of and channel all our resources into our program.

One of the fundamental aspects of the program is reconstruction and housing. Even if there hadn't been Somoza's massive destruction of the nation of Nicaragua, programs of reconstruction and construction of adequate housing would have been necessary. Our housing problems have been aggravated by the bombings, but even so, there were neighborhoods before in the very capital of Managua that didn't have running water, but a well where residents had to go and fetch water in buckets; not to mention the countryside. The housing problems there are horrendous. The majority of houses in the countryside have dirt floors and one or two tiny rooms where they cook and where the mother, the father, and the children all live together in absolute promiscuity. And in addition to the whole family, there are two or three dogs, chickens and other animals. This promiscuity with the animals, the dirt floors, the abso-

lutely unhealthy conditions—to get drinking water or water to wash cooking utensils you have to go to the river—creates very serious public health problems. It especially produces the proliferation of gastrointestinal diseases which decimate our population, our children. Only one out of every seven Nicaraguan children reaches the age of five. Picture a Nicaraguan country child, and you see a little child with wasted limbs, yellow coloration, worm infested.... emaciated with extended bellies. These children are literally dying like flies.

So, the problem of the Provisional Government, even without the bombings, was already serious: the extremely serious problem of providing housing for a great part of the population. And providing housing doesn't mean building houses of wood (of sticks, they say over there), or of boxes. I would very much like you to see the documentary made in the U.S. for you to see our housing problems. In Managua itself, people go to the banks of Lake Managua, to the garbage dumps, to get old boxes—boxes that had been thrown in the garbage—to make the walls of their houses. This is something I have also seen in some cities in the United States: wooden houses, terribly poor, especially in the black districts of Oakland (California). But with old boards, the houses of these people in the black districts are veritable palaces compared to the cardboard houses of Managua . . . and human beings live there. This is what the U.S. leaders don't understand.

I'm going to give you the program of the Government of National Reconstruction of Nicaragua. That's the reason I don't want to talk anymore about specific problems. I'm going to give it to you so you can see there's no communism there. And I would appreciate it—I ask you as a favor—if you would publish it in broad outline so that U.S. public opinion can be made to realize that there is no communism there, only the vital necessities of human beings.

The Question of Debt

Q: According to the press, the revolutionary government has decided to recognize, but renegotiate Nicaragua's foreign debt. What can you tell us about this?

A: We are going to take a very measured approach, of approaching our problems with a great deal of patience. We've had this patience for 50 years. But this patience cannot take further stretching. It's going to be a principled patience, well thought out and very respectful toward all of the international institutions.

In the first place, as regards the money question, the renegotiation of our public debt is a categorical imperative of honor for us. All of Nicaraguan public debt has been awarded for the benefit of one family, for the benefit of one military group, and for imperialist domination in my country. Let these gentlemen not be offended by our telling them the truth, because we're going to tell them the truth. And we're going to tell the

International Monetary Fund, the World Bank, and all the other institutions, that their aid is in this or that Swiss Bank and that it never reached the Nicaraguan people. The last programs for which we acquired an enormous foreign debt were for housing and agricultural programs. The agricultural ones have consisted of sowing bombs in the countryside. This is a new method of cultivating the land discovered by Somoza: drop bombs on the peasants to see if they'll grow. . . .

We have already stated that the public debt is going to be renegotiated because we are in a postwar economy. We are going to recognize the public debt even though it has not been applied to the uses for which it was authorized, and in spite of the fact that the international agencies that have given the money have covered up this misuse. The International Monetary Fund is aware that all of the loans they have recently given Somoza have been used to buy arms; nevertheless, they have disregarded that fact and have approved these loans supposedly for agriculture, construction programs, and all the rest. Even so, we are going to recognize and renegotiate our public debt. But naturally, this has one limitation: if they grant a loan to Somoza right now, they do so at their own risk. The company or bank that gives money now is giving it personally to Somoza, not to the government.

Now, we know that the problems of reconstruction are going to be difficult and are going to be very expensive. We have faith in international solidarity. We look to the burden of conscience which the U.S. might feel, if it feels any. We hope that, given the responsibility they have had in all of this, they will not stand in our way and that they will now leave us in peace to reconstruct Nicaragua. But it is a very mistaken perception of the U.S. leaders that Nicaragua can be rebuilt only with U.S. capital. There are other nations that have helped in the reconstruction of other countries—European nations, like Sweden, that have helped in the reconstruction of other countries. When we had the earthquake in Nicaragua (in 1972—ed.), capital came from many parts of the world. And we are thinking of attracting nontraditional capital to Nicaragua on a basis of mutual respect and on the basis that the laws of Nicaragua are obeyed.

No one should confuse a private company with the security interests of a nation. This is what Americans have traditionally done in Nicaragua. The State Department has been, so to speak, the guardian of all the multinationals, the guarantor that their loans would be repaid. Therefore, nontraditional capital throughout the world, especially from the open and democratic Latin American countries who want to help us in the process of reconstruction, is welcome to Nicaragua. The only condition is mutual respect and fair treatment. We have the example of Mexico, which is at the point of economic take-off with its oil boom.

I believe that all the peoples of Latin America are going to have to trade more among ourselves, to have closer relations among ourselves, to mutually protect each other, and protect our economies this way.

We are fully aware of the problem that faces us. But, as I said yesterday in a conversation, after all we have been through, we are prepared to endure come what may. We are also aware that we will be facing serious austerity. And the Nicaraguan who believes that once we are through with the problem of Somoza there will be great flows of capital, lots of money in Nicaragua, that the problems of construction will be immediately resolved, that there will be plenty of work, that there will be food for free, that the problems of public health will be resolved in 48 hours, is totally mistaken. A revolution must be built there with tremendous sacrifice. We face tremendous problems, but we choose this road.

Freedom has a price and it is large, and we are going to pay it. We are already paying the price with blood today; tomorrow we will pay it with work. And I believe that the strength and honor reflected by the provisional government in recognizing the public debt—[which was] poorly used, poorly applied and granted maliciously and with fraud—represents a guarantee for future capital, and investors which will say: "Well, if the public debt, though badly granted, is recognized, how could debt well granted not be recognized?" Nicaragua will have to manage every last cent honestly. And we believe that with a totally honest administration, if not in the short term at least in a reasonable time, we will be able to reach an adequate level.

The threat of intervention

Q: Some people think that, given the results of the recent OAS consultative meeting, the risk of a U.S. invasion has disappeared. But the U.S. government does not appear resigned to the victory of the Nicaraguan revolution and is openly trying to intervene in Nicaragua, even militarily. How do you judge this danger?

A: Look, we have not eliminated the possibility of a direct invasion by the U.S. For many of the officials of the Pentagon, the CIA, the State Department, and the presidency of the U.S., it is an imperious necessity. For others, it is a shameful act. It depends on which side you look at it. But if we were to think that with the results of the OAS meeting the dangers of a unilateral armed invasion from the U.S. had stopped, we would be in the seventh galaxy, section two.

We have our feet on the ground and we are aware that this danger is imminent. The U.S. in turn, must be aware that we are decided. If we were to be defeated militarily, it would be the first time that the U.S. army would have defeated an armed people. If they did not learn with Sandino (a Republican liberation figure in

the early 1920s—ed.)—who with sticks and stones gave a spanking to a well-organized army such as the U.S. army—if they did not learn a lesson in Vietnam, well they will have to be taught another lesson. But, another thing that must be taken into account is that times have changed a great deal. They cannot drop an atomic bomb on us and wipe us off the face of the map. They cannot send their army in with impunity and claim a war between the U.S. and Nicaragua. It would be ridiculous. Even if they won the war, they would be the great losers.

I ask myself if America's youth are prepared to die in the Nicaraguan countryside in defense of United Fruit, in defense of the multinationals, in defense of Carter's "human rights." Notice the following fact: when the U.S. was at war with Korea, there were no demonstrations against the draft, at least not as public as with the Vietnam war. A great number of Americans refused and made public their opposition to that war. Even Cassius Clay refused to go. All this we have seen, we have thought about it, and while we are aware that American youth have problems, we are also aware that American youth is changing and it will not be easy to feed them elitist ideas.

That's what I see in terms of direct intervention. But we also see the danger of the U.S. using the OAS, using TIAR (Inter-American Defense Treaty—ed.), paramilitary organizations, CONDECA (Central American Defense Council—ed.), or whatever, to intervene in Nicaragua. There is also the possibility that the invasion would not be an armed intervention, but an economic intervention. But we think that the U.S. would have a difficult time putting up a blockade like they did against Cuba. We have confidence in the countries of Latin America, they will not let themselves be pulled into that again. The OAS—an organization which we consider anachronistic, obsolete, a toy in the hands of U.S. imperialism, a State Department pet—rebelled. The pet bit its master. Why? Because we Latin Americans are tired of what happened to the Dominican Republic, we are tired of the Nicaragua of 1912, of 1932, and we are also tired of protecting the image of the United States.

Nicaragua stands before the eyes of the world. We have here a small, poor country, a Third World country, and look at the recognition we have received: from Libya, Iraq, Vietnam, so far from us and yet looking so closely at the events in Nicaragua. And the U.S. can no longer intervene with such impunity in Nicaragua. Throughout the world anti-imperialist battles are being debated and supported. With what authority does the U.S. condemn the Cuban intervention in Angola and favor intervention in Nicaragua? One goes against their interests and the other in favor of them. My God, one would have to be blind not to see this as reality.

We are aware of three possible kinds of intervention: direct, indirect and through economic means. We believe that the last is what they are going to go with.

And, simultaneously, they are going to try everything to keep us in a constant state of guerrilla warfare. We are certain that the National Guard will not be really retired. They will be retired, but simultaneously the U.S. will use them to encourage guerrilla warfare in Nicaragua. We are sure of this. What is more: we are sure, but hoping we are wrong.

We respect the U.S., but we don't trust it. We have no reason to trust the U.S. when for years it has treated Nicaragua so unjustly. One thing is the respect it merits as a nation and another thing is confidence in its leaders. Don't believe that by heaving a sigh the revolution will be won and everything will be over. No, no. As a local television commentator says: "There is still more to come."

The children will forge the future

Q: *One question interests us greatly: the education of the children and the fight against the destruction of youth through harmful drugs. Surely, you have thought much about these tasks, how to educate the new generations after Somocismo. . . .*

A: I definitely believe that the correct guidance of our youth is a noble task. Our nations, including the U.S., will lose their strength if their youth are not properly guided. One of the most serious problems in Latin America, and of my country as well, is that of the children. From a medical viewpoint, we have the figure that only one out of every seven children reaches the age of five. There is a tremendous problem of illiteracy. There are not enough schools nor the basic necessities to give even an elementary education to the children. There are no decent nutrition programs for the children.

I believe that the future of the country will be forged through its children. It is not the present generation which will benefit from the government's programs. We are constructing a nation for our children. Our efforts today will lead to the achievements of our children. The improved living conditions, better health, better culture, all the achievements of the revolutionary process. The majority of the technical programs to be launched in all areas of Nicaragua will be directed toward the children. We in the provisional government are concerned about the children. Because we know that our plans are going to take effect when the children of today reach 20, 25 and 30 years of age, when they are the men who govern the country, when we pass on to them the leadership of a country, so that they will judge us differently from the way we judge our parents.

If our parents had taken the road of struggle that we have chosen so decisively, perhaps we would have had another sort of country. If our parents had said to the U.S.: "No, sirs, do not meddle in the affairs of Nicaragua," if they had been as hard as we now are, today our children would not have the need and the danger of taking up arms to fall on the field of combat.

You have seen the children of Nicaragua on television, Mr. Quijano. In the International Year of the Child, this will be the first revolution in the world won by children. Something very significant happened on June 9, 1978, in the city of Esteli, when the Group of Twelve entered Nicaragua. We entered Nicaragua on June 5 to form the Broad Opposition Front, to promote the political work of the Sandinista National Liberation Front, to achieve the unity of the Nicaraguan people, to carry out the political task of creating an anti-Somocista front, and we toured different parts of the republic.

In Esteli, Father Miguel D'Escoto, who is today in the OAS, was speaking before a junior high school which was on strike because a 14-year-old student had been killed. He was explaining to them what was behind the Group of Twelve and the FSLN, the reasons for the battle in Nicaragua, what forces were moving, so that they would understand the problem from a different point of view, from that of a priest and of a member of the Group of Twelve. They asked questions, they went to the podium, they questioned Father D'Escoto through the microphone. They were junior high school students. A delegation of elementary school children arrived and requested permission to enter and participate. They were listening and, then, all of the sudden, one of the boys asked permission to raise a question. The eight-year-old went to the microphone and said: "Father Miguel D'Escoto, what can the children of Nicaragua do for the revolutionary process in our country?" Those of us who were there trembled from head to foot, because we had been told that the Nicaragua people were depoliticized, that they did not know how to fight, that we would have to spread consciousness and that this was our mission. And we said to ourselves that if this was our mission, then we had failed because our mission had already been accomplished. If an eight-year-old child has this consciousness, it is clearly absurd to think that he is immature.

The Nicaraguan child is in the battle because of a biological need to survive. You have seen children on television who, when asked "Why are you in the fight?" would answer "If I don't fight, the Somocistas will kill me, and I don't want Somoza." When a 12 or 13-year-old child, or one even younger, has this consciousness of the need to fight, we must think seriously about what is going on with that country. And you must look at one very strange thing: in the International Year of the Child, the Nicaraguan child—poor, immature, illiterate—has something very great: he is giving his life for the cause of liberty for his people. These children are giving all they have, their own lives, which is the only patrimony they have. And we, what right do we have to deprive them of this if they want to live in a country which they want to build for themselves?

The children of Nicaragua have seen the conditions in which their older brothers and their parents have

been raised and they do not want to continue living in these conditions. So, they rebel to have a better life. The examples are innumerable.

We have seen how Somoza, conscious of this problem, has tried to exterminate the children of Nicaragua, the youth of Nicaragua. All youth from eight to 20 years are assassinated by the National Guard. Nicaraguan mothers say to their children: "Go with the Sandinista Front," not because they want to part with their children, but because it is a chance to live. The child has a chance of defending himself. If he stays at home, the National Guard will come in and kill him. The examples are countless and I will give them to you, together with the government's program, the report of the OAS Commission on Human Rights, where you see the huge number of youth, of children assassinated.

The children of the U.S. have enormously caught my interest. I have three sons and I am involved in this so that my sons will have an example of how they must bear themselves. How can I present myself to them in the future if I do not bear myself correctly? But look, in my country, children are shoeshine boys. In the countryside, they must abandon their studies of three or four months, because they must help provide for their families. I know American society. I belong to many scientific academies in the U.S., I have studied in American universities. Therefore I have had extensive contact with the U.S. Their children have caught my attention. I have seen them constantly playing in the parks in their bluejeans and their tennis shoes. There are child care centers in the barrios of San Francisco. By the Cow Palace, there is an enormous park; I enjoyed, when studying at the University of California and living there, going to the park, seeing the children play there. There is a football field, a baseball field, races, they ride their bicycles. At this very moment, while we are talking, in New York, in Los Angeles, in all parts of the United States, children between the ages of eight and 15 are in some park playing baseball, in some center eating their hot dog, their hamburger, their chili-burger, and anything you could want—of course, with their key around their necks, but, in the end, having children's fun. I wish that the children of my country were in this situation and not in the mountains of Nicaragua or in the cities of Nicaragua involved in a shootout, taking a life or giving his life.

A child of ten or eleven in my country knows what it is to kill a Guard; he knows what it is to take a human life. And they do it consciously, because they know that if they do not take that life, that man will take theirs. This is terrible; when human beings come to such cannibalism, to this process of destruction. If it is a sinful thing for an adult, it is a terrible tragedy when a child has to kill another human being. I envy the American child who is playing in the park, who is watching a television program, instead of being out there with a gun killing people. But I am also worried,

and I ask myself: "This child, at 18, at 20 years of age, when he enrolls in the army or in the marines, in what country of the world is he going to die?"

I have honestly asked myself this question many times upon seeing an American child. I had a neighbor when I lived in California. His name was Mike; he must now be a boy of some 16 years, the image of the American boy with his key because his parents have gone to work. Then the child always had the housekey dangling from his neck, like an anti-rabies card. He would come in and open his refrigerator and take out what his parents had left for him to eat and go out again. He would come to us and say to my mother or to my wife: "Listen, give me frijoles." Beans fascinated him. Many times I have had the memory, and I have it now when I see my son of the same age, as when I knew this boy Mike. And I ask myself this: "Will Mike die in some country in some war defending some multinational company? Will there be a Vietnam prepared for him, will there be a Nicaragua prepared for him, will there be a Santo Domingo prepared for him? In what African country will he die? In what European country will he die as part of the occupation troops?" What would be terrific would be to say: "Man, this boy is going to be a scientist."

Mr. Quijano, in this struggle we are giving our all to solve this problem today, before my son reaches the age at which he can pick up a gun. I would not reproach him if he did so upon reaching that age and we were still in the same conditions. But it is very interesting to interview Nicaraguan children and to see how they think. It is said that children, drunks and lunatics always tell the truth. There are sayings in Latin America to this effect. My seven-year-old daughter a year ago painted Somoza as a fat devil; she always put on the horns. With their cousins, my sons play at war, because they live in an environment of war, they know the boys at the front, they know that I am in this, I have spoken to them about why I am in this. And they play war, some being Sandinistas and others the Somocistas. But it is almost impossible to get the group which is supposed to be Somocista to play their part. They have tremendous quarrels over how to choose sides.

I had two Nicaraguan boys who are now on the southern front. One is 16-years-old, and the other 13 years, who two weeks ago left for the southern front. We said to him: "We'll give you education, schooling." He said: "No, I want to fight." He fought in Masaya in 1977, a veteran of the war, 13 years old. He has no father; his father died. His mother: he doesn't know where she is ... she could have been killed in a bombing somewhere. He knows that he has a brother who is possibly fighting in the Sandinista front. And his whole ideal is to return to combat. There was no human power to stop this boy. He has an older sister, 23-years-old, who lives in Los Angeles, and he didn't want to go there with her. He is in the southern front, a boy who in Masaya had the experience of throwing a bomb at

a jeep that was carrying National Guardsmen. He told us that it was a "presto bomb" because it was in a jar of Presto coffee that he had the bomb, and he saw them bounce and he saw them stretched out.

My God, I say to myself, this child who has wounded or killed several National Guard soldiers, lived in my house, and played football with my son. One has to see this child at 10 o'clock at night, dead asleep. In the day, an activist, the youngest political exile that was ever in Mexico with his bucket collecting aid for Nicaragua; he gave speeches, press interviews, he did a whole series of things. At night, he came to my house, played with my son, and was a child again. At night, he used to come in at six or seven and he became a child again. In the daytime, he was a man—the child that played with toy cars, with an electric train; that played football with my son. He rested and, while waiting for news, he slept. He was a child, but a child that had had the sad experience of having taken people's lives and, when you saw him playing, you saw him as any other child in the world.

This is tragic, this is terrible. This is something that fosters a certain consciousness in us, something that Americans don't have. These children are not communists. These children are Nicaraguans. These children are children who want to live another way, under other conditions. These children are very much children. The examples of Nicaraguan mothers and fathers with their children are tremendous.

Look, when on June 5, despite the sixteen-and-a-half-year sentence over us, the Group of Twelve decided to enter our country; all of us, except the priests from the Group of Twelve, had sons. We were happily married, but we left our children, our wives, because we considered it our absolute duty to show with deeds what we had said with words. Somoza never thought we would enter (the country) and when he saw us at the airport he must have thought: "that bunch of lunatics, they are not afraid of me." In reality, we were not only afraid of him, we were terrified, because we know the assassin that he is. But, we had the commitment to fulfill our duty and be an example. In a personal way, I want to tell you this, that when we arrived in Costa Rica, I said good-bye there to my sons.... You know what this means when you are going to certain death? Hours before taking the plane to Nicaragua I spoke to my son and I said to him: "Look, Carlos, I have to go back; you know what this means and I want you to know that I am going because I have to go." The answer he gave me was: "You don't have to give me any explanations; just do your duty."

My son is now 11-years-old; he was then a child of 10. Do you think that I would fail to go back? Impossible. Because my son is perfectly well aware of the necessity of doing this duty. And if I do not do it, he is going to pick up the banner to show me an example; he is going to say to me: "You did not do what you had to do; now it is my turn to die." This is what is

happening with Nicaraguan parents.

Many parents did not actively participate, they limited themselves to criticizing the government, to saying: "Somoza is a problem, but while the gringos are in this country influencing it, victory is going to be impossible." Someone had to say: "Despite the gringos, Somoza and the gringos must go." We must tell Somoza to get out and tell the gringos not to interfere. If he won't go, we will throw him out and if the gringos get involved, we will have to kill them. And we are determined to die fighting American soldiers. But they must know one thing: that we are going to be women, men, children, elderly, all the people of Nicaragua, and all the peoples of Latin America who are going to fight on Nicaragua territory. We know they can defeat us. But even if they defeat us, we will win, because morally this is a just battle. The best, then, would be that we respect each other, and for them not to intervene in our affairs and not to send their youth to die on Nicaragua territory. We Nicaraguans are determined to defend our nation under the banner of our vanguard: "A free nation or die." Never in the history of Nicaragua has there been such a consciousness and such courage as in these moments.

My wife is Mexican. Nevertheless, when a few days ago, before the OAS meeting, we were preparing ourselves for an American intervention, we got a signal: "When it happens, everyone inside." And my wife said, "You have to go fight, and I go with you; our sons stay behind, but I go with you." We were decided. You can't imagine how many Nicaraguans of age here, how many professionals, how many women were reported saying: "If the OAS intervenes, please count us in, because we are willing to go and die there." It is not a threat, it is a fact. I hope that not a single American soldier ever sets foot on Nicaraguan soil to invade or subvert the Nicaraguan process. We are aware of our obligation as they would be if a Nicaraguan soldier came in to invade the U.S. They know that they have to defend their territorial integrity and their national dignity. We Nicaraguans are so determined.

Change has never been a crime

I hope this doesn't happen. On the contrary, I hope there will be a greater understanding, closer relations among our peoples and our governments—that the past is forgotten, that conquests are forgotten, and that there be a human and dignified relationship between the American and Nicaraguan peoples; that there be absolute fraternity between the American government and the new Nicaraguan government; that we forget that we are enemies, because we aren't—we are human beings with different outlooks.

The ideal (situation) would be if we had much to thank the American people and the American government for, and nothing to reproach them for, and that

there would be mutual collaboration and respect. What we have to do is so simple: respect each other and treat each other as human beings. On our side, we have the best intentions. There is no desire for revenge. We reach out to tell you: "people of the United States, citizens of America, on the basis of respect and justice, your Nicaraguan brothers are willing to collaborate and work with you, with mutual respect, to see each other as human beings under circumstances of equality. We want to have fair and equitable relations with you. There is no rancor among our people. Our people need you. The answer is up to you."

These are the feelings of the Nicaraguans. We do not seek revenge. We are sick of violence. And if the Pentagon, or whoever, is going to insist on maintaining violence, they should know that we don't want any more of it. We have used violence to attain peace. Once we've attained that, we want no more problems. Let them solve their problems, and if we can help them, fine. And let them help us to solve our problems—but on the basis of a deep respect.

Believe me, it pains me to speak poorly of Americans. This has been a very difficult time for me, to have to harshly attack and say many blunt truths to President Carter; to tell him that his human rights are a farce, to tell him he is mediocre because I believe that, and to tell him, he is a hypocrite, because I believe that too. Carter has behaved like a man who has a Bible in one hand and a bludgeon, a dagger, in the other. Carter is a traitor to himself. I feel this very personally. This is a very harsh thing to say, but we have the moral authority to say that he has acted badly on the question of Nicaragua. He has a Bible in his hand, but we wish he would read it. One must not only have the Bible in his hand, but one must also read it and practice what it says. With Nicaragua, Carter has practiced the very opposite of what the Bible says.

All this is to create a consciousness among the American people. We don't blame Carter for all our problems. In this modern era, it has been his lot to be Somoza's accomplice. We know he has problems. (We know that) to save the face of the United States, they want him out. Fine. But it is never too late to change, and the day that a change takes place, we personally, as a government, are willing to say: "Mr. Carter, we see that you have changed your policy, and that the opinion we had of you has changed. Now you are an honest president, a man who uses the Bible in the way you described in your first speeches." If the facts prove to us Nicaraguans that he has rectified his actions, then we too will rectify our conduct and opinion of him, an opinion which is not unfounded. He is lying to us—that's how we feel. We must tell him what we feel. But, at the moment he changes his course of action, we will also have to publicly change our opinion and our personal attitude toward President Carter. This is lawful. In the history of humanity, change has never been a crime.

Chaos follows Carter's

Move to dump Carter, install Haig to

The Council on Foreign Relations crowd in and outside the Carter Administration, or rather what once was the Carter Administration, has used the President's seriously disturbed behavior on national television last Sunday to attempt to push a last ditch massive effort for a fast-paced fascist reorganization of the U.S. economy.

Despite the initial positive press and television commentary to President Carter's speech late Sunday night and Monday morning, a drastic evaluation and reassessment of options took place at the highest level of London-connected CFR circles throughout Monday which led to the exceptional Tuesday morning mass resignation of both the Cabinet and White House staff. The improvised, last-minute decisions of Monday night were primarily based on a medical evaluation of President Carter's Sunday night performance: the President has gone over the 'deep end,' as it was summarily put by a seasoned Washington old-timer.

Apart from his evident psychological disassociation, obsessive references to 'dark, invisible forces' haunting his government, and so forth, President Carter failed to present any sort of program whatsoever. His \$142 billion proposal for an Energy Mobilization Board and an Energy Security Corporation was in fact a bluff that the President's speechwriters knew would not be getting anywhere. The chances of such proposal being even brought up for discussion during the 1981 budget deliberations are less than slim.

Monday morning after Carter's speech, the main Democratic powerhouses in the Senate started a maneuver to pull the rug from under Carter and the maneuver was completed on Tuesday morning, July 17: Senator Henry Jackson, chairman of the Senate Energy Committee, announced that he intends to push his own Omnibus Energy Production Bill, in opposition to Carter' program, for a vote on the Senate floor before the August 3 congressional recess. Senate Majority Leader Robert Byrd indicated that he would arrange the congressional calendar to accommodate Senator Jackson's Bill rather than the President's .

Senator Russell Long, the powerful chairman of the Senate Finance Committee, launched into a virulent and unqualified attack against the entirety of President Carter's program. Since Senator Long has the power to determine whether the Windfall Profits Tax Bill will ever get out of his committee to go to the Senate floor for vote, he also determines whether or not Carter will ever get the \$142 billion he requires for his program.

When, on late Monday evening, word went out about what the lead editorials would be on Tuesday morning in the *New York Times*, *The Washington Post*, the *Wall Street Journal* and the *New York Post*, it was evident that Carter's fate had been sealed.

Emergency approach

On Tuesday, the CFR crowd committed itself to a slapdash emergency approach to the overall national political situation: First, launch the Alexander Haig campaign for the Presidency, using John Connally as proxy for the General; second, launch the bid for Senator Ted Kennedy's nomination; third, reorganize the Carter Administration under Cyrus Vance and Walter Mondale to keep things under a modicum of control while the President is mentally incapacitated.

Available evidence indicates that Secretary of State Cyrus Vance manipulated the situation to precipitate the mass resignation of the Cabinet and the White House staff. Leaks to the public about what happened at the Tuesday morning meeting during which the resignations were submitted present a picture of a completely pathetic President Carter rambling about his various moral commitments and his pledges to radically change his 'lifestyle,' his way of running the government, and himself.

The United States of America is faced with a runaway political crisis at the top of the profoundest proportions since the Civil War: The President of the United States is crazy, all his cabinet members have resigned, the President's party in Congress is fragmented and absorbed in runaway jockeying for positions. The stringpullers of the situation around the Council of

call for a new Dark Age

implement fascist program

Foreign Relations, the Ditchley Foundation and the London-connected banking and oil company executives are shocked to be facing a situation whose control is no longer in their hands.

Haig-Kennedy

Right now they are resolved to accelerate their push for a fascist reorganization by means of the Haig and Kennedy campaigns for the Presidency. Haig's campaign themes, presently carried by John Connally, are (a) massive austerity; (b) complete price deregulation; (c) union busting, (d) further credit tightening; (e) Nazi-style promoting of coal production; (f) obligatory lip-service to nuclear energy.

Kennedy's campaign themes are (a) Nazi-style synthetic fuels programs; (b) Nazi-style giant federal agencies to administer Auschwitz-like coal and coal-gasification labor camps; (c) Nazi-like populist appeals to the population to "bite the bullet"—Senator Kennedy himself specified last week, political leadership during this period is the "courage" to tell the poor and the working poor, that the years ahead will demand massive material sacrifices (d) union busting to be conducted by the old "Kennedy Justice Department" gang which has targeted the International Brotherhood of Teamsters for extinction by the spring of 1980.

The LaRouche card

Thus, as of this writing, the average American industrialist, worker, farmer, and voter, is presented with a set of very sharp options: The incumbent presidency has been thoroughly destroyed because it had been forced time and again to go before the American people and demand sacrifices, "belt tightening," deindustrialization and fascist economic reorganization. All the prominent public personalities of both major parties have put forward their bids for the presidency on the basis of the very same program which destroyed Carter. Kennedy, Connally, Haig, Mondale, et al. are all jointly promoting the same perspective of economic unraveling of the country.

If they tend to sound different, it is only because they are addressing different constituencies of the electorate.

So where do the chances of a LaRouche presidency stand at this time? As any political insider would do, one must ask what it is that caused the present totally uncontrolled political situation in the U.S.A. So far, it has been the campaign of U.S. Labor Party chairman Lyndon H. LaRouche, Jr. which has thrown the CFR gameplan out of whack.

The CFR gameplan had called for a "controlled disintegration" during the 1979-80 period. The secret March 1979 Arden House meeting of the oil companies and the CFR had planned an energy crisis which was intended to rally the American people behind a program of war with the Organization of Petroleum Exporting Countries and war-time domestic sacrifices to be promulgated by the Carter Administration. That program was put in to effect in May and June. LaRouche's organization went to the country with millions of leaflets, newspaper articles, radio and TV presentations and proved to the American people that the energy "crisis" was a "ripoff" by the oil companies and the Carter Administration. In three weeks time, as one Republican congressman from the Midwest put it, "the people believe that there is no energy crisis and that behind the present mess are the oil companies, Jimmy Carter, and OPEC in this order."

Seeing Carter's disintegration, Senator Kennedy started making his moves against Carter which drove both the Christian Science Monitor and the Democratic National Committee into hysteria. The Chairman of the DNC called on Kennedy and informed him that if he continues his challenge to the incumbent, "only a third-party maverick would benefit." The Senator laid low for a week but as the LaRouche campaign's exposés kept shattering Carter's hold on the political machines, especially labor and urban machines, the CFR's strategists found it obligatory to put Kennedy forward in order to keep LaRouche out of these areas.

Once the Kennedy card was committed, the unrav-

eling of the two-party arrangement was on. This was the first major disruption of the CFR's gameplan. Conservative Democrats, driven by the abhorrence of Kennedy, started their behind-the-scenes deals with Republicans. Thus, such straightforward types as Senator Long are eyeing what's going on with John Connally; and those conservative-labeled Democrats who are controlled by the Zionist lobby, like Moynihan and Jackson, are secretly dealing with Alexander Haig's promoters around the Mellon Foundation.

General Haig himself, who was supposed to be kept clean and 'above politics' until the primaries, was trotted out on July 15, on national television, to sound like another 'ambitious politician' groveling for votes.

So far, the LaRouche campaign can take credit for completely disrupting the entire CFR gameplan. What political power brokers around the country are actively considering at this time, with respect to the LaRouche option now before them, are the following three items:

Item One: In the midst of the 'energy crisis,' LaRouche is the only candidate who stands for a full scale upgrading of the American economy on the basis of a full, in-depth commitment of thermonuclear energy.

Item Two: During the spring and summer of 1979, LaRouche's political machine conducted certain strategic operations which, having succeeded, demonstrated LaRouche's capacity to take on the CFR crowd—and give it a bloody nose. In other words, 'LaRouche can deliver.'

Item Three: Since the issue of personal leadership qualifications has come so dramatically to the fore, LaRouche's chief asset as a candidate is now coming prominently into play: As opposed to all the CFR puppets, LaRouche is a leader.

— *Criton Zoakos*

What President Jimmy

On national television on July 15

In a little more than two decades we've gone from a position of energy independence to one in which almost half the oil we use comes from foreign countries at prices that are going through the roof. Our excessive dependence on OPEC has already taken a tremendous toll on our economy and our people. This is the direct cause of the long lines that have made millions of you spend aggravating hours waiting for gasoline. It's a cause of the increased inflation and unemployment that we now face.

This intolerable dependence on foreign oil threatens our economic independence and the very security of our nation.

The energy crisis is real. It is worldwide...

Point 1: ... Beginning this moment, this nation will never use more foreign oil than we did in 1977. Never....

... I am tonight setting the further goal of cutting our dependence on foreign oil by one-half by the end of the next decade—a saving of over four-and-a-half million barrels of imported oil per day.

Point 2: ... I will use my presidential authority to set import quotas ... I will forbid the entry into this country of one drop of foreign oil more than these goals allow.

Point 3: To give us energy security, I am asking for the most massive peace-time commitment of funds and resources in our nation's history to develop America's own alternative sources of fuel from coal, from oil shale, from plant products for gasohol, from unconventional gas, from the sun. I propose the creation of an Energy Security Corporation to lead this effort ... The corporation will issue up to \$5 billion in energy bonds....

... Moreover I will soon submit legislation to Congress calling for the creation of this nation's first solar bank, which will help us achieve the crucial goal of 20 percent of our energy coming from solar power by year 2000....

Point 4: I am asking Congress to mandate—to require as a matter of law—that our nation's utility companies cut their massive use of oil by 50 percent within the next decade....

Point 5: ... I'll urge Congress to create an energy mobilization board which, like the War Production Board in World War II, will have the responsibility and authority to cut through the red tape, the delay and the endless roadblocks to completing key energy projects.

Carter said on energy

Point 6: ... I ask Congress to give me authority for mandatory conservation and for standby gasoline rationing.

... There is simply no way to avoid sacrifice....

In Kansas City, Mo. on July 16

The underlying cause of the energy crisis, the energy problem, the energy challenge, the energy opportunity ... is our massive, dangerous, growing dependence on oil, and particularly our dependence, excessive dependence, on imported oil. ... After the latest price increase, the price we pay OPEC for our oil has almost doubled in the last seven months...

... With the government shakeup in distant Iran last winter, we lost, in imports, about 100 million barrels of oil. The gasoline lines are directly related ...

... There simply is not enough oil available in the world to meet all the demands of all the people in all the nations on earth.

... There are only two ways to guarantee supply. One is obviously to control our demand—to cut back on the waste of energy. And the other is to develop our own sources of energy to replace foreign imports ...

In the short term, we will simply have to stretch out a limited supply. We will have to play a kind of shuffling game, allocating limited supplies of oil among our farmers, our truckers, our homeowners, industry and also, of course, among motorists. This will have to go on until our long-term efforts start paying off.

Therefore, I urge the Congress to give me power to set mandatory state-by state conservation goals and to impose mandatory conservation if a state fails to meet its target. I want to give local and state officials authority, and hope ... (they) will carry out this responsibility. If you do not, then I will act from Washington as president.

Congress must act, finally, to give me authority to develop a standby gasoline rationing plan. It is absolutely crucial for us to arm ourselves against the possibility of further serious interruptions in our energy supply.

But I want to now mention the most important thing of all—every single American must stop wasting energy ...

Now I'm going to mention one of the biggest figures you've ever heard—overall, we are going to make the

unparalleled peacetime commitment—an investment of \$140 billion for American energy security—so that never again will our nation's independence be hostage to foreign oil ...

Each year I will set targets for the amount of foreign oil we import ... for this year, 1979— ... 8.2 million barrels per day, 300,000 below the ceilings we set at the Tokyo summit and 400,000 barrels per day below what we used in 1977, and we will meet this goal.

The Energy Security Corporation that I proposed ... will be outside the Federal government ... free to use its independent business judgment in order to produce enough alternate energy sources to meet its 10-year target of reducing our imports by 2.5 million barrels of oil per day. I am announcing new incentives for the production of heavy oil— oil shale and hard-to-get-at natural gas, all of which this country has in great abundance.

... A new Energy Mobilization Board will slash through red tape and bureaucratic obstacles and will set absolute deadlines for action at the federal, state and local level.

... We are leaving with state and local authorities the first line of responsibility to remove roadblocks to these critical projects, but our energy crisis is so severe that, if any level of government fails to act within a reasonable time, this board will see to it that action is taken, just as similar boards made sure that action was taken to protect our nation's existence in World War II ...

I want to explain one thing very clearly, because misinformation is being spread among the American people. I want you to listen to this.

We are working very closely with Mexico and Canada. The total quantity of production and export of oil and gas from Mexico is obviously a decision to be made by the people and the government of Mexico. But we now purchase more than 80 percent of all the oil exported by Mexico—more than 80 percent. We are now negotiating a new agreement to purchase the natural gas which Mexico will be willing to export ...

In June, I set an ambitious but important goal for meeting 20 percent of the nation's energy needs from the sun by the year 2000. ...

No cartel can control the price of solar power. No country can embargo solar power. We've already tripled our federal investment in solar energy, and the new solar bank that I have proposed will permit all Americans to join in making widespread solar power use a reality.

The response to Carter's energy addresses

LaRouche: Carter offers to lead way to New Dark Age

"Lame duck" President Jimmy Carter finally appeared in front of TV cameras last night, to deliver what was supposed to be his much-postponed report on the Tokyo summit conference. In fact, he broke the agreements on nuclear energy he made at Tokyo. What he proposed instead was austerity modeled on that introduced to Germany by Nazi Finance Minister Hjalmar Schacht. He proposed to lead the United States into a New Dark Age.

Carter presented himself as a person dedicated to traditional American moral values. In fact, he proposed to wreck the industrial economy our predecessors spent more than two centuries creating and maintaining. He proposed to repudiate the deep dedication to technological progress and growth of opportunities for which our forefathers fought Britain in the American Revolution, and which values have been the principal feature of our nation's moral and economic achievements.

His energy program was outrightly fascist.

First, without vastly expanded development of nuclear energy, the United States economy will proceed to shrivel and then ultimately collapse. Without nuclear-energy development, a large portion of the three billion people of the developing sector are doomed—beginning right now—to the spread of famine and epidemic disease, as well as the spread of bloody forms of social disruption creating hideous chaos and confusion to accelerate the breakdown of their economies.

It is false to argue that nuclear energy is either too costly or politically unfeasible. The Stanford Research Institute report is right in condemning Carter's coal programs as an unworkable farce, but is dead wrong on nuclear energy. Nuclear energy has become the cheapest source of increased energy supplies, and is the safest—provided existing security rules are efficiently enforced. Nuclear energy would be no political problem

either, if the campaign of lies about the Harrisburg incident were exposed for what it was and is.

Second, Carter's "alternative energy" programs are a cruel hoax. "Solar energy" is the most inefficient form of energy substitute proposed—except for the burning of "biomass." The apparatus required is monstrously costly for the energy delivered, astronomically costly by comparison with any existing conventional or nuclear technology.

True, coal can be used as part of a balanced energy package. Modern technologies should replace old in steel-making. Otherwise, apart from large-scale industrial uses, coal can be used efficiently with new technologies which the Carter administration has scrapped—so-called magnetohydrodynamic processing of coal. Coal can be converted to other forms of fuels. This can be done efficiently only through existing techniques involving high-temperature nuclear reactors.

What Carter proposes—a 50 percent conversion of coal from oil by 1990—would require using the methods the Nazis used in their Auschwitz coal-conversion installation. That method, which the Carter administration is moving to copy directly, is monstrously uneconomical. It would require the herding of large portions of an increasing number of unemployed into virtual slave labor in coal-conversion programs.

In blaming OPEC for the present crisis, Carter lied. There is, admittedly, a rise in the price of oil from OPEC. There is no oil shortage. The present oil price crisis is orchestrated by the Carter and British Thatcher governments, acting in collusion with the seven major oil multinationals. As far as OPEC itself is concerned, the problems there are a direct result of the U.S. State Department's action in putting Khomeini into power in Iran, combined with the Camp David agreements which world Zionist leader Nahum Goldmann has rightly proposed be junked.

—Lyndon H. LaRouche, Jr.,
Presidential candidate,
Chairman U.S. Labor Party

GOP: we can lead the way to a dark age, too

President Carter's energy addresses prompted an immediate response from the many announced candidates for the Republican presidential nomination. The following selection gives a flavor of their "critical support," which fairly translates into a statement from the candidates that the GOP could do a better job at energy crisis management.

John Connally, "If I were President," New York Post, July 17: It should have been evident to any observer after the oil embargo in 1974 that this nation was vulnerable to the whims of OPEC. Yet since that time, Congress has done nothing to improve the situation. Indeed, our vulnerability is more acute today than it was in 1974....

While I fully support the all-out development of solar, geothermal and every other kind of potential or synthetic energy source, we will be dependent on oil and gas, coal and nuclear energy for the rest of this century whether we like it or not.

My top priority would be to seek congressional authority to relax environmental standards to permit the mining and burning of more coal in this country...

I would immediately deregulate all oil and gas to encourage every possible exploration for new hydrocarbon reserves in the country, to reverse the current trend of a 3.5 percent loss in production....

I would urge Congress to get rid of red tape and regulations which now make it impossible to build a nuclear power plant in less than 13 years when the rest of the world does it in 6.5 years...

We should renew research on the fast breeder reactor, focus on reprocessing of spent fuel, and strive to regain leadership in the field which we pioneered.

Nuclear power already supplies 16 percent of the country's energy and it is not realistic to hope that we can meet our needs without substantially more of it in the near future.

I would move to create a massive effort in the development of synthetic fuels.

It is imperative that we make gasoline out of coal, and make gas out of coal. It will require a staggering investment, but our natural resources are enormous, and every dollar spent on that development is a dollar that won't be sent overseas.

Finally, and of great significance, I would attempt to arrange an immediate meeting with the newly elected Prime Minister of Canada and the President of Mexico to explore the establishment of a North American Common Market for energy. The combined resources of our three nations, both natural and technological, are of awesome magnitude if developed in harmony on a fully equal basis...

Senator Howard Baker, National Association of Counties Convention, July 17: This is not the time to nickel-and-dime these (President Carter's) proposals to death. It is time, instead, to enact a bipartisan national energy program which the country can support, and which will get the job done. It is time we exercised the responsible political leadership the American people have a right to expect of us.... No one is now seeking perfection. Everyone recognizes that we have a real problem on our hands. I think it's time to give the president his turn at the bat. I am willing to work with the president if he would let me ... on a bipartisan coalition to work on solutions to the nation's energy crisis.

Ronald Reagan, from his headquarters, July 16: President Carter identified the problems clearly, but spoke as if he and his administration had not been at the center of them for the past two-and-a-half years. He talked in his speech about freedom, but his proposals seem to lead away from freedom.... They are based on massive new taxes and government programs. He proposes setting up a new superagency to cut away the red tape produced by another superagency he created, the Department of Energy.... We can all agree that synthetic fuels can play an important role in a U.S. energy program, but these proposals are coming from the same government that has not been able to supply gasoline. ... We need tax credits and incentives to encourage industry to invest in new energy sources.... We need a creative use of our coal resources, and intelligent use of nuclear power....

George Bush, from his headquarters to NSIPS, July 18: President Carter's speech was a proper attempt to arouse the American people to focus on the energy crisis. There were components of the president's program which I not only support, but which I have already called for. The success or failure of the program will depend on Carter's ability to constrain the special interests of the Congress and his own party. Among the specific proposals made by Carter, I support his call for conversion from oil to coal, a massive synfuels program, and the Energy Mobilization Board. I also believe that the windfall profits tax should be passed to Congress with a "plowback" provision to the energy

industry to encourage new exploration. I wish the president had placed a stronger emphasis on the need to expand nuclear energy in the event the commission investigation of the Three Mile Island makes that feasible....

George Bush, Washington Post, July 18: If there is a lack of confidence in government, it is the fault of Mr. Carter's policies, not the men and women entrusted to carry them out.

Simon says: Carter's cracked

Former Treasury Secretary William Simon termed President Carter's energy speeches "frightening" and his request for sweeping Cabinet and staff resignations "evidence of mental instability" in an interview made available to Executive Intelligence Review. Simon should know. Now based at the New York investment firm, Blyth Eastman Dillon, and reportedly nurturing presidential ambitions of his own, Simon is often described by those in a position to know as "flakey" if not downright "fanatical." Excerpts of the interview follow:

Q: How would you characterize President Carter's speeches of this past week?

A: In one word—frightening. The president is proposing a massive government response to a problem that was created by the government. The reason for the current energy crisis is simply due to excessive government regulation. If we didn't have price controls and regulation, then the industry would be producing plenty of energy. Look, we've got half of the free world's coal resources, at least 2,000 years of natural gas, and 100,000 billion barrels of oil in the Outer Continental Shelf. Yet we can't develop these sources because of government interference.

Q: Don't you think that the kind of effort involved in synthetic fuels development requires some kind of government funding?

A: No. The private sector can do it if the government lets them, especially since the rise in the world price of oil will soon make synthetic fuel production economically viable.

Q: What do you make of Carter's move to get his Cabinet to resign?

A: Nothing would surprise me about the president at this point. He's showing all the signs of a very unstable president.

Q: If that's the case, do you think that some of the Cabinet members may choose not to stay on if their resignations are not accepted?

A: Look at it this way: It's hard enough to get competent people to take jobs in government; to get some-

one able to take a job with a president who's so obviously unstable, well....

Q: I've heard rumors that the president may try to forge a kind of government of national unity, bring in Republicans, that sort of thing. Al Haig's name has been mentioned as someone Carter may have to turn to. Do you think that's possible?

A: No, I don't, though I must say it would be great if Haig were brought into the administration.

Q: Do you think Carter might be forced to resign if this mental instability you talk about keeps up?

A: No, I think we'll have to suffer through the next months....

AFL-CIO hails 'sacrifice'

The AFL-CIO issued a press release the day after President Carter's energy address which we reprint below.

AFL-CIO President George Meany today made the following comment on President Carter's energy message Sunday night:

In his speech, the president accurately stated the depth of the energy crisis confronting the nation and properly pointed out that failure to deal with this crisis had shaken the confidence of the American people in their government and its leaders. We agree with the president's somber description of the problem and the need for action.

He sounded a call for all Americans to rally in the spirit of sacrifice to convincingly assert the nation's independence in energy and, thus, free its economic system from domination by foreign cartels, which threatens the nation's political as well as economic stability.

The president's six-point energy program is good, long overdue and warrants the support of the American people. If his program is forcefully executed, America will be on the road to energy independence, free from coercive pressures.

Obviously, the twin economic evils of inflation and unemployment, which are greatly affected by both the supply and price of energy—likewise require the same resolve and commitment the president has displayed on energy. Eliminating these problems will also necessitate clear goals and specific programs.

The president's speech was forceful; the goals it set are both necessary and attainable. We can assure the president that American workers will do their part as they have always done when the nation was in trouble. They will accept their fair share of the sacrifice that must be forthcoming from everyone.

We have long been urging action of the type the president is now spelling out, and we will strongly support the thrust of his program.

What the international press is saying

From the U.S. press

Over the course of the week, the U.S. press editorialized pro and con on President Carter's series of energy addresses and his demand for Cabinet and staff resignations. The following is a selection.

The Arizona Republic, editorial, July 16: The specific proposals he made in last night's address were not encouraging. The nation did not tune in Carter to hear a sermon. It wanted answers. It didn't get them.

Tulsa Tribune, editorial, July 16: Jimmy Carter's much-anticipated Sunday night address to the nation revealed a harassed and tired man, beginning to show age, whose gestures were reminiscent of golfer Tom Watson selling tires that "grip the road."

Los Angeles Herald-Examiner, editorial, July 16: As we listened to his energy address, we had the feeling we were listening to a president. ... While delighted with the tenor of the president's address, we fear that some of the proposals may create more problems than they solve. ... Regardless of our quarrels with some specific of Carter's plan, however, he is to be congratulated for his aggressive and forthright attack on the energy issue.

Chicago Sun-Times, editorial, July 16: Sunday night Americans saw a more somber, yet stronger President Carter than they have seen before. Monday they saw a more determined and more specific Carter than they saw Sunday, as he filled in some blanks that had been left in his prime-time speech. On balance, we think Carter has faced up to the leadership and energy challenges that threaten the country. ...

Boston Globe, "Carter Approach is No Solution to the Energy Crisis" by Richard Goodwin, July 17: Although decontrol will not increase the supply of oil, it will help achieve another objective. It will raise the cost of energy. And this seems to be the administration's real goal—prices high enough to "discourage consumption." At the heart of the issue is a simple reality. There is no energy crisis. ... We may have become somewhat sloppy in our use of energy, and that should be ended. But most of the energy we consume contributes to that marvelous diversity of goods and human possibilities which we call "the American standard of living." And the phrase "cutting back consumption" is only a contrivance designed to impart a noble, almost patriotic,

ring to the demand that we deliberately accept a reduction in a standard of living achieved over two centuries of national effort. And that is only a beginning.

The New York Times, editorial, July 17: Once again, President Carter has defined the problem, boldly and correctly. Once again he proposes a "war" to rescue the country from a crippling dependence. ...

So what does the president prescribe? A collection of measures that, at best, will keep the crisis from getting worse in the next five years and relieve it some thereafter. ...

If there is such an urgent danger to the nation's security and economy, then why does the president not propose a clear and present antidote? Why does he not capitalize on the people's willingness to follow his lead? If he is right about the peril and the opportunity, then he must be judged timid in his response ...

Joseph Kraft, OpEd in the Washington Post and the Baltimore Sun, July 19: Before delivering his energy messages, Jimmy Carter broadened the discussion to include what he called a "national malaise." He thereby raised a question crucial in judging the presidency: Is Mr. Carter part of the solution, or is he part of the problem. ...

...In many different ways, Mr. Carter sows discord and works against a return to national harmony. ...

Thus his nationally televised speech on Sunday was built around an unbridled assault on Washington. He followed that up by asking and getting the resignations of the Cabinet and the White House staff—a step that looks to outsiders at least like a government in a state of collapse. ...

Hobart Rowan, Op Ed in The Washington Post, July 19: From his sermon to the nation last Sunday night after his return from Camp David and his followup appearances in Kansas City and Detroit, we now have the full measure of President Carter's new energy proposals.

As rhetoric, and as a battle plan to restore his viability as a presidential candidate, the Carter plan has elements of brilliance. As a program to meet the nation's short-term and long-term energy requirements, it is a disappointment. ...

The New York Times, lead editorial, July 19: If it's theater that Jimmy Carter now means to give us, the first thing to do is appreciate the performance for what it is. ...

The script for this melodrama is literally adapted from the opinion polls. "Washington, D.C. has become an island." ... So our hero deserts the island, and his loyal servants there, and swims for dear life. There is nothing usual about this politics. In the annals of the presidency, it is one of the most original declarations of candidacy ever devised...

Having found much merit in the ideas and works of the Carter administration over the past 30 months, we are not quite sure what to make of Jimmy Carter's sudden assault upon it. ...

From the European press

Europe has traditionally viewed the U.S. as an "energy hog," a misconception which reflects many Europeans' severe underestimation of the role of high energy consumption in a high-technology economy. The idea of America's overconsumption of energy was prevalent in most European coverage of President Carter's energy program.

Les Echos, July 18: "... I think that it is first of all a plan of expansion for the American economy. It is not on energy savings, but on growth that Carter blares the trumpet to rally Americans. ... There are logically two ways of reducing energy dependency. The first one is to save energy, the second is to produce more energy. In Carter's speech the second by far takes precedence over the first ... But those unprecedented expenses in investments, whom will they benefit? ... We are very far from an austerity program! On the contrary it should represent for the American economy guaranteed prosperity for at least a decade. ... Nowhere in this speech is there any call to resignation [as we so often hear in France] to low growth and moderate ambitions.

Verdens Gang, Norwegian daily July 18: It is a balancing act without a safety net. Hamilton Jordan is the circus director ... The danger is that the newly awakened lion will fall flat.

Journal de Genève, Geneva, July 7: [The President] indeed announced relatively ambitious objectives—massive development of alternative energy, ceilings on oil imports, etc., but all these measures are long-term, 1990 or 2000. The man in the street has nothing to bite on right away. ... In fact, the only measure which undoubtedly would have given Americans the feeling that the energy war was truly engaged would, we believe, have been the immediate freeing of gasoline prices.

Frankfurter Allgemeine Zeitung, West German daily, July 17: Baron von Muenchhausen, according to his

own report, succeeded in escaping from a swamp by pulling himself out by his own hair. President Carter's energy program has something of the credibility of this tale. ...

In truth, however, his proposals move in the direction that in a world becoming more impoverished, America will become poorer, too. It is true one can say that a part of the money one sacrificed to the rising OPEC prices now can flow to jobs creation and to strategic economic growth.

The technological and financial development of the gigantic experiment, the exploitation of the Canadian Athabasca project, shows what the production of synthetic energy will demand from America in capital but also in time. Muenchhausen's trick cannot be imitated; rather the Carter policy means that the American budget would reflect more severe belt-tightening than anyone now estimates. Is the American President aware of this? One doubts it, for his claim that 20 percent of the energy can be won from the sun's rays, and his temporary silence on the unavoidable use of nuclear energy shows a lack of realism.

Also, the fact that his thoughts run to gasoline rationing rather than the possibility of unleashing America's own sources of energy by decontrolling the gasoline price raises the question whether the peanut farmer ever was a 100 percent entrepreneur.

The Guardian, London, July 17: If, to a European eye, the mood of last week was mostly hysterical rubbish, then the instant adoration of Monday morning was probably pretty unsubstantial too. ... Politicians may fairly claim a little time to think and assess. Mr. Carter did not depart on a holiday to a tropical island; he went away to think damned hard. ... Instead of delivering some string of instantly forgettable platitudes he has, after 10 days, produced a strategy. The real question is whether that strategy carries conviction.

... Whilst America still cruises down freeways in gas guzzlers, consuming gasoline at something near half the price the rest of the world pays, then a giant unreality infects the entire exercise. That is the key challenge being ducked. ... So America will "never" import more oil than it did in 1977. Well, that was a flush and a comfortable stockpiling year; add Alaska oil on full flow and the constraint ... is hardly rigorous. Did someone mention conservation? Mr. Carter did, but not with the air of a man who sees it as the central, immediate, painful way of jerking America to its senses.

... Does America yet understand the vicious progression of the last few years: that fast growth begets oil imports, that these imports beget shortages and price rises which in turn beget inflation and recession? ...

The case against the Anti-Defamation League

The U.S. Labor Party released the contents of affidavits used in its multimillion-dollar law suit against the Anti-Defamation League which document the Zionist organization's role in directing a series of slanders and dirty tricks against the party.

The evidence, which comprises a major portion of materials used in the suit, was submitted in New York State Supreme Court by attorneys for the USLP, and was disclosed in response to a motion by Jerome Bakst, Director of Research for the ADL. Bakst, in an affidavit, denied any knowledge on the part of the ADL of any libel, slander, invasion of privacy, or other harassment aimed at the USLP or other plaintiffs in the legal action. The ADL official claimed that the organization's sole activity with regard to the Labor Party was the reading of newspapers and commenting on what they had read.

Obtained while investigating the ADL, the materials the USLP brought into court include conversations with ADL officials who directly ordered suppression of the party "by any means possible." As well, it includes admissions by these officials that the USLP is not anti-Semitic, as the ADL has publicly stated, although the officials proceeded to order that the Labor Party be attacked and slandered without "getting hung up on labels."

The plaintiffs also offered evidence of the various ADL assaults, whispering and threat campaigns—termed "quarantine" in ADL jargon—waged against them. The memorandum of law demonstrated that the law requires full disclosure, followed by a trial of the issues rather than the summary disposition sought by the ADL.

The ADL is counseled by Willkie, Farr and Gallagher, one of whose partners, Kenneth Bialkin, is registered with the State Department as an agent of a foreign power—Israel. Bialkin has lobbied on behalf of former Israeli intelligence station chief and present Mayor of occupied Jerusalem, Teddy Kolbeck.

Labels aren't important

• *Excerpts of the affidavit submitted by Robert S. Cohen*

on his conversation with Burton Joseph, former ADL Chairman:

... When I brought up the fact that the U.S. Labor Party was an electoral party, Mr. Joseph told me not to worry because "these people have no rights ... if the U.S. Labor Party thinks it has recourse against the ADL's activities, let them try."

Mr. Joseph described their activity against the U.S. Labor Party as a "deployment no different than the one against the PLO on the West Bank. Just like Israel deals with them on the West Bank, we'll deal with them here."

When I asked Mr. Joseph for his characterization of the U.S. Labor Party he replied: "The U.S. Labor Party are right-wing radicals but, don't get pinned down on labels. They are extremely violent with a lunatic leader ... LaRouche is insane, a psycho and must be stopped at all costs."

• *After a conversation with Seymour Graubard, Honorary Chairman and a former National Chairman of the ADL, Mr. Cohen deposed that Graubard told him:*

"... We're out to suppress this party and it must be done with the most sophisticated means. You must learn about the concept of containment, young man ... You have to let the wiser and more experienced people handle the U.S. Labor Party.

• *Excerpts of an affidavit by Janet Mandel regarding her conversation with Nathaniel Kameny, a national commission member of the ADL:*

... In an interchange about the alleged anti-Semitism of the U.S. Labor Party, I told Mr. Kameny that they seem to have a very broad political range to which he replied, "They're very small." I told him, "I'm not talking about influence. I'm talking about the kinds of issues they're addressing. It's not just anti-Semitic hate literature," to which Mr. Kameny responded, "That is true." ... I then continued telling him about this magazine I picked up ... It's called "Zionism is not Judaism," and Mr. Kameny responded: "Have you ever seen the work of the American Council for Judaism? The ACJ has some highly respected names. I wouldn't say respected—highly visible names—in it of Jews who

reject Israel and take the same position that Zionism has nothing to do with Judaism and we don't support Israel or the establishment of the state. ... But there's nothing we can do to stop them. ... We have a whole file on them, a tremendous file. We really do know about them."

I asked Mr. Kameny if they had people who go to Newark Airport and watch the USLP ... he answered: "Absolutely, we go to their meetings. We have people that we pay. I can't say who they are, of course, I mean we broke the Klan in Georgia that way."

... We have people in the American Nazi Party ... It's not to boost their membership but we try to grab hold of anything we can."

• *From another conversation with Seymour Graubard, Mrs. Mandel recounts:*

... I told Mr. Graubard that the thing that upset me the most about the U.S. Labor Party was that they say they are not anti-Semitic. He answered "I know that's the old left wing line ... it is very hard to find Jews today who are not Zionist (and) being anti-Zionist and not anti-Semitic is often a disguise ... This is old hat."

The ADL's campaign against the Labor Party

The following is an affidavit by an investigator for the U.S. Labor Party on his discussions with national ADL leaders.

...2. On or about December 1978 I spoke to Max Kampelman, Vice-Chairman of the ADL over the telephone.

3. I asked him what to do to contain their influence and whether or not the U.S. Labor Party should be characterized as an "anti-semitic group." Mr. Kampelman then characterized the U.S. Labor Party as a "dangerous group" which should not be given any publicity but which should be definitely acted against in a covert fashion by the ADL.

4. Mr. Kampelman then instructed me to "get a memorandum on these people and say they are a dangerous group, don't get hung up on labels. ... Just characterize them as a dangerous group and get it out to our people, they will know what to do and how to move against them."

5. On March 29, 1979, I spoke to Burton Joseph, ADL Chairman until last year, over the telephone.

6. When I asked him what he thought should be done about the U.S. Labor Party in terms of ADL policy Mr. Joseph replied: "The FBI is working hand in hand with the ADL on the U.S. Labor Party. ... We are exchanging files with them. The FBI is 100 percent involved at this time." He added that the appropriate way for the ADL to move against the U.S. Labor Party was to "mobilize the 26 regional ADL offices to do surveys of the U.S. Labor Party and move with the FBI

regionally against the U.S. Labor Party."

7. When I brought up the fact that the U.S. Labor Party was an electoral party Mr. Joseph told me not to worry because "these people have no rights. ... If the U.S. Labor Party thinks it has recourse against the ADL's activities let them try."

8. Mr. Joseph described their activity against the U.S. Labor Party as a "deployment no different than the one against the PLO on the West Bank. Just like Israel deals with them on the West Bank we'll deal with them here."

9. When I asked Mr. Joseph for his characterization of the U.S. Labor Party he replied: "The U.S. Labor Party are right-wing radicals but don't get pinned on labels. They are extremely violent with a lunatic leader. ... LaRouche is insane, a psycho and must be stopped at all costs."

10. On March 29, 1979, I spoke to Justin Finger, ADL Counsel and Director of the ADL's Civil Rights Division over the telephone.

11. After informing me that the ADL had just completed a new report on the U.S. Labor Party and that an internal debate was going on whether or not to make the report public as opposed to continuing their "quarantine treatment" against the U.S. Labor Party which had not worked, Mr. Finger told me the following about the ADL's relationship with the FBI with regard to the U.S. Labor Party:

"I saw Judge Webster back in February in Washington and I mentioned the U.S. Labor Party and he wouldn't commit himself and he wouldn't go into details with me but it was very clear to me from what he said and what he did not say that this is an active investigation and that they are watching these people very closely, because I said to him 'look, we're not saying that these guys are a threat to the Republic. What we're saying is that these guys are crazy and they are capable of carrying out acts of violence in their nuttiness.'" When I asked him about the exchange of files Mr. Finger replied, "Where? You see, you can do that locally. Judge Webster will not admit to anything like that at that level." Laughing, he continued, "I know what happens locally. He doesn't know about it. He doesn't want to know about it."

12. When I asked Mr. Finger whether the Israelis were working with the ADL on the U.S. Labor Party he informed me that the Israelis were "puzzled" over the character of the U.S. Labor Party and further that "They asked us for help on all this stuff."

13. On March 29, 1979, I spoke to Max Kampelman, ADL Vice-Chairman over the telephone.

14. I asked Mr. Kampelman for his judgment on whether Mr. Finger's report on the U.S. Labor Party should go public or be circulated internally. He responded, "I'd keep it inside. I think you're building them more than is called for. ... Their [the USLP's] policy is to try to become a target. I strongly believe we

ought not to satisfy that request. ... I've given it some thought before. ... We ought to let just our people know."

15. I asked him, in terms of the FBI collaboration with the ADL around the U.S. Labor Party, whether he thought Judge Webster had his heart in this one, to which Mr. Kampelman replied, "I think his heart is in this one, yeah." When I told him that I did not know what the FBI was doing about the U.S. Labor Party on a national level he informed me, "They're continuing to work."

16. On March 30, 1979, I spoke to Mr. Seymour Graubard, Honorary Chairman and past National Chairman of the ADL over the telephone.

17. I asked Mr. Graubard whether or not he favored a policy of exposing the U.S. Labor Party for what it was, i.e. "anti-semitic," "affiliated with the racist Liberty Lobby," "anti-labor," etc. Mr. Graubard began to grill me about my facts and proof and finally asserted, "We've got nothing."

18. He further asserted that, "We're out to suppress this party and it must be done with the most sophisticated means. You must learn about the concept of containment, young man. ... You're headstrong and emotional. You're like the JDL; you're counterproductive. ... You have to let the wiser and more experienced people handle the U.S. Labor Party."

19. Mr. Graubard then went on to criticize Mr. Justine Finger, charging that, "He hasn't come up with the goods yet."

20. When I informed him of Mr. Finger's meeting with FBI Director Judge Webster Mr. Graubard replied, "big deal. ... What did he say. ... Are they doing anything illegal?" [the USLP]. I informed him that I had heard the U.S. Labor Party beat up a 74-year-old man, to which he retorted: "That's not illegal—That's child's play."

ADL official: we pay informants to break the USLP

The following is the affidavit of a USLP investigator in New Jersey... 2. During the course of my investigation for Plaintiffs' above-captioned lawsuit I made a number of pretext calls to officials of the Anti-Defamation League (ADL).

3. On or about March, 1979, I spoke to Nathaniel Kameny, National Commission member of the ADL over the telephone.

4. The purpose of the call was to find out what the ADL knew about the U.S. Labor Party and what they were doing about it. I had also asked him if there is anything personally that I can do about the U.S. Labor Party.

5. When I told him that I always thought that what

happened in Germany could not happen here, Mr. Kameny replied: "I recently spoke with the head of the Christian Democratic Party in Germany about the very same problem which they have with neo-Nazis."

6. In an interchange about the alleged anti-semitism of the U.S. Labor Party I told Mr. Kameny that they seem to have a very broad political range to which he replied, "they're very small." I told him that I'm not talking about influence. I'm talking about the kinds of issues they're addressing. It's not just anti-semitic hate literature, to which Mr. Kameny responded, "That is true."

7. I then continued telling him that this latest magazine that I picked up which I got at the airport is absolutely incredible. It's called "Zionism is not Judaism," and Mr. Kameny responded: "Have you ever seen the work of the American Council for Judaism? The American Council for Judaism has some highly respected names, I wouldn't say respected—highly visible names in it of Jews who reject Israel and take the same position that Zionism has nothing to do with Judaism and we don't support Israel or the establishment of the State. But there's nothing you can do to stop them."

8. When I asked Mr. Kameny how much do you know about this group he answered, "We have a whole file on them. A tremendous file. We really do know about them."

9. When I asked him if there was anything I could do about the U.S. Labor Party he told me "Yes, you could feed us any material you get."

10. I asked Mr. Kameny if they had people who go out at Newark Airport and watch what they're [the USLP] doing, to which he answered: "Absolutely. We go to their meetings. We have people that we pay. I can't say who they are, of course. I mean we broke the Klan in Georgia that way."

11. When I told him that I'd be afraid to do that Mr. Kameny informed me that "We have people who wouldn't be afraid to do that. We have people in the American Nazi Party. It's not to boost their membership but we try to grab a hold of anything we can."

12. Mr. Kameny then told me to talk to Jeffrey Maas, Regional Director of the New Jersey ADL, to discuss the possibility of having me infiltrate the U.S. Labor Party. He told me, "Maybe the idea of you joining their Party would be an interesting thing, just to track some of the things they are doing. Jeffrey is a little bit more knowledgeable, obviously."

13. I also spoke to Seymour Graubard, Honorary Chairman of the ADL on or about March, 1979.

14. When I asked him if the ADL could take the U.S. Labor Party to court Mr. Graubard replied: "No, not likely. Sometimes you make a decision not to put the spotlight on these groups that grow under the light of publicity. You just ignore them but keep track of things. In pre-World War Two days the ADL amassed

an enormous amount of material on the German-American Bund. In fact we had members in the Bund. We couldn't do anything about that actually until the war started. The FBI picked up our files and a lot of these people were arrested."

15. I told Mr. Graubard that the thing that upset me most about the U.S. Labor Party was that they say they are not anti-semitic. They are anti-semitic. He answered: "I know, that's the old left-wing line. There is some truth to that except for one thing; two things. One it is very hard to find Jews today who are not Zionist. And two is that being anti-Zionist and not anti-semitic is often a disguise. ... This is old hat."

ADL contributor: USLP is not anti-semitic

The following is an affidavit by a USLP investigator.

...2. As an investigator for the U.S. Labor Party I was able to do a number of pretext calls to ADL officials and other individuals for the purpose of gathering evidence for the above-captioned lawsuit.

3. In this manner I was able to conduct an interview with Mr. Nahum Bernstein, who is both a close affiliate and substantial contributor to the ADL on December 18, 1979. He described himself to me as a "close friend" of Arnold Forster, who at that time had just resigned as General Counsel to the ADL and joined the board of the Jerusalem Foundation, an organization founded by Bernstein himself.

4. I informed Mr. Bernstein that the U.S. Labor Party had said that the Zionists are anti-semitic to which he replied: "It's a sad situation. They speak so nicely. They're not anti-semitic. They're not even anti-Jewish. In fact most of them are Jewish. ... Just look at all of them: Schulman, Goldman, Goldstein. They're just crazy."

5. On March 29, 1979 I spoke to Mr. Philip Klutznick, ADL Honorary Chairman and National Executive Committee member.

6. Throughout the conversation, Mr. Klutznick expressed anger and annoyance with the ADL and some of its officials like general counsel Justin Finger for wanting to "go public" with a new report they had completed on the U.S. Labor Party, because he felt key charges had not been substantiated: "I'm a little bit irked by the way the ADL goes public quicker than it does its work private these days."

7. Mr. Klutznick complained that the ADL had not even adequately inspired the FBI to conduct a serious investigation of the U.S. Labor Party, but later added "If Judge Webster's not doing his job then we ought to go higher than Judge Webster to see that he does his job," after I informed him that Mr. Finger had recently met with Judge Webster and discussed the problem of

the U.S. Labor Party. He informed me that "we did it during the Nazi days with J. Edgar Hoover."

8. In parallel to spurring on the FBI to investigate the U.S. Labor Party, Mr. Klutznick strongly maintained that the ADL itself engages in infiltration and other undercover techniques to get the goods to substantiate the ADL's charges against the U.S. Labor Party: "If the FBI is getting this sort of complaint and they can't find it out, the better thing to do is to do what we used to do and get some undercover men of our own to find it out. But once you go public and make these charges, you'll never be able to substantiate it. ... My judgment is if the FBI is not getting it then instead of spending money for people to write releases we ought to spend some money to hire some first-class private detectives and get it. ... You don't investigate through newspapers. You investigate first and then go into the newspapers. ..."

ADL promotes anti-semitic organizations

The following affidavit by a USLP investigator reports on ADL activities to promote anti-semitic hate groups. An accompanying exhibit, not reproduced in EIR, shows check stubs paid by the ADL to its agents in these groups.

... 2. During 1978, I spoke a number of times with James Rosenberg, a member of a Pennsylvania chapter of the Ku Klux Klan and a paid informant for the Anti-Defamation League (ADL).

3. Mr. Rosenberg admitted to me in a telephone conversation that he had received at least six separate checks from the Anti-Defamation League in payment for information which he had provided them concerning the activities of the Ku Klux Klan.

4. When I asked Mr. Rosenberg if there were not some conflict between his active membership in the Ku Klux Klan and his status as a paid ADL informant, Mr. Rosenberg informed me that he regarded it as a kind of "mutual interest" arrangement. He stated that the Klan was interested in publicity and the publication of inflated membership figures which would help that organization recruit new members, and that the ADL needed to maintain the threat of the Ku Klux Klan for their own organizational purposes.

5. Mr. Rosenberg admitted that he was involved with Klan leader Roy Doerfler's plans to bomb the Trenton offices of the NAACP. He stated to me that he made signs which were to be left at the site of the planned bombing claiming KKK responsibility for the act.

6. Mr. Rosenberg informed me that he had provided Klan leader Ray Doerfler with ADL checks on which Mr. Doerfler forged the name of another Pennsylvania leader in order to frame that man as a spy for the ADL.

7. I then called ADL national headquarters in New York City to confirm the veracity of Mr. Rosenberg's statements. I spoke with ADL Research Director Jerome Bakst. Mr. Bakst told me, "That's Suall's baby. Contact Suall."

8. When I contacted Mr. Irwin Suall, head of the ADL Fact-Finding Department, the next day, he flatly refused either to confirm or deny Mr. Rosenberg's statements and his status as a paid ADL agent and informant in the KKK.

ADL disrupts Mideast peace efforts

The following affidavit by a high-ranking USLP official is a report on the USLP's efforts to promote peace in the Middle East, and ADL moves to disrupt those efforts.

... 2. Since April 1975 the U.S. Labor Party and its chairman, Lyndon H. LaRouche, Jr. have pursued a public and highly visible policy—including quiet diplomacy aimed at bringing Israeli and Arab leaders together—for peace and development in the Middle East.

... I have been an active participant in that effort.

3. In April 1975 Mr. LaRouche visited Baghdad, Iraq, at the invitation of the ruling Arab Baath Socialist Party. During his discussions there, he explored the possibility of an Arab-Israeli settlement and, especially, the readiness of key Arab political forces to accept peace with Israel in exchange for Israeli recognition of the rights of Palestinian Arabs.

4. In July 1975, the U.S. Labor Party issued the "ICLC Resolution on Israel." ... In brief, the ICLC Resolution on Israel stated that any peace settlement between Israel and the Arabs must have as its kernel a mutual agreement between Israelis and Arab Palestinians, supported by the Arab states, for high-technology, capital intensive, area-wide development. The special feature of the 1975 statement was the inclusion of the concept that Israeli technology and skilled labor, including scientists and engineers, could play and must play an important role in the development of the agricultural and industrial infrastructure in the Arab sector.

5. Based on that Resolution, the U.S. Labor Party initiated a year-long campaign to contact both Arab and Israeli political leaders with a view toward gaining a consensus in support of the basic principles laid out in that Resolution. Among the Israeli and Zionist personalities contacted were former Israeli Foreign Minister Abba Eban, who met Mr. LaRouche and myself; Israeli U.S. Ambassador Schmorak, his aides, several diplomats at the Israeli embassy in Washington, D.C., and Israel's Ambassador to France. Virtually every major Zionist and Jewish group and organization in the United States was contacted by U.S. Labor Party representatives during late 1975 and early 1976, including Rabbi Alexander Schindler, then the chairman of

the Conference of Presidents of Major American Jewish Organizations, and Rabbi Sobel, the chief rabbi of Temple Emanuel in New York City and a member of the National Commission of the Anti-Defamation League of the B'nai B'rith. In every case, the many meetings and discussions stressed that among the chief concerns of the U.S. Labor Party was the safety and survival of Israel and its inhabitants. In every case, the U.S. Labor Party representatives stressed the creative and important role we believed the Jewish population of the state of Israel must play in rebuilding the Middle East.

6. In the spring of 1976, the U.S. Labor Party received positive diplomatic responses from representatives of the Israeli political faction associated with then Prime Minister Rabin. Therefore, on April 15, 1976, a confidential memorandum was issued by the Executive Committees of the ICLC and the U.S. Labor Party entitled "Immediate Alternatives in the Middle East." An urgent international effort was then launched by the U.S. Labor Party to secure public enunciation of the policies already discussed in private by leading Arab and Israeli forces, by both Arab governments and Israel, first through semi-official channels and then by official circles.

7. During 1976 and early 1977, the U.S. Labor Party continued its efforts to reduce the influence of Henry Kissinger and his step-by-step diplomacy and to establish the basis for a resumption of the Geneva conference by President Ford and Prime Minister Rabin.

8. After the surprising election of Menachem Begin in May 1977, the U.S. Labor Party sought contacts with this new government and with members of the Likud and Herut parties in Israel (members of the governing coalition). Several meetings were held. At that time we expressed widely and publicly, and in our press, the belief that the Begin government might emerge as a force for peace in the Middle East in spite of international concern that the election of Prime Minister Begin represented a setback to peace.

... By the summer of 1977, the U.S. Labor Party decided to collaborate with the Fusion Energy Foundation to convene a "Middle East Peace and Economic Development Conference" in New York City—a conference that took place in January 1978. Israeli economic and scientific experts were invited to participate as featured speakers at the conference, but refused.

10. Even before the January 1978 Middle East Peace and Development Conference described above, I became aware of a systematic effort to undermine our efforts to circulate our proposals and encourage discussion among Arabs, Israelis and American Jewish organizations. For example, Rabbi Sobel of Temple Emanuel and the ADL National Commission, after an extremely cordial and lengthy meeting in early 1976,

refused to answer later calls. I had had a similarly cordial and extensive conversation with Rabbi Schindler at approximately the same time. When I recontacted him a few weeks later, he screamed, "You people are crazy," and hung up the phone. I began to receive identical responses from a number of other Jewish community leaders.

11. Certain Israeli officials reacted similarly. An employee of the Israeli consulate in New York City, who introduced himself to me as Amnon Nadav, after a number of friendly conversations in 1975 and early 1976, by mid-1976 informed me that the ICLC Resolution on Middle East Peace which I had circulated on behalf of the U.S. Labor Party had been written "by someone deranged, probably a Ukrainian Moslem." I believe Mr. Nadav was in fact an employee of Israeli intelligence.

12. At approximately the same time, my regular and frequent discussions with Israeli political scientist and government advisor Edward N. Luttwak were punctuated with his threatening to have me killed. In discussing the civil war situation in Lebanon, Luttwak said, "If you quote me on this, I will have some of my boys in New York finish you off."

13. By early 1978 almost all our contacts within the Jewish community had been cut off by the ADL's continuing smear campaign against the U.S. Labor Party. For the most part, our efforts to re-establish them have not been successful. Our inability to do so has handicapped the U.S. Labor Party's efforts to seek peace in the Middle East.

ADL leader: our job is to suppress the USLP

The following is an affidavit by a USLP member

... 2. I am a member of the U.S. Labor Party and have been so since its creation. In the case of my investigation for the above-captioned lawsuit, I telephoned Meyer Bushman on March 7, 1979. He is a lawyer and national commission member of the Anti-Defamation League of B'nai B'rith; this was a "pretext" call.

3. Mr. Bushman told me "They [the U.S. Labor Party] are left-wing lunatics ... they are backed by bigoted racist fat cats. We must above all prevent them from getting publicity, from getting into the media. ... It's our job to keep tabs on them. We know who their members are; we know where their members are.

It is our job to do that." Several days later, I visited Mr. Bushman in his office, and he confirmed to my face his statements in the above conversation.

New Jersey ADLer: 'We are combatting the USLP influence'

A New Jersey ADL official discussed the organization's anti-USLP efforts with an investigator whose affidavit follows.

2. As an investigator for the U.S. Labor Party I made a number of pretext phone calls to officials of the Anti-Defamation League (ADL) and other individuals.

3. On March 9, 1979, I spoke to Barry Morrison, lawyer for the New Jersey ADL, over the telephone.

4. After informing Mr. Morrison that I was outraged by the magazine "Zionism is not Judaism" put out by the U.S. Labor Party and telling him I wanted to stop it, he answered: "Well, the first thing I'd like to have done is this. I'd like to have a written report from you describing what took place, because we have files and we keep updated files on this and other groups."

5. I told Mr. Morrison that this group reminded me of the Nazi Party. He replied he knew what I meant and repeated "You know, you said you'd be willing to help us. We are now forming a fact-finding committee to cover not only this group but you'd be interested to know that there are many other radical groups out there. ... But you know, we want people to help us keep track of them. There was a fellow up here on the same group. He has been approached by them to give contributions and to use his influence to help them. He is not a Jew, and he is apparently more attractive to them—or less suspicious. And he went as far as to host some of these people at his home. He hosted them at his home. We're trying to identify these people by name. Trying to get a profile on how they operate, where they operate, etc. We're developing a greater and greater understanding of how they operate and we are engaged in a strategy of combatting their influence."

6. At the end of the discussion Mr. Morrison ... repeated his invitation to attend a March 26, 1979 special Fact Finding committee saying, "While we're not going to talk extensively about any one radical group, such as the U.S. Labor Party, we're going to talk to people about helping us monitor these groups and show them how they can be effective and helpful." He then told me the meeting would be held at the ADL office in Livingston, New Jersey.

The great DDT hoax

Fusion Energy Foundation blasts environmentalist fraud

Tim Pike, Fusion Energy Foundation representative in the San Francisco area, exposed the fraud of the ban on the pesticide DDT in the June, 1979 issue of Fusion magazine, excerpted at length here:

When the U.S. Environmental Protection Agency banned the use of DDT in June 1972, it issued a death sentence to the Third World, condemning millions of people to suffer and die from the debilitating diseases that DDT had brought under control.

The EPA acted on the basis of a "Big Lie" manufactured by the fledgling environmentalist movement and its zero-growth sponsors. Their Big Lie then—that DDT is a killer—was similar in form to their propaganda today that equates nuclear power with cancer. In both cases, the assertion of a known fraud often and widely enough begins to make the public doubt the truth.

In fact, there is *no* scientific evidence that warrants the banning of DDT. As the U.S. Public Health Service noted in its recommendation to the EPA Sept. 9, 1971: "The known health hazard from DDT is essentially zero. Examined in this light, the benefits to mankind from the use of DDT for the control of malaria far outweigh even any potential hazard, on the basis of our total accumulated knowledge regarding DDT."

Long-term studies have shown that DDT is so safe to humans that doses 100 times as strong as those that occurred in periods of widespread DDT use have had no ill effects. Equally demonstrable, the consequence of the ban was an immediate rise in death and debilitation from the human diseases that DDT had effectively controlled—malaria (the world's greatest disease problem), typhus, plague, yellow fever, encephalitis, spotted fever, sleeping sickness, and others.

The EPA and the environmentalist supporters must be held accountable for their deliberate crime: There was not a single human death from DDT usage; there have been untold thousands of deaths, millions of disease-stricken persons, and an incalculable loss in human potential, as a result of the DDT banning.

As I shall show, the so-called facts mustered to convince the public that DDT was lethal were contrived

and then blown up into scare headlines by the media. The persons responsible readily admit why they would conduct such a hoax; in their world view, people are a problem and the world is better off without them. In the same way, they feel that the world would be better off without advanced technology, mechanized farming, and the U.S. agribusiness industry that has helped feed a growing world.

As official statistics from governments, the United Nations, and health agencies show, DDT use had helped control disease so effectively that entire populations were freed to realize productive lives. Similarly, DDT contributed to insect control so effectively that in some areas of application, food production increased by more than 40 percent.

In the Asian subcontinent, for example, DDT use had virtually cleared the mosquito out of this so-called indigenous malaria area. In 1961, Pakistan reported 7 million cases of malaria. After an aggressive spraying and treatment program, the disease was reduced to 9,500 cases by 1967, almost a 1,000-fold decrease. After a ban on DDT use, the malaria toll had climbed to 10 million cases by 1975.

The story is the same for India and Sri Lanka, where DDT production was stopped after the environmentalist onslaught here and the increased price of petrochemicals following the 1973 Mideast war. India brought the number of malaria cases down from an estimated 75 million to about 50,000 in 1961, after a vigorous DDT campaign. From 1961 through 1963, there were fewer than 100,000 cases in the entire country, but by 1977 "according to some estimates, the number of malaria cases reached at least 30 million and perhaps 50 million."

What this means for the future of the Asian subcontinent and the rest of the world where malaria saps the strength of the population is exemplified by the reports from Cambodia under the recently deposed Pol Pot government. In 1976, the government reported that the country was unable to harvest its rice crop adequately because more than 80 percent of the workforce had been "worn out" by malaria.

The mortality caused by malaria varies considerably,

depending on the standard of living, nutritional levels, and the specific type of malarial infection. (There are four major types of malaria-causing organisms that differ widely in the severity of the disease.) Anywhere from less than 1 percent to more than 20 percent of the individuals infected by the disease-carrying mosquito will die from the malaria. Additionally, for every one death due directly to the malaria, it is estimated that there are five deaths from other causes that result from the weakened state.

To take another example closer to home, the non-usage of DDT to destroy the bollweevil in southern cotton areas has been calculated to have cost more than 450 million pounds of cotton in lost yields. Similar calculations could be made for cereals, vegetables, and fruits.

The fraudulent evidence

The environmentalist attack on DDT was based on three main arguments: the predicted mass die-off of the bird population, the allegation that DDT can never be eliminated from the environment, and the charge that DDT causes cancer.

Most incredibly, the Environmental Protection Agency banned DDT after months of hearings in which reputable U.S. and world health agencies all testified against the ban, presenting sound scientific evidence (see box). On the other hand, the environmentalists presented evidence characterized by poor experiments, dubious theory, and just plain lies.

Lying about scientific evidence was a primary technique in the environmentalist battle against DDT. The widely read precedent for this goes back to Rachel Carson and her landmark 1962 book *Silent Spring*, a sort of wildlife bible. "When DDT was introduced into the diet of Japanese quail, few eggs hatched," Carson wrote. To back up her statement, she cited a 1956 article by J. B. DeWitt, "Chronic Toxicity to Quail and Pheasants of Some Chlorinated Insecticides," in *Agriculture and Food Chemistry* (vol. 4, no. 10, pp. 853-66).

What to most credulous readers must seem like the epitome of academic style, however, turns out to be a remarkable bit of deceit. For those who bother to check out the DeWitt article, they will find that this is not at all what the article says. On page 865, Table 3 explains that the amount of DDT introduced into the quail diet was 200 parts per million during the reproduction period (the average human intake during the DDT years was 0.0005 parts per million) and that 80 percent of these quail eggs hatched compared to 83.9 percent of the eggs laid by the control group. The reader also will find that 92.8 percent of the eggs from the DDT-fed birds were fertile, compared to only 89 percent of the eggs from the control group.

These weren't the only data Carson left out of her book. Table 4 in the DeWitt article, on the same page, notes that pheasants fed DDT experienced a great

increase in the survival rate of their chicks. Pheasants fed 50 parts per million of DDT throughout the year hatched 80 percent of their eggs, while the control birds hatched only 57.4 percent. Furthermore, after two weeks, 100 percent of the DDT birds survived, compared to only 94.8 percent of the control group.

DDT forever

The charge that DDT never breaks down chemically has been demonstrated to be untrue in the years since the ban. Furthermore, there was plenty of evidence at the time of the anti-DDT fight that this was the case. Dr. Philip Butler, who gave testimony during the hearings that DDT would be with us forever, claimed not to know of the work of his own research colleagues at Gulf Breeze, Florida who demonstrated in 1969 that 92 percent of all DDT, DDD, and DDE broke down in seawater in just 32 days. In 1971, Butler was still shrieking that up to 25 percent of all DDT compounds ever produced were transferred to the oceans, where they remained forever.

Then, there is the case of Charles F. Wurster, secretary of the board of trustees of the Environmental Defense Fund and an associate professor of environmental sciences at the State University of New York at Stony Brook. Wurster and fellow Environmental Defense Fund scientist George M. Woodwell deserve the most credit for promoting the myth that DDT is with us forever. However, first one and then the other was forced to admit in testimony that their much-touted measurements of extremely high DDT residue levels in Maryland marshes did not reflect the general situation. Why? They had taken their first so-called alarming measurements at an isolated marsh site that just happened to be the spot at which the municipal DDT spray trucks cleaned their tanks.

When pressed about why they had not taken measures to correct the mistaken impression created by their widely publicized preliminary results, the good doctor Woodwell claimed that he did not think it was necessary; and besides, he said, the Environmental Defense Fund lawyers had advised him not to mention his own published work proving the earlier results to be grossly exaggerated.

Cancer

The environmentalist charges linking DDT to cancer are generally an embellishment on a study that indicated that DDT can induce liver tumors in mice. But further investigations into this area have yielded some embarrassing results for the environmentalists, for, in fact, there is reason to believe that DDT may be a cancer inhibitor.

Epidemiologically, there has never been a relationship shown between human cancers and exposures to DDT, despite a large number of workers who have been exposed to large doses of the chemical for a long

period, going back over 30 years. Indeed, the federal government, which has been listing just about everything as carcinogenic or potentially carcinogenic, removed DDT from its list just this year.

As for the theory that DDT may be a cancer inhibitor: Certain birds seem to show increased longevity and reproductivity in areas heavily "contaminated" by DDT. Since these birds show fewer tumors, it is hypothesized that the DDT protects the birds from the carcinogenic effects of the aflatoxin (a potent carcinogen naturally produced by grain mold) present on the grain they eat. The theory is that DDT mobilizes hepatic enzymes that are capable of detoxifying aflatoxin.

As Hart and Fouts reported in a 1965 study:

This induction of liver enzymes is the most likely cause of lower rates of cancer among vertebrates that have ingested DDT. It may explain the increased populations of birds in the near marshes that have been sprayed with DDT, because the birds can temporarily detoxify aflatoxin which would otherwise produce cancers in the birds after they ingest those toxins with natural food.

Other studies have shown similar effects, whereby DDT diminished the effectiveness of a substance's ability to induce tumors. For example, writing in 1972, Ottobone reported on feeding experiments conducted with four generations of dogs in an effort to induce DDT-related tumors:

There have been more reproductive failures and associated problems among the control dogs than there have been in the DDT dogs. As a result, the animal caretakers have dubbed the control group "the DDT-deficient dogs." The levels fed to the animals are, in reality, nearer to 1,000 and 10,000 times the quantities of DDT that Americans eat each day. We have examined every dog in the study that has finished its role in the project. As I mentioned earlier we have autopsied approximately 500 dogs. There have been no tumors related to doses of DDT.

Indeed, the fact that DDT induces liver enzyme synthesis was the reasoning behind a physician's successful treatment of a human hepatic-failure using DDT as the medicine of choice.

When all these fraudulent arguments were said and done, the environmentalists then pulled out studies claiming that DDT wouldn't do any good anyway since mosquitoes had become resistant to the pesticide. Ironically, where resistance had developed, it came about because of the very premature cessation of the use of DDT as a result of the environmentalists' efforts. The halting of DDT-spray programs before the elimination of completely susceptible malaria-carrying mosquitoes

had the effect of reducing dosage to the mosquitoes below the lethal amount, thereby allowing them to survive and breed while exposed to sublethal doses. This led to the rise of resistant organisms in a few areas. Now, in order to eliminate malaria in these places, a more comprehensive and expensive program involving spraying with many chemicals as well as drainage will be necessary.

Once again, the environmentalist "cure" has led to a less healthy planet.

An American scandal

The overwhelming evidence presented in the years that the DDT battle raged before the Environmental Protection Agency and in the courts said that DDT was safe and necessary. The great majority of the authorities on biological science, public health, agriculture, and toxicology were strongly opposed to the DDT ban and said so, as did the chemical industry. As Dr. Philip Handler, president of the National Academy of Sciences, put it, the DDT decision was "a kind of national scandal, the basis for it political."

After several months of hearings the EPA examiner, Edmund Sweeny, ruled April 26, 1972 as a conclusion of law, that DDT was not a carcinogenic or mutagenic hazard to man. EPA Administrator William Ruckelshaus overrode this decision and ignored the thousands of pages of testimony. "Because of the importance of the case of the registration of the many uses of DDT I have decided to ... decide this case myself," Ruckelshaus said.

It was acknowledged by his staff (and evident from his decision) that he did not read the record of the hearings and paid no attention to the findings of the EPA examiner. On June 14, Ruckelshaus ruled that DDT was a "nonacceptable risk" because: (1) it is persistent in the environment; (2) it accumulates and becomes magnified in the food chain, therefore constituting an "unknown, unquantifiable risk to man and lower organisms"; and (3) it has harmful effects on phytoplankton, beneficial insects, freshwater invertebrates, fish and birds, and is "a potential human carcinogen."

After issuing the order that banned DDT, Ruckelshaus issued an appeal on his personal stationery for funds for the Environmental Defense Fund, the group that had spearheaded the "kill DDT" campaign.

The DDT ban was the opening salvo in the continuing environmentalist war against industry, agribusiness, chemicals, and high technology in general. The fact that the ban was initiated and persisted—despite scientific evidence that shows clearly that DDT is a boon, not a hazard, to mankind—should be a sobering warning to the ostriches in the nuclear industry who think they can survive without fighting back.

Congressional Calendar

Carter program may cause energy logjam in Congress

With President Carter's energy proposals now added to the potpourri of energy legislation on the Hill, the question between now and the August recess is whether the previously congressionally-initiated proposals will continue their breakneck speed through the Congress, or whether Congress will slow its activity to wait for the specifics of the Carter program.

Currently Carter staff aides and key congressional leaders are holding a series of meetings, centering on resolving points of disagreement between the pending congressional energy proposals and the White House plan, which is still in very general form. Their aim is to pass something, perhaps some form of Carter's energy mobilization board, before Congress recesses. Earlier it had been anticipated that Senator Henry "Scoop" Jackson's proposal for an energy mobilization board, added last week to his energy production bill, had a chance for both committee and Senate floor action before the recess, although serious legislation to the same effect has not yet moved on the House side.

But most elements of the program unveiled by the President in his bizarre Sunday night address to the nation have come under heavy congressional fire. The most substantive and potentially fatal blow to the Carter program may come from Senator Russell Long (D-La.), the powerful chairman of the Senate Finance Committee. Long's committee holds the fate of the Windfall Profits Tax in its hands,

and the revenues from that tax are to provide the \$142 billion for Carter's energy security fund and his synthetic fuels push. At hearings on July 18, Long and a majority of his committee members made quite clear that they felt the Windfall Profits Tax was anti-oil company demagoguery, and that the companies should be allowed to reinvest profits in conventional energy production without a Windfall Profits Tax, or that any tax be partially plowed back to the companies for conventional production.

In the hearing, Long attacked Carter for not inviting the oil producers to Camp David and referred to Carter and Energy Secretary Schlesinger as "the blind leading the blind." Privately, Long has stressed that he would rather see more emphasis on conventional oil and gas production and less on such ersatz forms as synthetic fuels. Long has also cryptically remarked, "Congress will be Congress," which means to many a long period of legislative-executive compromise and give-and-take. Observers note that unless the synthetic fuels aspect of Carter's program is railroaded through quickly, it will fall apart as its obvious unworkability becomes evident.

Since the guts of the Carter plan may be stuck in Long's committee quicksand, chances are that Congress may go ahead with bits and pieces of legislation already under consideration. The House Interstate and Foreign Commerce Committee has reported out a gasoline rationing bill which may quickly go to the House floor for passage. The Senate has already passed legislation along those lines.

Also possibilities for July action are the so-called "fast-track" proposals of Jackson and Congressman Morris Udall (D-Ariz.). These would give the Secretary of Energy, or a mobilization board, the authority to choose six energy development projects and speed them up with enhanced funding and by cutting through regulatory or environmental tangles. Synthetic fuel projects are likely targets if the legislation passes. Udall has marked his bill up and it is ready for floor action; Jackson's side of it is part of the overall bill which Jackson hopes to act on, in committee and on the floor, before the recess.

The final likely piece of legislation to move is the Senate version of the already-passed Moorehead Amendment mandating the production of synthetic fuels by the early 1980s. Action is pending in the Senate Banking and Energy committees.

Senate rejects immediate licensing moratorium on nuclear plants, but opens door to future shutdowns

In a series of votes on the Nuclear Regulatory Commission's 1980 authorization, the Senate rejected the Ted Kennedy and Gary Hart-sponsored attempts to impose an immediate, six-month moratorium on the licensing of new nuclear plants, but in a capitulation to Three-Mile-Island hysteria passed a dangerous amendment holding open the possibility of plant shutdowns nine months from now.

The latter amendment, the Hart-Simpson Amendment, man-

dates that any state which has not produced a plan for an emergency response to a nuclear plant accident and had that plan approved by the NRC faces the shutdown of some or all of the plants functioning in that state. This could affect some 16 states, having over 30 plants functioning within their borders. The states have nine months in which to devise plans (in some cases, such plans must pass state legislatures which may not convene again until next January) which must then run the NRC gauntlet.

Opposition to the proposal was led by Senators Bennet Johnston (D-La.) and Jim McClure (R-Idaho), who proposed various changes which would, in effect, have gutted the Simpson-Hart provisions. In a legislative sleight-of-hand, the leadership brought the Johnston-McClure Amendment up as the first order of business on Monday, July 16, rather than at the end of the day as previously scheduled. McClure and others had not even returned to the capital from their home states and the amendment lost by three votes, 40 to 37.

Later votes on the McGovern and Kennedy amendments lost by margins of 55 to 37, indicating the feeble but still existent support for nuclear energy in the U.S. Senate.

McCormick Commission proposes fusion energy drive

While the focus of President Carter's energy program and that of many Congressmen is on energy austerity and synthetic fuels boondoggles, the House Energy Sub-

committee of Congressman John McCormick is discussing what the centerpiece of a real energy development program must be—fusion energy. Congressman McCormick has formed a commission of key "outside experts"—including Dr. Robert Hirsch of Exxon, Dr. Richard Balzhiser of EPRI, Dr. Robert Conn of the University of Wisconsin, Ersel Evans of Westinghouse, Dr. Ken Fowler of Lawrence Livermore Laboratories, Dr. Harold Furth of the Princeton Plasma Physics Laboratory, Joseph Gavin of Grumman Aerospace, Dr. Henry Hebler of Boeing Engineering, Dr. John Landis of Stone and Webster Engineering, Dr. Tihoro Ohkawa of General Atomic, Bob Smith of PSE&G, and Dr. Alvin Trivelpiece of Science Applications, Inc.—to advise his subcommittee of the House Science and Technology Committee on the possibility and importance of developing fusion energy.

The subcommittee met last week with the Commission for hearings on Capitol Hill. Edwin Kintner, the head of the magnetic fusion program at the Department of Energy and Dr. Greg Canavan of the DOE's inertial fusion program testified. According to sources close to the committee, the Commission wants to have a \$100 to \$150 million increase in the magnetic fusion program for 1980 and a 50 to 100 percent increase for 1981. For the inertial program, it has been reported that the DOE's Foster Committee has called for a \$50 to \$100 million increase for development of the type of laser that would be used in a working fusion reactor. Most significantly, Cana-

van did not mention this or the Foster Committee at all. Sources indicate that Deputy Energy Secretary John Deutch told the fusion officials to restrict their testimony to the Carter administration's do-nothing approach to fusion.

Congressman Wydler, who spoke at the hearings last week, emphasized that any step-up in the fusion program had to be made in addition to a step-up in fission power expansion.

"Mini" Davis-Bacon repeal temporarily stalled

One of the several attempts at piecemeal repeal of the Davis-Bacon Act (which effectively guarantees union-scale wages on federally funded construction projects) was temporarily stalled on July 12, when the Tower Amendment to the military construction authorization was referred to the Senate Labor and Human Resources Committee for further study. That committee now has until July 26 to report the bill back to the floor, with or without recommendation. The committee cannot block the legislation.

The Tower Amendment exempts military construction projects from Davis-Bacon provisions and had passed the Senate Armed Services Committee earlier in the year by an overwhelming vote. The Senate Labor Committee is not expected to report with recommendation, however, and the issue will be resolved on the floor. Tower Amendment supporters still predict a fighting chance for passage.

Silkwood verdict a barrier to nuclear development in the U.S.

If nuclear power is to help the United States find the solution to its energy problems, a prerequisite will be the overturning of last May's Oklahoma federal district court verdict awarding \$10.5 million in damages from the Kerr-McGee Corporation to the estate of Karen Silkwood arising from Silkwood's alleged contamination by plutonium in 1974.

The verdict, delivered in the wake of the trumped-up hysteria over the Three Mile Island incident and hailed by environmentalists as a signal to "go like hell" against nuclear installations around the country, is most significant not for the size of the damage award, but because it establishes a legal precedent for applying the doctrine of "strict liability" to the nuclear industry. Under this doctrine, which only recently gained credibility in the U.S. courts, nuclear-industry employers will be liable for damages for any injury suffered by an employee, even if they conform to all federal safety standards, and even if an injury was due to employee carelessness. Had the doctrine been applied against the 19th century development of railroads in the United States, it is likely that the railroad system would never have been completed, because it would have proven "too dangerous."

Although the "strict liability" doctrine in the Kerr-McGee decision has only been applied at the district court level, and has yet to be tested at the appeals court or Supreme Court level, the possibility of such lower court rulings to snarl nuclear development was demonstrated several years ago. Then, the 1971 *Calvert Cliffs* decision—where the District of Columbia Circuit Court of Appeals ruled that environmental impact statements could be required at any stage of the development of a nuclear plant—was not appealed by the Atomic Energy Commission (then headed by James Schlesinger), and allowed to stand as precedent for several years until the Supreme Court effectively threw

it out in its important 1978 decision in *Consumers Power v. Aeschliman*.

Kerr-McGee is expected to appeal the Silkwood decision and, according to legal experts, its appeal is likely to challenge three rulings by the presiding judge in the Oklahoma court, Judge Frank Theis.

The first, and most critical, will be the challenge to the "strict liability" ruling. As interpreted by the *New York Times* in its May 19 edition, "if low-level radiation escapes and people outside the plant are harmed, the responsible company must pay the damages even though it met government safety standards and did its best to prevent the radiation from escaping."

"Strict liability," as a legal doctrine, is one which has a dubious background in U.S. law. It arose in the 19th century, as a British precedent, and at the time, no U.S. court would adopt the doctrine of "strict liability," on the grounds that it was too great a hindrance to industrial development. It is only in the last 25 years or so, in fact, that "strict liability" has gained a toehold in U.S. courts. If its application to the nuclear industry is upheld, it will have a crippling effect on the development of nuclear power in the nation.

In the Silkwood case, the only recourse left to the defense was to prove that Karen Silkwood purposefully contaminated herself, an assertion virtually impossible to prove.

The second contestable ruling was repeated by Judge Theis in several specific instructions. According to Judge Theis, the jury should consider the government standards for the nuclear industry as nothing more than expert opinion. This effectively deprived government standards of their rightful consideration as having the force of law, and left the jury free to adopt its own set of regulations in the area of plutonium processing; it allowed the opinion of a layman to carry equal weight with that of a nuclear expert.

It was a similar lack of regard for government regulations that prompted Supreme Court Justice William Rehnquist to chastise the lower courts for tolerating it in the 1978 decision in favor of nuclear power, *Consumers Power v. Aeschliman*.

In that case, the Supreme Court sharply condemned the obstructionist tactics of environmentalist opponents of nuclear power. Speaking for the Court, Justice Rehnquist took dead aim at judges who permitted the environmentalists to delay indefinitely the construction and operation of nuclear installations. "To say that the Court of Appeals' final reason for remanding is insubstantial is at best a gross understatement," said Rehnquist. "The reports filed and reviewed literally fill books, the proceedings took years ... To nullify that effort seven years later because one report refers to other problems ... borders on the Kafkaesque."

The effect of Judge Theis's charge to the jury goes against the Supreme Court's ruling in the *Consumers Power* case. To instruct a jury, particularly one conditioned by the hysterical press coverage of the March 27 malfunctioning of a reactor at the Three Mile Island nuclear facility, that federal safety regulations carry little special weight, set the industry back to the judicial tradition dominant before the decision on *Consumers Power* had been rendered.

The sizable award of punitive damages was the third flaw. The jury divided the damages in the following way: one half million dollars was awarded to the estate for the actual damage allegedly suffered by Silkwood, and \$10 million was awarded in punitive damages, even though damages were never proved.

Punitive damages are usually granted for wanton dereliction of responsibility and supposedly to deter similar omissions on the part of others.

However, Judge Theis failed to inform the jury that Kerr-McGee was in fact found to be in substantial compliance with licensing conditions and prevailing Department of Energy regulations. This, the defense counsel pointed out, should have precluded an award of punitive damages. Hitting a company in substantial compliance with government health and safety standards with millions of dollars in punitive damages is tantamount to a declaration of open season on the industry.

Reversing support for nuclear power

The jury verdict favoring the claims of the Silkwood estate came after a year of courtroom victories that upheld the development of nuclear power as the will of the nation, as expressed in legislation passed by Congress. The Supreme Court's unanimous decision in 1978

The facts of the Silkwood case

The Karen Silkwood case has been an environmentalist cause celebre for four and one-half years. The contextual circumstances of how she was contaminated by plutonium at the Kerr-McGee Corporation's Oklahoma nuclear fuel processing facility and at her apartment—the issue in the damage suit filed by her estate against Kerr-McGee—and killed in a car crash in 1974, indicate that she was a pawn in an environmentalist chess game played against the nuclear industry.

Her investigation of the Kerr-McGee facility was conducted at the direction of the Oil, Chemical and Atomic Workers Union, a union which has worked closely with the Warburg-run Institute for Policy Studies (a top terrorist control center) on the issues of health and safety in the workplace. Indeed, the OCAW was locked in a showdown with Kerr-McGee at the time that Silkwood was killed.

Once all the environmentalist rhetoric is cleared away, the essential point raised in the Silkwood case

is, who was responsible for Karen Silkwood's contamination, and how much injury did she suffer. The conspiracy charges leveled by the plaintiffs against Kerr-McGee were a political smokescreen, designed, as reported in various "radical" publications, to help keep law enforcement authorities at arm's length in investigations of the terrorist aspects of the antinuclear movement, and having nothing to do with the actual case.

The actual damages that Karen Silkwood suffered relate only to the nine days beginning with her initial exposure to plutonium on Nov. 5, 1974, and ending with her death in an auto crash on Nov. 13. For this nine-day period in which no demonstrable physical injury occurred, the Silkwood estate was awarded \$500,000 in damages, and \$10 million in punitive damages. The size of the award is only a whisper of what can happen if the strict liability and government standards rulings made during the trial are allowed to stand.

in favor of the nation's nuclear industry indicated the low level of the Court's tolerance of environmentalist courtroom shenanigans.

Right after the *Consumer Power* decision, the court dealt another severe blow to the antinuclear lobby by reversing a federal judge and upholding the constitutionality of the Price-Anderson Act, which limits the liability of any company in the event of a nuclear accident. This trend was furthered by a federal judge in San Diego, who ruled this past March that the state of California went beyond the jurisdiction allotted to it under the U.S. Constitution by passing a series of prohibitive laws that added up to a de facto moratorium on nuclear plant construction.

What happened to Karen Silkwood?

The facts of Karen Silkwood's supposed exposure to plutonium and her death remain shrouded in mystery. However, the events bear the stamp of a conspiratorial political operation.

Karen Silkwood was employed at Kerr-McGee plutonium processing facility in Cimarron, Oklahoma. During the middle of 1974, Silkwood became involved in the efforts of the Oil, Chemical and Atomic Workers union (OCAW) to expose alleged health and safety violations at the Kerr-McGee plant. The OCAW has been the spearhead for environmentalist organizing around health and safety in the plant issues.

Between Nov. 5 and 7, 1974 Silkwood was contaminated by plutonium from the Kerr-McGee facility. The Nov. 7 contamination occurred not only at her workplace but also at her apartment. The question of how she was exposed to plutonium while in her apartment was the subject of great debate, but was never conclusively proved by any party in the case.

Supposedly, the personal trauma of her exposure prompted Silkwood to arrange a meeting with national OCAW official Steve Wodka and with David Burnham, a reporter for the *New York Times*. At this meeting she was to discuss her personal experience and observations, as well as certain company documents which would serve as the basis for a well-publicized exposé of the hazards to which Kerr-McGee employees were subjected. While driving to this meeting, Silkwood was killed in an automobile accident. The company documents in question disappeared.

Almost immediately, Karen Silkwood became a folk

legend in the environmentalist movement. Over the past four and a half years, wherever the environmentalists have gathered, the name of Silkwood has been righteously invoked as a symbol of the evils of nuclear power. The suit conducted by her legatees against Kerr-McGee was shaped, in the words of one leftist scribble sheet, to "put nuclear power on trial." To that end, the enemies of nuclear power have been partially successful.

However, the Silkwood lawyers did lose on important strategic point in their case. In September 1978, Judge Theis ruled that the part of the suit charging Kerr-McGee with conspiracy to violate the rights of Silkwood and her fellow employees was improperly drawn as a class action. This attempt to prove conspiracy by the environmentalists appeared to be an attempt to keep police and other investigators from monitoring their ranks for lawbreakers and terrorists. Judge Theis's ruling in this area was a definite setback to any overt deployment of terrorist gangs against the nuclear industry. His ruling was expectedly greeted with howls of frustration from such antinuclear publications as the *Village Voice*, which claimed that if this decision was not overturned "it will be open season for an environmentalist witchhunt."

Industry must fight back

To allow the Silkwood verdict to stand will erode public confidence in the nuclear industry. The extent of this erosion is a factor in the industry's pronounced tendency to allow itself to be put on the defensive by the environmentalists, not because the industry has shown a lack of achievement in the field of nuclear power. The battle to reverse the legal precedents in this case call for an aggressive campaign by the nuclear industry.

A further factor shaping the environment of the Silkwood case was the fraudulent coverage of the Three Mile Island incident. The evidence pointing to sabotage of the facility there has been exhaustively reviewed by this publication and by others. The Kerr-McGee attorneys noted the probable impact of the press coverage of the Harrisburg incident on the Silkwood verdict. But they did not present the evidence indicating the degree of falsehood and demagogery involved in that coverage and their motion on this point was denied by Judge Theis, and the case was put to the jury fewer than 50 days after Three Mile Island.

—Sanford Roberts

'Mexico won on July 1'

EIR's Mexico City correspondent analyzes issues, results of recent election

On July 15, a new era in the history of the Mexican republic was opened with the announcement by the Federal Election Commission of the winners of 100 congressional seats allotted to Mexico's minority parties under the new political reform. Ironically, on the same day, Gustavo Diaz Ordaz, a man identified with the era that Mexico is now putting behind itself and the president of Mexico during the Tlatelolco massacre at the 1968 Olympic Games, died. The July 1 elections were a major step forward in the strategy to ensure that the 1968 tragedy would not be repeated.

The Institutional Revolutionary Party (PRI) created by the leaders of the Mexican revolution has ruled for 50 years as a majority party with such a small institutionalized opposition that President José Lopez Portillo ran unopposed in 1976. During the Luis Echeverría administration (1970-76), a "democratic opening" to opposition parties paved the way for the political reform begun under the present administration. The recent elections are a culmination of the process of political reform begun almost three years ago. The purpose has been to create more popular political consciousness and participation and to institutionalize the opposition so that debate in the Congress and the media can replace the destabilizing capability intrinsic to a fringe-like opposition pitted against not only the PRI, but the constitutional system itself.

In the period leading up to 1968, the inflexible political structure of the PRI and the arch-reactionary President Diaz Ordaz created an atmosphere in which the enemies of the Mexican constitutional system, the Anglo-American oligarchists, were able to use easily manipulated student dissidents, often run by the local Mexican oligarchy, to destabilize the nation and prepare a military coup. The economic crisis brought about by the Diaz Ordaz policy of "stabilizing development," namely, zero-growth—by contrast with the two succeeding administrations' emphasis on strong state-sector development through large industrial projects—had created major social tensions that only a military government could handle easily.

Diaz Ordaz, however, while thoroughly committed to the zero-growth principle, was not committed to the oligarchy's design for a military coup against his presidency. While they used the student left as cannon fodder, Diaz Ordaz set about to prove that he could be as bloody and brutal as any military dictatorship. The result was the Tlatelolco massacre, in which hundreds and possibly thousands died at Diaz's order. Diaz Ordaz refused to cede total power to the military, which had been invited by the Pentagon to carry out a coup with U.S. backing.

Mexico has little to thank Diaz Ordaz for. But in his refusal to give up his own presidential power, he, perhaps inadvertently, saved the presidential system so central to Mexico's constitutional structure. It was the presidential system itself that was the target of the Anglo-American destabilization.

As the Echeverría and Lopez Portillo administrations have since shown, a strong president dedicated to industrial development, invoking the nation-building goals of the Mexican revolution, has the power to thwart the Mexican oligarchy and the zero-growth, slave-labor, genocidal policies of their foreign sponsors. It is no surprise that even a president himself so dedicated to these principles as Diaz Ordaz was nearly overthrown. With the nationalization of Mexico's oil by Lazaro Cardenas in the 1930s, a tradition had been created that could not be stamped out without the destruction of the presidency itself.

The incoming Mexican legislature will see the participation of a broad range of political opposition, including Communist and Socialist parties whose militants participated in the student dissent of 1968. This has been properly called "the maturation of Mexican democracy." Despite the relatively poor showing among voters, and campaigns that failed to mobilize the population around real issues, it can be said that "Mexico won" on July 1.

The president and the opposition

Contrary to the babblings of *New York Times* corre-

spondent Alan Riding that the presence of 100 opposition deputies will eat away the power of the president, the opposition's participation will strengthen the president to carry out the program of national development and defend national sovereignty. That is what the reform was designed to accomplish.

Six parties now make up the opposition; three of them received permanent status as parties only last week after gaining more than 1.5 percent of the vote in the July 1 elections. Their entry into the electoral process (and, soon, the legislature) creates a potent focus for change within the institutions of government. As the president of the Federal Election Commission, Minister of Government Olivares Santana, stated, the new electoral process, with all its deficiencies, can now be strengthened. "The respectability, the sovereignty, and the capacity for negotiation of our nation will be strengthened to the extent that our electoral processes purify and perfect themselves."

Eighteen million Mexicans voted. Nearly 50 percent of the eligible voters did not. Out of 400 congressional seats, 300 by majority vote and 100 allotted to minority parties according to the size of their overall vote, the ruling PRI received 296 seats, losing only four of the majority allotment to the right-wing action party, the PAN. While this fascist party remains the first opposition party within 49 seats, they received a smaller vote than in previous elections. The Mexican Communist Party, which ran with a coalition of left groups, won 17 seats, the Popular Socialist Party won 11, the Socialist Party of Workers (PST) won 9, the Authentic Party of the Mexican Revolution, 9, and the Mexican Democratic Party, a right-wing party, won 8.

A PST spokesman stated last week that "the real loser in the elections was the right." The spokesman added that "this puts the state in a great position to push forward the political and economic reform which the people demand, and puts the government in the best position to negotiate with the U.S. without internal pressures." The U.S. threat to militarily "protect" Mexico's oil supplies demonstrates the necessity for strong support for the president by all progressive forces.

Popular Socialist Party leader Jorge Cruickshank placed emphasis on the fact that the right-wing PAN and PDM won fewer votes than in previous elections. He called the political reform a step forward, but said that there must be broad voter education to consolidate the electoral process. Cruickshank criticized the PAN and the Communist Party for their campaign of attacks on the government. He also rejected the Communists' call for a larger coalition on the left in the next elections. "We must strengthen a democratic patriotic front against the power of the right," said Cruickshank.

The next step

Following the elections, a party that did not run candidates, the Mexican Labor Party (PLM), called for the

mobilization of a national anti-imperialist front in defense of the government. The PLM, which has completed requirements to become a national political association and has launched its campaign to achieve official party status for the next elections, criticized the campaigns of all parties in this month's elections for failing to focus the population on the fight for national sovereignty and a new world economic order. There was no real political education in these elections.

The statement, issued by the PLM's National Executive Committee, declared that the election results prove "the voters favored the parties which officially represent revolutionary nationalist or socialist options. This occurred despite the fact that some of these parties never translated this popular hope into concrete programs and despite the fact that the PRI carried out a frankly reactionary campaign.

"The right," continued the statement, "in spite of its costly campaign and the presence of a new right-wing party with a populist face, the PDM, did not succeed in gaining the support of the working population."

Of the ruling party: "The PRI did not offer its voters a concrete program to advance the Mexican revolution." In spite of the excellent economic programs of the "most distinguished member of the PRI, President Lopez Portillo," the PRI refused to rally the population around the fight for a new world economic order, which is crucial to Mexican development plans.

The right-wing parties carried out a vicious anticommunist campaign, with the help of the church, which ordered the faithful not to vote for the communists or any of the socialist parties. The PRI, sure of its peasant and worker bases, chose to vie with these parties for the middle class vote, running an anticommunist campaign of its own with the slogan. "to continue being free, vote PRI."

The PLM also harshly criticized the Mexican Communist Party for effectively allying with the fascist PAN in its antigovernment posture, and for refusing to support the government in its battle to maintain Mexico's sovereignty against the demands of the Carter administration, thereby opening the door to the destabilizers of Mexico, "enemies not only of socialism, but of any form of progress."

It is necessary, said the Mexican Labor Party statement, to push forward the political reform by "educating, organizing and mobilizing the millions of voters who gave their vote to parties they understood to represent the idea of progress, into a great national anti-imperialist front. The front must defend the right to economic and social progress as well as mobilize international solidarity for peoples fighting for those same rights, as in Nicaragua."

—Robyn Quijano

Reveal plan for U.S. pot legalization

A plan for the U.S. government to buy the entire marijuana crop of Colombia and distribute it under government monopoly to states where the drug has been decriminalized or legalized for so-called medicinal purposes, is now under serious consideration by high officials in the Carter Administration. This is one of the more shocking aspects of U.S.-Colombian policy on the drug question that was revealed in an interview with Colombia's leading advocate of drug legalization, Ernesto Samper Pizano, made available to *Executive Intelligence Review* by journalistic sources in New York.

Mr. Samper Pizano is the president of Colombia's National Association of Financial Institutes, a research thinktank funded by Colombian banks—he, in fact, compares it to the U.S. Brookings Institute. He arrived in the U.S. this month for a six-month stay, during which he intends to lobby among congressmen, senators and other public figures for legalization of the production, export, and consumption of marijuana in both Colombia and the United States.

Samper Pizano was invited to this country by the U.S. State Department in June—the same time that State was attempting to deny an entry visa to Fausto Charris, leader of the National Agrarian Federation of Colombia. Despite State's attempted interference, Charris obtained his visa, and has just completed a five-state tour of the United States at the invitation of the New York-New Jersey Anti-Drug Coalition.

The fight in Colombia

In meetings with congressmen, mayors, union leaders, police chiefs, religious leaders, and others, Charris conveyed the message that the Colombian people want development—nuclear technology, farm machinery, heavy industry—and not a drug economy. Speaking in New York, Chicago, Detroit, and Los Angeles, Charris said that “the greatest resource of the United States is the minds of its population, its science and technology ... and these resources are vital for the development of the Third World—we cannot allow them to be destroyed.

Samper's message is quite different. In the name of “morality and ethics,” Samper proposed that his country be converted into a legalized drug producer. Samper has granted an interview to the drug-culture magazine

High Times; he is in contact with the National Organization for the Reform of Marijuana Laws (NORML), Professor Norman Zinberg of Harvard University, who proposes to legalize all drugs, and other individuals and groups of similar repute. He thinks that Senator Edward Kennedy is the best man to do the job of legalization on the U.S. side, and intends to step up his contacts with Washington in the fall.

The administration connection

At the suggestion of White House Advisor on Drug Abuse Lee Dogoloff, Samper Pizano met with Ralph Duncan, United States representative to the Inter-American Development Bank. In a July 3 meeting, Samper put forth his legalization proposal. “He [Duncan] said to me that he was 100 percent in accord with my legalization program,” Samper reports.

Reached at his Washington, D.C. home this week, U.S. delegate Duncan called the proposal to buy the Colombian marijuana crop “something serious to explore.”

“It would be very interesting to see what the total cost of interdiction is,” Duncan said, “including not just budgeted costs, but things like overhead on Coast Guard ships that never get accounted; and see how it relates to the total price paid the farmers now. If the cost were lower it might be smarter for interdiction to go that route.”

Asked what the U.S. Government would do with the drug harvest, Duncan replied, “Some could be destroyed, some could be used for licit purposes.”

Duncan also hinted that the idea was being considered at high levels of the Treasury Department. “If you really want to do a story on this,” he told a reporter, “I suggest you call up Treasury. Now, don't go below the level of, I'd say, deputy assistant secretary, and ask if it was ever considered. Don't ask if the government is funding a study of this. You're not going to get anybody to tell you that. But propose the idea that it might be cheaper to simply buy up the whole crop instead of spending the huge cost of interdiction ... I wouldn't be talking to you now if there wasn't something serious to explore. The interdiction system we have now is nowhere.”

—L. Hecht

Samper Pizano: 'legalization is the solution'

The following is the text of an interview with Ernesto Samper Pizano, the president of Colombia's National Association of Financial Institutes. The interview was made available to Executive Intelligence Review by a news source in New York.

Q: *Mr. Samper, you direct a very important banking association in Colombia, the National Association of Financial Institutes (NIF), correct?*

A: Yes.

Q: *Now, in your opinion about the legalization of marijuana and so on, are these the opinions of the association, or your personal opinions?*

A: These are the opinions of my institution. We have a team of investigators, people who are doing research at this moment, and they have completed their task and made their conclusions, and (ours) may be the only social and economic study about the problem of marijuana in Colombia. The main conclusion was that the only way that Colombia can solve the marijuana problem is to legalize it. But, that I propose to be done

... the only way that Colombia can solve the marijuana problem is to legalize it. But, I propose that be done jointly with the U.S.

jointly with the United States, not only by Colombia. I propose legalization, but with the U.S., because we don't think it's a solution only to legalize in Colombia....

Q: *Now you propose specifically that marijuana should be legalized, and then the government would tax it, and you would take that tax money under government control and apply it to various needs of the country. Is that your basic idea?*

A: Yes, that's the basic idea. But let me say something. Some people think that we are proposing legalization because we are interested in the money from the marijuana. Even if we did not receive any money from the marijuana...we would have made a good investment,

because we have a big ethical problem and we have to think about \$200 million a year in the enforcement campaign. You understand?

Q: *Yes, the U.S. also spends money on this?*

A: Yes, about \$2 million of the \$200 million that Colombia spends. And that is the budget of the Justice Ministry and the Health Ministry. We need that money to have social programs and investments. And in this effort, we have converted the Sierra Nevada into a small Vietnam. You know, we are killing our own farmers, who are not receiving their share of the marijuana business.

Q: *Well, let me get on to something else. You say that this would require a joint effort of both governments to implement this legalization proposal that you have. Who do you think in the United States will work on this? Are you in contact with people, or are other people in contact with people in the United States, who are also proposing this?*

A: Well, I have many invitations from many people to discuss the drug economy and marijuana with them. Many people are only interested in knowing about our thesis; and others have a real interest in legalization. You know NORML?...They are for legalization. ...

Q: *Well, what about people in the government? We certainly have many congressmen here who have—well, as I think you know, we have decriminalization. Now, this is not legalization, but it's a certain kind of a step. ...*

A: It's the same thing. ...

Q: *You feel it's the same?*

A: Yes, I think so. Let me explain. It's a problem of balance. Our problem is that we are trying to contain the supply when the demand is not under control. And you have many symptoms here that the marijuana is rising in the street. You have decriminalization in 11 states and you also have 11 states that permit marijuana for medical uses. And that is the rising of demand. Right?...

Q: *Do you think that the Carter administration would ever do it (legalize—ed.) though, or do you think it will take a new administration before this is implemented?*

A: I don't know. I know that the position of the Carter administration is against legalization, but I think that there are many ways to find a solution to the problem without (immediate) legalization. For example, we can make joint contracts to export marijuana for medical uses. You know that the general contract regulating marijuana is the Geneva Convention. And the Geneva Convention permits the export of marijuana for medical uses. ...

Q: *You're familiar with the NORML lawsuit against the State Department about the question of paraquat...?*

A: ...I think that paraquat is the most inhumane drug we could utilize as the solution to the marijuana problem. It is a defoliant and it kills only the small plants, but the big plants assimilate it and survive. Thus, it becomes a question of consumption, because you export the poisoned marijuana.

Q: *What about the proposals to put a coloring dye in the paraquat so that it can be detected?*

A: I think that it's very difficult to separate the marijuana with paraquat from the marijuana without it. I think that we can't use paraquat.

Q: *You don't think it should be used? Because the Mexican program did eliminate a great deal of the Mexican marijuana coming into the United States. In fact, it's said that because of the Mexican paraquat spraying, the growing shifted to Colombia. So, why could Colombia not start a paraquat spraying program instead of your approach?...*

A: Well, the first answer is that we are not yet convinced that we shall eliminate marijuana.

Q: *Oh, I see. I didn't realize you were making the distinction. In other words you don't think that marijuana is so bad.*

A: No. I am not sure that we should do away with it. I think that legalization would be a way, because, in any case, there is still a lot of consumption and the only way to eliminate marijuana is to eliminate the consumption. And I don't think consumption is about to be eliminated. That is the first point. ...

Q: *The problem is, who's going to do it, who's going to carry it out? Who's going to be the president who says his administration will call for legalization of marijuana?... In*

terms of Senator Kennedy, who is making a presidential bid, how do you think it is possible for a person like him to appear publicly in favor of marijuana?

A: Yes, I think that it is very difficult with the marijuana issue to obtain political support. It is very difficult.

But, if you present the issue as a social problem, as a problem which is causing more danger to American society with the enforcement campaign than with legalization, you can prove to public opinion that you are working on the drug issue in the right way....

...You can see, if you look at the way that legalization has been going, that when elections are about to happen, legalization is very bad, but when the election passes, legalization goes up. Right? And I think that here in the United States (there) are... people (who) will have influence on the advisors to the White House. This professor who went down there (to a seminar sponsored by Samper in Bogota, Colombia during March—

I think that the person who is nearest the proposal for legalization of marijuana is Senator Kennedy.

ed.)...he could not go, but sent his paper, Professor Norman Zinberg. He's a professor at Harvard and he is for the legalization of all drugs, not only marijuana, but also cocaine, LSD, all drugs. And he has a lot of influence with the advisors of the White House. ...

Q: *But, we have politicians here in New York—for example, Assemblyman Franz Leichter. ...He proposes to bring the marijuana into liquor stores, that it should be sold like liquor, under state control in the liquor stores.*

A: Ah ha! I was talking last week with the ambassador, or the representative of the United States at the Inter-American Development Bank, Mr. Duncan, I think, and he said that to me. ... He said that he was 100 percent in accord with my thesis, with my program, but that he didn't believe that the government of President Carter would legalize marijuana. But, that it would study, possibly it would make a study of the feasibility of the government of the U.S. buying all the marijuana crop and selling it here (in the U.S.—ed.).

Q: *But, then the World Bank's proposal for substitution of crops—you don't believe that would work for the reasons you said before?*

A: No. I don't honestly believe the World Bank on that subject. ... But, I think that the person who is nearest to the proposal for legalization is Senator Kennedy.

Like Lemmings over the cliff

People around the AFL-CIO headquarters were all smiles last Monday morning, the morning after President Carter's so-called energy message. As one aide to AFL-CIO Secretary Treasurer Lane Kirkland put it, "this is our energy program, with only minor adjustments." The aide wasn't exaggerating: The emphasis on breaking the OPEC oil cartel, the call for "energy independence" through massive multibillion dollar synthetic fuel boondoggles with heavy emphasis on coal, the call for "sacrifice" and conservation—all are found in the AFL-CIO Executive Committee's resolution on energy passed last winter as a reaffirmation of earlier resolutions.

Kirkland and fellow Trilateral Commission and Committee on the Present Danger member Martin Ward had been among the 130 odd fellows who climbed the mountain to meet with Carter during his Camp David reclusé. It is known that both Kirkland and Ward, the Plumbers and Pipefitters president, "urged" Carter to push forward on a massive synthetic fuel program and, according to another Kirkland aide, found "Carter and his staff already tuned in to our wavelength." Kirkland and Ward had other, more extreme anti-OPEC suggestions, including the long-standing AFL-CIO proposal to set up a national oil purchasing agency, according to sources; they were told to "be patient."

When it was pointed out to an

AFL-CIO spokesman that Carter's Sunday night speech had neglected to mention "nuclear energy," the spokesman had a ready reply: "We have received assurances from the White House that the administration remains just as committed to nuclear now as they were before the speech. ..." The spokesman took Carter's lip service to nuclear power in his July 16 speech in Kansas City to mean "nothing has changed on nuclear, just like we were told." The assurances reportedly came directly from the White House to Lane Kirkland.

No one at AFL-CIO headquarters cared to interpret what Carter's "having the same policy on nuclear as before" might mean to the industry. That policy has seen a virtual cessation of nuclear plant construction in the U.S., with an accompanying loss of tens of thousands of jobs in nuclear and related industries. In recent months, it has seen the shutdown of dozens of operating nuclear plants for "safety reasons" in the wake of the Three Mile Island incident.

Nothing, however, was going to deter the AFL-CIO leadership from slobbering over the program: it could have been announced by anyone. Within hours after the speech, Kirkland's office had drafted a short statement and released it under George Meany's signature. This is not to imply that the 84-year-old, enfeebled Meany would not support the Carter program—he has consistently sup-

ported calls for an energy autarky—but to simply indicate what everyone in Washington already knows: Lane Kirkland is in full charge of the AFL-CIO bureaucracy. He is expected to formally take charge of the federation upon Meany's equally expected retirement later this year.

Kirkland and the AFL-CIO bureaucrats in Washington have a well-earned reputation for being totally out of touch with the thinking of secondary trade union leaders and rank and file members. Thus, while Kirkland and company were singing paeans to the "new" Carter energy program, initial reports from around the country found steelworkers at the plant gates, building trades members at construction sites and at union halls expressing disgust with the president's program, especially his call for "greater sacrifice," and energy conservation.

Few workers had heard of the Kirkland-Meany statement, but when told of its existence, they would comment, "it figures." The general consensus is: "if this is what they are saying in Washington, then Kirkland and Meany don't speak for me ..."

Several building trades leaders contacted after the speeches on Sunday and Monday, were appalled that the Carter administration is "walking away from nuclear." One East Coast local leader commented, "they are selling out the whole nuclear program. ..." Such leaders did not seem willing to accept the assurances by Carter officials of union-scale jobs in the synthetic fuels industry.

The AFL-CIO leadership in Washington appears willing to follow Kirkland over the cliff on energy "sacrifice." The rest of the labor movement may not, however, be willing to follow.

—L. Wolfe and M. Moriarty

AMERICAN SYSTEM

How the U.S. might reconstruct Nicaragua

With the end of generations of looting of Nicaragua by the Somoza dynasty, the tasks of rebuilding the country into a productive nation have become more urgent. The United States has a special responsibility as the industrial power of this hemisphere to lend its resources to the reconstruction of Nicaragua.

The political precedent for such a policy can be found in America's own period of Reconstruction, when, after the Civil War, proponents of the American System proposed a program for rebuilding the South. Pennsylvania Congressman William D. Kelley was such a leading proponent of industrializing the South. A close associate of Abraham Lincoln and Pennsylvania economist Henry Carey, Kelley maintained throughout the Civil War that Britain's attempt to impose free trade on the U.S. had provoked the bloodshed. That same British policy backed the Somoza regime, aiding the devastation of Nicaragua's population.

The following selections are taken from a speech Kelley gave in Montgomery, Ala. on May 16, 1867.

We have gone through a war unparalleled in history by the breadth of its theatre, the number and valor of its armies and the results of which in the long future of our country are destined to be more beneficent than those of any other war. While we rejoice that it is over, and deplore the fact that it

could not have been averted, we have the satisfaction of knowing that the sufferings attendant upon it mark the birth of a new and grander nation than the world has yet seen. . . . Let us therefore, hope that in this war we have gone through the throes of the birth of a new and noble nation.

. . . To return to the contrast between your State and New England. She has no copper, lead, or gold, while nature has given them all to Alabama with lavish hand. I have been surprised in the last hour by discovering, through the kindness of your Governor, your capacity to supply the country with sulphur. Many of you probably do not know, indeed, I apprehend that few of the best informed of you know, how primary an element of our life this is. A philosophic statesman has said that the best test of the advance of a people in civilization was to be found in the quantity of crude brimstone consumed per capita by its people. It enters into our chemicals, our clothes of all descriptions, and almost every department of science and the mechanic arts; and if you but develop your resources in that behalf you will bring within your limits millions of dollars which we now send abroad every year for its purchase.

We turn our coal and iron to most profitable account. You permit yours to slumber in their native earth. Availing ourselves of their power, one man with us does the work of a hundred with you.

. . . We strive to develop and convert to immediate profit our coal and iron beds by connecting our city and great thoroughfare railroads with roads from every pit's mouth and have thus tempted from England, Scotland, Wales and the iron districts of Belgium and Germany the most skillful of their miners and workmen in metals.

. . . While we thus add to our wealth we cheapen the conveniences and comforts of life. Let me illustrate this by some facts drawn from other states. . . .

The whole North is divided into districts, not congressional, not senatorial, not legislative, not judicial, but school districts; and every man throughout the state is taxed in proportion to his wealth to build schools, furnish books, and pay teachers so that every child, however, poor, that is brought into the State, may receive a full elementary education; . . . We hold all places of honor or profit open to all our people and thus stimulate every man or boy to give the State the best results of his industry, enterprise or genius. . . . Thus we draw from, or rather create upon even the sterile soil of New England, products that bring us in return the best results of the industry of all other people;

. . . Our prosperity is the result of our development of *man*, by giving him a fair field for the exercise of all his energy and talents; and you lag behind because your system repressed man's energies, restrained his enterprise, and contracted the field of his usefulness.

. . . The people of the North want peace and amity to pervade the whole land, but they feel that these blessings, with general prosperity, can only be assured when all shall acknowledge that the protection of the liberty of the citizens is the highest duty of the Government. . . .

The right way to use coal—MHD

This nation does need to use coal to meet a growth rate in energy of at least 6 percent a year, the minimum required to return the U.S. economy to a period of real growth. But it doesn't need costly coal synthetics boondoggles.

On the way to an energy system based on the cheap and virtually inexhaustible nuclear fusion process, there are a number of energy technologies that can be commercialized and are being commercialized in countries whose energy policymaking is not dominated by the likes of James Schlesinger. Technologies like fission breeders and fusion-fission hybrids can dramatically lower the cost of electric power, the prerequisite for economic survival for this country and the rest of the world.

Among these new technologies is one that could make coal a vital part of an expanding U.S. economy — magnetohydrodynamics (MHD), which uses advanced plasma techniques for extremely efficient energy production.

Coal can be used to produce electricity in three basic ways: burning coal for heat to produce steam to turn turbines, liquefying coal to be used as a combustion fuel like oil to produce heat to create steam to turn a turbine, and converting the energy in the coal fuel, which has been used to create plasma, directly into useable electrical power. This latter process—the MHD process—eliminates the steam turbine cycle altogether and is capable of producing conver-

sion efficiencies of up to 60 percent or about double the current conventional efficiency and many times that of coal synthetics. MHD is a process that takes advantage of the fact that a plasma, or ionized gas, propelled through a magnetic field can produce an electric current directly. The magnetic field separates the positive and negatively charged particles and electrodes on the sides of the channel through which the plasma is traveling can be connected right into a power transmission system.

The MHD plasma in a coal-burning system is created by burning the coal at a temperature of about 4,000 degrees Fahrenheit and adding a seed material, usually potassium, which also chemically bonds with sulfur, to help ionize the coal gas. The plasma is then propelled through a channel which is surrounded by a magnet, most likely a superconducting magnet in commercial MHD systems. The capital cost, therefore, is basically for three nonmoving pieces of equipment—the coal combuster, the plasma channel and the magnet system. The total capital cost for one 1,000 megawatt power plant in 1975 dollars is estimated at \$250 million.

By comparison, the total capital cost for conventional coal conversion processes is \$540 million, and for synthetic coal liquids, \$960 million (again in 1975 dollars).

Direct conversion MHD technology can be used with any fossil fuel. Its development now for

near-term commercial application is also critical for second-generation advanced fuel fusion power plants where the plasma from the fusion process will provide the charged particles for direct conversion to electricity.

Where is this technology being developed? Largely in the Soviet Union. The Soviet's experimental U-25 MHD generator at the Institute for High Temperature in Moscow has proven the scientific feasibility and provided the engineering experience to begin plans for a 500-megawatt demonstration plant by 1985.

How not to use coal

President Jimmy Carter and Energy Secretary James Schlesinger have been trying to convince the American public that synthetic fuels from coal gasification is the coal technology of the future. The truth is that it has already been tried and found to be wanting: Nazi Germany used the fuel during its invasion of the Soviet Union and during the severe Russian winters discovered belatedly that their synthetic fuel product decomposed into two jello-like liquids. Albert Speer, Adolf Hitler's Minister for Armaments, has described how this property of synthetic fuels led to the Nazi defeat in the Soviet Union in his book, *Inside the Third Reich*. Speer's coal gasification scientists, who operated Auschwitz and other concentration camp coal gasification centers, were unprepared when their "super weapon" froze solid in Nazi fuel tanks all across the Russian front in the winter as well as down the supply lines. The only fuel that moved the Nazis anywhere in Russia during the winter was natural gas from either Romania or from looted European stockpiles.

FACTS BEHIND TERRORISM

New Italian terror leads bear checking on U.S. side

Professional assassinations of two major Italian figures within 48 hours have accompanied the period in which Bettino Craxi, the head of the Italian Socialist Party (PSI), has carried on his attempts to form a government in Italy. Informed observers have warned that this is just the beginning of a new wave of Italian terrorism if Craxi, who has been linked to leading members of the Red Brigade terrorists both personally and through the PSI, succeeds in the factional battles to gain hold of the reins of government.

Craxi's ostensible efforts to form an Italian government have been built around a single major plank, destroying the antiterrorism collaboration between the two mass-based political parties in Italy—the Christian Democrats (DC) and the Italian Communist Party (PCI). Both of the recent victims of the assassins played key roles in the Christian Democracy for furthering arrests of terrorist controllers and rooting out terrorist collaborators within certain government offices.

These events have an ominous potential for the United States. It is a well-known fact that U.S. Ambassador to Rome Richard Gardner has been supporting the Craxi bid for power since last spring, including U.S. aid in the rigging of the June 3 national parliament elections that undermined the Christian Democracy and Communists to the benefit of a half-dozen tiny parties grouped around the PSI.

Thanks to the help of the U.S. State Department, Italian-style bloodshed may soon be brought home to the U.S.A.—as this review warned last week—and the Craxi-supported Red Brigades nexus already has an active branch operating in the United States under the guise of protecting the “civil rights” of arrested Italian terrorists.

On July 11, Giorgio Ambrosoli, a 45-year old lawyer, was shot down by three men as he was leaving his car to enter his home in Milan. Hours earlier, Ambrosoli had turned over to Italian judicial investigators 52 pages of testimony on a bankruptcy case which threatens to involve the highest levels of the Christian Democratic Party.

The second victim, struck down less than 36 hours later in Rome, was General Alfonso Varisco. Varisco was a 20-year veteran of the Italian law enforcement community who played a significant part in coordinating activities of the Italian magistrates investigating former Padua University Professor Toni Negri, who was arrested in early April for directing the abduction and murder of Italian statesman Aldo Moro. Varisco had been central in the arrest of Valerio Morucci and Adriana Faranda, the two Red Brigades leaders discovered in Rome last May 28. Morucci and Faranda were being safehoused at the apartment of a professor at the University of Cosenza, the stronghold of PSI leader Giacomo Man-

cini, at the time of their arrests.

In the last week, General Dalla Chiesa, director of the special office created by Premier Andreotti to solve the murder of Aldo Moro, reported on his investigation into the leads provided through the arrests of Morucci and Faranda. Dalla Chiesa's investigators have confirmed significant involvement in the Red Brigades by faculty and students at Mancini's Cosenza University. Most significantly, notebooks belonging to Marta Petrusevicz, the Polish girlfriend of Franco Piperno, a leading fugitive from charges in the Moro murder, had the names and phone numbers of Morucci and Faranda.

Petrusevicz is now in the United States. She is actively, though covertly, organizing the support committee for Negri and the other terrorist controllers, the Committee Against Repression in Italy (CARII) along with other top PSI protégés in the “theoretical” circles of the Red Brigades and its above-ground twin, the Autonomi, Sylvia Federici, Paul Piccone and Martin Glaberman.

This week, four card-carrying members of the PSI in Bologna were caught red-handed in an attempt to bomb a hotel and extort 150 million lira from the hotel owner. Two men, Veronesi and Sebartoli were arrested when a security guard shot and wounded one of them after observing the two throw an explosive device at a hotel. The wives of the two were arrested after carabinieri found an arsenal in the office of the Brodolini Circle, a “cultural association” of the PSI in Bologna, to which both men belonged. An extortion note found in the possession of one man was found to match the handwriting of a letter found in the office. Veronesi and Sebartoli are also, respectively, the president and vice-president of a PSI radio station in Bologna called Radio Informazione.

WORLD TRADE REVIEW

New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Canada from U.S.	Air Canada purchases 30 Boeing 767s	\$1.39 bn	NAv	Purchase approved by Air Canada directors
Rumania from Brazil	Rumania will buy from Brazil 50 million tons of iron ore between 1980 and 1990. Brazil will buy sounding devices and other oil industry equipment, specialty steels and non-ferrous metals, and technological cooperation from Rumania	\$1 bn		signing expected around July 18
Poland from Japan	(1) \$450 mn for foundry and chemical equipment and semi-finished textile goods; (2) \$70 mn for steel products; \$370 mn extension of unused earlier credits	\$900 mn total	Japanese banking consortia	NAv
Kenya from various	1979-83 national development plan	NAv	\$200 mn. Euroloan	Loan completed
Guinea from Iraq	Iraq provides financing for Konkoure Dam (will supply electricity to an aluminum foundry), confirms participation in joint Arab-Guinea project at Ayekoye to exploit local bauxite and produce aluminum	NAv	\$100 mn.	Loan provided
China from U.S.	Six prospector seismic data processing systems purchased from Applied Devices Corp.	\$5.7 mn	NAv	Deal approved by both U.S. Commerce Dept. & Nato's Cocom
Cancelled Deals				
Iran from various	Iran cancels export-segment of nearly completed natural-gas pipeline that was to supply USSR, W. Germany, France, Austria, and Czechoslovakia	\$3 bn.	NAv	Public announcement

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

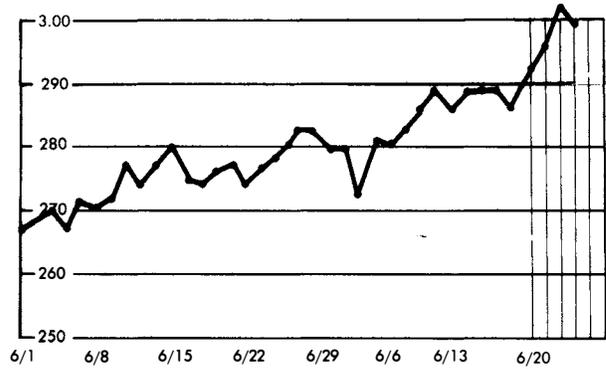
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

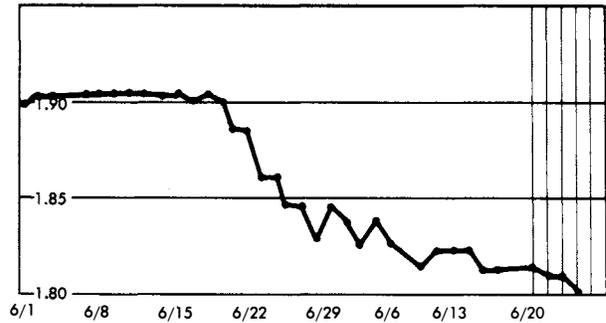
July 16	292.80
17	296.30
18	302.15
19	299.15



The dollar in deutschemarks

New York late afternoon

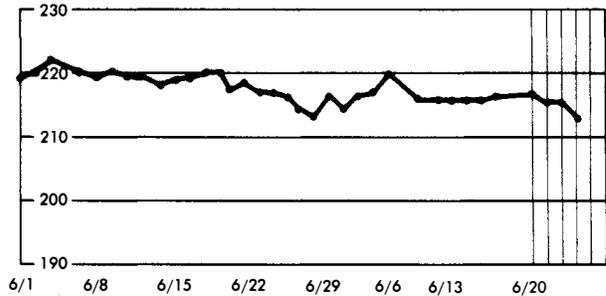
July 13	1.8253
16	1.8165
17	1.8155
18	1.8050



The dollar in yen

New York late afternoon

July 13	217.15
16	216.05
17	216.30
18	213.25



The dollar in Swiss francs

New York late afternoon

July 13	1.6650
16	1.6350
17	1.6360
18	1.6280



The British pound in dollars

New York late afternoon

July 13	2.2255
16	2.2550
17	2.2790
18	2.2850

