

commented, "(Nazi Finance Minister Hjalmar Schacht's reputed success was justly rewarded with imprisonment, but those who followed him have won Nobel Prizes."

• At the Organization of African Unity summit meeting in Kartouhm Egyptian President Anwar Sadat presented a plan for economic development of the Nile basin including ports, river dredging, hydroelectric power, and irrigation.

• Simultaneously, Libya, Algeria, Tunisia, and Mauritania have begun in Paris negotiations for a "Maghreb Economic Federation" closely associated with the EC, and those who "seek to enter the Community" (Spain, Portugal, Greece and Turkey). The purpose is to facilitate credit and technology transfers.

• At Bonn, Japanese Prime Minister Fukuda and

President Carter held a meeting to discuss energy technology development. A joint U.S.-Japanese committee was established to cooperate in the development of the Japanese nuclear fusion test facility, the JT60, and the similar device in the U.S., the Tokamak at Princeton University. The Japanese had previously offered the U.S. \$500 million to speed the U.S. fusion effort.

Given these actions to "fill in" the details of the EMS initiatives, the British are increasingly limited in their options. Simply stated, they are: keeping the U.S. ignorant of the EMS Grand Design while the oligarchy searches for a way out, getting a stake on the rising gold prices, blowing up the Mideast into generalized war, and assassinating LaRouche.

—Leif Johnson

The Traitorous 'Free Enterprise' Campaign

Will the U.S. economy be the casualty of Adam Smith's economics?

An "Adam Smith" revival has been unloosed on the U.S., aimed at derailing American participation in the new gold-backed monetary arrangements and global development plans outlined at the Bremen and Bonn summits.

BUSINESS OUTLOOK

The public side of this operation is a media campaign pushing "free enterprise" and portraying any government intervention in the economy — including the sort of government-sponsored export drive presently required to save the dollar — as an unmitigated evil. The media blitz is to feature a 10-part "economics-made-easy" series on public television starring "conservative" economist Milton Friedman.

Less public is the complementary attempt to throw the U.S. economy into a recession via a precipitous credit crunch, and thereby sabotage U.S. participation in the emerging Grand Design.

The American Enterprise Institute, the "conservative" opposition to the "liberal" Brookings Institution, has opened an intensive new drive for \$60 million in funding for "free enterprise" professorships, institutions, and media attractions, promoting what is being billed as the "American economic system," such as the upcoming Friedman mis-educational series. According to the Sunday, July 17 *New York Times* business section, which gave the AEI drive prominent play, "critics of government intervention in the economy now dominate the intellectual debate" as a result of the backlash against Keynesian deficit spending. Numerous major corporations, who are understandably fed up with harassment by the Environmental Protection Agency, the Securities Exchange Commission, and other antibusiness government agencies, have already been

suckered into supporting the Adam Smith festivities.

The earnestness of the AEI's actual commitment to American prosperity may be gauged from two recent Institute studies. One attacked the nuclear breeder reactor as cost-inefficient, the second favored trucking industry deregulation and the bankrupting thereby of large sections of the U.S. trucking industry.

Right on cue, the July 17 *Wall Street Journal* expanded the Adam Smith *laissez-faire* campaign with a front-page tribute to Milton Friedman entitled "Man of Many Roles Now is a Tax Revolutionary" and citing Friedman's delight at the tax revolt hysteria which threatens to shut down municipal services across the country.

Friedman is the leader of the "Chicago School" of economics, which originated at the University of Chicago, a key center for the British penetration of U.S. intellectual life. Not as well known is the fact that Friedman's mentor, Wesley Mitchell, late director of the National Bureau of Economic Research, imbibed his economics at the British Fabian Society-influenced economics department of the University of Vienna during World War I sitting next to Nikolai Bukharin. While "Marxist" Bukharin moved on to oppose what he called "overinvestment, planning and centralization" in the Soviet Union, Mitchell tutored Friedman and Arthur Burns in "fiscal conservatism" (see below).

Authored by University of Chicago alumnus Lindley Clark, the *Journal* article quotes Friedman, the former economic adviser to the fascist Pinochet regime in Chile, smirking about the benefits of cutting out California summer schools following the passage of Proposition 13, and bragging about the proceeds of his personal foreign currency speculation against the dollar. ("Speculating against the U.S. government is almost a sure thing," says Friedman.) According to economics wizard Friedman, Washington presently has "no good options available," only recession now or hyperinflation and a worse recession later.

The Inflation versus Deflation Hoax

As leading organ for the "recession now" faction, the *Wall Street Journal* opened fire on Federal Reserve Chairman G. William Miller in its lead editorial July 17, "The Big Inflation Fight," charging that Miller is not doing enough to counter inflation. To drive its point home, the *Journal* selected figures that gave a greatly exaggerated impression of present rates of monetary growth. For the latest eight-week period (ending July 5) the M1 and M2 official measures of money supply were growing at a 6.4 and 8 percent annual rate respectively — not the great surge implied by the Friedmanites at the *Journal*. The *Journal* cited the growth rate of the so-called monetary base in the four weeks ending July 5. This figure was distorted by beginning-of-quarter factors, and the monetary base itself is a category ignored by everyone but arch-Friedmanites.

Indeed, Miller did vote against the latest increase in the discount rate — under immense pressure from the pro-business faction in the Administration grouped around Special Trade Negotiator Robert Strauss. However, the Fed's Federal Open Market Committee voted to raise the Federal Funds rate another notch to 8 percent at its monthly meeting July 18, most money market economists have concluded. Numerous observers, such as former Council of Economic Advisers chief Alan Greenspan, expect the prime rate to keep ascending well into 1979.

If the *Wall Street Journal's* prescriptions for controlling inflation by cutting money supply growth are heeded, there is no question that the U.S. economy will be plunged into recession sooner rather than later. A slowdown in the increase in inflated dollar business sales in May together with other indications that consumers are becoming reluctant to take on more new debt are signals that the "consumer-based recovery" has outlived itself. And businesses are adjusting their inventories accordingly. In mid-July the Commerce Department reported that businesses had increased their inventories by only a weak 0.8 percent in May. The increase in volume of new construction contracts has already spent itself for the year, according to the F. W. Dodge division of McGraw Hill. Most of the projected 1978 gain has already occurred and the volume of construction contracts is expected to decline in the second half of the year.

Under these conditions, an indiscriminate tightening of credit and cut-back in government spending, federal and local, will ensure a deep recession.

Britain versus Japan

The main point that is being obfuscated by the orchestrated debate between the inflationists and the deflationists — Brookings versus the AEI — is that the whole debate is phony. There is nothing inherently inflationary about credit expansion and government spending, if it is appropriately directed.

If geared toward the production of tangible goods and investment in new plant and equipment and technology, credit creation and government spending are deflationary. This is the Japanese model, based on the ideas of Alexander Hamilton and the American Whig economist Henry Carey. Its opposite is credit creation to

finance acquisitions taking place in lieu of new capital spending, commodity speculation, debt rollovers, and the like — the Anglo-Dutch model. And that sort of credit creation is indeed inflationary.

The events around the Bonn summit make the point. U.S. businessmen who are falling for the Adam Smith revival ought to consider why it is that the Japanese and West Germans, who have continued to resist Brookings-type relation of their economies, are now planning to mobilize the hundreds of billions dollar overhang as development credits in what will be the greatest expansion of credit in history.

—Lydia Dittler

On Friedmanite and Bukharinite Snakes

Warren Hamerman, the U.S. Labor Party's Organizational Secretary, delivered a major address to the USLP National Convention July 1 in which he defined a species called "Bukharinite snakes." These creatures, Hamerman told the convention, are part of a British-inspired international network of anti-capital-investment "economists," some comporting themselves as "fiscal conservatives," others as "communists," but all bitterly opposed to progress.

Here are highlights from Hamerman's remarks:

...The oligarchic elites are fighting a world strategic battle in which they are deployed to prevent an alternative to the International Monetary Fund and World Bank in the world economy, or they're finished. That's what every one of their snakes in the United States, in the East, and in the developing sector is deployed to do. And these snakes, as we know, are highly imperfect instruments; they rely on the weakness of will among development-oriented forces at the critical moment.

Policymaking layers, nations, get bamboozled by the most obvious snake operations.

For example, do you know what the biggest opponent operation to the Grand Design in the Soviet Union has been in this century? It's "fiscal conservatism."

Milton Friedman's teacher and Bukharin (an early leader of the Bolshevik Party — ed.) sat in the same classroom at the University of Vienna in 1911-17....The Royal Dutch Shell-Hapsburg nexus in Vienna destroyed centuries of human culture. What has Vienna given us? Linguistics, logical positivism, atonal music, Heisenbergian economics, systems analysis, terrorism, and the Frankfurt School. It also gave us Milton Friedman, Arthur Burns, and Bukharin—literally.

Bukharin's books from 1911-14 described his experiences of going to classes, studying with Bohm-Bawerk, von Wieser, and this measles disease, von Mies. Trotsky had a few classes in Vienna too, and then came to New York with Bukharin.

What are Bukharin's writings aimed against?