

of wheat — “like OPEC sets the price of a barrel of oil,” an aide to Sen. Melcher told EIR. Nothing fancy in the way of stockpiles or controls. The Administration, on the other hand, is trying to avoid the word “cartel,” according to these Senators’ offices, and wants something more “flexible” to meet the argument that cartels are bad in principle and fixed prices unworkable in practice.

Since Henry Kissinger tried to make food a weapon of American foreign policy, American agricultural and agribusiness leaders have strenuously opposed such schemes. With the propaganda lines that the “free market” will set the price while the cartel merely manipulates the commodity supply, the Administration hopes to get the old Bergsten package through in a form more acceptable domestically than the hard-cop Senatorial version.

—Susan Cohen

the defensive in the currency markets.

If the European Monetary System were fully operative and extending itself internationally, the Bank of Japan and the Tokyo dollar market would be absorbing *more* dollars, and placing them with commercial banks for the express purpose of low-cost, development loans. The political stabilizations and oil-for-technology deals achieved through such financing would begin to free Japan from both energy supply problems and the burden of paying higher oil bills in dollars worth more and more yen.

—Susan Johnson

BRITAIN

British opt for war production to boost sagging economy

Even before the dramatic March 28 confidence vote which ended the Callaghan Labour Government, the City of London had decided to cast its vote for the Tories in the event of a general election.

The City appreciates the fact that Tory leader Margaret Thatcher earned her “Iron Lady” tag by insisting on a military budget expansion which, like bar room Marxists, the Tories believe is “good for business” as well as for NATO.

On the overnight news that Thatcher had decided to go in for the kill and challenge Callaghan with a censure motion, stock market shares shot up to record-breaking levels. The *Financial Times* index of 30 leading industrial shares jumped 20 points, racking up the largest one-day rise since July 1975. The announcement of May 3rd elections added £4 billion to the book value of companies quoted on the London Stock Exchange, and boosted the index to 557.8, breaking all previous records.

What is less appreciated is that the “prodentente” Labour Party is openly committed to an identical economic program of defense industry growth. But, major strategic re-orientation is in store for the UK no matter who wins the May 3 vote.

On the day of the confidence vote which toppled Callaghan, the House of Commons was debating the Labour government’s proposed

defense budget. The Defense Expenditures White Paper presented by Labour Defense Minister Fred Mulley calls for a 3 percent increase in military spending in 1979-80, in line with pledges made to NATO last fall. The major portion of the \$17 billion defense program would be allocated to the reequipping of Britain’s armed forces. Of this 40 percent, nine-tenths of the contracts for arms development and production, would be guaranteed to British industry or to collaborative projects involving UK firms.

Five hundred million dollars would be spent in British shipyards building warships, nearly \$1 billion would be earmarked for production of guided weapons, missiles and torpedoes, and another \$1 billion would be allocated for Army systems and vehicles.

Many of the firms slated to receive a boost from the transition to war production are the same companies which Industry Minister Varley took sniffing for business in Peking last February—just days after China invaded Vietnam.

—Marla Minnicino