

dent himself sent out unmistakable signals that a compromise on the administration's tax proposal was now on the agenda. All the administration asked was that House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) make the first move. The administration's new-found eagerness for a compromise on Kemp-Roth was inspired by their quick failure on Social Security cuts. The shape of the emerging compromise bill will probably show a maximum first-year across-the-board tax cut of only 5 percent as compared with the President's original 10 percent request. While skirmishing continues on the rest of the compromise, it is clear that the administration will judge this probable \$10-\$15 billion saving as a necessary buffer pending final budget activity in September and October. The savings can be used to absorb the additional cost of continued high interest rates. Sources close to the Senate Democratic leadership say that such a compromise could only be short-term, and on the next budget round the administration would have to come face to face with the interest-rate problem.

That problem was brought to President Reagan's doorstep last week not only by the apparent widening budget deficit, but by West German Chancellor Helmut Schmidt. Sources close to the meetings between Reagan and Schmidt reported that the bulk of time was spent on the implications of high U.S. rates on all the Western economies. Chancellor Schmidt, urgently attempting to stabilize the West German economy, is known to have urged Reagan to take steps that would lead to the lowering of interest rates. The chancellor commented at a National Press Club briefing last week after his two meetings with Reagan that the question of interest rates would be a principal topic at Ottawa.

The Schmidt statement indicated that at least he had not been rebuffed by Reagan on his request for relief on the interest-rate question. Observers believe that for the chancellor to go on the record reporting the likelihood of substantive talks on interest rates at Ottawa meant that he had received a clear signal of the President's own deep concern on the matter, noted in the final communiqué, in which Reagan recognized the implications of "U.S. economic policy on the Western economies."

International concern intensified when, as the President was meeting with Schmidt, Treasury Undersecretary Beryl Sprinkel, speaking to the International Monetary Fund meeting in Gabon, and Treasury Secretary Donald Regan, speaking on Capitol Hill, simultaneously reported that the prime rate would remain above 15 percent into next year.

Reagan will once again be reminded that he has an alternative when he meets with Mexican President López Portillo June 8-9. Mexican sources report that López Portillo will confront Reagan with the disastrous effects of high U.S. rates on the Mexican economy.

Interview

Operation Prime Cut targets Paul Volcker

The following is an interview with Walter Kelly, Jr., co-chairman of Chrysler-Plymouth Auto Dealers Council of the United States, who operates a Chrysler-Plymouth dealership in Marietta, Georgia. On May 13, Mr. Kelly and Lee Auge, chairman of the Dodge Dealer Advisory Conference, sent a joint letter to every Chrysler-Plymouth and Dodge dealer in the country, urging them to join "Operation Prime Cut," that is, to urge their congressmen to immediately address the issue of high interest rates. Anita Gallagher interviewed Mr. Kelly for EIR.

EIR: Mr. Kelly, what is Operation Prime Cut?

Kelly: We are about to die because of high interest rates. I am 58 years old, and have been an auto dealer for 30 years. I am what you would call "middle business," and I do \$15 million in business a year. The federal government is trying to put me out of business. Who is going to replace my taxes? I support 400 people. Who is going to replace that business?

I know that you are aware that the Federal Reserve answers to no one. If you have a stubbed toe, they are proposing to cut off the leg.

EIR: How did this campaign come about?

Kelly: Mr. Lee Auge, of the Dodge Dealer Council—we represent the Plymouth-Chrysler dealers, and Mr. Auge [represents] the Dodge dealers nationwide—the two of us came up with the idea that we should at least let Congress know what the federal government is doing to the auto industry. You know that the auto industry supports one out of every seven people in the country, even now, as bad as things are. We could get across a consciousness of this problem to the congressmen.

EIR: What about going to President Reagan on this?

Kelly: Well, I am a born and bred Democrat, but Carter was not a good President. One of the better Republican Presidents, Calvin Coolidge, said that "the business of the country is business." We have a situation now where the business of the country is government, and the government is taking 25¢ out of every dollar in interest costs. That's why we are asking every dealer to send 25¢ to their congressmen.

My own personal opinion, and this is not anybody's

opinion but mine, is that I don't believe that Mr. Reagan is going to take the bull by the horns on any of these matters. I think he is working through his staff and keeping himself above any fights. He is trying to get the basic budget and the tax cuts through. Otherwise, I don't see how this man, who came to the American public and said that he would get government off our backs, would be allowing the government to take 25¢ out of every dollar in interest costs.

EIR: There have been several resolutions and bills in both the Senate and House saying that high interest rates are the prime cause of inflation and demanding that the Federal Reserve be made accountable to the Congress as mandated by its enabling legislation. Specifically, these measures were introduced in the House by Byron Dorgan (D-N.D.) and by Ron Mottl (D-Ohio), and recently in the Senate by Jim Sasser (D-Tenn.). Do you think these moves are in the right direction?

Kelly: I am particularly impressed by the idea that this [Federal Reserve] chairman could be removed. Volcker gives no credence that anybody has any brains but himself. . . .

Imagine appointing a man 77 years old, who is a complete autocrat like Volcker, to be ambassador to West Germany. All the Common Market countries are complaining about interest rates, and they appoint Arthur Burns ambassador. I truly get excited about this. . . .

EIR: When did your letter go out?

Kelly: On May 13-14 our letter went out to approximately 4,000 auto dealers. It will come before the Georgia Auto Dealers Association, whose convention starts this weekend. I am the immediate past president of [this association]. It will be brought up before the whole convention. We ran it by Chrysler, and there was full agreement on trying to do anything on interest rates that we could.

EIR: What kind of response have you had to the letter?

Kelly: I have heard that other dealers are going to their state associations as quickly as they can. I had a call from a dealer in Pennsylvania, and I also had a call from a dealer in Oklahoma, who told me that they were going to their state association with the letter.

EIR: That means that it will be taken before General Motors and Ford dealers, and everybody else?

Kelly: Right. This is a classic example. Why do we have to have these interest rates? They are so unnecessary.

Somewhere along the line the auto dealer is going to stand up. In Georgia, they said to me, "Walter, I think this is great, I am going to expose my entire association to it." There are 580 dealers in Georgia, and 200 of them will be at the convention's first business meeting.

Reagangate

Administration to lose its labor allies through IBT purge?

by Scott Thompson

On May 22, ten days before the convention at which Roy Williams is to be elected Teamster international president, the Justice Department rammed through an indictment of Williams based on flimsy evidence from its long-dead Pendorf ("Pension Fund-Dorfman") investigation. From the moment it became apparent that Williams would replace Teamster president Frank Fitzsimmons, he has become a target for witch-hunters in the press and Justice Department who fear he will revitalize the powerful Teamsters union, mobilizing its rank and file in the same aggressive manner as Jimmy Hoffa's in the 1960s.

The Williams indictment

The Williams indictment is not only intended to undermine this progress-oriented union, but also to cut ties between the White House and the Teamsters, the only major union that endorsed Ronald Reagan's presidency. The same people going after Williams have also launched "Reagangate," a media campaign to taint the President, members of his family, and cabinet officials with slanderous allegations of links to "organized crime."

Among the chief targets in "Reagangate" are Attorney General William French Smith, Secretary of Labor Raymond Donovan, Reagan's close adviser and friend Sen. Paul Laxalt (R-Nev.), and the President's elder son, Michael. Dropped shortly before the attempted assassination of Reagan, this campaign is now back in the news.

Orchestrating both Reagangate and the campaign to "get" Williams is the combination of corrupt holdovers from the Kennedy Justice Department and the liberal press—the shocktroops of the Socialist International in the United States—who are also running Abscam-Brilab to subvert constituency-based government. High-level