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* * *

The most rotten institutions in lower Manhattan won a round last week when West Germany was forced to accede to currency **devaluations** in **Sweden** and elsewhere... dealing a **heavy blow** to the European **snake**. But **Chase Manhattan** and friends are themselves desperately trying to stave off their own **bankruptcy in September**... "Make Sept. 15 **Jacques Rueff day**," LaRouche urges... see **International Report**.

* * *

Press conferences at the **Carter White House** are beginning to look like **Nixon's Final Days**... This week's **National Report** brings

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* * *

Lazard's **Felix Rohatyn** is leading the Mondale crowd's charge toward a complete **fascist economic package** for the U.S.A. ...**Humphrey-Hawkins** pick and shovel jobs... Schachtian funding schemes like the **Urban bank**... even a **Hitler Youth** program of "**energy checkups**" on private homes. **George Meany** and the **Urban League** poverty pimps apparatus are right behind him... and the **SEC's hatchet job** on New York's mayor **Beame** is the opening of a national assault on **big-city political machines** to pave the way... see **National Report**.

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LATIN AMERICA

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* * *

"Crass Soviet Stupidity" has brought the world a step closer to **thermonuclear war**... That's **Lyndon LaRouche's** analysis of **Soviet interference** with planned contact between West Germany's **Christian Union** parties and the **East German leadership**... see **Soviet**

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* * *

Italian agriminister **Marcora** is fronting for a vicious **Cuccia-Lazard Freres "inside job"** on the Andreotti government... see **Europe**. Plus news on the austerity push in **Portugal**... **Brandt** gives cue for new **"leftist" terror**... and an in-depth report on the **British economy**.

* * *

The outcome of the **Vance** visit to China... a **double deception** in which Mr. **Henry Kissinger** was once again the **loser**... but there may be no winners around to cheer if his **"Second Front"** strategy against the USSR takes full effect... see **Asia**.

* * *

Special economic surveys on the **Middle East** and **Latin America**... assess **Turkey**, the sickest man in Europe... **Egypt's "Open Door"** to austerity and a probable change of government... **OPEC's** progress toward a **break with the dollar** and a new Arab currency... and **Venezuela**, keystone of a new world economic order... whose bolivar is stronger than the dollar...

Walter Mondale: British Agent

The following statement was issued on Aug. 31 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and presidential candidate.

This is a spy story. It is not a James Bond fictional thriller, but a true story, involving the Vice President of the United States, a de facto traitor in the sordid tradition of Aaron Burr, Walter F. Mondale. Like Aaron Burr, Walter Mondale is in point of fact an agent of the British monarchy.

Unfortunately, as is the cosmetic defect of all true spy stories, I cannot fill in all the entertaining bits of conversation or bedroom scenes which may in fact be part of the events as they occurred. However, in compensation for that want of entertainment value I offer you the consoling fact that what I report to you is true and is corroborated with the aid of privileged sources at high levels of several governments.

It is also unfortunate that I cannot offer you a final judgment on the question whether or not Walter F. Mondale is in fact a traitor according to the strict terms set forth in the U.S. Constitution. Real history, unlike Hollywood productions and other fiction, is rather consistently messy in matters of dotting the i's and crossing the t's on such matters of final, detailed judgment. Whether Mondale is or is not a traitor I must leave to the Congress and federal courts to judge. In serious politics, which is my profession, it is sufficient that the evidence in hand proves that Walter F. Mondale must be quickly run out of all offices and influence in the federal government of the United States.

It is already a foregone conclusion that the pathetic Jimmy Carter will soon resign from the White House. That is already almost a mere technical question; the poor, manic-depressive Carter has already been reduced to a virtual figurehead, a mere pawn of power politics among the several principal factions with a hand in the current, ongoing Cartergating process. The practical question of the moment is not whether Carter goes, but how he does. For the moment, Carter's historic assignment is to appoint a vice president to replace Mondale before Carter himself exercises his conscience and resigns.

To make the point concrete, the candidates of the moment to replace an impeached or resigned Mondale are most conspicuously Texas's John Connally, and Wisconsin's Senator William Proxmire, with a short list of serious alternatives to be considered. On this count, I am not boosting Connally or Proxmire, nor overlooking Ronald Reagan, but merely stating the political realities as they stand at the present moment. I am also emphasizing a point on which there is undoubtedly agreement among such diverse persons — for diverse reasons — as

William Simon, Nelson Rockefeller and myself: Walter Mondale must go first.

The Evil Colonel William Stephenson

If I were writing the facts of the matter in the manner of a spy novel, my story would open in the year 1938 in a certain office in mid-Manhattan's Rockefeller Center, the office of the British superagent Colonel William Stephenson.

For flashbacks I would take the reader back to the last half of the 18th century, to the Satan-worshipping cult organized by Lord Shelburne and his evil assistant Jeremy Bentham, the "Black Mass" society that worshipped a male baboon imported from Bengal in mockery of Jesus Christ. I would also take the reader back to the degraded Francis Bacon, one of the most corrupt and immoral men who ever walked the earth, and to Bacon's protégé, the monstrous Thomas Hobbes (after whom the English gave the devil the nickname of Old Hob).

Along the way, as a matter of brief additional flashbacks, I would identify the traitors Aaron Burr and Andrew Jackson and the traitor Martin van Buren. I would recount a tale of the persisting efforts of the English monarchy during the late 18th, 19th, and 20th centuries, to subvert and destroy the United States of America.

Then, I would expose the case of Walter Mondale as the current leading symbol of that ongoing process of foreign subversion.

I have already drawn your attention to the main line of the background facts to be considered. Some of these facts my associates and I have already presented to you in some detail. Others will be elaborated in some detail in articles to be published during the immediate future.

For the moment, I shall limit the emphasis of my story to some facts which are most crucial for understanding Walter Mondale and his British-agent accomplice, Thomas Harris, chairman of the Federal Elections Commission.

Many historians, including the Labor Party, including my own writings, have outlined to you the notable background facts concerning the Rothschilds, the Rockefellers, and others. That historical accounting is indispensable to anyone who wishes to understand modern history with a semblance of competence. Anyone who denies that the Rothschilds and Rockefellers have conspired, and otherwise co-conspired, in shaping crucial features of 19th and 20th century history is either a liar or a totally ignorant person. However, the Rothschilds and the Rockefellers, while a crucial element of the past century's history, are not in themselves the determining kernel of that history, but rather families that have enjoyed and wielded power by playing

a role within those constellations of power that have more fundamentally determined that history.

To underline that point just made, I have been variously directly and indirectly in contact with elements of power bearing the names Rothschild and Rockefeller, precisely as I informed U.S. workers I was doing some months back. It would have been wrong to exclude the possibility that interests bearing those names might not be won over to a correct policy in the interest of humanity in the current crisis, and hence it would have been wrong on my part, not to take every reasonable step to enhance such circles' perception on that point. To be more specific without my naming precise names and dates and places, do not be entirely astonished if certain branches of the Rothschild and Rockefeller families do in fact adopt a reasonable policy during this period.

Nonetheless, allowing for the fact that some Rockefellers might adopt a rational course under the present circumstances, there has been and is a far-flung conspiracy with which the sons of John D. Rockefeller have been a central, identifying feature, especially since the Administration of Franklin D. Roosevelt. If Nelson Rockefeller, who has been a key part of that international conspiracy, were to abruptly choose the side of the human race against the conspiracy of which he has been a prominent part, the conspiracy would persist, the conspiracy that we have otherwise identified correctly as the "Rockefeller conspiracy."

The "Bilderbergers"

We are not the only ones who have identified the conspiracy. The Liberty Lobby and its *Spotlight* were in that business long before the U.S. Labor Party became a prominent factor in the world situation. The Liberty Lobby, with crucial input from an in-law of Franklin D. Roosevelt's own family, from a former official of Lehman Brothers, has always been on the well-informed right track in its identification of the Bilderbergers. The Liberty Lobby would have improved its exposure of the Bilderbergers if it had connected that group to the case of Colonel William Stephenson.

What are the Bilderbergers and what precisely is the exact nature and significance of their influence and power?

In essence, the Bilderbergers are the combined forces of the British and Dutch monarchies, the last surviving relics of Metternich's Holy Alliance, and the principal bastion of the hideous Guelph factional tradition that has caused all of the major evils of the history of European civilization since the Albigensian crusade. The tax-exempt financial position and privileged political position of these two evil monarchical houses is the rallying point for all that is most evil on an international scale in the world today. In effect, the affairs of the world are being run by a couple of miserable queens.

In Great Britain itself, the British monarchy represents a power and a shelter of power standing above the regular government of the United Kingdom. It is a wealthy interest, interlocking with not only certain key British corporations, but key U.S. and other nations' financial and corporate power. With this ability to provide and maintain a nucleus of financial and political

power outside the checks of any republican government, that of England included, the British monarchy, together with the similarly situated Dutch monarchy, serves as a network-apex and rallying point for most of what is evil and obscene throughout the present world. The image of Lord Shelburne and Jeremy Bentham worshipping that sodomy-inclined male baboon is the essence of the morality of the forces grouped around these two monarchies.

The Jewish Question

One of the difficulties facing every effort to expose the scummy crowd working for the Queen inside the United States is the role of investment banks with such Jewish names as Lazard Freres and Lehman Brothers. Whenever the evil connivings of these fascist, in fact, investment houses are cited, a great hullabaloo about "anti-Semitism" is raised in various quarters. Yet, the ugly fact remains that the networks of the mental patient Aby Warburg and André Meyer are at the center of the most evil things done throughout the world today, as the pages of the Meyer-linked *Washington Post* and Paris *Le Monde* or the murders by terrorists attest.

The simplistic evaluation of the fascist investment house, Lazard Freres, and its Nazi-thinking Felix Rohatyn does tend to equate the Warburg and Meyer interests with their devout enemies the Rothschilds, and hence to arrive at the simplistic "Jewish conspiracy." Granted, the House of Rothschild has done its own evil in its own heyday, but it is an oversimplification bordering on anti-Semitism to assume that the policies and factional alignments of André Meyer's crowd are therefore necessarily the policies of this or that branch of the Rothschild house.

There is a "Jewish problem" involved. The so-called Ashkenazi current's tradition in mercantilist and banking policies, in opposition to Sephardic Jewish currents, has fallen within the monetarist current's policies. This division between humanist (Sephardic) and antihumanist (Ashkenazi) Judaism dates from the Arab Caliphates, during which the faction establishing the Sephardic branch allied with the Ismaili factions among Arabs and Christians and the faction establishing the Ashkenazi branch was allied in policy with the Sunni antihumanist Arabs and their Turkish (Al-Ghazali, et al.) successors among the Sufis and dervishes. The reactionary, antihumanist current within Judaism was reinforced by feudalism in Frankish Europe and under the Guelph and other reactionary influences of the early renaissance and later — to the effect that the Jewish merchant and banker were kept within the constraints of an antihumanist, mercantilist policy under the terms of Christendom's combined written and unwritten laws concerning the containment and persecution of the Jews.

For a Jew to rise above the semi-outcast status in Christendom, the Jew must become what was known in German as a *Hofjude*, a house servant of some feudal or other potentate. This was the route by which the 18th and 19th centuries' Mendelssohns, Rothschilds, and Oppenheimers gained power, influence, and riches.

Among Jews generally, the development of modern culture has broken the pattern to a large degree, such that Jews have become among the leading humanists of

European culture. However, some Jews, clinging to the old, feral ways of rising to *Hofjuden* status in banking and politics, have continued the evil role assigned to them by the Renaissance feudal faction's traditions. The houses of Warburg and the person of the evil André Meyer are exemplary of the latter tradition of personal political prostitution in the service of evil. In André Meyer's case, the British monarchy is the principal evil master he and his heirs and allies serve.

Hence, we have the picture, that the center of evil in today's United States is a Mafia-style sort of alliance among the Rockefeller brothers and certain (largely Jewish) investment banking houses of Lower Manhattan. However, Rockefeller or Jewish in apparent distinction, the essence, the root of the evil, is the British monarchy and its Dutch ally.

The figure of the evil Colonel William Stephenson of Rockefeller Center is the key that unlocks the hidden secrets behind the British agency of Vice President Mondale.

The Present Case

At the moment, we witness the combined forces of the Rockefeller brothers and the Meyer-centered neo-Fabians engaged in the common effort to drive the manic-depressive puppet, Jimmy Carter, from the White House — by, so-to-speak, Lancing the boil on the body politic. Yet, although both are ostensibly and actually committed to that joint objective, we have most recently witnessed the British-connected Rupert Murdoch interests (*New York* magazine, the *New York Post*), interests allied to the Meyers and Schiffs, launching an effort to cut off the Nelson Rockefeller "family jewels." Yet, at the same time that the Meyer-Warburg crowd is out to cut off Nelson Rockefeller's "family jewels," the Meyer-Warburg-connected Humphrey-Mondale machine, as represented by Joseph Rauh's Americans for Democratic Action, is offered to provide Nelson Rockefeller's Henry Kissinger with a plush, key subordinate position in a Mondale government.

Think of a bunch of Mafia leaders, convening to cut up their common opposition and meanwhile issuing contracts against one another. With that image in mind the relationship between the Rockefeller brothers and the Meyer-Warburg crowd becomes comprehensible.

The Rockefellers, like the Warburg-Meyer crowd (Humphrey and Mondale's backers), are out to dump David Rockefeller's and Coca Cola's puppet, Jimmy Carter. Yet into this steps Henry Kissinger, making a deal with the lunatic Carter, taking power for Kissinger in return for Kissinger, Rockefeller, and Viguerie's promises to hold back the Republican National Committee.

The Meyer-Warburg crowd, Mondale's masters, don't like that scenario. They push to dump Carter quickly, in order to get Mondale into the White House.

Aha! But the Rockefeller brothers don't wish to have Mondale in the White House; the Rockefeller brothers wish to delay Carter's resignation until after Mondale is dumped. Meanwhile, the Connally and Reagan Republicans, and the independents and anti-Carter Democrats have other views: they wish both Carter and Mondale out, and neither Rockefeller brothers nor

Warburg-Meyer forces in control of the U.S. Executive. This is all accelerated by both the tempo of the world monetary crisis and the powerful catalytic influence of the U.S. Labor Party.

The Rockefellers wish to ensure that their specific interest is hegemonic, and wish to conduct the affair in such a way as to preempt and control the Republican forces for this purpose — meaning, of course, the forces spearheaded by Citicorp and the Bank of America. The Meyer-Warburg crowd wishes Mondale and a purely fascist approach to the monetary crisis, modeled upon Hjalmar Schacht's Nazi austerity policies and politically based on Lane Kirkland, Jesse Jackson, and Coretta King.

Terrorism and Fascism

Lazard Freres in France, Lazard Freres in New York City, Lazard Freres's Enrico Cuccia of Mediobanca in Italy, and allied forces in London and other countries are, with aid of corrupt forces in the Willy Brandt wing of the Socialist International, the current spearhead forces of the British and Dutch monarchies and the driving force behind both terrorism, environmentalism and fascist schemes (for example, Chile) in the world today. The Rockefeller interests and such British-connected corporations add up to a pattern of names such as EXXON, IBM, ITT, Xerox and so forth, which are among the most notable pushers of fascism and terrorism in the world today.

Walter Mondale is the most highly placed agent of those forces of the British and Dutch monarchies within the U.S. government.

For example, I have direct information, corroborated by the best imaginable sources, concerning the names and addresses of certain locations in southern France and Switzerland at which a terrorist-conditioning and induction process has been conducted. Certain camps in the vicinity of the Pyrenees served as a screening center, from which recruits are sent to other weapons-use training camps in southern France near the Swiss border. The hard core of the terrorist operation, in this case, is based in Lausanne, Switzerland, with important inputs from the U.S. and British embassies in Bern, Switzerland. This is only a part of the overall operation, but a significant chunk. It ties into Cuccia (Lazard Freres) weapons-running from Italy and Lazard Freres-connected conduits in France, with the base of the networks dating back to collaboration among the British monarchy, Admiral Canaris, Allen Dulles, and present FEC Chairman Thomas Harris during World War II — as Nelson Rockefeller could outline in detail from both memory and secret archives.

In today's *Le Monde*, a Lazard Freres-controlled Paris rag, there is a great hullabaloo over protecting these very terrorist camps from "harassment."

The operation in question is part of the network operated by the British and Dutch monarchies, using the Dutch monarchy's Provo-Situationist networks in Holland, Belgium, and France as a conduit for recruiting the raw flesh to be brainwashed and screened for terrorist training. The U.S. agent long in charge of this work from Berne is Nathaniel Davis, an American of British-agent pedigree dating from the Colonel Stephenson

networks radiating from Rockefeller Center of the 1930s and 1940s.

Most important, the Rockefeller intelligence networks, or what Fabian Tad Szulc identifies as the Rockefeller "family jewels" of drug-pushing and thuggery, were updated to their war-time and postwar form through Colonel William Stephenson.

Admitting that fact, despite the Rockefeller brothers' head-over-heels direct involvement in funding and directing international terrorist and environmentalist networks, the Rockefellers are innocent amateurs in murder and allied operations by comparison with the British monarchy and the monarchy's neo-Fabian henchmen of the Lazard Freres and allied networks.

What do these British monarchy swine do? They created and direct the IRA Provos in Ulster. They run the Basque and Corsican terrorist movements. They created and coordinate the Baader-Meinhof gang in

Germany. There is nothing bloodier, more evil, more lacking in the rudiments of morality than a British monarchy agent.

Just this past weekend, there was a meeting of black-faced poverty pimps in Manhattan: Jesse Jackson, Coretta King, and so forth. To be precise, this was a meeting of the "Lehman Brothers Mafia." The meeting resolved to push for the Nazi-modeled hyperinflationary austerity package announced by Lazard Freres' Felix Rohatyn. Judas-goats Jesse Jackson and Coretta King resolved, with mandatory "Yassuh, Boss" genuflections, to play their part in mobilizing unemployed ghetto youth and others to follow them into the fascist, union-busting slave-labor "industrial parks" pushed by Walter Mondale and his gang. This is pure fascism, and not only Jesse Jackson and Coretta King, but Walter Mondale are nothing in principle but fascist agents of the British and Dutch monarchies, whores of the British monarchy committed to destroying the United States.

W. Germany Makes Dangerous Concessions To Chase Manhattan

Capitulating to heavy pressure from certain lower Manhattan banks, the West German Bundesbank at a meeting of European central bankers and finance ministers last weekend gave its consent to a 10 percent devaluation of the Norwegian and Danish currencies, and a severing of the Swedish Krona's relationship to the European joint currency float. Besides imposing intolerable austerity on the already deeply depressed Scandinavian economies, West Germany's acquiescence indicates that government is making dangerous concessions to the Willy Brandt-Chase Manhattan program of reflation based on large-scale creation of low-wage "public service" jobs.

Although such measures, modeled on those of Hitler Finance Minister Hjalmar Schacht, would quickly wreck West Germany's heavy industry-based economy, Rockefeller spokesmen like U.S. Senator Jacob Javits are insisting on immediate West German reflation and fascist reorganization of the world economy as the only means left to prop up the faltering dollar system.

Speaking before the Senate Banking Committee yesterday, Javits, "the Senator from Pocantico Hills," barked out his warning that another world depression will occur "in two or three years" unless appropriate steps are taken. "Such a depression," he shrilled, "could last as long as the last depression of the 1930s and possibly even longer because, obviously, in this age of atomic warfare, we cannot expect to have the war-led recovery that occurred then." Javits then proceeded to dictate Rockefeller's ultimatum: oil exporting countries must surrender "tens of billions of dollars" to the International Monetary Fund to bail out the debt holdings of Chase Manhattan and other insolvent U.S. banks; Eastern European countries likewise must be "made to

join the IMF and World Bank" and open their economies to Chase looting; the Soviet Union will reduce foreign arms sales or be subject to credit cutoffs; and, finally, Western Europe must pull together in a strong "political union" under U.S. direction.

Chase Winning "By Default"

Seconding Javits, the New York Times acknowledged in an Aug. 29 article by Clyde Farnsworth that the depression collapse is already on. "The world's economic recovery is faltering, uneasily shifting toward a phase some analysts are calling a growth recession." Farnsworth began euphemistically — then proceeded to point out that West German industrial production fell at an annual rate of 17.1 percent in April and 21.7 percent in May! U.S. unemployment is at a "cyclical trough" and is poised to rise again this year, the Times quotes Michael Evans of Chase Econometrics, a Chase Manhattan subsidiary.

The rapidity of the collapse has caught off guard Rockefeller's capitalist opponents in Europe and their conservative U.S. counterparts, centered around Citibank and Bank of America. The hesitation of political leadership, aggravated in West Germany by the terrorist assassination of Dresdener Bank head Juergen Ponto, means that West German bankers, Citibank et al. may have no effective reply to the fascist policy of Chase Manhattan and the Lazard Freres investment bank.

Brandt-Palme Operation

As the French newspaper Le Figaro noted this week, the "cascade" of Scandinavian devaluations was immediately the work of the Socialist International faction led by former Swedish Prime Minister Olof Palme and West German SPD party head Willy Brandt —

Rockefeller's social fascists. Not only had the Swedish Social Democratic press campaigned for the devaluations for months, but the party organ *Arbetet* leaked word of this weekend's action before it was formally announced. Both Norwegian and Danish officials complained that the Swedes had forced them to make the devaluations against their will. (Due to the close integration of the Scandinavian economies, Norway and Denmark would lose their export markets if they did not make comparable devaluations.)

The West German Bundesbank was, nevertheless, complicit. During the week leading up to the devaluations, the Bundesbank refused to intervene in support of the Swedish krona, despite a huge 6-7 billion kroner capital flight out of Sweden. The Swedish central bank was forced to borrow dollars to conduct its own support operations.

The Bundesbank's miserable "laissez faire" stance — whether by design or by default — has set the stage for the political hegemony of the faction around Social Democratic party head Willy Brandt within West Germany, and the implementation of "antidepression" reflationary measures based on mass slave labor public works. This is in sharp contradistinction to Chancellor Schmidt's perspective of recovery through high-technology exports to the Third World.

Furthermore, Sweden's breakaway could lead to the total dissolution of the European joint float — popularly known as the "snake" — which was set up after August, 1971 in order to protect Europe's economy from the instability created by the floating dollar. Reflecting the viewpoint of the Citibank-allied London clearinghouse banks, the London Times warned that "probably this marks the beginning of a slow end for one of the last remaining fixed exchange rate areas in the world monetary system. Sweden's departure shows that the snake is no longer capable of functioning as a hard currency zone in Europe."

Sweden could enter a vicious circle of devaluation and inflation, the Times continued, where every devaluation leads to an inflationary surge in import costs leading to still another devaluation. The Swedish currency would eventually pull the Norwegian and Danish currencies out of the snake, and threaten the Austrian shilling as well.

Portuguese Model

With this last remaining buffer — "the snake" — removed, the rest of Europe would be subjected to the kind of "scorched earth" treatment that Portugal has suffered from the IMF. As part of a "deflationary" package which Portuguese Prime Minister and Brandt ally Mario Soares negotiated with the IMF last week in exchange for a trifling \$49 million loan, Portugal will put up \$5 million of its gold reserves as collateral and allow its currency to "float downward" by at least one percent each month, with devastating effects on Portuguese living standards.

Chase's efforts to fully impose the Portuguese model on Peru, Turkey, and other Third World "debt dominoes" have so far failed, in part due to recognition by other banking factions that unlimited austerity only destroys these countries' abilities to repay debts over the long-term. (Peru, page 8). Representing the saner factional viewpoint, Financial Times Latin American correspondent O'Shaughnessy in an Aug. 30 column warned that the IMF and international banks are demanding too much austerity from Peru. Citing a "London clearing banker" as his source, O'Shaughnessy noted that the IMF's conditions can lead to government with "unattractive repressive characteristics," leaving the Peruvian military no choice but to default or implement the IMF's will with bayonets. Several other Third World countries face similar predicaments, he concludes.

— Alice Roth

LaRouche:

Bring It Down On September Fifteenth

The following statement was issued on August 28, 1977 by Lyndon H. LaRouche, Jr., U.S. Labor Party Chairman and presidential candidate.

Let us agree to pull down this bankrupt old monetary system on September 15, 1977. Let us also agree that we agree to protect the following key commercial banks and to take governmental action to prevent chain-reaction from spreading among banking institutions generally as Chase Manhattan goes into its long overdue collapse.

The key banks and their associates to be energetically and absolutely defended must be:

In the USA:

Citicorp
Morgan Guaranty
Manufacturers Hanover

First Continental Illinois
Bank of America

plus key Texas banks and regional banking systems.

Let fall into financial reorganization:

Chase Manhattan Bank
Bankers Trust
Chemical
Irving Trust
Lehman Brothers
Lazard Freres

In the BRD:

All the key commercial banks, which are otherwise inherently defensible in any case, led by the:

Deutsche Bank
Dresdener Bank

In the United Kingdom:

Barclays Bank
Lloyd's Bank
Hambros Group

and their allies against the Chase-Lazard combinations.

In *France* and *Belgium*, there is no need for me to provide an indication that arrangements are already in place. In *Italy*, let Cappon of IMI pull together a list which excludes Cuccia's Mediobanca. Continue the pattern indicated for other countries. Key *Japanese* bankers and industrialists already have developed the necessary policies.

I openly propose cooperation by the Baron Edmund de Rothschild of France and Lambert of Belgium, on grounds of their perception of reality and of the competence of my analysis to ensure that the line is drawn hard against David Rockefeller and Lazard Freres on the problem. I propose that Parisbas openly cooperate with me to assist in this process, on the basis of my knowledge of the intelligence and competence of key officials of that bank. I also propose that we collectively honor the valuable Jacques Rueff for his contributions on the date of September 15.

Governments must be advised of the commitment of we, the wise ones, to this September 15 date. Governments must act on or before September 15 to enact emergency freezing legislation which enables we wise ones to assemble and sort out the reorganization of international credit.

I propose that President Valery Giscard d'Estaing of France be invited to designate the place and circumstances of an international meeting of we wise ones to begin on either September 15th or 18th to establish a new gold-based international monetary system.

No one should be concerned about a collapse of the USA dollar. The USA economy is still fundamentally strong. Following any short-term temporary collapse of the dollar, it can be brought back quickly such that all temporarily frozen dollar holdings can be soon converted into hard-commodity bills of exchange for U.S. exports of capital goods and agricultural products.

Again, everything is as well-situated in place for a monetary shock as it could possibly be situated at this time. Key commercial banks have acted in a useful way. What is needed is agreement on a date preceding October 10, 1977, on which we let the excessively leveraged fall into financial reorganization in order to save the viable from a chain-reaction panic. Government action is needed, of course. Government action requires international agreement among key commercial banks on a date of planned collapse — in order to avoid a ragged, unplanned chain-reaction collapse.

Let us therefore agree on September 15 as "Jacques Rueff" day and bring the world out of this unprofitable agony.

Mondale Sharks Gather Around Sinking Carter

"The blood's in the water and the sharks are coming." That's how sources in Vice-President Walter "Fritz" Mondale's operation described the political condition of Jimmy Carter this week after a month of the Lancegate scandals. They only neglected to mention that Mondale's crowd are leading the sharks.

While Mondale is "low-profiling it" publicly, his allies in the Fabian "left-wing" of the Democratic Party, the front men for Felix Rohatyn's Lazard Freres, and other "Our Crowd" investment banking firms, are quietly leaking that "Fritz thinks Jimmy isn't going fast enough" in implementing their depression package of slave jobs schemes and fascist regimentation of banking and industry. George McGovern and certain Americans for Democratic Action circles are doing their own "Herbert Hoover job" on Carter.

Fritz For Führer

"Isn't it too bad," they say, that Carter's defense of his budget director and old Georgia banking crony Bert Lance "is making him look like Nixon. Pretty soon people will be looking at the \$3 million loan Lance made to Carter's warehouse... We hear *Newsweek* is hot on the trail" of new Lance scandals.

The same sources don't mind admitting that "Mondale wants to be President."

The *Washington Post*, semi-official mouthpiece for Lazard and the Fabians, all but announced the Mondale-for-President drive in its lead editorial yesterday. After ungraciously pointing out that Carter was obviously lying when he said "I don't know of any allegation that Bert Lance did anything illegal," the *Post* observed, "The Lance affair is important not for what it tells the country about Georgia banking or one Georgia banker, but for what it tells about the Georgia farmer who is now President."

Clearly the *Post* would feel more comfortable with supposed "Mr. Slick" Mondale, the expert on "urban problems" and protégé of old poverty pimp and AFL-CIO agent controller Hubert Humphrey, selling slave labor instead of "Farmer Jimmy." The editorial concluded by reminding Carter he was paying a price for keeping Lance in the White House and "That price now seems to be rising steeply" to perhaps the level of his own head.

All in the Family

Today Carter's friend at the *New York Times*, James Reston, in his column ordered Carter to dump Lance to save his own skin by printing in his column that Lance's old pals in the Atlanta Mafia "are now conceding that he is embarrassing the President and will probably have to go." Meanwhile both the *Times* and *Post* surfaced "new Lance scandals" including the "Lance family multiple

overdraft" banking technique which netted Bert a cool \$450,000. This one was revealed by Lance's own lawyer, who also happens to be the father-in-law of Jimmy Carter's son Jack.

Perhaps it was this indiscretion on the part of Carter's own family circle which led his press secretary Jody Powell to emphasize at his daily grilling by the press yesterday that Carter was "not feeling paranoid" about the Lance affair.

A High Risk Operation

Another liberal Democratic journal, the *New Republic*, today uncorked the more-explosive-than-Lance scandal of Carter 1976 campaign financing in a copyrighted article in the *Detroit News*. The article reported Carter borrowed \$3 million during the Democratic primary on nothing more than his expectation of federal matching funds, implying that Carter may have used his connections at the Federal Election Commission to convince his creditors Uncle Sam would reimburse them. Publication of this piece points up the fact that even though it is rolling along in high gear, the Mondale "controlled Cartergate" is an extremely high risk operation, which could well backfire and sweep the entire Carter-Mondale Trilateral mess out of Washington this fall. If U.S. trade unionists, industry reps, independents and Whigs in both Republican and Democratic parties get organized behind the U.S. Labor Party's Third National Bank anti-depression program, that is exactly the leverage needed to get a sane President committed to peace and progress for 1978.

Mondale is, if anything, more vulnerable than Carter. What happens to Fritz "vote early and often" Mondale if the Carter campaign financing scandal blows up? Mondale, after all, was personally responsible for Carter's post-primary financial accounting swindles; and it was his poverty pimp-labor skate networks who ran the massive 1976 vote fraud.

The Nelson Rockefeller threat is also a problem for Mondale. In recent days Nelson has come under attack in press including the *New York Post* and *Cleveland Plain Dealer*. The *Post* accused Rockefeller of covering up CIA drug experimentation in his famous "blue ribbon investigation" of the agency. The *Plain Dealer* blasted Carter's foreign policy as "tied to the eastern establishment dominated by the Rockefellers" and labeled Carter a "Rockefeller Republican" on domestic policy, a line previously fielded by the Fabian *Atlantic Monthly*.

Should Nelson Rockefeller decide a Mondale presidency is not in his family's interest — Henry Kissinger perhaps notwithstanding — what is then to prevent him from leaking a few selections from his reportedly comprehensive "files" on certain Fabians?

Press Summary:

Attacks On Carter Escalate

Washington Post, August 30, Editorial, "Mr. Lance as Test Case":

The Lance Affair is now turning into the Chinese water torture. Each new drop of information about those Georgia banks adds to the Administration's embarrassment....

The Comptroller's report offers an unflattering view of two banks, but that will mainly be of interest to the people who write and enforce the banks laws. As for Mr. Lance, he is an ingratiating figure who is nobody's idea of a villain. The larger public interest here goes one level higher. It was the President's intercession for Mr. Lance to get the stock requirement waived that brought the present extensive press coverage to Mr. Lance's banks and his finances. It is the Comptroller's report, not the news stories, that now constitutes the authoritative source of information and judgment...

The Lance affair is important not for what it tells the country about Georgia banking, or about one Georgia banker, but for what it tells about the Georgia farmer who is now President. It now appears that the Comptroller, after writing his report, has sent examiners back to one of the banks for a still closer look. A couple of weeks ago we observed in this space that Mr. Carter could keep Mr. Lance in the White House only at a price. That price now seems to be rising steeply.

Washington Post, Sept. 2, "Lance and Hard Times," column by Rowland Evans and Robert Novak:

Bert Lance's most faithful supporters privately admit the struggle to save him seems doomed, a confession whose grave impact on the presidency of Jimmy Carter through the declining economy is not yet appreciated at the White House...

Alone among key Carter officials, he is fully aware of economic dangers ahead. Since even his critics within the Administration concede nobody can fully replace Lance as 'deputy President,' the latest declines in his prospects for survival reduces the likelihood that the Administration will act to forestall economic disaster...

By Tuesday, scarcely any official honestly believed in Lance's survival. One Cabinet member guessed Lance might quit when Senate hearings start Sept. 7, though the consensus was he would last longer than that...

In a broader sense, the problem has become the President's, with criticism now directed at Carter for embracing his friend Aug. 18...

This effort is likely to transcend all the speculation about the President's loss of purity now transfixing Washington...

Without Lance, such political pressures for higher spending will meet no effective resistance... Without Lance, the economic, energy and farm policies... will have no effective critic...

Detroit News, Aug. 31, "How Carter Financed His Campaign: An Investigatory Report," by Richard Reeves and Barry Hager:

Bert Lance is not the only member of the Carter Administration who financed a political campaign with loans from a friendly Georgia bank. And that's how his friend Jimmy Carter got to be President.

Both men financed Georgia gubernatorial campaign with bank loans but the real payoff in knowing how to play the bank came from Mr. Carter in the 1976 Presidential campaign...

Besides the bank loans there were also the claims of the creditors, the friendly suppliers, most of whom worked through the small advertising agency of Gerald Rafshoon, Mr. Carter's immediate advisor. At the end of May, Rafshoon owed his supplier \$647,977. He in turn was owed that amount by the campaign....

New York Times, Aug. 31, "Lance and the Georgians," and editorial page feature by James Reston:

In the last few days, there has been a definite change in the White House attitudes, not toward Bert Lance personally but toward the Lance "problem." Publicly, his Georgia colleagues are still supporting him, but privately and sadly they are now conceding that he is embarrassing the President and will probably have to go...

... Mr. Lance's finances have begun to reflect on President Carter's judgment. His well-publicized indiscretions are eroding the President's authority precisely when Mr. Carter needs it most to deal with the Congress on the critical issues of energy, welfare reform, the Panama Canal and a lot of other highly controversial political problems...

He (Carter) has been a bold President in his first seven months... Accordingly, Mr. Carter is at the first critical point in his young Administration. It was inevitable that, as he made decisions, he would arouse opposition and even make enemies, and this has been happening...

... His personal standing in the nation remains high, but much depends at home and abroad on his ability to maintain that sense of moral authority that brought him to the White House in the first place...

New York Post, Aug. 29, "VP Rocky Blocked 1975 CIA Probe," by Eric Fottman:

Former Vice President Rockefeller tried to thwart his own 1975 investigation into illegal activities by the CIA, *New York* magazine reported today.

The magazine, in an article by veteran correspondent Tad Szulc, quotes "highly authoritative informants" as saying that Rockefeller 'quietly called CIA Director William Colby into his office and urged him... not to volunteer any information' to an investigatory commission appointed by President Ford and headed by Rockefeller.

The article speculates that Rockefeller may also have been looking to cover up his own possible involvement in covert CIA activities.

As Undersecretary of Health, Education and Welfare during the first Eisenhower Administration, Szulc writes, Rockefeller 'was one of the few top officials who knew that CIA funds were being surreptitiously moved' for LSD experimentation on civilians.

Also, the article says, as Eisenhower's special assistant for "cold-war planning," Rockefeller "became Eisenhower's direct link to covert intelligence operations" and "participated in the approval of all covert projects" conceived during his tenure...

Oui, *September 1977*, "Who Runs Jimmy Carter?," by Craig S. Karpel:

The President and Vice President of the United States and the Secretaries of State, Defense and the Treasury are Commissioners of an elite international organization that is on record as being opposed to democracy...

This remarkable organization is called the Trilateral Commission. It was founded and funded in 1973 by David Rockefeller...

Until two weeks before Carter's nomination, the Trilateral Commission was headed by Zbigniew Brzezinski, now the National Security Advisor to the President... Brzezinski contrasts himself with Kissinger by noting that Kissinger was formerly an employee of Nelson Rockefeller, while he is an 'associate' of David Rockefeller...

Carter's membership on the Trilateral Commission had its origin in David Rockefeller's desire to install Zbigniew Brzezinski in a high State Department or White House foreign-policy-making role in the Administration taking office in January 1977. It was Rockefeller's feelings that his efforts to construct a post-Vietnam world order were being hampered by Henry Kissinger's neo-Metternichian balance-of-powers approach...

... The multinational corporations now require a President who can be counted on as negotiator, guarantor and protector of their private arrangements. They can no longer leave the selection of the President up to chance — that is, up to the democratic process...

We need not ask Carter whether he approves of the Trilateral Commission's recommendations on limiting democracy. Carter's candidacy is itself an exercise in the limitation of democracy...

Chicago Tribune, *Sept. 1*, "A Squalid Story of Five Banks," column by James Buchanan:

... David Rockefeller is Jimmy Carter's friend at Chase Manhattan whose fingers are in all of the above pies and who served as financial angel of the Trilateral Commission, one half dozen of whose members now run the government of the United States...

The Wall Street Journal, *Aug. 30*, "The SEC and New York," editorial page:

... Like the earlier report of Mayor Beame's own Temporary Commission on City Finances, the SEC report pinpoints human failings... In a way we sympathize with Mayor Beame and City Comptroller Harrison Goldin in their current discomfort... The longer-term misdeeds of former Mayor John V. Lindsay, former Governor Nelson Rockefeller, and a majority of the state legislature also put the city where it is and deserve a similar censure...

Sharks Are Gathering

The following is an interview with a Capital Hill source close to Senator George McGovern (D-S. Dak.):

Q: Where do you think the Lance scandal is going?

A: A close friend of Lance's said he will go soon. People like pollster Patrick Caddell are upset that Carter is tying himself to this. Nothing good can come of it. (Conn. Senator) Ribicoff will heat it up. It will be on the front pages for weeks. Politics will get involved. The Republicans will start to ask for Lance's resignation. It will be an embarrassment to Carter. The White House people won't talk about it. It is a major embarrassment to Carter. Carter is almost like Nixon. It can't help but hurt him. Soon people will look into the \$3.4 million loan to Carter from Lance for his warehouse. There is blood in the water and the sharks are coming.

Q: What does McGovern think about the way Carter has handled the economy?

A: McGovern spent the day a while ago with (New York City) Bronx Borough President (Robert) Abrams touring the South Bronx, meeting with people... He feels we need a massive Marshall Plan program for the cities. Government aid, what Robert Kennedy and Felix Rohatyn tried to do in Bedford Stuyvesant. Rohatyn arranged with the leading institutions to do this. There is no other city doing this except at the Renaissance Center in Detroit. McGovern will talk about this after he returns from the Soviet Union. He will call for this at a major speech he will make to a Black conference. McGovern says that Mondale is distressed at what Carter is not doing, that is why everyone is upset that Mondale is Vice President — he can't speak out. Mondale and McGovern see each other weekly.

Carter's next few months will be difficult. Some people are already looking into the Lance-Carter loan.

Rohatyn Heads Drive For Nazi Economics

Under the personal direction of Lazard Freres' Felix Rohatyn, the banker who butchered New York City, the foulest dregs of American political life have mobilized to impose a Nazi economy on the United States before the end of 1977.

Rohatyn's storm troopers are top Carter Administration cabinet officers, AFL-CIO judas goats like Lane Kirkland, Fabian Democrats in Congress, and the amoral remnants of the black-movement poverty mafia. His program — the subject of a special Cabinet task force, a major theme at the upcoming National Governors Conference, and the content of dozens of pieces of legislation slated for the next session of Congress — is a literal, slavish repetition of Adolf Hitler's economic program. The plan centers on dumping unemployed industrial workers and urban ghetto victims alike into a compulsory labor pool, at below the minimum wage — Hitler's solution to the unemployment problem — through the Humphrey-Hawkins bill. An Urban Development Bank — identical in the last detail to Hitler's "Mefo-Institut" — will circulate worthless paper to finance labor-intensive "energy" projects, ghetto "industrial parks," and pick-and-shovel makework.

In New York City this week, 15 civil-rights movement remnants, including Chicago's Rev. Jesse "Pusher" Jackson, Maryland Congressman Parren Mitchell, and the pathetic Coretta King, met to form what should be called the Lazard Freres Liberation Front. The Carter Administration has "neglected" the inner cities, the unemployed poverty pimps complained in a statement, "demanding" Federal jobs for urban unemployed. The meeting, which announced plans to mobilize desperate black citizens to support Rohatyn's "final solution," was held at the New York City headquarters of Rockefeller house-slave Vernon Jordan of the National Urban League.

Kirkland's Role

AFL-CIO President George Meany gave his blessing to this charade at a press conference Tuesday, saying that his "quarrel" with the Carter Administration was identical to Vernon Jordan's and Jesse Jackson's — the Administration must "make jobs the number one priority."

Meany's chief lieutenant Lane Kirkland, AFL-CIO Treasurer and Trilateral Commission insider, has already paid for advertising time on 1,200 local television and radio stations to advertise for AFL-CIO-sponsored demonstrations next week for the union-smashing Humphrey-Hawkins program. No one at AFL-CIO headquarters would bet lunch money on anything like a respectable turnout for these rallies. Instead, the union federation's treasury is paying for a national media blitz to create the false appearance of worker support for the slave-labor legislation — Dr. Goebbels' "Big Lie" method.

Where the Carter Administration is concerned, this morning's New York Times leads with a "leaked" report that President Carter has been "stung by the recent criticism by black leaders," and "has ordered an urgent

review of Federal urban policy." Treasury documents described by the Times call for the creation of an Urban Development Bank (Urbank), to issue special government-guaranteed bills, and use the money to finance special job-creation projects in deteriorating urban areas. Sources close to the Administration told NSIPS that laid-off steel workers — of whom there may be 100,000 before the industry shakeout is through — will end up in the same concentration-camp jobs. "They'll have to learn to live with a less energy-intensive life style," one fascist said.

Lazard's Felix Rohatyn personally laid out these schemes at a closed meeting of the Northeast Governors' Conference at Saratoga, New York, in late 1976. According to a Rohatyn aide, the fascist banker personally set in motion the plans for carry-through in visits to Washington last month.

Governors' Conference Springboard

Furtive lobbying is underway to turn the Sept. 8 National Governors Conference in Detroit into the springboard for the Urbank-Mefobank and Humphrey-Hawkins schemes. Housing and Urban Development Secretary Patricia Harris, a partner in Lazard's "house" law firm of Fried, Frank, Shriver, and Harris, has scheduled more than a dozen meetings over the next two weeks to push the Urbank scheme with representatives of the Governors Conference and lobbyists for the Association of Counties, the National Association of State Legislators and other organizations.

Meanwhile, the same Carter cabinet officers responsible for the so-called urban policy task force cited by the New York Times — Labor Secretary F. Ray Marshall, Council of Economic Advisors Chairman Charles Schultz, and White House aide Stuart Eizenstadt — are openly collaborating with Lane Kirkland of the AFL-CIO to push the Humphrey-Hawkins legislation.

According to the Lazard scenario, the governors will get the hard-sell for the Urbank slave plan in the form of a conservatively slanted pitch for "energy development" and "national security." Key salesman for the package will be Texas University professor and former Johnson national security advisor W.W. Rostow, who played the same role at the Southwest Governors Conference earlier this month.

The gameplan, according to sources close to Rohatyn, is for Felix to lead the Northeast governors in tow — Rohatyn is already the key policy man for the Conference of Northeast Governors — and for the "conservative" Rostow to guard the southern flank. Friends of Rostow report that he sorts out policy with Rohatyn on the telephone *every day*. Rostow's line is that "the Administration drew back from an all-out energy production effort in the United States." The pair will try to sell the slave-labor provisions of Humphrey-Hawkins, which forces the unemployed to register for whatever work they are ordered to do, and the Rohatyn financial swindle, as a way of solving the national energy problem with picks and shovels. Said a Rohatyn aide, (Energy Czar) Schlesinger called for conversion to coal, but

where are the workers to do the mining, and where is the enterprise to run the operation?"

Watergating

Rohatyn and his co-conspirators at the New York investment banks have no illusions that a combination of caterwauling by poverty pimps, AFL-CIO radio ads, energy swindles directed at gullible governors, and the manipulative talents of Sen. Hubert Humphrey can overcome overwhelming American revulsion against his Nazi program. They are relying on a reign of terror against political groups who oppose them, starting with municipal political machines.

The opening gun in the Lazard drive to wipe out hostile local governments was last week's release of the Security and Exchange Commission's report on New York City finances, which targeted New York's Mayor Beame for intentional deception over the solvency of the city during the 1975 near-bankruptcy crisis. The SEC's hullabaloo over incidents known to virtually every newspaper reader emerged days before the Sept. 8 Democratic primary for the mayoral election, in which Rohatyn is running a pet candidate, Rep. Ed Koch, on a

program of dismantling what is left of city services. Beame had stubbornly refused to hand over the control of the city to Rohatyn's Emergency Financial Control Board, and had stood up to the July New York blackout operation run by Con Ed.

Within the last week, a hail of scandals has broken against city machines in Washington, D.C., Philadelphia, Chicago, and other municipalities that have shown reluctance to walking into the cattle cars quietly. Mayor Washington of the District of Columbia has been the feature of "investigative" articles in the Washington Post, the Lazard family newspaper, alleging widespread corruption. A similar scandal concerning the Chicago education system — which the late Mayor Daley had kept free from bankers' control — was the pretext for a threat by Labor Secretary Marshall to cut off local authority over Federal school aid, and take direct control of the program.

Lazard's manipulations are designed to bail the New York investment banking group it leads out of the current world banking crash, by putting it in position to control the financing of tens of billions of dollars of paper attached to the destruction of the lives of millions of Americans.

White House Plans Youth 'Energy Checks' On Their Neighbors

Greg Schneiders, Jimmy Carter's administrative assistant during the 1976 campaign and known as Carter's closest confidant until he was charged with illegally receiving unemployment benefits while working in his own restaurant, has re-emerged as the Administration's White House Projects Director. His present assignment is to run a campaign to organize the nation's youth into doing "energy checks" on their neighbors' houses as part of Schlesinger's and Carter's energy conservation campaign.

Asked if he weren't setting himself up for a flop with such a program, Schneiders responded in a *Los Angeles Times* interview, "This is a kind of a risky business...but the Peace Corps could have been seen that way. I don't think we should give up on programs of this type just because there once was a WIN program that didn't work, or because *people could misconstrue it to be like Hitler's Youth*" (emphasis added).

The purpose of the program, according to Schneiders, is "raising the awareness and educating the general public on ways that energy can be saved." He said that educating the public to the need to save energy would "reawaken our cultural heritage and the moral and physical health would be improved if individuals became more self-reliant and less dependent on energy-dependent life-styles."

Under the program, high school volunteers and youth groups like the Boy Scouts would be organized to do energy checks with the support of community groups like the Kiwanis Clubs. The

procedure would begin with a check of the outside of the house; then the child would ring the doorbell and inform the occupant of his "score"; then he would offer to do an "inside check" of such items as the water level in toilet tanks." The thing that I want to avoid, obviously," Schneiders said, "is the implication that an army of little uniformed inspectors are going out and checking on people."

One of the groups supporting the project is the Alliance to Save Energy, co-chaired by Senators Hubert Humphrey (D-Ill.) and Charles Percy (R-Ill.). Henry Kissinger sits on its board of directors. A spokesman for the Alliance told a reporter that though a decision on how to help in the "energy check" project had not yet been made, "We are in a unique position to distribute their educational materials and implement without political overtones a program which the White House would have trouble implementing."

The Alliance's "non-political" activities include a state-wide project in New Jersey which they are co-sponsoring with a retail chain called Channel Lumber Companies. The Channel stores will supply free materials to one homeowner a month per store for insulating a home; the Lions and Kiwanis Clubs will provide free labor. Scholarships will be awarded by Channel to children who write the best piece of propaganda or make the best poster which shows how to conserve energy. The project will be given national prominence on Sept. 20 when Gov. Burns of N.J., Sen. Harrison Williams and a White House representative will kick it off in Newark.

Rohatyn Leads Attack On Urban Political Machines

On Aug. 31, Secretary of Labor Ray Marshall announced that the Labor Department had set up a "special review staff" to investigate alleged violations of department laws and regulations. This new unit is patterned after the one investigating Teamster Pension Fund "abuses," an investigation which is an attempt by the Justice Department to break that union.

With its new unit, the Labor Department will be investigating "abuses" by major city governments in their use of federal CETA funds in a direct attempt to break the cities of any resistance to the Administration's "urban policy" — the policy of bankers' dictatorship and Schachtian slave labor pioneered by Felix Rohatyn.

Investigations have begun in Chicago, Atlanta, Gary — and of course New York City.

The new Labor Department gestapo is the latest feature of a campaign by the Rohatyn Nazis to end right now the power of the urban political machines — structures which have traditionally kept the nation's big cities Democratic, but which now stand in the way of the level of austerity demanded by Carter-Mondale, Rohatyn and their Lazard Freres and Rockefeller backers.

Rohatyn personally announced the beginning of this assault two weeks ago in a *New York Times* op-ed entitled, "Indeed, the 'Moral Equivalent of War.'" "Our cities... will not 'go gentle into that good night,'" Rohatyn enthused. "Let us try to create an economic and social chain reaction."

Just days after Rohatyn's declaration of war, the revamped Securities Exchange Commission (SEC) released a massive report documenting alleged improprieties in the "disclosure" of the "true facts" concerning New York City's financial viability. The report specifically charges Mayor Abraham Beame with improprieties, saying he failed to inform both the public and prospective investors in city securities of the city's dire financial condition prior to the fiscal crisis of spring 1975. The timing of the report's release and the ensuing media coverage show, however, that its real purpose has nothing to do with "improprieties." The report appeared just two weeks before the Democratic mayoral primary. Immediately, every media outlet in the city declared Mayor Beame a liar and crook, a "corrupt political boss" unfit for re-election.

As Rohatyn's op-ed makes clear, the lower Manhattan investment house crowd cannot tolerate another Beame administration. Although he has dutifully imposed the banks' dictates of massive austerity and cutbacks in New York over the past two years, Beame has refused to relinquish elected city government to the absolute control of Rohatyn's Municipal Assistance Corporation (MAC) or the Emergency Financial Control Board (EFCB). He has drawn the line on further cutbacks of city services, and at one point even demanded that maintenance of vital services take priority over debt service payments. What Rohatyn is pressing for is a beefed-up EFCB to totally run the city, with the new mayor being a mere figurehead who will quietly acquiesce to Rohatyn's plans.

Those plans call for further cutting of the standard of living of New York's population, the relocation of ghetto and unemployed layers to "industrial parks" and energy projects at below minimum wage levels. Key to this goal is the complete cooperation — or obliteration — of the trade unions. While such outright labor agents as Victor Gotbaum and Jack Bigel conspire toward this end in the Bankers-Labor Working Group, most of the unions' leadership and rank-and-file have endorsed Beame, who is the only Democratic candidate with significant labor support. A Beame victory, then, would severely hamper Rohatyn's plans.

As of this writing, Abe Beame is fighting back, albeit defensively. Correctly terming the SEC report on New York City a "hatchet job", he charged the banks with being the real culprits in New York's crisis when they dumped city securities and abruptly shut the city out of the bond markets. He has scandalized his "clean" *New York Times*-endorsed opponent, Mario Cuomo, by revealing that a member of a top law firm that is backing Cuomo participated in the writing of the report. He has also charged the SEC with political motivation because of its failure to release a report on an investigation of the bankrupt Urban Development Corporation, a report that would implicate then-Governor Nelson Rockefeller on the same charges of which Beame is accused.

The Labor Department Offensive

Rohatyn and Mondale have activated another front to finish off the labor-traditionalist machine alliance and

SEC On Warpath

In addition to the Securities Exchange Commission's New York City report, the SEC is also hitting 450 bank holding companies with "queries" about loans to company officials and executives, in the wake of the Lance banking scandal. At the same time, the *Wall Street Journal* reports that the SEC is going after "public companies whose executives are able to obtain loans on particularly easy terms." The investigations have the objective of watergating both politicians and banking executives who refuse to acquiesce to the Reuss-Proxmire scheme for a banking reorganization that is to serve as key to a bailout of the debt-ridden dollar monetary system.

Simultaneously, the SEC is conducting what one agency official calls a "smash-and-grab" enforcement program, designed to scandalize insurance companies and bring them under vastly increased federal i.e., Mondale faction regulation. The SEC action is complemented by similar maneuvers by the Federal Trade Commission, the Department of Justice, and the Senate Antitrust Subcommittee chaired by Senator Edward Kennedy.

then major city governments as a logical extension of their destruction of labor. The Labor Department has already forced Chicago to repay \$1 million of CETA money to the federal government because 438 workers had been hired via "political favoritism" and "patronage". Marshall has mooted a total federal takeover of the jobs programs, which would be a blow to both the unions and political machines. In addition, records from the Chicago investigation have been sent to the Justice Department "for review" — a move clearly designed to intimidate both union and city officials. Marshall himself virtually admitted the bogus nature of the investigation when he said that most of the same 438 Chicago workers would have been hired anyway even if the federal government had been running the program.

Other Attacks on City Government

New York and Chicago are only the leading examples of a total onslaught on elected state and local governments and unions.

* In Maryland, the watergating and conviction of Governor Marvin Mandel is pulverizing the traditionalist Democratic machine to such an extent that Baltimore city officials and labor leaders are going along with a major pilot project for low-wage jobs.

* In Washington, D.C., traditionalist Mayor Walter Washington is being hit by operatives of the terrorist Institute for Policy Studies. Washington, a personal friend of Governor Mandel, is being attacked for advocating a hold-the-line budget. None other than Joe

Rauh — the IPS lawyer who infiltrated the Mineworkers and Steelworkers — is targeting Washington under the guise of a fight for "home rule." One week ago, Cyrus Vance and Hubert Humphrey offered Washington a juicy diplomatic post if he would resign as mayor; now sterner measures will undoubtedly be taken.

* In Boston, the press has daily headlines on Mayor Kevin White's "corrupt" patronage practices, including paying off cronies with judgeships and CETA jobs.

* The Rizzo machine in Philadelphia has been hit with a police brutality scandal and nepotism charges, with attacks centered around the watergating of key state legislators.

* Even Cleveland Mayor Ralph Perk, who has faithfully harbored Ustashi fascists within his government, is being hit with charges of financial swindles daily in the press.

Beame's counterattack and similar defensive efforts by other embattled politicians are guaranteed to fail as long as they remain merely that — defensive. Naming the real perpetrators of the treasonous conspiracy to sabotage the nation's industrial capacity — Felix Rohatyn, Walter Mondale, Griffin Bell, the Institute for Policy Studies terrorist machine — is one vital step to success. The other necessary offensive is a programmatic one to counter the deindustrializers, and here Beame and the rest will find in the U.S. Labor Party's development and banking proposals precisely the ammunition they need to win.

USLP Files Civil Rights Suits Against FBI's 'Fist'

U.S. Labor Party officials announced Aug. 30 that the party is preparing lawsuits under the federal civil rights statutes against named state and local government officials in Michigan and other states who are actively pursuing a campaign of disruption of Labor Party electoral campaigns and organizing. The named individuals to be sued are both witting and unwitting participants in the Carter-Mondale Administration's operations 'Fist' and 'Sweep', run out of the U.S. Justice Department and intended to bankrupt and then physically destroy the Labor Party during the month of September.

USLP officials further reported that the party has already challenged the Justice Department to investigate this conspiracy by filing a formal complaint with its Civil Rights Division, along with voluminous documentation of "reckless disregard and violation of the civil rights of this organization by certain members of the Michigan state and local law enforcement community."

The USLP's complaint alleges, "Our Michigan members, since early August, have been daily subjected to a wide-ranging and relentless campaign of harassment by state and certain local police. Members have been picked up on "I.D. checks," subjected to arbitrary arrest, thrown into jail... held on outrageous bail.... We have been told by certain law enforcement officials that

they have been given orders from the state police to check the I.D. of all Labor Party organizers they see on the street selling their newspaper.

"Coincident with this sudden escalation of arrests, tickets, and warrants, is the amazing proliferation of verbal and physical abuse against our members..."

During the past 72 hours, there has been a marked increase in incidents of violent disruption and illegal police interference in USLP campaign activities in the state of Michigan in particular. Michigan party officials report that illegal interference with campaign activities is currently occurring at a rate above ten incidents per day, with a minimum of six incidents per day involving illegal direct police interference in USLP campaigning. This includes unlawful arrests of campaign workers distributing USLP publications on such charges as "obstructing traffic," and police threats of arrest causing disruption of campaign activities in specific locations. In addition to direct police harassment, USLP campaign activities are subject to disruptions several times per day by groups and individuals including followers of the CIA-linked Rev. Sun Myung Moon and by security guards in the employ of the United Auto Workers (UAW), such disruptions have included physical attacks, as well as a pattern of sexual molestation of female campaign workers. Yesterday alone, three USLP campaign organ-

izers, including Melvin Brown, USLP candidate for mayor of Detroit, were subjected to physical assaults.

Elsewhere across the U.S., the illegal harassment of USLP members and party electoral campaigning planned to complement the Justice Department's 'Fist' and 'Sweep' financial warfare deployments against the organization has continued. Local police in Milwaukee, Wisconsin have shut Labor Party organizers out of all shopping centers and traffic intersections across the city. Chief of Police Briar refuses to meet Labor Party executives and discuss this unconstitutional action on the part of his officers. In Buffalo, N.Y., UAW goons have threatened Labor Party members at organizing sites while Labor Party sympathizers within the union are indicating pressure from the bureaucracy to drop their commitments for funds and support.

Another in the string of burglaries against USLP members took place yesterday in New York City. The Washington Heights home of Labor Party Chief of Security Paul Goldstein was robbed of several appliances early yesterday evening.

A spokesman for the Labor Party commented today, "These unlawful actions are in direct violation of party members' and supporters' civil rights under Title 42 United States Code Sections 1983 and 1985 which prohibit such harassment of persons exercising their constitutional rights. The conspiracy to commit such actions threatens irreparable damage to U.S. Labor Party electoral campaigns and vital functions of the organization as a whole. Our lawsuits will name the names of specific individuals against whom we have documented proof of their involvement in this criminal plot."

Koreagate Victims Bribed By Justice Department

This week's leaked report that Korean businessman Tongsun Park has been indicted by a "secret" federal grand jury is designed to sow additional paranoia among Congress, where some 120 members have been identified in the press as supposedly accepting "favours" from Park in the ongoing House Ethics Committee investigation headed by former Watergate Prosecutor Leon Jaworski.

Park's reportedly "sealed" indictment whose counts have not yet been made public, came just days after high level sources in Washington revealed that Jaworski's position as Special Prosecutor was arranged by the Carter-Mondale Administration to expedite "Phase Two" of a blackmail operation of prominent Congressional leaders.

The sources reported that Congressmen supposedly approached by Park and offered "buy money" — money to buy information — were in fact approached by employees of the U.S. Justice Department. The Justice Department provided the "intermediaries" for Park's bribery, engaging in illegal entrapment specifically to create the "evidence" now at Jaworski's disposal for blackmailing anti-Administration congressional leaders.

Jaworski set the tone for the "clean-up" phase of the Koreagate scandal before the Ethics Committee's first hearings since his appointment; House Speaker Tip O'Neill (D-Mass) sounded off before committee members, warning that "those who believe that the investigation will 'blow over' should 'take closer look.'" Timed to coincide with the Aug. 26 grand jury indictment of Park, Jaworski launched a series of calls for the South Korean government to extradite Park currently in Seoul after a months long stay in London, for full "cooperation" with the committee investigation.

Whether or not the ensuing press barrage, led by Katherine Meyer Graham's *Washington Post*, calling for

Park's extradition to the U.S. will be successful remains to be seen. It is clear, however, that Jaworski and company intend to trumpet Park's indictment as "evidence" that Congressmen linked to Park indeed acted illegally.

Suzi's Revelations On O'Neill-Park Affair

A curious twist has been added to the already numerous intrigues involved in the Koreagate scandal, this time implicating House Speaker O'Neill as intimately involved in dealings with Tongsun Park. While O'Neill's name was mentioned in the media previously, press outlets in the *Los Angeles Times* and the *Washington Post* have featured O'Neill prominently as collaborating with Park. Jack Anderson and Les Whitten wrote in their syndicated column entitled "Glamour Girl Enlivens Korea Probe" that "O'Neill and South Korean wheeler-dealer Tongsun Park were so close...that Park's staff frequently chased him down in the Speaker's office." The columnists were reporting on testimony given by Suzi Park Thomson, former aide to Carl Albert, retired Speaker of the House, before an Ethics Committee closed hearing.

Thomson's revelations, solicited by Republican freshman Bruce Caputo of New York, have caught Tip in a compromising position at a time when the Administration most needs his expertise in cajoling Congress to ram through numerous domestic fascist programs.

What remains to be seen in the ensuing scramble for cover is whether Vice President Walter Mondale will rush to the aide of his erstwhile friend O'Neill, or if he'll let him squirm while the aspiring presidential candidate picks up the pieces from O'Neill's machine.

Who Is Tongsun Park?

Tongsun Park, the Korean businessman who figures as the central agent of the Koreagate Congressional bribery scandal, is an agent of the Rockefeller-run "right-wing" intelligence networks of the Buckley family.

That is the only conclusion that can be drawn from a massive exposé of his connections to the Korean Central Intelligence Agency (KCIA) published in the *Washington Post* on Aug. 28. The intention of the *Post* article, in preparation for several months now, was to definitively prove Park's ties to the Korean government and his role as Korea's "agent of influence."

The *Post* exposé provides a detailed breakdown of Tongsun Park's operations dating back to the early 1960s, from which emerges a picture of Park, not as simply a money-grabbing hustler (which he is), but as an intelligence agent. The *Post* goes to great lengths to prove that Park is an agent of the KCIA — but, despite themselves, they prove something quite different. Through the 1960s, Park was tied into various U.S.-based organizations whose control and leadership is entirely composed of certain right-wing circles, such as the Young Americans for Freedom, known to be part of the Buckley family apparatus. Individuals tied to Park as his controllers include such notables as CIA agent E. Howard Hunt of Watergate fame, and a variety of lesser figures of the same genre. In addition, Park is revealed to have received money in 1960 from the Asia Foundation, a Rockefeller-founded operation infamous as a conduit for CIA monies, which was involved, as was Tongsun Park (then a "student leader"), in running the so-called "student revolt" which overthrew the Korean regime of Syngman Rhee in 1960.

Wall St. Penetration of Korea

The *Post* story also provides confirmation of a much larger and more devastating story: the long history of Wall Street-New York Council on Foreign Relations (CFR) operations in South Korea. As the *EIR* first revealed last April, the Wall Street crowd's Koreagate scandal, besides being designed to terrorize Congress, was aimed at overthrowing a circle of Korean nationalist leaders who form an influential part of the regime of President Pak Chung Hee. These nationalists have extensive ties to certain Japanese and U.S. industrialist circles who have backed an industrialization policy for that country against the policies of Wall Street to maintain Korea as an easily manipulated rural nation.

The CFR crowd, as the *EIR* pointed out, opposed the May 1961 military coup in South Korea which brought to power a group of young officers largely outside U.S. control. The coup shocked Wall Street, which at first tried a counter coup, and failing that attempted to take it over from the inside — an operation in which U.S. agent Tongsun Park played a key role.

The *Post* article quotes Peer De Silva, the CIA station chief in Korea at the time of the coup: "(Washington) knew virtually nothing about Pak Chung Hee and Kim Jong Pil and the other 'Young Colonels' involved in the coup. They came down out of the trees, as far as Washington was concerned... Washington thought they were all Communists, particularly Pak Chung Hee. He

was one of five brothers one of whom was a North Korean Communist general." As the *Post* reports it, the officers were eager to prove to Washington that they were not communists and sought contacts with the U.S.

Conveniently enough, there was Tongsun Park, an eager and ready contact with precisely those conservative anti-communist circles in the U.S. the officers wanted to reach. Park had already established his credentials through a stay in the U.S. in the late 1950s, where he attended Georgetown University in Washington. Park was from a prominent business family, his brother having been an aide to Syngman Rhee's Prime Minister Chang, who succeeded Rhee as President. As the former CIA official De Silva recounts it, Park had all the attributes — polish, good English, and alleged connections to influential U.S. circles — to make him useful to the colonels. While it is more likely the officers were consciously using Park, knowing his ties, he was able to insinuate himself to the point where he helped arrange the schedule for the visit of Kim Jong Pil, one of the leaders of the coup and first director of the KCIA, to the U.S. in 1962.

Who Park really was becomes abundantly clear from looking at his 1960s activities. In 1964, Park helped set up in the U.S. an anti-communist group called the International Youth Federation for Freedom (IYFF), a U.S. intelligence-controlled organization run out of the Buckley networks. Involved in the IYFF with Park were M. Douglas Caddy, a classmate of Park (and likely his recruiter) at Georgetown and an associate of E. Howard Hunt, having shared an office with Hunt in the CIA front public relations firm, Robert R. Mullen and Co., which was a headquarters for the Wall Street Watergate operation against Nixon. Caddy was also a YAF leader and several other IYFF leaders were also YAFers with extensive CIA links — that is, the Buckley wing of the CIA. Hunt himself was CIA station chief in Japan, a headquarters for agency operations throughout the Far East, during the 1950s.

Moonie Connection

Park was recruited into a massive network of violent Nazi-type anti-communist operations in the Far East, a network which spawned the so-called Unification Church of Rev. Sun Myung Moon. The IYFF itself is evidently a part of a group of organizations which includes the World Anti-Communist League and Asian Peoples Anti-Communist League, both Far East-based organizations tied to Hunt and Ray Cline, the ex-CIA director who was station chief in Taiwan from 1958 to 1962. The Moon organization comes out of these groupings.

Prominent Buckleyites tied directly to Moon include Richard Viguerie, who did "fundraising" for the Moonie front, the Korean Cultural and Freedom Foundation, and Lee Edwards, a former YAF leader and Goldwater aide, who ran the Moonie Freedom Leadership Foundation.

Park was detailed as part of an effort directed out of Wall Street through its Buckley networks to retake Korea from the colonels, particularly Kim Jong Pil. Park's efforts led up to his setting up the Koreagate scandal. At this moment Park is in Seoul, leading to calls for the

Korean government to “turn him over” and for economic sanctions to be taken against the Koreans should they refuse to illegally extradite him.

The Koreans, particularly those nationalist elements who should know better, are stupidly continuing their

role as dupes, unable to distinguish yet between pro-growth conservative allies in the U.S. and the Buckley operation.

— Daniel Snieder

Carter Drug Proliferation Policy Goes On Trial

The growing scandal of CIA-sponsored mind-control drug experiments, and former Vice President Nelson Rockefeller's participation in designing those experiments for the Department of Health, Education, and Welfare and the CIA in the 1950s provides a direct departure point for the motivation of the Rockefeller family's even deeper involvement in mass drug control in the 1960s. It was under Rockefeller Foundation direction and Nelson Rockefeller's personal supervision that a significant portion of the American population has been addicted to drugs, through methadone maintenance programs. Now the Carter Administration, with pot-smoking Peter Bourne as its chief advisor on drug policy, is taking the first steps, through a policy of “decriminalization” and drug proliferation, to extend drug dependency to the entire population.

It is this Rockefeller designed program for a Clockwork Orange-style controlled population that is the subject of a libel trial in Baltimore this week. In a lawsuit entitled *Grenville Whitman v. U.S. Labor Party*, the chief organizer of one of the nation's pilot methadone-maintenance programs is suing the U.S. Labor Party for libel, citing a Labor Party leaflet that described Whitman's organizing for the spread of methadone maintenance and called him a “fascist” and a “murderer.”

The question at issue in the trial will be: Do the Carter Administration-backed supporters of drug proliferation have the legal right to suppress every accurate characterization of the origins and effects of their policies?

As director of the Man Alive methadone clinic, Whitman was from 1969 to 1974 at the center of an effort, established by Rockefeller experts Dr. Nyswander and Dole, to spread methadone use in Baltimore, targeting particularly the prison population and walk-in “volunteers.” With no medical knowledge of the effects of methadone, or of the safeguards which must accompany its administration, Whitman conducted a major “outreach” campaign proselytizing for the advantages of permanent, controlled drug addiction through the use

of methadone. Whitman himself said in a deposition, in reference to his ignorance, “Well, the one-eyed man in the land of the blind is king.” He claimed that no medical knowledge was required for him to urge people to join the Man Alive program.

In fact, of course, Whitman's sole qualification for the directorship of Man Alive was his career as an organizer in a variety of “community control, self-help” schemes and his direct connections into Institute for Policy Studies “radical,” terrorist-related networks, like the Berrigan brothers, for whom Whitman headed a defense fund effort.

As the U.S. Labor Party will prove in court, methadone is a killer — the number of methadone-related deaths exceeds even those related to heroin — and that, further, methadone was originally developed in Nazi Germany to facilitate the subjection of the working population to slave-labor conditions. In their initial studies of methadone maintenance, Nyswander and Dole extol exactly the qualities of the drug that the Nazis found useful: methadone users are capable of routine, physical labor for extended periods of time,

This year the mind-destroying proposals of Peter Bourne and his ally the National Organization for the Reform of Marijuana Laws (NORML), for decriminalization of marijuana were defeated in six states, directly as a result of a mobilization of antidrug forces by the U.S. Labor Party. However, Bourne and his drug-pushing associates have made it clear that their drug proliferation policies will continue to be pushed and that they even include the legalization of heroin “when the population is ready for it.” Bourne, Whitman, and his Institute for Policy Studies associates are “readying” the population for drug addiction and dependency by moving to eliminate the scientific, political opposition to their policies. As part of that campaign, Whitman's attorney, IPS-connected Philip Marcus, has vowed he will “drive the Labor Party out of Maryland.”

It is drug proliferation which will be on trial in Baltimore this week.

Luxemburg To Become New World Gold Center?

Leading West German banks plan to establish Luxemburg as the premiere world market in gold bullion, according to the *Frankfurter Allgemeine Zeitung* Sept. 1. The West German daily reports that new tax laws to take effect in January 1978 will open up the Luxemburg banking center—West Germany's leading "off-shore" center—as a gold market to rival London and Zürich. In addition, the newspaper said, the German banks' operations in the smallest member of the European Community will draw off Eurodollar deposits from London and the Cayman Islands, and turn the West German foreign operation into the major new source of commercial banking lending to developing countries.

GOLD

Banking specialists at the Deutsche Bank and Dresdener Bank in Frankfurt confirmed the accuracy of the article but refused to elaborate further. However, authoritative gold market sources in Johannesburg and New York City report that the German banking operation the *Zeitung* reports is a relatively modest view of a much broader West German and French plan to re-introduce gold as a monetary reserve. A leading exponent of the plan was Dresdener Bank chairman Jürgen Ponto, murdered by Interpol's Baader Meinhof gang at the end of July.

West German banks have been accumulating gold steadily since early this year, including purchases on the account of Kuwait and other Arab customers. The main sources of their gold supplies—apart from Dresdener's regular purchases at the IMF auctions—has been the Zürich gold market, which absorbs roughly 60 percent of South African gold output. Dresdener works closely with the Union Bank of Switzerland, whose former chairman, Alfred Schaeffer, is one of the inner circle advisors to the Saudi Arabian Monetary Agency.

For obvious reasons, the Arab gold purchases have been conducted with the utmost secrecy, since all such deployment of Arab oil revenues is linked to monetary-political bargaining with the EEC countries and the Soviet bloc over monetary re-organization scenarios. Johannesburg gold market sources believe that the scandals surrounding the Banque Leclerc, Credit Suisse, and other leading Swiss banks earlier this year were directed by Lazard-Freres networks in New York, London, and Italy to sabotage the gold operation. The Credit Suisse scandal, which involved allegedly unmonitored and excessive loans to a Milan company, Winefood, culminated in the appointment of Lazard

partner Rainer Gut to the chairmanship of the huge Swiss bank. Winefood is controlled by Italian financier Michele Sindona, the arch-enemy of Lazard Freres' prime Italian collaborator, Enrico Cuccia of Mediobanca.

Since the Swiss banking scandals provoked changes in the management of key institutions, and demands by several of the European socialist parties for elimination of Swiss banking secrecy, the Swiss market became a security risk for the Arabs, South African sources say. The West Germans then began to shift operations to Liechtenstein under tighter security conditions and continued operations with the medium-term objective of replacing their share of the Zürich market with a Luxemburg gold exchange.

Although Dresdener and the Union Bank of Switzerland are the premiere banking houses conducting business with the Arabs, there are strong French, Italian and Soviet inputs. The now-defunct Banque LeClercq managed the personal fortune of the family of French President Giscard. Otherwise there are several levels of Franco-Swiss and Franco-German cooperation in gold affairs. Two of the Soviet-owned banks in Europe, Banque de l'Europe du Nord and Banque Nosti (the parent bank of the better-known Moscow Narodny) are involved directly in the Arab gold operation as well, according to well-informed banking sources.

The ultimate objective of the gold market developments noted (as EIR has previously reported) is to bring the European snake back onto a gold reserve, persuade the Arabs to use a gold reserve for their vaunted new OPEC currency, and establish a link with the Soviets' gold-backed transferable ruble.

Although most talk of a major rise in the price of gold or more dramatic developments centers on the end of this year, there are some indications that the game is already afoot. Specifically, a series of rumors have hit the gold market during the last several days including a whopper that someone is offering a huge quantity of gold for sale on the West German market. On Sept. 1, a rumor was released that the U.S. Treasury was prepared to sell 1.6 million ounces of gold—worth \$230 million that day—which sent the market in South African gold shares into a mild panic. The point is that the rumor appeared simultaneously on every major gold market in the world starting at 12:00 noon Johannesburg time. Johannesburg gold market participants undertook their own investigation of the source of these rumors and concluded that the well-timed and coordinated leaks must have been the work of a leading intelligence service.

Obviously, someone is worried about something happening during September.

Chase Formal Bankruptcy Forecast For End Of September

High level financial sources in London and New York stated privately last week that they expect the Chase Manhattan Bank to be thrown into formal bankruptcy some time by the end of September. Factions centered around the relatively solvent Citibank group of international commercial and investment banks have taken steps to nudge Chase over the edge.

BANKING

In the process of negotiating adjustments of debt service and amortization with the two emergency cases among national debtors, Turkey and Peru, Citibank has arranged for Chase to get the short end of the stick. Pursuing the policy first announced as a factional position at the May 1977 international bankers' conference in Tokyo, Citibank wants to establish enough political stability and real economic expansion in Peru, Turkey and other focal countries to ensure, as they see it, fruitful, growing bases for lending and direct investment in the future — letting Chase take the consequences of its grab-and-run operations.

Chase Manhattan has been publicly distinguished in two ways: its preeminence as the worst-managed large commercial bank in the world (a topic of Wall Street talk for at least two years), and its commitment to international debt collection through sheer mass butchery of populations and economic assets. The relation of the first count of notoriety to the second (fully anatomized in EIR, Vol. IV, No. 33) is Chase's penchant for purely speculative loans, rather than the kind of foreign industrial financing, multinational deposit bases, and local-currency lending that have made the Citibank group less vulnerable to Eurodollar blow-outs and more disposed to keep their debtors alive. Chase's deposits have dropped at least \$2 billion between January and August 1977. Owing to interest-rate conditions, they must pay more for the funds they borrow at the same time they have to scrape hard for international lending terms above break-even. The autopsy report is on the desk of even middling-level Treasury and Federal Reserve officials, who have been freely telling congressional aides that Chase is a basket case and should have emulated Citibank's "good assets" orientation. This verdict emerged even before Chase and its friends at Chemical Bank and Bankers Trust appeared at the Fed's discount window two weeks ago for a shocking \$1 billion to meet their Wednesday reserve requirements — prompting *The Wall Street Journal* to observe that Fed discount loans could be denied banks "abusing the privilege."

As EIR reported last week, Citibank has arranged with Peru a debt-payment schedule that favors Citibank's longer-term debt claims over the short-term claims of Chase and others. And Chase has apparently been pre-

empted from political or economic foreclosure on the Turkish economy by a Citibank stretchout of its funding demands against Turkish lira accounts; by a refusal to give Turkey any balance-of-payments financing that might end up on Chase's books; and, as announced Aug. 30, by a half-billion-dollar investment agreement between Turkey and Western European-backed Libya.

Having failed in its buildup toward a Pinochet cold coup in Peru, Chase is stuck with a moronic de facto collateralization of its Peruvian credits against the copper revenues that evaporated over the summer. (Citibank, according to an article in the latest *Business Week* on the dangers of Peruvian debt default, is relaxed about any rollovers or freezes it may have to undertake in Peru.)

On the lending level, Chase is trying to forestall official bankruptcy scrounging for volume loans, like the new \$1 billion syndicated credit to OPEC member Nigeria with a mere 1 percent return above the London interbank rate, to make up for its lack of higher-return claims. This in itself is a mere attempt to prove that Chase is still some sort of bank instead of a grotesque confidence racket.

Still more crucial is a new loan to Portugal — in the name of the International Monetary Fund, but dictated along Chase lines. For a mere \$49 million, Portuguese quisling Mario Soares has pledged to slash wages, cut the state enterprise sector and public subsidies to industries, mortgage Portugal's gold reserves, foster exports in an anti-developmental mode, and devalue the *escudo*.

This is not a grand debt-collection ploy on Chase's part; it is intended to give credibility to the IMF's "conditionality" requirements for doling out its trickle of remaining funds, and it is above all a salami-tactic assault against Western and Eastern Europe — destroying a small but potentially extraordinarily dynamic segment of the continent whose importance was recognized by post facto laments in the French and West German business press.

"In This Age of Atomic Warfare"

On the balance sheets, these coups show up as mere debtors Chase has won a lawsuit against, but whose forced settlements will never begin to restore Chase's standing, much less its actual books. Jacob Javits, during the Aug. 29-30 Senate Banking Committee testimonies, and NATO, in a secret memorandum being now circulated, both specify the Chase final solution in political terms.

First, Javits himself, referring to "this age of atomic warfare," declared verbal war on the U.S. as well as the Comecon. Javits made another threat-tinged bid for petrodollars to beef up the IMF; insisted that for capital to flow into the Third World, any violation of national planning and sovereignty must be accepted; called with rather pathetic stridency for a Western Europe united

under U.S. auspices to replace the "nation-states": and thumped, like most other banking spokesmen at the hearings, on the virtues of the Carter energy program "to cut our dependence on imported oil."

With various nuances, the less ambitious statements of other bankers amounted to the following:

Foreign lending is a problem in spots.

The spots are really the lower-tier First World countries like Turkey.

The \$10 billion Witteveen Fund of the IMF must be approved by the U.S.

And everyone should stay cool.

There was one literary flourish which U.S. Treasury Department has been relaying privately to Congress as well: the U.S. in the 19th century was a big foreign borrower, and a developing country, and look how well it all turned out — this from Chase, simply to prove that "there is nothing wrong with debt in itself," as Un-

dersecretary for Economic Affairs Richard Cooper affirmed first off.

Citibank spokesman Irving Friedman declined to explain to the Senators that with proper arrangements geared toward crash-program industrial and agricultural development, debt can indeed be a useful mechanism. Instead, Friedman mumbled in favor of a \$100 billion IMF slush fund for the banks, and only after questions from the banking committee attacked the Chase austerity slaughter policy, never identifying the policy as Chase's. Formally the hearings' spectrum ranged from Treasury Secretary Anthony Solomon's insistence that everything is under control to Javits' invocation of a world economic catastrophe.

In effect, the hearings were a least-common-denominator plea to keep the IMF afloat, and maintain political confidence in the dollar system.

Proxmire's 'Banking Return' Will Push The Economy Over The Edge

The Securities and Exchange Commission (SEC), allegedly spurred to action by the Bert Lance scandal, asked bank holding companies today to disclose any "sweetheart" loans to executives of companies that have had dealings with their banks or any other improprieties.

BANKING

Like the made-to-order Lance affair, the SEC's sudden, first-ever move is an operation by the Lazard Freres investment house crowd, the principals behind the "Mondale option." It is one more step toward setting up the blackmail and terror apparatus by which to crush any, in particular regional, opposition to Lazard's plans for Schachtian reorganization of the economy. But first the investment house gang must gain control over the nation's banking system and credit supply.

Proxmire's FINE Retreat

The high point of this assault on the national economy is expected to come at Senate hearings, Sept. 13 through 16, into bank regulatory reform which will be directed by Sen. William Proxmire (D-Wis.), the arch-Fabian chairman of the Senate Banking and Currency Committee.

Roy Schotland, a former aide to the House Banking Committee and now a "left-CIA" operative at Georgetown University law school, reported Aug. 30 that banking malpractice scandals built along the lines of the Lance affair will be introduced for the consuming interest of the committee. "Many, many banks are riddled with conflicts of interest," Schotland gloated, "And every congressman has some banking ties."

As the publicity begins to pour in around the scandals, Proxmire, according to his chief banking aide Ken

McLean, will use the atmosphere to motivate passage of his banking regulatory reform legislation, Senate bill S. 711, a threadbare revision of Italian fascist Mussolini's banking codes. "The Lance affair and the like may lead some Senators who were skeptical of supporting the bill (S. 711) to change their minds," McLean threatened.

Proxmire's current bill is less all-encompassing than its predecessor, the FINE (Financial Institutions and the Nation's Economy) legislation and was first proposed by Rep. Henry Reuss (D-Wis.), chairman of the House Banking Committee. Reuss still supports FINE in its original form, which included proposals on "full employment," housing, and slave-labor measures, but Proxmire is more "pragmatic." "The other stuff in the FINE bill may have gotten it bogged down" among conservatives, McLean said, adding that Proxmire's new approach will be instead a "safer" piecemeal implementation of the entire FINE legislation.

The Power To Make Or Break Banks

Consideration of the bare framework of Senate Bill 711, however, shows that it is already much more than a simple foot in the door for the rest of the Mondale crowd's fascist legislation.

Under the terms of the bill, a Federal Bank Commission would be created, headed by a five member board and incorporating all existing regulatory functions of the Federal Deposit Insurance Corporation, Federal Reserve Board, and the Comptroller of the Currency. The powers of the proposed Federal Bank Commission (FBC), while apparently restricted to supervision and regulation, are enormous, including powers of inspection, and final say over mergers, who can buy what bank, where new branches of a bank can be set up, and certain standards of financial soundness!

The powers of the proposed FBC do not stop there. Proxmire would give the commission additional power to

issue heavy fines or jail sentences against bank officers found guilty of bank laws, and to issue cease and desist orders to banks to prevent them from making loans that the FBC considers unsound, no matter what their purpose.

The authority to monitor loans virtually hands the FBC the power to freeze or unfreeze assets, the power to make or break banks.

By such means the Lazard forces behind Proxmire's FBC proposal intend to gain the ability to broker which way the economy is reorganized by having a tight grip over every aspect of the nation's available credit.

The targets have already been selected: the southern banking industry, notably in Texas, and the nation's

savings and loan associations, which are both better off financially than the New York banks, and also strong underwriters of the economy.

"We must watch closely the practices by which banks swallow up smaller local banks; that is partly the question of the Lance scandal," one congressional banking aide said, cooking up a scandal in congressional hallways aimed at Texas banking, which recently has been on a merger spree with large banks picking up smaller banks.

"The American Bankers Association and some bankers are much too strong," Georgetown's Schotland added. Any elected official or banker who disagrees may find himself in jail.

New York Investment Houses Apply Debt Weapon To East Bloc Economies

A secret memorandum is now being circulated among NATO circles by political networks under the control of Lazard Freres and other New York-based investment houses, proposing to cut off credit to the socialist countries unless they accept concessions on arms limitations and imposition of International Monetary Fund conditions of austerity.

SPECIAL REPORT

To enforce the use of the debt weapon, the memo demands that the Soviet bloc be threatened with total cancellation of Western funds, equipment, and supplies for energy-related projects (such as the Eastern European gas pipeline), while Western European countries are kept in line through blackmail threats of U.S. protectionist measures against Europe's exports.

This gameplan, with its implications of trade war and disruption of foreign exchange flows, bears the fingerprints of investment houses, which as such are not concerned with the functioning of the real economy because they own no assets other than dollar-denominated paper.

The idea of using the East bloc debt — which now amounts to about \$50 billion, of which 60 per cent is owed to commercial banks — as a political weapon is not new in monetarist circles. In June 1976 then-Secretary of State Henry Kissinger had proposed to the Organization for Economic Development and Cooperation (OECD) the development of a "systematic work program" on objectives and approaches to East-West trade focusing attention on the "Comecon's growing dependence on Western credit sources." Zbigniew Brzezinski, now National Security Advisor, had predicted at that time that "the U.S. government will be called upon to negotiate, to guarantee, and, to some extent, to protect the various arrangements that have been contrived even by

private business," in his article "America in a Hostile World" in *Foreign Policy* of summer 1976.

What is new in the present monetary offensive against the East bloc is the broad scope of its deployment, its virulent tone, and official endorsement. It has become an issue of life or death.

Following the NATO scenario, diverse policymakers are provocatively calling for the imposition of self-destructive International Monetary Fund "discipline" (in other words, austerity) on the Comecon countries.

Senator Jacob K. Javits was particularly blunt in his Aug. 29 testimony before the Senate Committee on Banking's Subcommittee on International Finance: "We should encourage the Soviet Union and other Eastern European countries to participate actively in the operation of the international economic system by joining the World Bank, the IMF, and other financial institutions Whether the socialist leadership of the Eastern countries likes it or not, those countries are part of the system and we must ensure that they accept their share of the responsibility for its operation The private enterprise system of the developed world simply must be brought into the picture in a massive way."

Echoing Javits, Richard Portes, a London-based think-tanker who is currently a visiting professor at Harvard University, writes in the July 1977 issue of *Foreign Affairs*: "Policy planners must consider the implications of relating international agencies like the IMF to the broader economic and political problems of East-West interaction."

Coordination

To pave the way for such an IMF intervention, Lazard and related forces expect first to "coordinate" the available information and lending policies of the Western nations — i.e., bring into line the Western European countries otherwise willing to expand their cooperation with Comecon. The Bank for International Settlements

(BIS) has begun to work through central banks in major countries to get their commercial banks to give a maturity breakdown of positions with Eastern Europe. The Berne Union (International Union of Credit and Investment Insurers) has also just begun to seek information on maturity structures from its members, as has the OECD Export Credit Group.

This takeover of the lending policies of all Western countries by supranational institutions through the code-words of "information gathering and sharing" is seen by the Lazard forces as a first step. The second would be to require information directly from East European borrowers themselves, under the rubric of "Basket Two" of the Helsinki Agreement. Writes Richard Portes: "Would lenders not be far better off if they were to require this information from East European borrowers themselves? This ought to be enforceable by agreement among the major Euromarket banks (possibly under instructions from their regulatory authorities, guided by the BIS) and the Berne Union members. It is not punitive or discriminatory, since it would be demanding no more than any LDC (less developed country) gives to the World Bank-IMF. 'Basket Two' of the Helsinki Agreement stipulates freer flows of economic and commercial information, and that is just the sort of thing that socialist planners ought to expect capitalist lenders to want to know." This cynical statement is self-revealing: the purpose of the Lazard-NATO operation is to reduce the independent East bloc countries to the status of IMF-controlled Third World territories. "Economic and commercial information" is to be used as a weapon equivalent to "human rights."

To justify that strategy, the Wall Street-based banking institutions stress that the East bloc countries' year-end net debt ratio to hard currency exports is presently no better than that of the most indebted Third World states. For example, at the end of 1976, the ratios were 340 per cent for Bulgaria, 270 per cent for Poland, 230 per cent for East Germany, and 200 per cent for Hungary, figures comparable to those of Argentina, Brazil, Peru, and Chile. Richard Barnet, one of the directors of the Institute for Policy Studies — the Lazard forces' base for terrorist operations and penetration of East bloc countries — bluntly commented, "Poland is like Zaire."

Although such a statement is entirely wrong in terms of real production (the East bloc countries still have the highest rates of growth and better rates of investment than all Western countries except Japan), it is somewhat correct in terms of financial relations as dictated by the dollar system. If the socialist countries continue to accept the rule of the dollar system, the payment of their debt will become an unbearable burden by 1980; it is already impairing their conditions of economic growth.

For example, even the Soviet Union is reducing its equipment imports from Western countries in 1977. Soviet imports from the West only reached \$3.38 billion for the second quarter of 1977, as against \$4.08 billion for the second quarter of 1976.

Countries like Poland now have problems in getting additional medium-term credits on the Euromarkets, where the U.S.-based international banks want more "economic and financial data." To repay part of their debts, Poland, the Soviet Union, and a number of other

East bloc countries have been relying heavily on short-term bank credit — a very dangerous trend.

Worse, the conditions of a \$350 million loan worked out by the London subsidiary of Chase Manhattan for the development of the Polish copper industry are said to be unprecedentedly rigorous. According to the Aug. 31 *London Financial Times*, "Poland is to make significant concessions to Western banking practice as part of the terms of the loan." First, Poland will reportedly agree to concede more information on the project, to which the loan will be directly tied on a self-liquidating basis — repayments will be made out of hard-currency proceeds from the sales of the produce of the copper mine to be developed. Second, the Polish industry has apparently agreed to what bankers call a "restricted drawdown" — it will take up the loan in parts, when it has proved to the banks that the project in which the money will be invested has reached predetermined stages. This implies annual on-site controls by teams of banking analysts, a very dangerous step toward the Lazard forces' dream: IMF missions to Warsaw, Budapest, or Sofia, prescribing stabilization plans as they now do with Peru or Turkey.

Opposition

The looting operation prepared by the New York-based investment houses is nonetheless meeting opposition in both the East bloc and Western Europe. Industrialists in France, West Germany, and Italy, together with East bloc officials, are very aware that East bloc indebtedness is not an economic problem, and believe that "repayment" should be based on East bloc exports to Western countries and triangular development projects involving Western Europe, the Comecon, and the Third World sector. The real problem is that *within the confines of the dollar system* there is and can be no capital formation and economic development in Western Europe. Therefore, the Western European countries are unable to absorb the economically much-needed new exports from the Comecon, in turn depriving the Comecon of the currency resources to pay its creditors.

The final and only solution to the dilemma is of course a new monetary system, based on credit for development only, and including both the Eastern and Western worlds. The problem of the debt would be then solved within an expanding total economic output matching and overtaking the pace of credit issuance.

This solution has been under discussion for many months by West German, French, Italian, and East bloc officials, in terms of a future gold-pegged transferable ruble. These officials are also studying the U.S. Labor Party Chairman Lyndon LaRouche's proposal for an International Development Bank based on a gold monetary unit to back hard-commodity-only credit issuance.

But the East-West negotiations to that effect are still stalled, opening the field to the counterinsurgent projects being pushed by Lazard factioneers. The common denominator of such projects is the proposal to maintain the dollar-denominated world monetary system under more or less sophisticated cosmetic covers labeled "new world monetary order." Richard Portes refers to this when he writes, "We should seek to bring the East European countries themselves as active participants into the current

discussions of how the international monetary system will handle the increasing volume of debt."

This "soft" approach amounts to the final imposition of "IMF discipline without calling it by name," as mooted by Kremlinologist think tanks in Harvard and Taft Universities. The conduit used to channel this line into the East bloc itself is the traditional British-Lazard-Rothschild network in Hungary, Poland, Rumania, and so on. The groupings in this network are tied to equivalent operations in Italy, including such figures as Enrico Cuccia, Eugenio Cefis, and Giovanni Magnifico.

An article by Polish economist Zabielski in *Foreign Trade* and recent proposals emanating from a bankers' Conference organized in Lucca, Italy, by Rothschild-Lazard allies reveal this "soft" operation, which is also reflected in the "liberal" attitude of the Institute for Policy Studies concerning the debt issue. Zabielski proposes East-West joint stock banks on the basis of profit-sharing to be created in some neutral place like . . . the City of London, which "has the power to raise credits on the Euromarkets." Not a word is said by Zabielski on a new monetary unit or on investment programs; his only preoccupation is debt-payment *on the present terms* — a clear indicator of whom he is speaking for.

Cheap Traps or Profitable Trade

Up to now, the otherwise stalling conservative West European forces do not seem to have fallen into such cheap traps. At an OECD meeting in Oct. 1976 which discussed the East bloc debt, the French delegation simply denied that there was any problem, correctly implying that the exercise was part of a scheme to take some of its capital goods export markets. Similarly, the West Germans want to develop East bloc purchases whatever

their debt structure, because Eastern Europe is now absorbing more than half of West Germany's exports of capital goods and provides the largest part of its overall trade surplus.

Following this positive approach, the West German Dresdener Bank has just granted a 2 billion mark credit to Poland (about \$850 million) without any of the drastic conditions imposed by Chase. The "gentlemen's agreement" of June 1976, setting basic minimum terms for loans to all countries, including Eastern Europe, has already been discarded not only by France and West Germany, but also by the United Kingdom, which announced in December 1976 a major prospective deal with Poland offering "very favorable financial terms" in a framework avoiding the guidelines.

Interestingly, most of the official export credits granted to Western Europe are from five countries: France (32.7 per cent of the total), West Germany (29.7 per cent), Italy (11 per cent), the United Kingdom (6.9 per cent), and Japan (8.4 per cent). This debt, linked to the delivery of equipment and services, should be maintained within the framework of a new monetary system. By contrast, the holdings of U.S. banks are commercial obligations (directly or through the Euromarket) and most of them, being unlinked in fact to real operations and used only for debt payment, should be either frozen or written off. The purchasing power freed in the East bloc would in turn be used for mammoth imports of Western European and U.S. products, after the elimination of the Malthusian limitations of Eximbank lending and guarantee authority for Eastern Europe imposed in 1974, which has only favored the banking institutions active on the Euromarkets.

Corporate Data Exchange:

Terrorist IPS Computerizes Its Enemies List

The Corporate Data Exchange in New York is compiling a complex computerized grid of international corporate leaders and major stock holders, using funds from the terrorist-controlling Institute for Policy Studies and legal assistance from the terrorist-linked law firm of Rabinowitz, Boudin and Standard. The purpose of the grid, which is being programmed on Columbia

CORPORATE AFFAIRS

University computers, will be to facilitate the identification of key individuals to be targeted by terrorist assassins. Maoist environmentalist gangs, so-called public interest Naderite attorneys, the SEC, the Justice Department, and allied congressional committees. These apparently disparate groups in fact operate as part of the coordinated strategy of Wall Street interests—under Rohatyn, David Rockefeller, Henry

Reuss (D-Wisconsin) and Brown Brothers Harriman's Robert Roosa—to smash all resistance to their zero-growth schemes. By eliminating key enemies this faction intends to enforce austerity and labor-intensive deindustrialization on the advanced sector as a way of forcing sufficient liquidity to salvage its bankrupt financial institutions.

The *New York Times* provided gratuitous publicity for the Corporate Data Exchange August fourteenth under the head "Who Owns U.S. Business? Slowly the Word Comes Out." The occasion for the article was the completion of the Exchange's first major project, a 350-page analysis of ownership of the U.S. transportation industry, that identified certain European stockholders previously unknown to the probicycle opponents of modern, energy-intensive modes of transportation. Future Exchange studies will focus on agri-business, private banks, law firms, debt securities, and various industries.

The Corporate Data Exchange was set up in 1975 by former members of the North American Congress on

Latin America (NACLA) a 1966 project of the Institute for Policy Studies penetration and espionage against anti-U.S. political forces in Latin America. Michael Locker, president of the Exchange, founder of NACLA and is a close friend of Institute director and terrorist controller Richard Barnet. Recently Locker participated in the Linowitz report on Latin America, a blueprint for exacerbating regional conflict.

Assassination Is Goal

According to Locker, the carefully detailed reports on individuals linked to the Exchange studies will be particularly useful for people who want to "put pressure" on these targets for environmental, or other "public interest" reasons by stockholders derivative suits or by what he called "other means." Of particular interest to Exchange clients, Locker said, are individuals with ties to corporations with investments in South Africa. It could be noted that Jürgen Ponto, recently assassinated by the Baader Meinhof terrorist gang, had been one of the leaders in establishing a prodevelopment basis for the South African economy that would pre-empt the race riots scenario fostered by Institute agents working through the London and South Africa-based Institute for Race Relations and London's Tavistock Institute. Before his murder Ponto was subject to an Exchange-type targeting as a "dangerous capitalist" by Institute-controlled "leftist" groups in West Germany.

In 1975 Locker personally recruited his "old friend" Michael Standard, of the Rabinowitz and Boudin law firm, to represent the Exchange. The firm is an open supporter of international terrorism. As counsel to the Cuban government it has coordinated the laundering of "left CIA" Weatherunderground terrorists through Cuba to give the group a credible communist cover. Leonard Boudin's daughter, Kathy, is a member of the Weatherunderground, which maintains close ties with its European counterparts, the Baader-Meinhof gang. The Baader Meinhof gang has also received legal assistance from the firm.

Terrorist Funding

Funding for the Corporate Data Exchange has come from the Institute and its international arm based in Holland, the Transnational Institute; the World Council of Churches; the United Methodist Church; the Samuel Rubin Foundation; Charles Pillsbury, an attorney and heir to the Pillsbury Foods fortune who backed the anti-technology "Project Honeywell" during the Vietnam War; and Senator Lee Metcalf's (D-Mont.) Subcommittee on Reports, Accounts, and Management

which gave the group \$3,500, part of Senator Abe Ribicoff's (D-Conn.) Government Operations Committee.

The Exchange has also received \$1,500 from the Amalgamated Clothing and Textile Workers Union to profile and identify the major holders of the J.P. Stevens Co. targeted by the Institute for a Maoist organizing effort. Previously the Union provided funds to the terrorist Revolutionary Union to organize a nationwide strike against the Farrar Company.

The Samuel Rubin Foundation includes on its board of directors one Peter Weiss, chairman of the Institute for Policy Studies and director of the American Committee on Africa, and Victor Rabinowitz, a major funder of the terrorist networks.

The Geneva-based World Council of Churches grew out of the former Federal Council of Churches which during World War II was a base for Anglo-American intelligence operations against the Soviet Union used by Allen and John Foster Dulles among others. The seed money for expanding the Federal Council of Churches into the World Council of Churches came directly from John D. Rockefeller, Jr. who donated the first million in 1946. Today the Council serves as a laundry for Ford, Rockefeller, and Russell Sage Foundation money pouring into various counterinsurgency, zero-growth operations.

The cofounder of the Exchange is Steve Abrecht also former NACLA member, Abrecht, whose father was a top official in the World Council of Churches, attended a Council conference in February in Geneva on Multinational corporations that plotted anti-industrialist strategy, focusing particularly on South Africa. Abrecht claimed in a recent interview that in particular the Holland-based ABM Bank, the largest bank in Holland and is a large lender to South Africa.

Through the Council officials Diogo de Gaspar, head of the Council's program on transnational corporations, and George Todd, head of their urban industrial mission, Abrecht arranged funding for the Exchange.

The Exchange dossiers will be used in a carefully coordinated deployment of corporate watertightening activities in Washington, D.C. through the SEC, now reportedly preparing over 300 criminal indictments against prodevelopment industrialists. Others involved in the watertightening are Senator Kennedy's antitrust subcommittee, Mark Green, head of Nader's "Congress Watch," and Representative John Moss (D-Cal.) who chairs the House Commerce Committee Subcommittee on Oversight and Investigations.

— Alfred Ross

LaRouche: A Case Of Crass Soviet Stupidity

The following statement was issued on August 30, 1977 by Lyndon H. LaRouche, Jr. U.S. Labor Party chairman and presidential candidate.

In a classic example of the Soviet peasant mentality, Soviet officials, acting through the Soviet Ambassador to East Germany Pyotr Abrasimov, in August intervened to sabotage the previously arranged visit of the West German Christian Union parties' representatives to the Potsdam site in the East German Democratic Republic. Such incredibly thick-headed Soviet blunders make a mockery of Soviet President Leonid Brezhnev's otherwise correct emphasis on the need for the greatest energy in fighting to avoid war.

Even granting the fact that the Soviet leadership is presently engaged in a massive deception operation against dominant circles in London and Manhattan, the Soviet interference in the relations between the two Germanies represents an inexcusable blunder of the sort which, in effect, brings the danger of total war one step closer. The relevant background facts are as follows.

Under the sponsorship of East Germany's leader Erich Honecker, and with strong support from the leadership of the nation's ruling Socialist Unity Party (SED), that nation has recently made qualitative advances toward what some might call a "more open society." To some ignorant observers, this more open internal and outward-looking East German policy is contradicted by a crack-down on reported "dissidents." If the facts of the matter are faced — that the dissidents are essentially Zbigniew Brzezinski's spies and agents-of-influence — then the rather gentle East German treatment given those spies underlines the lengths to which that government is going to avoid the "Stalinist image."

This same move toward "openness" by East Germany involves a decision to end the practice of hermetic defensiveness toward Voice of America and other propaganda, and to face Western European opinion, in particular, with an East German attitude of, "See, look at our society. You see, we have nothing of which to be ashamed. We have those problems, like any nation, which are an embarrassment to us, but no reason to be ashamed of our general condition before external opinion." In sum, the East German party leadership has been moving to tear down the "garrison" mentality within the East bloc built up over the Cold War years.

This shift in East German policy has been most emphatic toward West Germany. The East German government recognizes that the pro-industrial-growth forces around the government of Chancellor Helmut Schmidt

are the optimal available bargaining partner for qualitatively improved cooperation between the two Germanies. The East German leadership has seen through the illusion of Willy Brandt, and has recognized that peaceful relations are best based on common principles of technologically vectored industrial and agricultural progress. In this perspective, the pro-fission forces within the Helmut Kohl-headed Christian Union parties of West Germany are to be seen as Chancellor Schmidt's true allies for his government's efforts.

This East German policy has not been a deviation from longstanding policies of the Soviet leadership itself. The outstanding Warsaw proposal of Leonid Brezhnev, for cooperation on energy and transportation issues, is a case in point. The Berlin questions are naturally the test laboratory for getting such policies into practical motion. Steps toward "normalizing" the situation in Berlin, with emphasis on the formula "steps toward," are among the most prominent features of the overall effort.

This does not mean negotiating presently to "tear down the wall," but rather, so to speak, "building a bridge or two over the wall."

The first major step in this effort is the negotiation of agreements to supply West Berlin's energy requirements in significant part from East Germany. The negotiation of such local transportation matters as the odd (presently blocked) street or canal route, and other improvements in transportation services from West Germany to West Berlin are illustrative of the numerous little matters through which the two Germanies can get better movement toward broader, more significant cooperation along the same general lines.

The visit of a delegation from the Union parties to Potsdam (within East Germany just outside Berlin) was a small but politically significant token effort to improve the relationship of East Germany to all major forces within the West German parties. Given the growing danger of thermonuclear confrontation, a Soviet-directed slap in the face to the union parties' delegation in the Potsdam matter was a crass piece of Oblomovist stupidity by the Soviet leadership.

The Polish Debt

The Abrasimov meddling correlates directly with the fresh efforts of the Carter Administration to put its snout into the middle of the Berlin negotiations. In short, the Soviet leadership is propitiating (e.g., kissing the foot of) the Carter Administration (i.e., Henry Kissinger) in foolish hopes that agreement can thus be reached on the SALT negotiations. In fact, the Abrasimov slap in the face to Helmut Kohl et al, was a by-product of the Soviet

leadership's present Stalin-Hitler agreement with Henry Kissinger et al.

This Soviet Stalin-Hitler agreement with Henry Kissinger has the following intersecting elements.

First, there are forces in the Soviet leadership which wish to buy time for Warsaw Pact military strategic build-ups, and are basing themselves not only on the accelerated delivery of new series of Soviet missiles, but on the collapse of NATO countries' industrial strength under Carter-Mondale-IMF policies. It is on this point that the Hitler-Stalin element of the Brezhnev government's "undertaking" with Henry Kissinger is most prominent. Soviet Ambassador Dobrynin's telephone chats with Henry Kissinger are echoing the "playback" delivered through the pro-fascist Georgii Arbatov on this account.

Second, the combined right-wing and center factions within the Politburo and Central Committee are desperate to secure an arms reduction. This desire is not motivated by objective considerations of peace, but by factional problems intersecting the current Soviet Five-Year Plan.

Third, the CMEA external debt situation, for which the Polish external debt is most significant, is a major element in the Soviet leadership's Hitler-Stalin agreement with Henry Kissinger et al.

It is necessary to make the comparison, "Hitler-Stalin pact," for the understanding with Kissinger if one is to properly evaluate Soviet behavior at this juncture. Although now as then the pact with Kissinger is premised on Soviet deception policies, the Soviets carry out such a deception with a brutal thoroughness, to the effect that many things are sacrificed short of giving an actual strategic advantage (at least, according to Soviet perceptions in the matter) in the effort to make the deception convincing and thus successful.

As we have emphasized in earlier published accounts concerning the Soviet problem, there is no purely deceptive deployment in history. A deception operation demands substantive political gestures, which have a substantive effect on the overall correlation of forces and events. To understand the overall current Soviet deception operation, one must understand that it is a rational policy in the eyes of a majority of the Soviet leadership. In their mistaken view they are sacrificing things which they have prediscouted as having no significant and durable value. If they were correct in their evaluation of these sacrificed matters, one could not competently criticize their current deception policy *from their standpoint*. It happens that their strategic outlook on the internal political processes of the OECD countries is profoundly incompetent, to the effect that they are in fact sacrificing the only elements of development in the OECD nations by which total war could be averted.

The Polish external debt problem is the most useful access to understanding the Warsaw Pact-CMEA political problem as a whole.

Polish Backwardness

Present-day Poland is best characterized by the contrast between the modernization of its coal-mining operations and the almost pre-capitalist, pathetic back-

wardness of its agriculture. Poland carries within it the germs of the same evil of the Soviet New Economic Policy which led to the social crisis of the First Five Year Plan period.

The dismal backwardness of the Polish agricultural sector offsets the modernization of Polish industry, and acts as the principal obstacle variously to Polish living standards, lags in Polish industrial progress and the problems of the Polish balance of foreign trade and earnings. It is, to use the language of the mid-1920s Soviet experience, a Polish "scissors crisis."

The Bukharinist "smychka" of the Polish government (and, the CMEA) with the ultra-individualized Polish farmer not only perpetuates the technological backwardness and cultural-political backwardness of a large component of the national economy, but spreads the poisonous influence of the "idiocy of rural life" throughout the society, into the ranks of industrial workers themselves. Thus, Polish susceptibility to the various tentacles of Zbigniew Brzezinski's networks through such conduits as the "Fourth International" and allied Socialistiche Büro types into Polish agents of foreign networks such as Kuron. The most important target of the West Berlin Ostbüro today is not East Germany, but Poland.

However, this is only the key pressure point on which Kissinger and related influences operate in Poland. The most fundamental reason for the buildup of CMEA external debt balances to their present level is the ongoing, post-1967 development of the present global economic depression.

Overall, the external economic problems of the Council for Mutual Economic Assistance as a whole are not a consequence of lack of social productivity within the CMEA nations, but the lack of export markets in the OECD and developing nations. Since Poland is the weakest, most backward link in the CMEA economic chain, it is the Polish external debt which is the most serious CMEA by-product of the depression in the IMF-dominated sector.

The way in which the Polish government has permitted this problem to accumulate is understandable, but not excusable. Since the Hungarian upsurge of 1956 and correlated internal Polish developments, the Polish government and ruling party have essentially avoided facing the principal internal economic and social problems, in order to maintain an uneasy balance between pro-growth and backward strata of the population. The low per capita productivity of crude agriculture is the keystone to the problem which has been avoided.

Low agricultural productivity means a high cost of consumption in the Polish household budget. This cost must be transmitted to the household budget either directly, through high social costs of per capita nutrition relative to industrialized nations generally, or must be indirectly reflected either in low real wages or in, the same thing, shortages in supply of non-food consumer commodities. It also means a reduced value of the Polish currency in international trade, which, in turn, means reduced industrial development and reduced real wages.

The economic solution is obvious. A program of rationalization of agriculture, moving away from the backward small farm to modern farming, is the essential

chore. The Czechoslovakian approach to this problem is one of the best examples of what can be done. The Czechs, rather than launching a head-on "collectivization," have allowed the retirement of individual farmers to facilitate the process of modernization, steering a course among the alternatives of collectivization, cooperatives and individual farming in which the benefits of broad-based coordination of improvements in agricultural production proceed with a minimum of offense to farmers. The evolutionary, rather than "crash collectivization" approaches to the agricultural problem is the soundest approach, both economically and politically, as, for example, successful pilot programs in India have shown. Let the best farmers, those who most readily assimilate new technologies, provide the leverage for the advancement of agriculture in each region.

Given limited resources and so forth, one must acknowledge the difficulties faced by any Polish government. Thus, one should not demand too much of the Polish government, but only consistent progress of a sort which has not been adequately manifest over the past 20 years.

Again, Oblomovism

The central, continuing problem of the Soviet leadership is that heavily underlined by V.I. Lenin, who called it "Oblomovism." The heritage of rural backwardness permeating Russian culture to the present day, mediated significantly through the old Soviet Ukrainian party apparatus — from which N.S. Khrushchev and L.I. Brezhnev came up — has been re-enforced by the garrison-economy experience of 60 years of invasion, containment and Cold War. The majority of even the Soviet Central Committee has no sensuous comprehension of the "outside world." They lack, in particular, the intellectual powers of a V.I. Lenin or Rosa Luxemburg. They are unable to throw aside inherited errors in face of contrary scientific evidence, unable to project a self-consciousness of the world as seen through non-Soviet eyes.

They can not, in particular, see the world as it is seen by Helmut Kohl and his party, by West German industrialists, by French industrialists, and so forth. They can not look into the souls of industrialists, for example, within the OECD nations, to discover within those souls what is in fact a humanist impulse, the active basis for a humanist world-outlook. They see principally only pro-Communist and anti-Communist verbiage, pro-Soviet and anti-Soviet postures. They fall prey to the ignorantly appraised appearance of things.

This, as we have frequently reported before, is the reason that Soviet military thinking is so excellent by contrast with the crass stupidity of Soviet political strategic perceptions. The military professional looks at the outside world as the world of the potential adversary, and is able to assess the OECD and other nations by projecting the military outlook on the Warsaw Pact into the eyes and minds of political and military commanders of the NATO nations and their allies. Hence, the Soviet leading military professional analyzes the world *objectively*, according to the Soviet version of "Clausewitzian" doctrines. Whereas, when the same

objectivity is applied by Soviet political leaders, the result is that the NATO and other countries are seen only as adversary or potential-adversary countries, and as solely an arena for realpolitiking in preparation for ultimate warfare.

Despite this, the Soviets overall have a war-avoidance posture because they have no driving force for war beyond narrow considerations of strategic defense capabilities and deployments of Warsaw Pact forces. On the contrary, Chase Manhattan, Lehman Brothers and certain forces in London are seized presently by a driving force for war-by-miscalculation, not because they are anti-Communist, but because their political-economic strategic interests compel them to bring the Warsaw Pact into a position of subordination.

At best, the Soviet long-term political strategy is a crude parody of Lenin's anti-imperialist perspective of world socialist transformation. Their policy is one of waiting-out the internal process in the capitalist sector which leads eventually to the "final triumph of socialism," and correlates this with a policy of developing and maintaining a sufficient margin of war-fighting capability to win a total war if that can not be avoided. Their perception of peaceful relations with capitalist states is essentially one of a long-term delaying tactic against nations which they regard as intrinsically absolute adversaries.

Thus, they will ally with Nazis against liberal England, and with liberal England against the Nazis with great flexibility under conditions of imminent war threats. So, the formal Khrushchev-initiated policy of regarding David Rockefeller as a "realist." They regard the Dartmouth Conference as a kind of Hitler-Stalin pact conduit. They have no preference between OECD industrialists and the Rockefellers. They regard both equally as enemies. Their policy toward one or the other is based only on the principle of realpolitiking maneuvers among adversaries, along the lines of promoting "inter-imperialist rivalries."

The remark attributed to Stalin: "How many divisions does the Pope have?" is exemplary of the point. At present, vis-à-vis Western Europe, the Soviet majority reasons that Kissinger commands more divisions than Western Europe; hence, the order, transmitted through Abrasimov, to slap West German Christian Union parties in the face over the Potsdam matter.

From this vantage-point it is correct to state that the majority of Soviet leaders are by no means in the tradition of Karl Marx. Although they profess principles, they do not believe in the force of ideas. They imagine that the contrary is the case; they point, in this connection, to the assertion of "principles of socialism" in Pravda and so forth, thus confusing the waxen dummy of an idea, often a poor likeness, with the idea it is presumed to represent.

This is not a fair uniform characterization of CMEA leaders. Many, going far down the ranks of the parties and state apparatus, are among the most estimable thinkers in the world today. The point is that the contrary, ignorant Oblomovist world-outlook has still a savage grip on crucial aspects of Soviet leadership thought and policy making.

No Soviet official can say we are unfair in emphasizing the point of criticism made here. The piece of Soviet

stupidity represented by the Potsdam incident is merely exemplary of a broad profile of stupidities to the same effect. Unless this nonsense ceases, the Soviets will find themselves moving, by way of precisely such abominable stupidities, right to the brink of a total war triggered by mutual miscalculation.

If Soviet President Brezhnev were a younger man, in better health, I would be seized by an impulse to kick him

at least once around Red Square in Moscow. Not that I register an unfriendly impulse toward President Brezhnev; I merely acknowledge the need for drastic measures to awaken him to the danger into which he and his associates are presently sleepwalking. Such an event would be properly regarded in the Soviet Union as a gesture of solidarity with V.I. Lenin.

The Buckley Family — Part III:

Wall Street Fabians In The Conservative Movement

The following is the third part of a 12,000-word exposé of the Buckley family's operations by security specialist Scott Thompson. The report will be completed in the next issue of Executive Intelligence Review and will soon be available in full in pamphlet form.

Since its formation in the mid-1950s, the National Review group has been a center for two decades of Fabian manipulation and treason against the principles upon which our nation was founded. From the point of the Atlanticists' post-1957 adoption of a "deterrence" military strategic posture, which saw a corresponding re-emphasis of Left Fabian networks for "Mutt-and-Jeff" scenarios in which the "left" posed as the opposition to brinkmanship adventures advocated by Atlanticist hard-liners and a domestic economic policy that has since become known as "fascism with a human face," the Buckyleys' National Review group has been used to scramble the meaning of "right" and "left" and to mop up proto-Whigs with more of the same dirty tricks methods which were used against the Taft Republicans in the 1950s.

In this section three critical aspects of the Buckleyites' Tory record will be examined: the group's support for the foreign and domestic policies of the Kennedy Administration; Wall Street and Buckleyite manipulation of the Goldwater Campaign to destroy growing opposition to Kennedy plans for the Fabianization of America; and Richard Viguerie's "New Right."

The backdrop for Buckleyite deployments in the early 1960s represents one of the more confusing moments of modern history in terms of the vast discrepancy that exists between the media-fostered, "man-in-the-streets" version of events and the fundamental processes underway. Misconceptions fostered in part by the Buckleyite crew themselves continue to have a profoundly negative effect upon the potential to establish a solid basis for East-West peace and development and a "technologized" Renaissance based on revolutionary capitalist (i.e., Federalist) principles. Through their control of the 1964 Goldwater campaign, Buckleyites were instrumental in fostering a public image of the conservative opposition as a "military-industrial complex" bogeyman, while they simultaneously endorsed Wall Street's fascist scheme to resurrect Mussolini-style corporatism through a Kennedy dynasty and their "camelot" administration.

In the late 1960s, as the accelerating monetarist collapse first signaled by the 1957-58 recession broke open with new fissures in the world economic system, Atlanticist "self-interest" demanded the imposition of murderous levels of austerity. Thus, Milton Friedman and a fascist nest of "neo-conservatives" (Sidney Hook, Seymour Martin Lipset, Irving Kristol, Nathan Glazer, Christopher Jencks, Edward Banfield, Herman Kahn, Eugene Rostow, and others) deployed to call for jackboot economic measures under the guise of dismantling the "New Frontier and Great Society" apparatus. Simultaneously, Interpol-Nazi and neo-Fabian networks that had been retreated by the Kennedys through the creation of the Institute for Policy Studies were thrown against each other in "surrogate warfare" and race war deployments to destabilize the Nixon Administration and provide an excuse to impose a monetarist dictatorship.

It was at this time that a second wave of Buckleyite agents, the so-called New Right, were unleashed as the shocktroops of a Wall Street-National Review group drive to bring down Nixon, whose independent links to U.S. industrialists made his Administration unsuited to carry out the full scope of Schachtian programs demanded by Rockefeller in the wake of his 1973-74 "oil hoax," and Wallace, a dangerously uncontrolled variable. Like the "New Left," these Buckleyite agents are now seeking to create an impotent "conservative opposition" to Jimmy Carter's "Trilateral Commission" Administration, organizing around parochial and emotionally charged diversionary issues.

The Buckley and Kennedy families have common roots, not only in terms of their mutual involvement with the America First Committee and Joseph McCarthy, but, more importantly, their ties to Left Fabian networks and British, aristocratic pretensions. Were the proto-Whig faction within the Republican Party not made of stronger moral fiber than the Democrats, it might well have been Bill Buckley who underwent a chameleon-like transformation to become the "liberal" candidate whom Wall Street selected for their "first Catholic president."

In the 1960 presidential campaign, the National Review group covertly (and James Burnham quite openly) supported John F. Kennedy's candidacy using the same duplicit methods as in their recent support for Jimmy Carter. The Buckyleys despised Richard Nixon, whom they identified with Eisenhower's second-term attempt to break with Wall Street following the collapse of the

Dulles's "massive retaliation" bluff foreign policy and to establish a basis for East-West relations which was both sane and consistent with U.S. long-term interests as the world's leading industrial power.

On the foreign policy level, both the Buckleyes and the Kennedys reveled in the same "dirty tricks" and "Utopian" nuclear confrontation policies. Among the areas of agreement were:

1) Open endorsement of John F. Kennedy's pre-inaugural plans to embark on a paramilitary adventure in Laos. Burnham waxed pornographic in his description of Kennedy's "brave and lofty" call for intervention as that of "a young David facing the Soviet Goliath." Grumbling about the U.S.'s "no-win" strategy, the Buckleyes would later use Wall Street's conscious decision for a "protracted struggle" against the Soviet Union to create a phony "reactionary" counterpole to their New Left accomplices and split U.S. society.

2) Wholehearted praise for the Administration's appointment of systems analysis incompetent Robert McNamara as Secretary of Defense. McNamara, whose singular distinction is to be the intellectual father of both the Edsel automobile and the later Department of Defense stewardship of Rand Corporation moron James Schlesinger, was touted by the Buckleyites to bring "rational direction" to the Pentagon, where troublesome traditionalist military forces had become dominant. As Burnham's praise for this puffed-up Wall Street cost-accountant portended, it was Milton Friedman and the National Review circle who would later become chief advocates of that drug-riddled, "all-volunteer" mercenary force that has replaced the U.S. Army since its moral destruction in Southeast Asia. (3)

3) Full support for the massive "covert" operation against Cuba that was the Bay of Pigs fiasco. In a piece appearing 10 days before this ludicrous venture, Burnham gave the following monetarist rationale: "What is crucial, is that we should somewhere, in some theatre or on some vital issue make a stand of unconditional firmness: that we should strike a blow against the enemy."

4) Phony opposition to Kennedy's Test Ban Treaty. Like the "Warnke-Schlesinger show" of recent months, Kennedy was committed to "détente" only as a soft cop side of the Utopians' insane "carrot-and-stick" policy. As in the case of the Committee on the Present Danger and Viguerie's efforts to paint Carter arms negotiator and Trilateral Commission member Paul Warnke as a "leftist," those conservatives who were duped into attacking only one side of this "Mutt-and-Jeff" routine only wound up lending it dangerous credibility.

5) Backing for the founding of the Institute for Policy Studies as a neo-Fabian device for

penetration of Soviet networks, for use as a seed-crystal around which a synthetic New Left and drug-and-rock counterculture could be founded, and for coordinating "left-cover" terrorism. In a piece written at the time that Kennedy's National Security Council Advisor ordered the formation of this "left-CIA" institution, Burnham tried to sell conservatives on the idea as an anti-Communist tactic: "to needle Khrushchev with what Maoists have said about him, and Mao with Khrushchevian insults... We should actively help — in this case our methods would have to be black — to establish anti-Moscow Communist parties in every country — Maoist parties and where feasible Castroite, Titoist, Trotskyite and what-not parties, the more, and the more irreconcilable, the better." In the same piece Burnham also called for the creation of ersatz "front organizations" of youth, labor, students, peace groups and journalists, which IPS immediately set out to do with funding from the top Rockefeller-allied foundations.

As Kennedy's popularity reached its nadir following the 1962 Cuban Missile Crisis, involvement of the U.S. in a "limited conflict" in Vietnam, and a "left" feint with the nuclear test ban treaty, the Buckleyes' "dirty tricks" crew was called out to rig a dummy assassination of the President with full knowledge of Attorney General Robert Kennedy and Wall Street insiders on the National Security Council. (4) Apart from the sympathy this operation was intended to win for the President, multiple U.S. intelligence sources have confirmed that the dummy hit was intended to provide cover for a new U.S. invasion of Cuba and a showdown with the Soviets at precisely the moment they were being lulled by Test Ban Treaty negotiations. Minutemen, Klan and Nazi units led by Buckleyite agents were to be unleashed for a wave of domestic assassinations which, coupled with IPS "leftist" terrorist countermeasures, were to provide Kennedy an excuse to impose a monetarist dictatorship.

It remains unclear to this day who intervened into the dummy assassination set-up and turned it into the real thing.

Domestically, the National Review crew openly supported many key aspects of the "fascism with a human face" economic package initiated under the Kennedy Administration. One of the clearest examples of this was Buckley's 1965 New York Mayoralty Campaign on the Conservative Party ticket. (5) Buckley's Conservative Party platform contained most of the Rooseveltian corporatist schemes that his "opponent," the Wall Street bank-linked John Lindsay, proceeded to implement, including:

*Neighborhood vigilantes — later implemented along the lines of the Nazi "block-watcher" system by the Law Enforcement Assistance Administration, which simultaneously controls New York and other cities' youth gangs.

*Repeal of anti-Narcotics laws and "heroin maintenance" — later implemented using

methadone, a drug developed for control of concentration camp victims, in place of heroin for cosmetic reasons; and, most recently, with marijuana decriminalization, which was rammed through the N.Y. legislature by Sen. Jacob Javits (R-N.Y.) and William Buckley, who called conservative opponents "too stupid" to understand the bill's subtleties.

**Legalization of gambling* — later implemented with state sponsored Off Track Betting, lotteries, and recent attempts to open up Las Vegas-style casinos.

**Forced work programs* — later implemented through numerous WPA-type schemes.

**Tracking systems, compulsory vocational training, and repeal of minimum wage laws for children.*

Appropriately it was during his efforts to peddle this corporatist program that Buckley made his notorious slip to call for a rebirth of the Nazis' "New Order." His campaign chairman, Frederic Coudert, Jr., came from the law firm for the Buckley oil company, Coudert Brothers, which formerly represented the Vichy government of France. (6) Apart from this function as a mouthpiece for these fascist policies, Buckley's showing at the polls helped assure the defeat of Democratic machine man Abe Beame by Lindsay, whose family is a partner in Citibank and various Rockefeller family enterprises, and who is himself a close friend of James and William Buckley.

National Review Group Sabotage Of The Goldwater Campaign.

While sections of the National Review grouping were openly deployed in support of the Kennedy Administration's corporatist program, others were mobilized to contain the danger to Wall Street represented by the conservative opposition that was mushrooming as Americans recognized the need to fight the threat of nuclear war and fascism. Using their infiltration of the Goldwater Campaign for leverage, Buckleyites delivered a one-two punch from which proto-Whig forces have never recovered.

Augmented by the entire Trojan Horse apparatus that the Rockefellers have built-up within the right-wing of the GOP, the Buckleyites virtually created the Draft Goldwater Committee and then insinuated their way into every key policymaking position on the Goldwater Campaign staff once the Senator had won the Republican nomination. Initially these agents confined their efforts toward encouraging a campaign focus upon simplistic, "kneejerk" issues. Soon, however, the Buckleyite crew was planting real time bombs in campaign speeches and literature for Wall Street press conduits to pounce on. It did not take long to sell the majority of the public on an image of Goldwater as a nuclear maniac who, as the expression then went, was prepared to lob an atomic bomb into the Kremlin's toilets on a moment's notice. Sen. Barry Goldwater, the bewildered victim of this inside-outside plumbers operation, has since matured to create his own independent machine; however, the indecisive lack of leadership which he showed through his

toleration of such dubious characters on his campaign staff and his inability to situate and-or define many issues clearly in terms of guiding national interests, especially whenever the bloody shirt of anti-Communism was waved, are exemplary of the problems that continue to plague the Carter Administration's opponents today.

The Goldwater movement was run initially as a backburner project by National Review operatives. In 1960 L. Brent Bozell ghost-authored *The Conscience of a Conservative*, a jerryrigged vehicle to establish Goldwater's reputation as a "conservative theoretician" in the tradition of Burke-worshipper, Russell Kirk. Using mechanistic "constitutional arguments," the book was boobytrapped by Bozell with such items as support for the Taft-Hartley Act which was originally drafted by Brookings Institution to destroy possibilities for a conservative industrialist-labor alliance and, with it, Sen. Robert Taft's bid for the presidency. In addition, two Young Republican leaders, Douglas Caddy and David Franke, were used to organize a Youth for Goldwater group that was to be transformed into the Buckley's Young Americans for Freedom (YAF) after the 1960 Republican Convention. (7)

When Goldwater's name was placed in nomination out of general revulsion at Richard Nixon's last minute "deal" with Nelson Rockefeller (the "compact of Fifth Avenue" that was repaid by Rockefeller's defrauding Nixon of the election), Rockefeller's agents were presented with a nationally recognized individual who could potentially be used as a "loyal opposition" leader under a Kennedy Administration. In order to ensure Wall Street control of the Goldwater movement, such notable "conservatives" as Citibank director Roger Milliken and Standard Oil of Indiana representative Roger Barr were brought in to discuss a 1964 draft movement. Three YAF leaders — William Rusher, F. Clifton White and John Ashbrook — were also deployed to form a Draft Goldwater Committee that played a critical pre-Convention role in lining up delegates. Looking backward in his election analysis, *Suite 3505*, White summarizes the trios' "commitment" at the time by stating: "After all, we may find that if 1964 looks like a strong Democratic year, it might strengthen the conservative movement if we throw the election to a liberal — i.e., Nelson Rockefeller.

A final lock was placed on the campaign with the policymaking team assembled under William Baroody, head of the avowedly "non-partisan" American Enterprise Institute and "a one-time ardent New Dealer." Despite cosmetic difference between Baroody and William Buckley, this team was riddled with National Review agents, including: Milton Friedman; W. Glen Campbell as head of the Rockefeller "right-wing" think-tank, the Hoover Institution on War, Revolution and Peace; and Karl Hess, another of the "ex"-Fabians who become a founding editor of the National Review. These men shoved aside Goldwater's closest personal advisers to assure that their candidate would parrot the lines with which the liberal press and his Republican opponents, Nelson Rockefeller and William Scranton, would hang him.

Goldwater lost the election before he was nominated. Under questioning from reporters in the very first New Hampshire primary, Goldwater stated that the Supreme NATO Commander should be authorized to use tactical

nuclear weapons without permission of the President in the event of an all-out assault by the Warsaw Pact. Seized on by Nelson Rockefeller's staff, the statement was translated by the Washington Post to read that Goldwater wanted "NATO commanders in Europe to have the power to use tactical nuclear weapons on their own initiative in any emergency." Instead of issuing a simple clarification or, even better, blasting Nelson "Bombshelter" Rockefeller and his insane brinkmanship policies, Goldwater's campaign staff merely stood by as he plunged deeper into quicksand on the military question. Thus, at an "Issues and Answers" taping in the middle of the critical California primary, Goldwater's chief speechwriter (Buckleyite agent and now IPS fellow, Karl Hess) (8) stood by without the slightest objection as Goldwater stupidly remarked that atomic bombs might conceivably serve to defoliate the Vietnamese rain forests. (Predictably, the California papers headlined, "Barry's Plan: Use A-Bomb.")

Nelson Rockefeller personally baited the final trap at the Convention. In motivating a plan which demanded a repudiation of "extremism," Rockefeller taunted the Goldwaterites: "This is still a free country....These

things have no place in America. But I can personally testify to their existence. And so can countless others who have also experienced anonymous midnight and early morning telephone calls, smear and hate literature, bomb threats, goon tactics and takeover of established political organizations by Communist and Nazi methods...." Again, instead of attacking Rockefeller, who funds and controls virtually every Nazi and IPS terrorist group in the country as the Rockefeller family's "enforcer," Goldwater waffled with a speech drafted by a Buckleyite, which drove the final nail in his chances to be President: "Extremism in defense of liberty is no vice, and moderation in pursuit of justice is no virtue." The liberal press instantly flipped into an orgy of anti-Goldwater hysteria, which was epitomized by Drew Pearson's statement that: "The smell of fascism is strong at this convention." Lest the Soviets miss the point, every IPS and CPUSA publication lamented the destruction of Nelson Rockefeller's "progressive campaign" by the dark forces of the "military-industrial complex."

... to be continued

FOOTNOTES

3) In the Kennedy Administration's "blueprint for destruction" of the American conservative movement known as the Reuther Memorandum, a central figure was the purge of "Patriots" in the U.S. military. Drafted by Walter and Victor Reuther, the Fabian leaders of the United Auto Workers, after a meeting with Attorney General Robert Kennedy in Fall, 1961, the Reuther Memorandum called for blatantly unconstitutional suppression of the conservative opposition: "As we gird ourselves for a long struggle against world Communism so we must gird ourselves for a long struggle against the radical right...The problem of radical right influences inside the Armed Services is an immediate one and made all the more so by the up-coming hearings of the Senate Armed Services Committee...An alternative to getting Senator Russell to broaden the hearings would be for Secretary McNamara to start his own investigation of radical right Generals and Admirals. Those Generals and Admirals who have lost confidence in democracy and who feel that the danger to our country is treason at home rather than the strength of the international Communist movement abroad, should be warned against political activity in any way, shape, or form. This might have the effect of causing the resignation of these Generals and Admirals which would certainly be in the national interest." Other unconstitutional measures called for in the Reuther Memorandum, and which the Kennedy Administration implemented: 1) Using the Federal Communications Commission to cut off conservative access to the media that was already preponderantly controlled by Wall Street forces; 2) Both overt and covert financial warfare against conservative groups and their beneficiaries to close off funding by industrialists; and, 3) a massive program of Federal Bureau of Investigation infiltration into the Minutemen where these agents provocateurs terrorist acts could be used to justify including conservative groups on the Attorney General's "Subversive List."

4) Field coordination for the dummy assassination appears to have been carried out by two of William Buckley's top operatives, E. Howard Hunt, and George DeMohrenschildt. Hunt is a close personal friend of the Buckley family, while DeMohrenschildt, who was recently murdered before he could testify on his role in the assassination, was a product of those Rothschild-Rockefeller White Russian networks of which the Buckleys have become leaders. DeMohrenschildt's father headed Standard Oil's subsidiary in pre-Revolutionary Russia. He himself

worked for Nelson Rockefeller, then Coordinator of Inter-American Affairs, during World War II. Later, he joined the Buckleys' Pantepec oil firm in Venezuela which was integrated into Standard Oil's massive private intelligence operations in the Caribbean. When he left Pantepec, he developed several joint ventures with Schlumberger Corp., which was represented by the Buckleys' law firm, Coudert Brothers, and which also had a record of dirty tricks involvement with the Bay of Pigs and other operations. It was DeMohrenschildt who introduced Lee Harvey Oswald to Ruth Paine, the immediate controller of both Marina and Lee Harvey Oswald at the time of the assassination, as soon as he returned from the Soviet Union. It was also DeMohrenschildt who introduced Oswald to Hunt lieutenant Guy Bannister, whose New Orleans "Minutemen-Cuban exile" network handled Oswald's further laundering as a "leftist" through the Fair Play for Cuba Committee, fights with well-known "Gusanos," etc. Other Buckleyite agents involved in the Kennedy assassination include Ken Duggan, who was murdered in prison after he broke with Buckley and sought to expose his hard-core "right-wing" agents. Duggan helped set up numerous back-up teams for the Buckleys that could be used under Minutemen or "leftist" cover.

5) Although there is an independent second-level leadership group in the N.Y. Conservative Party associated with earlier Wallace Campaign efforts, the organization remains under the thumb of the Buckley family. The Buckleys worked with two young front men to create the Party in 1961 as a means to redirect a conservative faction that wanted to take possession of the N.Y. Republican Party from Nelson Rockefeller. For this purpose, Buckley assembled a team that included James Burnham and Marvin Liebman, a former Fabian penetration agent into the CPUSA who became the chief fundraiser of the Luce-Kohlberg China Lobby front organizations. In addition to William Buckley's 1965 Mayoralty Campaign, the Conservative Party has played an important "back-door" function to consolidate Rockefeller hegemony in N.Y. State. Among the "dirty tricks" that it performed for Rockefeller was to destroy Rep. Adam Clayton Powell, who ran the largest, independent Black political machine in the country, and the election of Robert F. Kennedy to the Senate in 1964 which was accomplished when Henry Paolucci split the base of incumbent conservative, Sen. Kenneth Keating.

methadone centers, and black gangs associated with the Inner-City Round Table for Youth under Ramsey Clark. Both firms have also been pinpointed as coordinating centers for "left-" and "right-cover" terrorism. While the French section of Coudert Bros. is at the center of the French environmentalist movement that has served as a New Left cover for terrorism, former Coudert Bros. partner Richard Gardner, best known for his role in founding Common Cause, has recently been deployed as U.S. Ambassador to Italy where he oversees a major terrorist upsurge using both neo-Nazi and Institute for Policy Studies-connected "left" gangs.

6) Coudert Bros. of New York, whose principal clients include the Buckleys' oil firms, has a long black operations history. Among the senior partners of Coudert Bros. is Sol Linowitz, chief negotiator of the "Panama Canal giveaway" with Ellsworth Bunker. This "liberal versus conservative" gambit has been engineered by both right- and left-wing Rockefeller agents to split the U.S. conservative movement, diverting them from the major problems of economic collapse and the threat of war. (See appendix.) Coudert Bros. also interlocks with Paul, Weiss, Rifkind, Wharton and Garrison which is a leading left Fabian Wall Street law firm. Both firms were members of the Lawyers for Carter group in New York that organized a massive vote fraud operation through community mental health clinics.

7) In addition to Bill Buckley, the midwives of YAF were former British Communist Party Student Union leader Frank Meyer and former Young Communist League leader Marvin Leibman, whose Madison Avenue public relations firm provided space for the fledgling organization.

8) Karl Hess, another former "socialist" who became a founding editor of *National Review*, has an incredibly checkered Fabian background. From a postwar position as press editor of *Newsweek*, he joined Ralph DeToledano's *Plain Talk* magazine and the *American Mercury* where he met Max Eastman and other future Buckleyites. He also worked for the American Enterprise Institute where he helped write reports and speeches for Hubert Humphrey before AEI head William Baroody asked him to stand in for Barry Goldwater's ailing public relations director. In the late 60s, Hess joined Buckleyite "libertarians" Frank Chodorov and Murry Rothbard in an operation to re-deploy numbers of YAFers into Institute for Policy Studies Left Fabian networks as the basis for a phony "Left-Right" alliance of Wall Street agents. Following a 1969 IPS strategy forum entitled "Left-Right" which was led by Marcus Raskin and Murry Rothbard with Hess, Leonard Liggio, William Rose and others as panelists, Hess staged a phony split in YAF along IPS libertarian lines. Simultaneously Rothbard founded the National Libertarian Forum to build toward a libertarian party's formation. As in the case of Students for a Democratic Society, where IPS agents split off the most psychotic elements to form the Weathermen, elements of this Right-Left Fabian operation were conduited into the Black Rose, Situationists and related anarchoid terrorist groups controlled by Harvard "linguistician" Noam Chomsky. Although libertarians remain in the minority of a small minority of YAF, they were able to hold controlling posts in all key committees at the 1977 biannual YAF Convention in New York through Buckley family sponsorship. John Buckley, the nephew of James and Bill, ran unopposed for the chairmanship of YAF at this Convention on a libertarian platform that supported pot decriminalization.

The Lazard Freres' Network In Italy

The following statement was issued on August 28, 1977 by Lyndon H. LaRouche, Jr. U.S. Labor Party chairman and presidential candidate.

The fact that Agricultural Minister Giovanni Marcora is nominally part of the Andreotti government should not be misinterpreted as evidence that Marcora is in any way a political ally of Prime Minister Giulio Andreotti. Exactly the contrary: Andreotti knows that Marcora is a leading figure within the key circle of Italy's worst traitors and Andreotti's most deadly internal enemies.

Marcora himself belongs to the traitorous section of a group dating from the World War II period, a group known as the "White Resistance." In this circle Eugenio Cefis, former head of Montedison, as known by the code-name of "Alberto" while Marcora, Cefis's junior, was known by the code-name, "little Albert," or "Albertino." This group is presently a key sub-element within the much broader apparatus gathered about the most evil man still alive in Italy today, Enrico Cuccia of Mediobanca.

Cuccia is Lazard Freres' man in Italy. That is the same Lazard Frères (of André Meyer) which sponsors Nazi economist Felix Rohatyn of New York City, and of Katherine Meyer Graham of the Washington Post. Through Cuccia extends one of the vilest networks of treachery, bribery, blackmail, and all degrees of thuggery.

In addition to controlling Eugenio Cefis, Cuccia is the puppet-master of the notorious Ugo LaMalfa, exerts a certain kind of influence over his victim, Guido Carli, and much more. This is the same Cuccia, who together with his Lazard Freres network and its allies, launched the wrecking operation against Italian banker Sindona, a looting operation against the Vatican by the Cuccia group and its allies.

It gets uglier and uglier. Cuccia is the master of the remnant of Allen Dulles' agent-network, the so-called Action Party of Italy. Under Cuccia's direction come Action Party old-hand Ugo LaMalfa, Communist Party leader Giorgio Amendola, and Italian Socialist Party faction-leader Riccardo Lombardi. Marcora himself is nominally part of the Christian-Democracy, based in Milan, where he heads a sub-element of the so-called "Base" faction, one of the two so-called "left" factions within the DC.

It was the Base faction of the DC which, together with the Amendola faction within the Communist Party and with aid from Ugo LaMalfa and the Lombardi forces of the Socialist Party, pushed what was known as the "historical compromise" package, under which the rotten elements of all the Italian parties were to have formed a pro-fascist, zero-growth dictatorship in the pursuit of Lazard Freres policies for looting Italy.

Still Broader

That is only the beginning, the broad baseline of the evil gathered under Cuccia.

First, although Cuccia's agents—Amendola, Lombardi, Marcora, LaMalfa, and so forth—are distributed among nominally competing political parties, they are in fact in close collaboration against those parties in operating a large network of corruption, subversion and outright crimes against humanity—naturally, in the interest of Lazard Freres and the political allies of Katharine Graham and her friends at *Le Monde* and *Le Matin*, *Libération*, *Le Nouvel Observateur* and other press sewers of the same network.

For example, in Ascoli Piceno, in connection with crimes against humanity perpetrated in part from that location, Marcora henchman Marchetti, nominally a member of the Base faction of the Christian Democracy, cooperated with the Lombardi networks of the Socialist Party and the Amendola faction of the Communist Party, working closely with the corrupt elements within police agencies and the military intelligence agency, the SID. Later, Marchetti shifted to the Socialist party, where he is aligned with the Lombardi-Craxi faction, and runs dirty operations in direct collaboration with the Amendola faction of the Communist Party, while still cooperating closely with the branch of the Cuccia networks associated with Marcora.

This same network is closely intertwined with the protofascist group calling itself Lotta Continua. Lotta Continua's membership is significantly interchangeable with the violent fascist organization called the Autonomisti, the latter an organization which Lotta Continua was largely responsible for creating. In Ascoli Piceno, the memberships of the Base faction, the Lombardi-Craxi faction, the Communist Party Amendolites, and Lotta Continua are freely interchangeable, and work together as a network, with such local figures as Marchetti, throughout the migrations from one party to the other—which Marchetti himself has been known to arrange.

Terrorism

It is notorious in Italy that the central figure behind Italian terrorism, Trento University's former rector Francesco Alberoni, a Socialist Party member within the Lombardi-Craxi faction, is closely tied to the Institute for Policy Studies network, with overt blessings of the American Ambassador to Rome, Richard Gardner. Alberoni is otherwise broadly associated with networks within the Milan "left" Christian Democracy, the circles of Marcora and his friends, the sections of the "left" DC which were active in creating the terrorist center at Trento as a "left" spin-off from Milan Catholic University.

A further key party of this same network is the acting-out homosexual leader of the Radical Party of Italy, Pannella. Pannella has organized in Turin an organization of homosexual hoodlums, called *Il Fuori* (The Outsiders), and has an avowed friendship with three of the leading fascist circles of Italy, the circles of the Borghese group, the zero-growth pro-fascist party, the MSI, and the Autonomisti.

For example, in the Kappler incident, among the first two figures to appear at the prison hospital in the effort to heat up a destabilization of Andreotti-Schmidt collaboration were Pannella and a fascist provocateur Biondi. Pannella, conveniently situated at the premises of the otherwise vacation-emptied Italian parliament, holding a sit-in with some of his cronies, rushed to the prison hospital with great fanfare. In the same time, up turned fascist provocateur Biondi, making a wild anti-fascist speech while representing himself as a member of the Italian partisan veteran's organization ANPI.

Later, Biondi was denounced as an agent-provocateur by ANPI. It was discovered that Biondi was in fact a product of Borghese circles and had been on friendly terms with Pannella under circumstances in which Pannella knew Biondi's pedigree. However, during the period preceding the Kappler incident, Biondi had attempted to infiltrate the periphery of the Communist Party, and ANPI.

The entire rag-tag left in Italy is directly tied to the same Cuccia-topped networks. The *Il Manifesto* group, a faction created within the Communist Party by CP leader Ingrao with U.S. intelligence and State Department cooperation, is directly allied to the PDUP and Lotta Continua group, and also with the British intelligence operation associated with "Trotskyist Fourth International" spokesman for Italy, pro-terrorist Livio Maitan.

In fact, the entire belief-structure-generating machinery behind terrorism in Italy, the entire "left" support-layers for terrorism and environmentalism, is represented by this Cuccia-topped network.

Foreign Control

The network, like Cuccia himself, is not autonomous to Italy. In addition to international financial controls over Cuccia coming through Lazard Freres and related foreign agencies, the Cuccia networks interface both the international terrorist networks of the Institute for Policy Studies, and also the ugliest black-operations forces based in the United Kingdom. Although certain USA investment banking circles, politically typified by the Trilateral Commission and the New York Foreign Policy Association exert the predominant ultimate control over the general policy-direction of terrorist and other criminal operations in Italy, and in other European countries, the basic structure of the networks is historically British.

As the Sindona case heavily underlines, not all British factions are of the same persuasion in this and related matters. Sindona, in addition to his close cooperation with certain Vatican interests and with Andreotti, had good connections with certain banking circles in the United States, and with certain interests in the City of London. The wiping out of the Franklin National Bank in

Long Island and related financial operations in Italy and elsewhere—looting the Vatican to a significant extent—were an Anglo-American robbery-job, not a result of Sindona mismanagement, with Cuccia's British and American financier allies, including the pro-Nazi-economics Lazard Freres as a central part of the coalition.

The most efficient identification of the British side of the evil network is the circles around Roy M. Jenkins, which means also Denis Healy and Healy's protege, British Foreign Secretary David Owen. This is the nastiest part of British politics and intelligence operations, the part which, for example, created and directly supervises the Basque and Corsican terrorist-separatist forces in France, which ties into the IRA Provo operations, and into Baader-Meinhof and other terrorism of that sort in Europe generally.

This Jenkins-centered network, overlapping the Bertrand Russell operations, is tied into the Institute for Policy Studies' Transnational Institute and the London Institute for Race Relations.

On the British side, this most evil network in the world interfaces in a critical fashion the London Tavistock Institute. It also traces back to black operations of the BBC established during the World War II period under the cover of the financial side of the British monarchy itself. This network has a major base among key firms in the United States, and an espionage-and-subversion network based in New York City, among certain law firms and others. The leadership of the Communist Party USA is a product of this same network.

Andreotti Knows

In matters of detail, Prime Minister Andreotti knows the overall facts of the Cuccia network much better than we do of course. He has immediate access, beyond our present capabilities, to the most detailed information concerning the evil the Cuccia network has perpetrated in such particular matters as the Marcora faction's complicity in crimes perpetrated over more than three years in the Milan-Rome-Ascoli-Turin network operations. Andreotti's bitter fight against Cuccia ally Cefis exemplifies the point.

We ourselves, lacking adequate information, for some time committed the error of attributing to Eugenio Cefis the correct policies evidenced by other forces under Cefis's nominal direction in the Montedison-ENI complex. For reason of that misjudgment, we were prevented from fitting together all the the jigsaw pieces of evidence we had accumulated—including evidence against Marcora. Because of Marcora's long and close ties to Cefis, we could not draw the correct conclusion—that Marcora was complicit in the evil being done by prominent figures of his own DC current. Once we untangled the Cuccia-Cefis web, the facts quickly fell into place, such that a relatively small, directed investigation solved the puzzle.

The issue of Cefis and Marcora goes back a long way for Prime Minister Andreotti and others. Although Cuccia was once associated with other products of the PRI—from whom he has long broken in the bitterest way—the past association with such prodevelopment figures as Loris Corbi does not properly suggest

agreement between them today. Their course long ago diverged. It was the same with the great Italian industrialist Mattei and his former associates Cefis and Marcora.

As early as 1956, Mattei noted an unpleasant aroma around Marcora. Cefis had been retired from Mattei's executive staff a relatively short time prior to Mattei's murder—a murder that benefited the policies of the Kennedy Administration and that Administration's backers (including Lazard Freres and allied interests). After Mattei's death, Cefis was placed in the leadership by Agnelli-trained Prime Minister Fanfani.

Therefore, although Andreotti's insights into the overall political-intelligence problem and related strategic problems may be inferior to ours in those terms, on points of detail, Prime Minister Andreotti knows very well—better than we—what Marcora is, a snake in his cabinet.

However, Italian realpolitiking being what it is, Marcora is the Agriculture Minister. Prime Minister Andreotti obviously judges that it is prudent on balance to tolerate that arrangement. We recognize that Marcora is a knife poised at Andreotti's back...the knife of Cuccia and Lazard Freres.

IMF Plans Rout Of Portuguese Industry

Portugal has become a pilot project for the strategy of looting prepared by the International Monetary Fund for the rest of Western Europe and the developing sector. The country's Socialist Party Prime Minister, Willy Brandt's close associate Mario Soares, has announced a "second austerity package" that will gut Portugal's industrial capacity in exchange for a mere \$50 million loan from the Fund. Going into effect Sept. 1, the new measures augment the "first austerity package," which abolished the 1975 agrarian reform and then scheduled restoration of nationalized property to its former owners.

PORTUGAL

The IMF demands on Portugal, which present one of the most immediately unmanagable debt rollover emergencies in the world, have met militant opposition from the powerful Portuguese Communist Party (PCP) and skepticism and apprehension from European business circles. The West German daily *Handelsblatt* noted last week that Portuguese business recognizes that Soares' program will wreck the economy and the Portuguese escudo. The Paris daily *Les Echos* commented that the Soares minority government may prove politically unable to implement the program.

The details of the "deflationary" second package were revealed Aug. 28 by the deputy governor of the Bank of Portugal, Victor Constancio. He announced plans for a phased devaluation of the escudo, which will be allowed to float downward 1 percent each month. This "dirty float," as Constancio called it, is similar to the IMF's treatment of Brazil's currency. Secondly, interest rates are being raised from 4-4.5 percent, with an 8 percent surcharge on loans for consumer goods.

Portuguese now paying 14.75 percent interest for a car loan will pay 27 percent, while gasoline prices jump to \$2.70 per gallon. The escudo's float, meanwhile, will also rebound on consumer prices, as its resulting constant rise in import costs will affect virtually every item of household consumption.

Although the IMF package was accepted allegedly to curb an anticipated \$1.2 billion trade deficit for

1977, unemployment of 15 percent of unionized workers alone, and 30 percent inflation, the Bank of Portugal barely concealed its actual implications for Portugal's real economy. The package will generate bankruptcies of industry, admitted Constancio, and for state-run firms dependent on government subsidies for their survival it could mean pay cuts and layoffs. "Non-essential areas" are slated for outright bankruptcy, while "new employment policies" will achieve a 10-20 percent cut in public spending.

The context of those employment policies has been exposed by the Communist-linked daily *O Diario*, which reported that the new employment law planned by Soares' government will "shelve" so-called unnecessary workers, without unemployment compensation. 20,000 workers, counting unionized industries only, have been "shelved" already this year, bringing the total of unemployed union members to one-half million. The Ministry of Industry and Technology has proposed large layoffs next month in the steel sector.

The Portuguese Communist Party countered with a strong propaganda campaign and mass mobilization against Soares and the IMF. On the eve of a three-week stay in the Soviet Union, Secretary General Alvaro Cunhal told an Aug. 2 Lisbon press conference that the Communists will settle for nothing less than the resignation of the Soares government. An Aug. 29 Central Committee declaration updated the Communist perspective by offering two possible paths: either formation of a transitional government until new elections (90 days thence) — with suspension of the recent austerity laws in the meantime — or immediate formation of a "democratic government" by the Communists and other forces. Fundamental to Cunhal's argument is that the Soares austerity legislation and "action in unity with the rightist forces" violates the Portuguese constitution and therefore delegitimizes his government.

During August, CP Central committee members fanned out through the countryside to address rallies against the IMF, carried out together with a drive to recruit 10,000 new members to the party this year. The Soviet press, which in the second half of August began to run prominent supportive coverage of the CP mobilization and to identify the IMF as its target, reported

Cunhal's call to "mobilize the entire people to fulfill the task of expanding production."

It appears that violent confrontations will be inevitable in Portugal. Clashes have already occurred between farm workers and police in the CP stronghold of Alentejo. Yugoslav press reports of stepped-up activity by

fascist bands — including the "Portuguese Freedom Army" of intelligence operative General Spínola, which has begun issuing its own "new escudo" notes — indicate that those clashes will not be the last incidents in Portugal caused by IMF debt collection.

Britain: Can Pound Boom Be Turned Into Industrial Recovery

The much-heralded "recovery" of the pound sterling and capital markets has placed Britain's Labour Party government in the midst of one of the most hotly contested economic debates in recent history. Prime Minister James Callaghan is being pushed by the trade

BRITAIN

unions and left wing of his own party to undertake a domestic reflation program to spur Britain's lagging economy, and simultaneously by conservative elements in industry and banking to retain tight monetary controls. However, any solution to Britain's economic problems which does not include primary emphasis on a general strategy for boosting world trade is inherently incompetent. Attempts to locate the debate in terms of a reflation-austerity framework will only trap the government, and the country, in a traditional "stop-go" syndrome.

The Economic Paradox

The paradox facing the government can be seen clearly in the discrepancy between the capital markets and the real economy. To borrow former Prime Minister

Macmillan's phrase, the City of London financiers have "never had it so good." Since its break with the dollar at the beginning of August, the pound has continued to gain strength, reaching a yearly high on Sept. 1 of \$1.7429. The country's reserves have shown an astronomical recovery as a result of steady inflows of money from abroad. At the end of July, Britain had a total of \$13.4 billion in reserves as compared to \$4.1 billion at the beginning of this year.

So far, this huge influx of money has not inflated the money supply but has been sopped up by the stock exchange and gilt markets. Stock prices on the London Stock Exchange, in exception to virtually every other market in the world, are now at their highest point since January 1973, breaking the 500 mark on Aug. 31. Demand for gilt-edged stock has also remained very strong: the government had already financed over two-thirds of this year's Public Sector Borrowing Requirement at the end of the first half of this year, and the Treasury had no trouble in finding buyers for two new issues last week, despite the fact that interest rates continue to fall.

In the real economy, as the trade unions and Labour Party are all-too-willing to remind the government, the situation is disaster. Unemployment hit a post-war high of 1.4 million in July, or about 6 percent of the total workforce. Industrial production in manufacturing industries

Exports: volume indices Overseas Trade Statistics basis

Seasonally adjusted

Indices 1970 = 100

	Manufactures											
	Total	Food, beverages and tobacco	Basic materials	Fuels	Total	Machinery and transport equipment †						
						Total	Machinery †	Road motor vehicles and other transport equipment	Chemicals	Metals and miscellaneous metal manufactures	Textiles	Other manufactures
Weights	1 000	64	34	26	844	410	276	134	97	119	49	169
1976	139.4	156	122	108	140	133	135	130	171	108	124	168
1976 3rd quarter	137.3	152	118	115	139	130	132	124	171	114	126	161
1976 4th quarter	144.6	161	131	122	144	134	134	136	180	111	130	176
1977 1st quarter	144.3	165	138	134	144	129	131	126	176	118	132	184
1977 2nd quarter r	155.0	164	122	144	154	139	138	137	185	131	129	204
1977 May	150.8	165	111	125	152	139	137	154	179	125	124	205
1977 June p	158.7	176	126	168	156	140	143	130	192	135	132	195
1977 July	161.5	167	128	153	165	156	167	138	208	126	127	199
1977 February-April	147.8	160	134	136	147	132	131	130	179	123	131	191
1977 May-July	157.0	170	122	149	158	145	149	140	193	129	128	200
Percentage change	+6	+6½	-9½	+9½	+7	+10	+14	+8	+7½	+4½	-2½	+5

p Provisional estimates.

r Revised estimates.

† Includes North Sea production installations.

Source: Trade and Industry

Imports: volume indices Overseas Trade Statistics basis

Seasonally adjusted

Indices 1970 = 100

	Industrial materials							Finished manufactures				
	Total	Food, beverages and tobacco	Fuels	Total	Basic materials	Chemicals	Other semi-manufactures	Machinery and transport equipment†				
								Total	Machinery†	Road motor vehicles and other transport equipment	Other	
Weights	1 000	227	105	427	151	60	216	229	166	133	33	63
1976	133.5	101	87	127	93	150	145	196	197	186	241	193
1976 3rd quarter	135.8	103	88	127	95	153	142	202	206	194	251	193
1976 4th quarter	137.8	104	85	132	94	157	151	206	210	196	247	197
1977 1st quarter	139.6	107	76	135	97	170	152	213	213	194	283	215
1977 2nd quarter	145.2	107	73	135	84	166	162	226	234	219	320	203
1977 May	143.2	109	79	134	85	158	161	212	216	199	320	200
1977 June r	153.3	103	73	137	85	169	164	267	288	267	385	211
1977 July p	146.2	101	71	143	93	173	169	225	233	205	362	204
1977 February-April	135.5	106	67	129	88	166	148	203	204	189	276	202
1977 May-July	147.6	104	74	138	88	167	165	235	246	224	356	205
Percentage change	+9	-2	+10	+6½	-1	+½	+11	+15	+21	+18	+29	+1½

p Provisional estimates.

r Revised estimates.

† Includes North Sea production installations.

Source: Trade and Industry

collapsed from 106.3 to 100.9 between May and June — a drop of 1.6 percent from the first to second quarters. Inflation is showing signs of abatement and holds out some hope for dropping further, especially following reports of lower wholesale and raw materials prices. But, inflation rates are still running around 17-18 percent, while wage increases have amounted to only 11.8 percent in the last year.

The Bank of England estimates that the 3 percent drop in personal disposable income in the last quarter of 1976 was followed by a further 1.5 percent fall in the first quarter of 1977 — adding fuel to trade union demands for cost-of-living wage increases this year.

The recent favorable balance of payments figures, substantially improved by North Sea oil production, have masked the collapse of the Callaghan government's "export or die" strategy. While the balance of trade remained virtually in equilibrium during the first part of 1977, the non-oil balance showed a disastrous slide from a \$700 million surplus in January-July 1976 to a \$300 million deficit during the same period in 1977. Further, the "skew" in Britain's overall trade pattern towards increased imports of machinery, vehicles, and other key sector categories, holds little encouragement for increases in domestic production in these depressed sectors.

As the chart shows, exports of British vehicles, chemicals, and metal manufactures have shown some improvement through July 1977, but British imports of these goods are increasing at *two to three* times this rate. At the same time, imports of fuels and raw materials are *declining*, indicating industry's intention to radically decrease production. Figures for home orders in the engineering and vehicle-manufacturing sectors helps to explain why British companies are not falling over themselves to boost output.

To Reflate or Not?

Not surprisingly, the government is under intense pressure from its immediate political base in the party and trade unions to undertake a substantial reflationary effort to boost industrial production and employment.

Based on the argument that low consumer and domestic demand are the cause of poor industrial production and investment intentions, the unions in particular are calling on Callaghan to use the boost from North Sea oil revenues and increased reserves to reflate the economy through selective investments, massive training, and government-sponsored employment projects and personal tax cuts. Best exemplified by the report of the National Institute for Economic and Social Research (NIESR) released last week, this viewpoint calls on the government to break off the IMF agreements on money and credit controls now depressing industrial investment by paying off the accumulated IMF debts. This, they argue, would leave Britain free to promote an expansionary policy at home.

Trade union leaders, under strong pressure from their members to ignore the government's tough pay code strictures, are expected to call on Callaghan to pursue such a policy during the Trades Union Congress's annual conference next week as the only alternative to a wages free-for-all this fall and winter — a conflict which would most likely lead to the collapse of the Callaghan government.

On the other side, leading spokesmen for the City of London and related political interests are (correctly) warning that such a policy could lead to only a short-term boom. This would be enough, perhaps, to get the Callaghan government reelected in a fall or spring election, but would cause a return to the hyperinflation days of two years ago. Promoting, at best, a "renegotiation" of IMF terms when the Fund's team visits Britain this fall, this viewpoint warns that a total rejection of the IMF, and the return to profligate government spending it would entail, could be enough to reverse the government's tough economic policy which has contributed to the pound's strength, and send the country into a hyperinflationary spiral. To spur industrial production, conservative city analysts are calling on the government to remove current currency controls to allow for export of sterling and replenishment of the country's foreign investment portfolios, and generating production at home by thus increasing foreign demand.

The conservative approach is inherently more sound, simply because of its emphasis on world trade revival through expanded use of the pound for international trading. This is the subject of the debate in the City over the future of the dollar premium and other currency controls which the Labour government has imposed as a way of curbing sterling's use as an international trading currency. While there is significant support in the City and industry for promoting expanded Third World trade (evidence the group of leading businessmen that accompanied Trade Minister Edmund Dell to Latin America in his just-concluded trip to set up energy and high-technology related projects), the danger is that competing financial interests in the City, notably those around and including the Rothschild and Rockefeller-allied interests, are backing the expanded use of sterling as part of a purely speculative swindle to keep their bad debts afloat. To the extent that no distinction is made in financial circles between productive investment projects

and pure property and raw material "looting" operations, the otherwise positive standpoint of the conservative interests in Britain can be sabotaged.

The failure of the Callaghan industrial strategy has already proved that no matter how sound a government's program to foster investment and production, without a favorable international climate for world trade, no amount of domestic pump-priming can spur the needed recovery. As described repeatedly in this publication, the soundest way of providing such an economic boost worldwide is through issuing of substantial gold-backed transfer-able investment credits to the Third World for goods from the developed countries through an agency such as the proposed Private International Development Bank. Without such a mechanism the otherwise sound demands from Britain's trade unions for funds for industrial investment would be nothing more than printing money.

— Pam Goldman

Engineering Industries: Index Nos., Orders and Sales						
Orders-on-hand, 12/70=100; Net New Orders and Sales, 1970 Avg. Monthly Sales=100 (Seasonally Adjusted)						
	HOME			EXPORT		
	Orders-On-Hand (end of period)	Net New Orders	Sales	Orders-on-Hand (end of period)	Net New Orders	Sales
1975	91.0	87.0	105.0	113.0	98.0	115.0
1976	78.0	92.0	100.0	117.0	119.0	117.0
1977 Jan.	77.0	102.0	100.0	116.0	129.0	118.0
Feb.	78.0	108.0	101.0	116.0	116.0	116.0
Mar.	77.0	97.0	100.0	117.0	128.0	118.0
Apr.	77.0	96.0	96.0	117.0	119.0	120.0
May	77.0	89.0	94.0	122.0	154.0	119.0
12/76-2/77 (av.)	78.0	99.0	100.0	116.0	124.0	117.0
3/77-5/77 (av.)	77.0	94.0	97.0	122.0	134.0	119.0
% change	-1.5	-4.5	-3.0	+4.5	+8.0	+2.0
Source: Trade and Industry						

Shortfall In Britain — Capital Spending, Skilled Labor, R and D

Britain today faces a margin of surplus value in the form of North Sea oil that could be used to rebuild her industry and society and furnish essential productive powers to the world economy. Yet a look at recent trends in the fundamental categories of fixed capital expenditures, skilled labor, and research and development shows that the British economy has deteriorated markedly in the last 10 years.

Perhaps the most important question is the quality of the workforce. Although it is widely known that British industry is outmoded and has been displaced in stagnant world export markets by newer industries like those of Japan, it is less widely known that Britain has important reserves of skilled labor and scientific personnel that can enable it to make a rapid recovery once the nation undertakes a crash program in capital improvements. Several recent studies by the British government's weekly, *Trade and Industry*, however, show that there are growing, severe problems with the labor force as well, even beyond the inevitable attrition of skills of the unemployed worker or the effects of the counterculture and the associated anti-industrial organizing of Friends of the Earth and similar groups, some of which have the misplaced support of business figures like Sir James Goldsmith.

Trade and Industry found that the quantity, and in some areas quality, of professionals entering manufacturing is deteriorating. The proportion of university graduates entering employment in manufacturing has dropped to 26 percent in 1975, down from the 40 percent range typical before 1970. Moreover, the absolute number has declined. In 1975, manufacturing took 26 percent of those graduates with degrees in engineering and technology, and 11 percent of those with degrees in science. *Fourteen* years earlier, in 1961, the corresponding figures were 42 percent and 20 percent.

As to quality, *Trade and Industry* complained that many of the current engineering graduates, especially in the machine tool sector, are "unsatisfactory." This fact is doubtless associated with Britain's traditional reliance on on-the-job training rather than academic-based training for most of its skilled operatives. This shows up clearly in the fact that even as late as 1965, 55 percent of qualified engineers in Britain were trained outside the universities; by comparison, the corresponding figure for the U.S. was 25 percent.

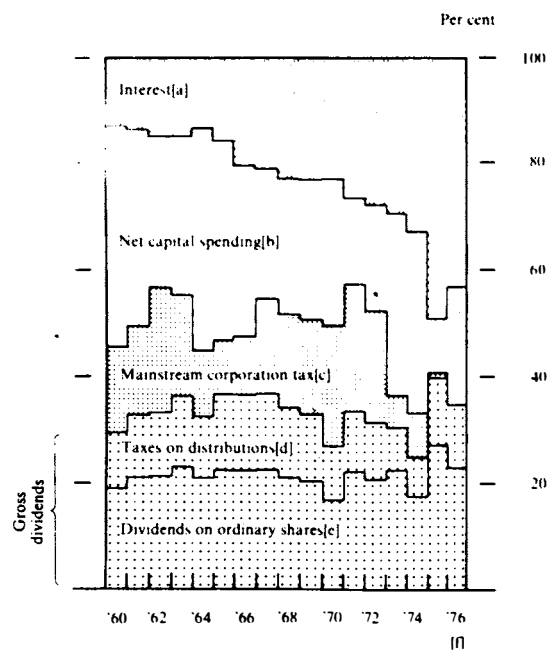
Skilled Workers Vs. Scientists

There is a historic dichotomy between skilled operatives and scientifically trained workers in Britain, reflecting the anachronistic class divisions caused in particular by the monetarists' persistent hold over the economy, a control that, for example, kept the working population's standard of living absolutely flat from 1810 to 1860. A 1965 study highlights the division: the percentage of business establishments employing "technic-

ally qualified personnel" (with degrees) in the metals industry in 1955-56 was 31 percent for Britain. In contrast the figures for the U.S., Austria, West Germany and Italy were 69 percent, 73 percent, 67 percent and 72 percent respectively. Illustrating the other side of the class division, the same study showed that in the same year British research and development used a greater proportion of *scientists* than the U.S.

Historically the dichotomy has not prevented Britain from training very high quality scientific personnel who have given the nation a high reputation in basic research. This expertise enabled Britain to make many important technological breakthroughs — such as radar and insulin — but Britain was unable to implement these advances on a mass scale, a task that had to be left to other nations. Numerically controlled machine tools are a more recent example of this. Britain has developed more sophisticated numerically controlled machine tools than even West Germany, but it still manufactures only about 600 per year.

The distribution of appropriations and net capital spending, 1960-1976



- [a] Including dividends on preference shares.
- [b] Net of capital consumption and stock appreciation.
- [c] In 1976, taxes on distributions exceeded total company tax accruals by £193 million.
- [d] Taxes on distributions (at the basic rate of income tax) and advance corporation tax (since the introduction of the imputation system).
- [e] Net of tax. Gross dividends are obtained by adding taxes on distributions.
- [f] Provisional.

Source: Bank of England Quarterly Report

If Britain is to have real growth in employment and production, the declining proportions of scientifically trained graduates who enter manufacturing and the persisting dichotomy between skilled workers and university trained personnel must be abolished.

R and D

The other side of the question concerns what these highly trained workers have to work with. Have there been increasing rates of capital spending, and funding for research and development? Here again, the trends are discouraging.

The picture for fixed capital expenditure is especially bad. For all industry this was down 7.2 percent during the first quarter of 1977 from a year earlier, continuing a historic decline exemplified by the fact that fixed capital expenditures were lower in 1976 than in 1966. The increase for the manufacturing sector for the first quarter of 1977 was favorable but negligibly — 1 percent. The nationalized industries, which constitute much of Britain's basic industry, last year reduced their capital expenditure £300 million below their forecasted spending: and in May the British Steel Corporation announced a major reduction in its expansion plans for the early 1980s.

In the light of these developments, the Department of Industry prudently trimmed its estimate of capital expenditure increase from 20 percent to 6 to 10 percent. However, the first quarter figures do not lend much support even for this modest prognosis.

One of the prime causes of the consistent squeeze on capital spending has been the enormous increase in debt service. The accompanying chart shows the increasing slice out of company appropriation that interest payments have taken, reaching 50 percent and more in the 1975-76 period.

As for the crucial area of research and development, Britain has not assured its continued preeminence in this area, judging from postwar and recent trends. In the 1950s and 1960s the country placed a greater proportion of its R and D funding into the more labor-intensive industries and not in aircraft, electronics, chemicals, machinery, vehicles, and instruments. Ironically, this reflects the same dichotomy between theory and practice, scientist and engineer (machinists), discussed earlier. The shortage of scientist-workers combined with the absence of up-to-date instrumentation, computers, and sophisticated machinery of all types leaves the skilled worker affixed to his outmoded machine, unable

R and D Expenditure

current millions of £

	1967	1972	1975
Private Industry	55.0	745.0	1178.0
Public Corporations	42.0	69.0	124.0
Research Associations	13.0	19.0	31.0
Government Contribution (%)	29.0	33.0	31.0
Chemicals	88.0	141.0	252.0
Mechanical Engineering	62.0	55.0	96.0
Machine Tools (component of Mechanical Engineering)	5.4	1.6	4.3
Electrical Engineering	153.0	220.0	353.0
Motor Vehicles	46.0	58.0	88.0
Aerospace	144.0	208.0	291.0

SOURCE: *Trade and Industry*

to engage in the making or replicating of significant discoveries.

The financial support for R and D has been worse than even the stagnant levels of fixed capital expenditure. Total R and D funding declined in real terms by 20 percent from 1967 through 1975, while employment in R and D in 1972 was 14 percent less than in 1969. The government, however, did not appreciably alter its share, which remained about 30 percent. In 1975, only 3 percent of the government funding went to basic research, about £60 million. The applied category received 25 percent and the development category 72 percent of the funding. There is no evidence of a trend toward an increasing ratio of funds for basic research.

The accompanying table shows the allocation of R and D funding. Note the small amounts for research associations and the ridiculous, declining values for machine tool though hopefully some of the research on behalf of numerically controlled tools is represented in the electrical engineering sector. Only the aerospace, electrical, and chemical sectors increased R and D expenditure sufficiently to offset at least some of the inflation in monetary values.

Brandt Calls For More Terrorism

Willy Brandt, Chairman of the West German Social Democratic Party, emerged this week as Europe's leading advocate of terrorism against the continent's industry-oriented governments, especially against West German Chancellor Helmut Schmidt. Speaking at a meeting of the Second Socialist International on Chile held in Rotterdam Aug. 29, Brandt asserted that Chile will never follow the example of Greece, Spain and Portugal in the direction of gradual dismantling of its dictatorial government. Instead Brandt called upon "all democratic Chilean forces inside and outside the country to concentrate on overthrowing the dictatorship."

WEST GERMANY

Coming just prior to Gen. Pinochet's first visit to the United States, Brandt's statement gives a green light for the Institute for Policy Studies and other "left" terrorist coordinators to mount "anti-fascist" campaigns in Western Europe, capitalizing on the past weeks' environmentalist campaign to sabotage such "fascist" policies as nuclear reactor construction and economic growth. The first step in this campaign will occur Sept. 2, when a Second International conduit known as the Front for Democracy in the Southern Cone will convene in Wiesbaden, West Germany to finalize their plans.

The howling irony of Brandt's accusations against the Pinochet regime is that Brandt, along with Euro-communists Santiago Carrillo (Spain) and Giorgio Amendola (Italy), was largely responsible for ensuring the success of the coup against Salvador Allende. During Brandt's stint as Chancellor, his "Ostpolitik" strategy prominently included lulling the Soviet leadership about the actual dangers of the Chilean situation. This Ostpolitik policy was worked out beforehand in detailed consultations with Amendola, with significant support from Rockefeller-controlled strata in the Soviet leadership, such as USA Institute head Georgii Arbatov.

Regrettably, fascist Brandt has once again received implicit support from the Soviet Union at the recent Chile meeting. In addition to the usual European participants, the presence of Volodia Teitelboim and Orlando Millas of the Chilean Communist Party represents a virtual Soviet stamp of approval. Carl-Dieter Spranger of the West German Christian Social Union (CSU) was therefore not far from the truth when he recently accused Brandt of being in an "unholy alliance" with the Italian Communist Party (PCI). Conservative Spranger merely neglected to specify that he was referring only to the fascist Amendola wing of the PCI.

Brandt emerged from the mothballs last week when he released a copy of a letter he wrote in July to Chancellor Helmut Schmidt, which warned of an (actually nonexistent) upsurge of neo-Nazi activity in West Germany. In effect, Brandt used this letter to declare himself the leader of the SPD's environmentalist- and Maoist-controlled "left wing," which among other things

has been calling for a halt to all nuclear power plant construction.

Brandt's views were elaborated by Heinz Brandt (no blood relation), a functionary of the IG Metall trade union, at a congress in Stuttgart of the Socialist Youth International. "Workers' minds have been poisoned by the idea of technological progress," he told the audience. "What the Jews were to the Third Reich, that's what the environmentalists are today to the State." Among other things, this liar described a nuclear waste depository currently under construction as the "plutonium-filled appendix of West Europe, which could turn into the fuse for a Third World War."

The dissemination of such fascist propaganda into the heart of the SPD's trade union base has finally stung Chancellor Schmidt's broad trade union based "silent majority" into action. The collective leadership of IG Metall published a letter refuting Willy Brandt's warnings about the "right wing." Rather, they said, the real problem is the extensive Maoist network, including the KPD-ML and the KBW. The police trade union — Schmidt's historical base — stated that "Our politicians are avoiding the discussion of real issues...and some are even diverting public opinion by suddenly discovering neo-Nazism inside the Federal Republic." Most to the point, a miners' union official wrote a letter describing the anti-nuclear movement as "anti-human" and calling for a growth-oriented alliance between labor and industry.

Outside the SPD, Brandt's evil designs are likewise clearly perceived. "Why shouldn't Schmidt know what everyone knows," queried the CSU's party organ *Bayernkurier*, "namely, that Brandt is tirelessly sabotaging the chancellor?" *Valeurs Actuelles*, a French conservative paper, even reported that Brandt is determined to force Schmidt's resignation and resume his old chancellor post. The British *Daily Telegraph* denounced Brandt as a "political opportunist."

Brandt's environmentalist rabble also suffered a serious defeat last week. After ten weeks of stalling, the state government of Lower Saxony finally called in 1,300 police to remove an environmentalist shanty-town erected outside a nuclear power plant site near Grohnde. Following this, Adolf Schmidt of the mining and energy trade union announced that the worst is past, the ecologists having now been put on the defensive.

Around this time, Brandt himself even gave the impression of pulling back slightly. At a speech he gave Aug. 27 near Stuttgart, he reversed the position stated in his earlier letter, saying instead that there is "no acute danger of rightwing radicalism" in the country.

But as Brandt's remarks on Chile show, his influence is still a vital threat to West Germany's security. The next confrontation will occur Sept. 3 in Wiesbaden, where the SPD will hold a special conference on Third World development policy. When this conference was first scheduled early this summer, Brandt had the cheek to invite World Bank head Robert MacNamara, world expert on the looting of Third World economies. This

reportedly caused a good deal of embarrassment in IMF circles, however, forcing MacNamara to decline the invitation.

Another confrontation will take place Sept. 24, the date of a big environmentalist demonstration against West Germany's fast-breeder plant near Kalkar. This reactor has been thrown into the midst of a legal controversy,

following a district court's decision to suspend all construction pending a decision by the federal constitutional court. Although many are questioning the competence and the bias of the judges involved, the state government has promised to abide by the decision, thereby causing a disastrous delay in the project's completion.

Turkey On The Brink:

Debt Moratorium Or Holocaust?

Turkey's snowballing economic problems hit crisis proportions this week, sending shock waves throughout U.S. and European banking circles. For more than five months, Turkey has defaulted on import payments and for two months has fallen in arrears on its short-term debt obligations. Foreign currency reserves have disappeared. "Turkey is rapidly approaching the brink of bankruptcy," wrote *New York Times* columnist C. L. Sulzberger from Istanbul. "It is imperative that an emergency program of economic discipline be drawn up by the (Turkish) Government to qualify Turkey for credits from the International Monetary Fund."

TURKEY

The situation is so precarious, noted the West German financial daily *Handelsblatt*, that Chase Manhattan and Citibank — the U.S. banks hardest hit by the Turkish collapse — are worried that a demand for repayment by one of the many small U.S. banks with money tied up in Turkey could trigger a series of defaults by the Turks or a possible debt moratorium. The result could be a chain reaction of debt moratoria in other developing countries, culminating in the collapse of the over-extended Wall Street banks.

Turkey's impending financial blowout terrifies the Rockefeller forces who fear her economic problems will jeopardize her role in the Carter Administration's confrontationist strategy with the Soviet Union and do equal damage to Turkey's bulwark position on NATO's southeastern flank. The Turks are reportedly "seriously considering" expanding relations with the Soviets, "not out of love but necessity," according to a Turkish government spokesman.

In a surprise development last week, the Turks signed a major accord with Soviet-allied Libya. Libya will finance seven major industrial development projects in Turkey at a cost of \$570 million and is considering supplying oil for the Turks on a credit basis. The agreement with Libya, which according to a Bank of America official may involve Italian technological input, is geared explicitly for development and not for debt refinancing.

Coming just one week before an IMF delegation arrives to strongarm the Turks into imposing austerity, the Libyan-Turkish deal neatly undercuts the IMF and begins integrating Turkey into triangular trade arrangements and investment projects involving Europe, the Soviet bloc, and the Arabs. It also provides the needed backup for a declaration of debt moratorium,

an option long considered by wavering Turkish government officials.

Austerity or Else

On Sept. 5, a delegation from the IMF arrives in Turkey to force through the implementation of a long-postponed austerity package. The package includes such drastic measures as a 20 to 30 percent devaluation of the Turkish lira (some bankers are demanding a devaluation as high as 60 percent!); stringent cuts in food and commodity subsidies; the stoppage of virtually all imports except oil and defense material; a massive increase in exports, including items originally earmarked for domestic consumption. The rush to export anything and everything has led to exports of wheat, resulting in bread shortages throughout the country.

Turkish Prime Minister Süleyman Demirel is expected to announce the austerity program slightly before Sept. 5 so as not to appear as having succumbed to the IMF's pressure, a tactic also designed to curry favor with the IMF along with a loan. According to the *Financial Times*, Demirel's austerity program is "eagerly awaited by the international banking community."

Last week, the IMF issued an ultimatum to the Turkish government to impose austerity by Sept. 24 or face a total cutoff of credit from the West.

Despite endorsements by pro-Demirel businessmen in support of austerity, the traditional pro-development outlook of the Turkish population remains dominant. Last week, the Turkish Chamber of Electrical Engineers blasted the notion of austerity and energy conservation, recently proposed by Energy and Natural Resources Minister Kamran Inan. The concept of energy conservation in a developing country like Turkey is criminal, charged the engineers, who then indicted Inan for his recent demands for cutbacks in electricity usage. Inan was recently the subject of a laudatory article in the *New York Times* by C.L. Sulzberger, who described Inan as Turkey's James Schlesinger.

Several New York bankers predicted that violence and protests would greet Demirel's announcement of his austerity program, adding that it would have to be implemented "sneakily" if it was to take hold.

Turkey's cash crisis does not allow its leaders time to equivocate on the austerity question. A cholera epidemic is now raging through Turkey and has spread to Syria; thousands of people have fallen ill with disease and hundreds have died. The Demirel government has officially denied that cholera has broken out, saying instead that an "acute intestinal infection usual at this time of year" is the cause of the epidemic. Ankara University hospital sharply contradicted this by

stopped sending their money back to Turkey because they are fearful of taking a loss once the devaluation goes through, so that is creating worse foreign currency problems...

I think that the military is going to move in. The violence, the unrest — I don't think the army is going to tolerate it much longer. Once austerity is announced, I am sure that there will be even more violence, riots, all kinds of protest. The IMF is trying to work out a sneaky way to implement austerity. If the IMF gives it to the Turks too strongly, Turkey will just explode, so the Fund is trying to fashion the package to be as mild as possible.

As far as I know, Demirel did make some kind of deal with the IMF and people in Washington, that after the elections he would go ahead with implementing austerity. I don't think Ecevit had that kind of com-

munication with the IMF, though I suspect he might have had some contact and did not oppose austerity. Both Demirel and Ecevit know that they have to implement it.

Chase Manhattan, of course, is nervous. But what choice does it have? What does Chase think it can do? Call in the debt? You can call and call all you want, and I can guarantee you won't get anything. Not until the IMF gets things in order.

We are all wondering why Citibank is so bullish on Turkey. Citibank has the biggest stake in the convertible lira scheme. Yet, I understand that they are not that frightened by the situation. We think they may have inside information that we don't have. Maybe they figure — or have received assurances — that the U.S. won't let Turkey go down the drain, and that may why they are not rushing to pull out. I don't know, though. It's not clear.

Will The IMF's New Austerity Measures Topple Sadat?

The Egyptian government is planning to soon announce cutbacks of subsidies for a wide range of vital commodities. The austerity measure will be a scaled-down version of the January, 1977 subsidy cuts which resulted in days of rioting in Egypt's urban centers that nearly toppled the regime of President Anwar Sadat. The International Monetary Fund, which ordered the January cuts, is privately worried that this demand for further austerity may finish Sadat off.

EGYPT

By announcing the measures, Sadat and his economic planners will have publicized their intentions to steer Egypt down the path toward the no-growth 19th-century-style austerity economy demanded by the IMF, World Bank, and Chase Manhattan. Sadat is thereby running on a collision course with wide sectors of the population who take a deep national pride in the strides toward progress and national sovereignty made during the regime of former President Nasser.

Confidential World Bank documents confirm that the new program of subsidy cutbacks and ensuing "price rationalization" is only the first step in a planned comprehensive "re-structuring" of the entire Egyptian economy. The basic facets of this "restructuring," as corroborated this week by Egyptian Economic Ministry officials, will include severe measures of "family planning" population control, "re-distribution" of the Cairo-centered urban population to new "development towns" and to labor-intensive agricultural projects, emphasis on manufacture for export combined with slashes of imports. The restructuring will also involve the placement of Egypt's extensive protected public sector onto the "international capital market" as collateral for loans.

These measures form the core of a new 1978-82 Five-

Year Plan drawn up in late August by the Sadat government. They will supercede the 1976-80 Plan. The new Plan was worked out in close coordination with the IMF.

Sadat and his Saudi backers are leaving no stone unturned in their search for means to preempt the unrest anticipated with the implementation of the measures. Rockefeller family and Carter Administration personnel have deployed to Egypt to coordinate with Sadat the application of both the IMF reforms and new domestic security measures. Jacob Javits, the Senator from Chase Manhattan, was in Egypt in mid-July; Coca-Cola magnate and Carter funder J. Paul Austin followed one month later. In between, Kamal Adham, the head of Saudi Intelligence and the controller of the Rockefeller-connected "Saudi-Egyptian axis," arrived in Egypt for consultations with Sadat.

Next week, when the food subsidies announcements are made, U.S. Secretary of the Treasury Michael Blumenthal will be in Cairo.

From the Egyptian side, Abdel-Moneim Kaissouny, the country's IMF-connected Minister for Economic Coordination and top austerity czar, will be in Washington next week for extended consultations with the IMF and the Carter Administration. Kaissouny spent almost the entire month of July in Washington.

Saudis Buy Time for Sadat

Evidencing Saudi intentions to give Sadat leeway to unleash the austerity package, Egypt's financial situation has been stabilized *in the very short term* by extensive outlays of funds from the Gulf oil-producing states during the past few months. This effort has included the redeployment of \$1.6 billion in aid from the Gulf Organization for the Development of Egypt (GODE), originally earmarked for the financing of development projects, to the support of Egypt's payments deficits. The Saudis have also guaranteed a \$25 million payments deficit support loan for Chase Manhattan. Other members of the World Bank-coordinated "consultative group" of Egypt's creditors,

including notably the U.S. government, have also decided to redeploy aid money to Egypt originally targeted for development purposes to help maintain the flow of Egyptian debt repayments. These monies have plugged this year's Egyptian payments gap estimated to have been well over \$5 billion at the beginning of 1977.

What the Bankers Say

Most New York bankers interviewed this week were uncharacteristically optimistic about Egypt's short term, 60 to 90 day financial prospects. According to one source, virtually all of Egypt's American and Canadian creditors have suddenly agreed for the first time to an Egyptian Central Bank request to extend the period of short term import financing credit from 180 to 360 days. These agreements, he noted, followed bankers' reports that Egypt had reduced its period of debt repayment arrears from an average of six months to two to three months.

Similarly, the Middle East coordinator of a leading Rockefeller-connected New York bank exclaimed that "Egypt's foreign exchange liquidity looks good, they're getting a lot of funding from the Gulf. There's been a dramatic improvement on their payments to us. Those guys are for the first time being flush on funds!"

But, these sources agree, by the end of 1977 and into early next year, Egypt will be facing another major payments crunch — under the further pressure of expected widespread discontent over the soon-to-be-unveiled austerity package.

Gearing Up or A Crackdown

Unlike in January, when the food subsidies measures were announced before the National Assembly without prior warning, the Egyptian ruling echelons are taking elaborate precautions to, first, psychologically manipulate the population into passively accepting austerity, and, second, crank up a well-oiled security apparatus to nip discontent in the bud. This apparatus has positioned itself to usurp governmental authority if Sadat's unpopularity reaches unmanageable extremes.

Throughout the past month, U.S. State Department sources report, Sadat's government has begun a "real education campaign to get people to accept a reduction of subsidies." This campaign, the *Baltimore Sun* noted last week, has a limited time fuse since the subsidy cutbacks are scheduled to be brought before the National Assembly for approval by next January at the latest.

Both World Bank and Egyptian government officials report that the government is analyzing each commodity scheduled for a subsidy cutback with the utmost care to calculate the likely impact that cutback will have on the population as a whole! This "case by case" approach, an Egyptian Economics Ministry official commented this week, is being duplicated in the government's efforts to discover which public sector companies can be "opened up to the external capital markets for financing without provoking too much popular anger."

To further siphon off potential discontent, Egyptian Prime Minister Mamdouh Salem has instituted a Gestapo-type network of "food security units" to closely monitor the pricing actions of Egyptian merchants. According to the U.S. State Department, these units are

intended to "create the feeling that action is being taken to see that merchants aren't involved in the black market and profiteering." Salem's campaign, in actuality, will neatly fulfill both the IMF's demands that Egypt "rationalize its pricing structure" and Kaissouny's call last month for "efforts to mobilize popular resources" behind the austerity plan.

Salem, Interpol-connected top cop for the past 25 years, who now doubles as Egypt's Interior Minister has also ordered special training measures for high-level internal security officers. According to the mid-August Egyptian press, Salem was regularly holding special sessions with these officers to prepare them for an expanded range of duties over the next months.

Salem is reportedly working closely in this project with Defense Minister Mohammed Gamassy, who has redeployed some of Egypt's most qualified military intelligence coordinators into domestic intelligence coordination duties. According to several sources, Gamassy's political status in Egypt has risen remarkably throughout this year, not only with the chiefs of staff and heads of the police forces but also with a handful of Egypt's leading businessmen. One well-informed source connected to leading Egyptian military circles forecast that Gamassy would de facto move to control the state apparatus in the coming weeks. The currently vacationing Sadat, this source mused, might soon extend his vacation into a permanent one. Another knowledgeable Egyptian source this week predicted that "the military will say, 'Go!' and Sadat will go; he'll step aside and Egypt will have a military regime."

Tinderbox

All the ingredients are in place for an explosion of immense proportions in Egypt.

A telling indicator in this regard is the recently released estimate that only one quarter of Egypt's 40 million plus-population is now earning a living — and 50 percent of these are only seasonally employed!

Exacerbating this problem is the defiant reemergence over the past month of the reactionary WAFD Party, a 1977 remake of the party that frequently ruled Egypt in the era preceding the 1952 Nasser coup. The new WAFD has suddenly reconstituted itself as a party, claiming the adherence of at least 65 National Assembly parliamentarians, and thereby giving itself the numerical strength it needs to qualify as a legal party.

While Sadat — a participant in the 1952 coup against King Farouk — has attacked the reconstituted WAFD in public declamations, most Egyptians know that the WAFD could not have reemerged without Sadat's seven-year flirtation with the decadent ruling elements of the Farouk era and with a decadent "new aristocracy" made rich by Sadat's corrupt "Open Door to the U.S." policies of the past few years.

In fact, both the London *Financial Times* and France's *Le Monde* have speculated in recent days that the WAFD's reemergence is being regarded as a dire challenge to the legitimacy of Sadat's rule. *Le Monde* anticipated a mobilization of Egypt's Nasserites to squelch the Wafdist reemergence.

— Mark Burdman

World Bank Reports Reveal Gear Up For Looting Of Egypt

Two confidential World Bank reports on Egypt, one written in early 1976 and the second a year later, indicate that Bank officials have shifted from a posture of hopeful expectations of austerity reforms in that country into a program for full-blast looting of Egypt's vulnerable economy. In both reports, the full cooperation of Egyptian President Sadat is taken for granted.

In the earlier, January, 1976 study, the Bank report focused on an evaluation of Sadat's 1974 October Working Paper that had set in motion the "liberalizing" reforms of the Open Door.

The Bank noted that the "new economic strategy" of Sadat "envisaged consolidation of state-owned enterprises, liberalization of the private sector, incentives to private foreign investment and expanded economic cooperation with Arab countries," which in combination would lead to a "significant restructuring of the economy."

The report welcomed the "considerable decentralization of decision-making, especially in the public sector," which would be a "sine qua non of the liberalization process." Summing up, the report noted: "The Egyptian economy is moving away from rigid controls towards a more open and liberal direction. This strategy seems appropriate in view of the changed international environment, and the increased opportunities available to Egypt, including access to external capital. However, the movement will require a considerable change in attitudes, policies, and the structure and role of economic institutions."

Among the major problems faced by Egypt in meeting these goals, the Bank identified "the steep rise in the prices of Egypt's main imports, the recession in the OECD countries, and the slow disbursements of concessional assistance and private external capital." Further, "the escalation in the world prices of food led to an almost three-fold increase in the net budgetary subsidies on the items of mass consumption, as the Government attempted to maintain the domestic prices of imported foodstuffs... The debt structure worsened considerably and the short maturity period associated with bankers' facilities created severe problems of liquidity. The heavy subsidization of the items of mass consumption, together with the slow growth of tax revenues, squeezed public sector savings and increased the Government's borrowings from the banking system."

Elsewhere, the report focused on "the heavy defense burden"; "the pressing shortage of foreign exchange"; the "external debt burden"; the "rigid economic decision-making process"; and "the rapid population growth." In this section, the report complained about the "protection" given to industry as working against "efficiency."

The report contains recommendations sprinkled

liberally throughout. For example:

* "A serious effort to contain consumption expenditures in the future has to be made in order to reduce the domestic resource gap without having recourse to additional debt."

* A call for "decentralization," for "rationalization of consumption subsidies," and "rationalization of the external debt situation and implementation of a debt management program."

The tone of the report, it is seen, is critical but tentative. This was decidedly not so with the report written in early 1977.

The later report blasted the "failure" of the Egyptian government to "decentralize the public industries," which has "aggravated the huge debt" from the second half of 1976. The Sadat government, the Bank insisted, has to "give up" the "responsibility of supporting the public sector... as the only way of saving expenditures."

The public sector is also attacked for not contributing to "the need for increasing labor productivity and operational efficiency in enterprises."

The Bank noted that Egypt needed almost \$6 billion in aid for payment of short-term debt and for imports of vital necessities in 1977 alone. To find funds for such levels of importation, the government must "move towards decentralization," which will "allow the Egyptian industrial centers to find loans in the free market."

Further, "food subsidies must be cut" in order to save foreign exchange for imports. But such cuts must come "gradually... to avoid disturbances like the ones that took place last January."

Finally, the growth of the population must "slow down," because it "aggravates" the needs for food consumption. A serious "Family Program" must be taken up and "the migration of farmers and other workers to Cairo must stop... because of a lack of employment." At the same time, the government bureaucracy must be cut back sharply.

The report's conclusions were utilized as a working paper for the May, 1977 "Consultation Group" creditors meeting in Paris, which resolved to buy the Sadat government a year's time in return for a 100 percent commitment to "restructure" the Egyptian economy.

The Bank is now preparing a new dose of suggestions. A top-level Bank delegation was in Egypt for several weeks during this summer and is preparing yet another confidential memorandum.

The Bank is meanwhile suppressing a study done by Massachusetts Institute of Technology professor Lance Taylor which argues against cutbacks in the Egyptian economy. The Taylor report also warns that "it may not be possible for any government in the future to retract to a large degree what has been given to the people and stay in power."

How And When To Break With The Dollar

Faced with a worsening crisis of the dollar, the Organization of Petroleum Exporting Countries is presently making preparations to create a new currency on which to base the price of oil. The OPEC move to break with the dollar is closely coordinated with governments, industrialists, and bankers who jointly recognize that a new monetary system must be formed quickly before the entire system goes down the sinkhole. How and when to break with the dollar is the most pressing political question the oil producers — who are losing money daily from dollar-denominated oil receipts — face today.

Paralleling efforts to decouple OPEC's multibillion-dollar business from the dollar system are intensifying moves to assert a greater role in its oil production. Through both the nationalization of existing oil resources and the expansion of state-owned oil companies, the oil-producing nations anticipate a greater-than-ever voice in the future world economy. The success of this strategy will most decisively depend on whether the oil giant, Saudi Arabia, lends its open support to OPEC's monetary and nationalization strategy.

One way in which Riyadh can most effectively back OPEC's efforts toward such economic independence will be to finalize the long overdue nationalization of the 40 percent share of the Arabian American Oil Company (Aramco) still held by Exxon, Texaco, Mobil, and Socal. To this end, the more progressive Persian Gulf producers and the Soviet Union have been intensifying pressure on the Saudis. The Soviet party daily *Pravda* of Aug. 25 carried an unusually hardhitting commentary on OPEC. The writer, B. Rachov, strongly urged nationalization of OPEC's oil and praised the efforts in this direction of all the producing states but Saudi Arabia. The Soviets are backing a campaign led by Iraq and Kuwait to pry the Saudi royal family away from its traditional ties to the Rockefeller family's banks and oil companies. While the Saudis have made gestures in that direction, their basic tactic has been to stall. It should be noted that this is in part due to the very real threat of a U.S. (or surrogate Israeli) "retaliatory" military invasion of the Gulf oilfields — along the lines first publicly put forth by U.S. Energy Secretary James Schlesinger.

The Gulf states recognize the strategic danger of a possible invasion, and for that reason Kuwait earlier this month called for a unified stand among the nine oil-producing states of the region on security for the area. According to the West German *Frankfurter Allgemeine Zeitung*, both Kuwait and the United Arab Emirates (UAE) urged a gulf security pact not only to keep the area free from "communist domination" but also to ensure preparedness in the event of a "western invasion." As a result, the Foreign Ministers from the eight Arab states plus Iran will meet this month to work out a heads-of-state summit, probably for early next year. Certainly both the Comecon and the European

Economic Community, with its heavy dependence upon Mideast oil, would back such a pact, making a U.S. or Israeli invasion that much more dangerous.

A Lesson By Example

It is Saudi Arabia's erstwhile traditional ally, Kuwait, that has taken the most aggressive role with respect to both monetary and nationalization policy, working closely with other OPEC members to set an example for Riyadh. Both Kuwait and its Gulf neighbor, the UAE, have been active in pushing for the creation of an "OPEC dollar" as a means of negotiating oil transactions.

UAE Oil Minister Oteiba last month completed a round of talks with Venezuelan President Carlos Andres Perez around the creation of the new currency. In turn, Saudi Oil Minister Sheikh Ahmad Zaki Yamani will soon go to Caracas, where it is expected that the two leaders will seriously weigh the currency proposal.

At present there are two formulas for the OPEC dollar: to be backed by a basket of currencies, or to be backed by gold. A strong French-connected faction in Kuwait favors the gold plan, unlike the British-linked UAE, which leans toward the basket of currencies alternative. OPEC has already made it public that an emergency meeting of its Finance Ministers will be convened this month to begin to work out the shape of the new currency if the dollar continues to slip. Realistically, a new system would best operate on the gold standard. The decision on what kind of OPEC dollar will be instituted, however, will more than likely not be resolved within OPEC itself but through its deliberations with the advanced countries and the Comecon in working out a new monetary policy.

The concern of the oil producers over the dollar has begun to break into the pages of the international press. Both the influential *Money Manager* and the *Baltimore Sun* last week reported that Kuwait, the UAE, and Saudi Arabia are presently reevaluating their large dollar investments. In this light, the Saudis have begun to diversify their investments away from the riskiest institutions, such as Chase Manhattan Bank, toward straight industrial equity purchases and loans.

The issue of nationalization has also been brought into the spotlight by the Kuwaitis. Last month, during an official visit to Jeddah, Saudi Arabia, Kuwaiti Oil Minister Kazemi announced that Kuwait was in the final phase of total oil nationalization, a move which further embarrassed the procrastinating Saudis. Kazemi noted that Kuwait, in the same mode as its northern neighbor Iraq, has developed the manpower and technology to begin operating without total technological dependence on its two large concessionaires, British Petroleum and Gulf Oil. The *Christian Science Monitor* reported Aug. 27 that 31 percent of OPEC's total output (or 6.27 million barrels) is presently handled by state-owned companies. It added that if and when the Saudis nationalize, it is anticipated that 2 million barrels a day of Saudi

production will be handled by the government, representing a tremendous boost in OPEC's independent oil handlings.

The Saudi Faction Fight

The current pressure being exerted on Riyadh deliberately intersects an intense internal fight over which way Saudi Arabia will jump once it gets off the fence. An important factor in the outcome of the complex factional battle in the desert kingdom is an influential group of technocrats who are not members of the Saudi royal family. According to the *Baltimore Sun's* Michael Parks, it is this "nationalist" grouping which puts the interests of Saudi Arabia above salvaging the dollar. Both U.S.-based and European banking and diplomatic sources confirm that Oil Minister Yamani, Finance Minister Aba Khail, and the head of the Saudi Arabian Monetary Agency, Quraishi, are at the head of the nationalist grouping. It is to this tendency in Saudi Arabia that both the Soviets and Saudi Arabia's Gulf neighbors are speaking.

Recently the Soviet Narodny Bank proposed to the Saudis that, as part of their diversification of investments, they recycle petrodollars into the Comecon — a plan which, sources reveal, was directed toward Yamani in particular. A number of participants in a secret Saudi delegation to West Germany earlier this month also expressed their firm endorsement of such a financial orientation. Bonn sources indicate that it is

these nationalist Saudis who want to see the East bloc kept strong as a counterweight to the United States.

Yamani has, furthermore, continued his attempts at pushing through the two-year-old negotiations on the final phase of the complete takeover of Aramco. He again met with executives of the four partners this month in Saudi Arabia, following an announcement made earlier in the summer that by the end of the year the transaction would be completed. But according to officials of Aramco and the partner companies, the delay around finalizing the contract — whose terms have already been agreed upon for months — rests with the royal family, who have procrastinated in giving Yamani the okay to sign on the dotted line.

So far the oil policy that Yamani has instituted has been designed to find a middle ground between the most conservative and pro-U.S. members of the royal family and his fellow OPEC oil ministers who want closer cooperation. This has emphatically been the case since July's Stockholm OPEC meeting.

But while Saudi Arabia is definitely showing some will toward independence on the oil and monetary fronts, the message from both inside and outside OPEC is clearly that such gestures are insufficient to meet the needs of creating a new economic world order. The Saudi royal family's procrastination only provides time for Schlesinger's Persian Gulf war scenario to become a deadly reality.

— Judy Weyer

China — One Half Of Mao Still Remains

Behind the public debate over whether Secretary of State Cyrus Vance's recent visit to Peking succeeded in improving Sino-U.S. relations lies the reality that Vance's trip had very little to do with that question. Both the Chinese and the U.S. have carefully remained silent on the primary purpose, and the presumed primary result, of the visit: increased collaboration between the United States and China in the Indian Ocean and in Africa.

CHINA

The use by both sides of the term "exploratory talks" was a clever formulation. The absence of any indication that progress was made on the ostensible primary purpose of the trip — "bilateral" issues, including recognition, trade, etc. — combined with the unusually warm Chinese send-off for Vance, suggests that what was actually "explored" was the convergence of foreign policy interests between the two countries.

Behind this agreement for collaboration, however, lies a double deception game. Henry Kissinger, whose 1972 China policy Vance was carrying out, no doubt thinks that the Chinese have been conned into supporting the U.S. and holding down a "second front" against the Soviets in the event of a U.S.-provoked war with the Soviets. China, in turn, made clear it thinks it has manipulated the U.S. into taking a stronger position against the Soviet Union. As anyone but Henry Kissinger and the most obsessed U.S. "China watchers" could readily perceive, Chinese Great Han chauvinism has the last laugh in this game: Chinese policy is to promote U.S.-Soviet conflict as China's only avenue to Chinese world-power hegemony, but to quickly step aside at the point of conflict and leave the U.S. holding the bag.

The most surprising element in the Chinese stance is the lack of coherence between the open repudiation of the domestic policies imposed by the late Mao Tse-tung, and the staunch retention of Mao's foreign policies. At the recently concluded 11th Congress of the Chinese Communist Party, a strong campaign was waged for science, technological progress and education. Such a focus is correctly seen as both the best antidote for the mass irrationality fostered in the Mao years, and as necessary for the country's development. It is to be hoped that this policy turn, if carried through, will help impel China toward rejoining the human race in respect to its foreign policy, and toward using its influence for peace, not for global thermonuclear war.

For the moment, however, Peking's pro-industrial turn is essentially an internal policy development within the overall political geometry of the most rabid Great Han chauvinism.

U.S., China, and Bangladesh

The ongoing U.S.-Chinese collaboration in the Indian Subcontinent has been widely exposed in India, though hushed up in the U.S. The Indian daily *Patriot* and *New Wave*, an influential weekly, documented in their Aug. 21 issues the following revelations concerning joint U.S.-China military activities in Bangladesh, involving Saudi Arabia as a key financial and material supplier:

* China has sent 19 MIG-19 planes, including four for training purposes, to Bangladesh. Earlier, 200 Bangladesh soldiers were sent to China to learn anti-insurgency tactics — i.e., how to suppress domestic opposition to the regime.

* China maintains total support for the rabidly pro-U.S. Bangladesh regime of General Zia, which in turn is very closely tied to the Saudis.

* U.S. Seventh Fleet units have begun to call on Bangladesh ports.

* A three-member Pentagon team recently completed a tour of Bangladesh and visited all the strategic points on the coastal and island areas of the Bight of Bengal, reportedly scouting for the establishment of a U.S. naval base, particularly at Chittagong, the largest port, and at Chalna and the Hatia Islands. Renovation of these three ports by the U.S. began in 1976 and still continues. The team also sounded out the possibility of getting access to an Indian port in the state of Orissa.

* Saudi Arabia has agreed to supply arms to Bangladesh, which cannot be done without collaboration with the Chinese. The U.S. will replace whatever arms Saudi Arabia provides. The deal was worked out during Zia's recent trip to Saudi Arabia. Saudi Arabia has been heavily subsidizing the Zia regime for some time.

The Saudi-China-U.S. axis also extends into the western subcontinent where all three have played a major advisory role in the martial law administration of Pakistani General Zia ul Haq. Since coming to power in a July 4 coup against Prime Minister Z.A. Bhutto, Zia has regularly met the Saudi Arabian and Chinese ambassadors to brief them on the internal situation. Two of Bhutto's former ministers, Defense Minister General Tikka Khan and Foreign Minister Aziz Ahmed, who were the major pro-China hawks in the country, were recently accused by Bhutto of working with the Carter Administration to undermine his authority and to engineer the coup, according to the Pakistani weekly *Al Fatab*.

China has also continued its subversion attempts in India. Indian Defense Minister Jagjivan Ram told a garrison of the Indian Army in Calcutta, as reported in the *Indian Herald* on Aug. 30, that China continues to train insurgents in Nagaland and Mizoram, backward areas of India near the Chinese border dominated by tribal groupings, and that the Indian army in the area has been put on alert.

Chinese influence and activities in Africa also overlap areas of major U.S. destabilization efforts. Hsinhua, China's press service, has recently stepped up attacks on the pro-Soviet government of Angola. Chinese networks in Angola are believed to have been involved in the aborted, U.S.-linked May 27 coup attempt. Evidence is also mounting that the Chinese could play a role in the Anglo-American efforts to split the Patriotic Front liberation struggle in Rhodesia.

In the Horn of Africa, U.S. and Chinese activities overlap in the Sudan and Egypt, and Chinese courting of Somalia parallels intense U.S. efforts to ensure a destabilization of the pro-Soviet Ethiopian regime. Saudi money is heavily supporting the U.S. efforts there.

The U.S. Gameplan

Among people "in the know" in the U.S. China policy circles, it has been long been believed that China considered the Soviet danger the primary issue, and the knotty Taiwan problem which prevents normalization of U.S.-China relations to be strictly secondary. According to this view, held by Carter security advisor Zbigniew Brzezinski, Henry Kissinger, and some other high officials, Chinese public clamor about the urgency and importance of resolving the Taiwan problem before U.S.-China relations can improve is mere public relations. This group counseled that Vance could go to Peking empty-handed in terms of proposals for normalization, and still successfully consolidate mutual operations.

Opposed to this view have been a number of other top analysts, centered in the State Department and also including National Security Advisor Michael Oksenberg, Senator Edward Kennedy, and many private experts. Their view is that without major U.S. concessions to China's demand that all former U.S. ties to Taiwan be severed, China would become cooler toward the U.S., and the risk of some form of rapprochement with the Soviets would increase.

The outcome of Vance's trip has, on the surface, confirmed the former group. Despite Vance's loudly touted empty briefcase, he was accorded an extensive interview and dinner with Peking's Number Three man, the feisty vice-premier Teng Hsiao-ping, and then a genial meeting with Party Chairman Hua Kuo-feng which produced warm public exchanges from the Chinese side. "Above all else," as phrased by the *Baltimore Sun*, "The Chinese wanted assurance that the U.S. would maintain its global political and military deterrent to the Soviet Union, and Vance gave it."

The Chinese Gameplan

The reality is far more subtle and conditional. Certain references in the keynote speech given to the 11th Party Congress by Hua Kuo-feng appear directed at internal opposition to the current policies suggesting an intense debate; others appear slightly shifted from previous formulations. Rumors of possible major foreign policy shifts have also surfaced in the past week, according to Indian sources. And behind any assurances given to Vance lies the Chinese determination not be manipulated by anyone, but to play their own game which Hua's speech made clear could include dumping the U.S. in a moment if it was deemed that would serve Chinese national interests.

Hua's speech restated the hackneyed Chinese theme that while "the factors for revolution are growing, so obviously are the factors for war," and that this is because "both superpowers (U.S. and Soviets) strive to dominate the world, and they contend with each other everywhere." He contended that "Their continued contention will lead to a conflagration someday," while "the people of the world hope for peace, and the Chinese people too hope for a peaceful international environment."

Hua reiterated China's "three worlds" analysis, that places the "superpowers" in the "First World," Europe and Japan in the "Second World," and China and the under-developed countries in the Third World. Said Hua: "We support the Second World countries, such as the European countries and Japan, in their struggle against control, intimidation and bullying by the superpowers. We support their efforts to get united in the course of this struggle."

In the midst of this standard formulation, Hua added the new phrase: "So long as the people of all countries heighten their vigilance, close their ranks, get prepared and wage unrelenting struggles, they may be able to put off the outbreak of war, or will find themselves in a favorable position when war does break out. We are revolutionary optimists and have full confidence in the future of the world." Nowhere did Hua use the standard phrase "War is inevitable." If sustained, this de-emphasis on the inevitability of war would constitute the first major foreign policy formulation of Mao Tse-tung to be dumped.

Noteworthy also was the very defensive and detailed explanations for China's alliance with the U.S., which made clear that changed world circumstances could change Chinese pro-U.S. policies overnight: "... It is necessary to win over as many allies as possible... The more powerful enemy can be vanquished only by exerting the utmost effort... and skillfully making use without fail of every, even the smallest, 'rift' among the enemies... and also by taking advantage of every, even the smallest, opportunity of gaining a mass ally, even though this ally be temporary, vacillating, unstable, unreliable and conditional."

In the midst of an earlier section castigating Soviet activities around the world, Hua inserted a cryptic warning, to whom is not clear: "... There is a trend toward appeasement among those people in the West who cherish the illusion that peace can be maintained through compromises and concessions, and some even want to follow in Chamberlain's footsteps and try to divert the peril of the new tsars towards the east in order to preserve themselves at the expense of others..."

Finally, Hua indicated the good prospects for improved Sino-U.S. relations, and detailed the Chinese position on relations with the Soviet Union. Hua reiterated in detail China's claim to want normal state-to-state relations with the Soviets, and the charge that it is the Soviets who "have not shown one iota of good faith about improving the state relations between the two countries." At least one major China analyst, *Washington Post* columnist Victor Zorza, has interpreted this as actually an overture to the Soviets to improve relations.

Beneath the public enunciations on foreign policy is the cornerstone of China foreign policy for over 2,000 years, overlooked by Kissinger et. al.: "Manipulate the foreign barbarians." Despite its modern veneer, the Communist Party of Mao Tse-tung, the degenerate remnant of what was once a movement to overthrow the ideology of Chinese chauvinism in the late 1920s, has lost none of its racist view of the outside world. China's ultimate foreign policy is exemplified by the slogan still quite current: "Sit on the hillside and watch the tigers fight."

Domestic Rebuilding

The huge push on in China for economic development, acquisition of foreign technology and increased productivity, intensifying since the purge last October of the "Gang of Four," has been widely reported. Very significant within this overall push, however, is the degree to which the new Chinese leadership under Teng Hsiao-ping clearly understands the significance of the mental damage done to the population by the long night of Mao's reign since 1965.

Notable at the Party Congress was the emphasis put on encouraging Party members and others within society to speak their minds freely on many matters — excepting questioning the general Party line on political questions. The new line was summed up in a clause added to the Party Constitution adopted on Aug. 18: "In relations among comrades in the party, all members should apply the principle of 'say all you know and say it without reserve' and 'blame not the speaker but be warned by his words'." This phrase was repeated in Hua's and Teng's speeches.

Under Maoist rule, only meaningless slogan-shouting was permitted, with the slightest sign of deviation from

rigid policy lines punished by public ridicule. The result was total demoralization of the population and an almost universal apathy and avoidance of responsibility in all fields.

In his speech to the closing session of the Congress, Teng Hsiao-ping addressed the demoralization of the cadres by flattering them, and called for an end to "fighting without substance" and "less empty talk and more hard work."

Science and technology are now being portrayed as essential for the nation's economic development. Following the Party Congress, a campaign has been launched to promote the study of science among its hundred million primary and secondary school children. The *People's Daily*, the party paper, called on book publishing departments to print more material about science and technology and carried an open letter from three scientists to children urging them to study science hard.

Education has also been fostered by the reintroduction of examinations and preparations for enlarging greatly the availability of higher education. It was recently admitted that an educational generation had been lost because of the Cultural Revolution, that educational standards had dropped sharply during that period, and that the decline in teaching standards has cost the country more than the loss of tens of millions of tons of steel. Said one article in the *People's Daily*: China needs an "educational elite," and since some people are naturally brighter than others, "We welcome the men of talent." Such statements would have been anathema before Mao's death.

— Peter Rush

Venezuelan Bolivar Is Stronger Than The Dollar

During the past four weeks, Venezuela has been jarred by factional turmoil around economic policy issues. President Carlos Andres Perez has enacted a series of measures to control inflation and curb speculation, which has erupted in widespread controversy. Rumors of impending devaluation, countered by reports of revaluation, have circulated in the press. Almost the entire economic cabinet has been revamped.

The real issue behind the apparent confusion, however, is not Venezuela's internal economy. Rather, it is a fight to determine whether Venezuela will use its financial and diplomatic resources to help engineer a European-OPEC break with the collapsing dollar, or whether it will side with the Carter Administration's planned theft of OPEC's petrodollars to pump some life into the IMF. It all boils down to how the Caracas government will use its money: the pro-IMF forces within the government, led by former finance minister Hector Hurtado and former president Romulo Betancourt, want to hold the country's existing foreign exchange accounts in New York-controlled financial institutions and funnel even larger amounts into the IMF. The Venezuelan nationalists around President Perez are committed to investing these reserves in reproductive industrial development, while moving to protect surplus oil revenues from the dollar's decay.

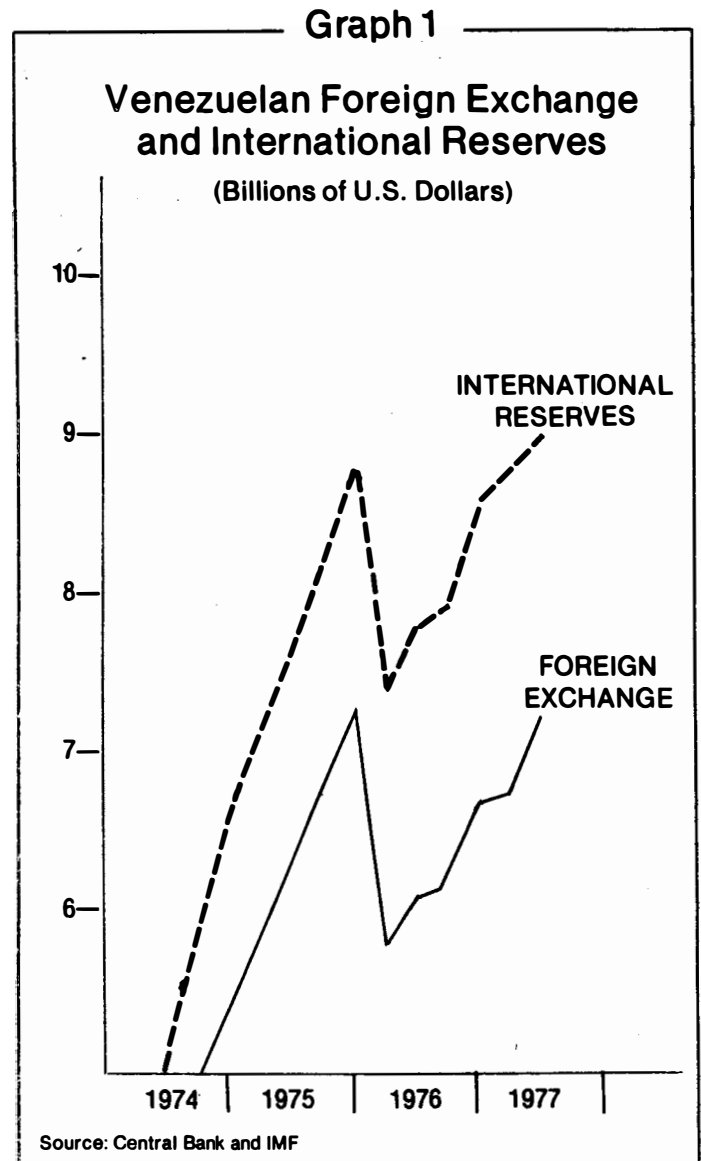
This issue was brought to the surface with the meeting between the Venezuelan and United Arab Emirates oil ministers, Valentin Hernandez Acosta and Mana Saeed Oteiba, in Caracas last week. According to the official Venezuelan communiqué, the principal topic was how to establish an "alternative" to the dollar as the basis for OPEC's oil receipts. The Saudi Arabian oil minister, Sheik Zaki Yamani, and a high representative of the Kuwaiti government are also scheduled to visit Caracas in coming weeks.

The Central Bank president, Benito Raul Losada, had already indicated increasing pressure within the government for a move from the dollar, when on July 26 he told reporters that Venezuela is "interested" in "diversifying" its foreign exchange holdings. One of Losada's predecessors, Machado Gomez, similarly hinted on July 29 that government financial authorities are "ready and very well prepared to protect our international reserves." Reinaldo Cervini, president of Pro-Venezuela, the nation's second-largest businessmen's association, was even more explicit this week, calling for "a policy of separation between the dollar and the bolivar. ...As long as our currency depends fundamentally on the dollar," he said. "we are tying our economy to the ups and downs of the U.S. economy." Cervini also praised the Central Bank for diversifying its reserves, and urged further investments in deutschmarks and yens as a means of guaranteeing future necessary capital goods imports and expanded trade.

In direct opposition to these policies, Hector Hurtado, now the minister of the Venezuelan Investment Fund (FIV), the nation's special petrodollar account, took a major step to cement the bolivar to the bankrupt dollar system when he pledged \$500 million of Venezuela's reserves to the IMF at a meeting of IMF ministers in Paris last week. According to Hurtado, his action represents a commitment to the "new world economic order."

The "Economic Measures"

In a July 11 policy address before Fedecamaras, the nation's largest businessmen's federation, President Perez outlined an anti-inflation package that has become



known as "the economic measures." The principle features, designed to tighten domestic credit, are as follows:

1) The current expenses component of the 1978 budget is to be held at the 1977 level.

2) The reserve ratio on all government deposits in private banks will be progressively increased from 50 to 75 percent by the end of the year. The net effect will be to reduce the credit supply by about 4 percent.

3) Profits in real estate construction, which are usually of windfall proportions, will be limited to 30 percent. In addition, credit incentives will be provided for low-cost housing, while credit ceilings are placed on luxury buildings and apartments.

4) Reserve ratios on foreign deposits in Venezuelan banks, traditionally a major source of funds for real estate speculation, will also be increased to as much as 50 percent.

5) Amortization periods on certain categories of consumer credit, particularly auto loans and credit cards, will be reduced.

Since they were made public, the ensuing battle has been over how the measures are to be used. Hurtado, who was finance minister at the time, sought to use them to implement across-the-board austerity, which would have forced cutbacks in industrial credits, restricted imports, and placed a ceiling on federal investment. Hurtado and his anti-Perez allies have consistently complained that the government's industrial development program is too "ambitious" and that the economy is growing "too fast," in order to justify the freezing of Venezuela's reserves in New York banks and the IMF. Last year, Hurtado tried to impose austerity by freezing the entire budget, a constraint Perez circumvented by authorizing a record amount of "additional" credits.

Immediately upon the announcement of the measures, the President's opponents in the Copei party denounced the government for failing to comply with its alleged promise to curb the economy's "unrestrained growth." The Copei leadership around former falangist Rafael Caldera is linked to Hurtado's circles through Romulo Betancourt, the aging chieftain of Perez' own Accion Democratica (AD) party.

President Perez, however, is well aware of his opposition's intentions. He therefore included a stinging attack in his July 11 address against "the traditional satellite mentality" of "stashing resources in foreign banks in immense quantities." Perez' objective is clearly to direct the credit squeeze against speculative capital, and direct the remaining credit to the productive sectors of the economy. As Juan Jose Oropeza, one of Perez' former agriculture ministers, stated this week, the goal is "to detain the inflationary effects of the available surpluses of the financial sector, which are not compatible with the possibilities for response from the real economy."

The initial reaction from the business community was a series of outcries. The Camara de Propiedad Horizontal y Bienes Raices, a real estate federation, charged on July 14 that the measures would "paralyze" the construction industry. Fedecamaras simultaneously warned of a generalized credit squeeze. The Association of Contractors and Subcontractors met with the Chamber of Construction Industry, claiming that small

and medium construction firms were in "immediate danger" of going bankrupt.

The Cabinet Change

Perez made his bid to bring the situation under control on July 15, when he bounced Hurtado from the finance ministry and installed a new Minister of the Presidency, Carmelo Lauria, a key figure from the business community and one of the prime architects of Venezuela's development policies. Although Hurtado remains in the cabinet as head of the FIV, his ability to carry out sabotage within the cabinet has been curtailed. His replacement, Silva Luongo, soon went after Hurtado's budget austerity. When asked by a reporter July 28 if there would be a reduction in public spending — Hurtado's war cry — he replied, "I keep my feet firmly on the ground. I cannot say such a thing." In fact, he added, there are certain projects still on the drawing boards that merit "special consideration."

The Lauria coup over Hurtado evoked hysteria among Perez' opposition. The weekly *Resumen* of July 31 charged Perez with ruling by decree... like Fidel Castro! On Lauria in particular, *Resumen* warned that his "days are numbered" as Betancourt moves to drive him out of the cabinet. In the daily *El Nacional* of July 29, columnist Tarre Murzi ("Sanin"), an unabashed supporter of Betancourt and Caldera, devoted his whole column to Lauria, calling him "The Czar". Sanin also conveyed the threat that Betancourt will "pulverize" Lauria. But the wildest reaction came from Eloy Anzola, a prominent lawyer and Copei sympathizer, who screamed in an *El Nacional* op-ed of Aug. 1 that Perez was trying to set up an "economic dictatorship." Without mentioning Lauria's name, he wrote that Perez is also attempting to install another "Hjalmar Schacht" (Hitler's finance minister) in the government.

The Devaluation Rumors

In response to the cabinet setback, the pro-IMF circles during the following week began to prepare a second front. By Friday, July 22, the line had gone out that the "confusion" and "uncertainty" caused by the government's economic policies were leading to capital flight and an eventual devaluation. This operation was to be a replay of the rumors that wrecked the Mexican economy under former President Luis Echeverria last year, when in the course of mere days, more than \$4 billion fled the country, forcing a devaluation. Perez, like Echeverria last fall, is now nearing the end of his term, and the Wall Street hirelings within his party, led by Betancourt, succeeded in foisting their candidate, Luis Pinerua Ordaz, upon the AD during the party's primary election July 17. By provoking a stampede against the bolivar, Wall Street hoped to discredit Perez' development policies and thus relegate him to lame duck status until the 1978 general elections.

Wall Street began setting the stage for this scenario last January, when Wall Street economic analyst Eliot Janeway circulated the line that the bolivar would soon be "worthless". Janeway at that time was also writing articles suggesting oil-starved Brazil invade Venezuela, as "Hitler overran Alsace-Lorraine." *Money Manager* magazine followed with an article on April 11 replete with stories of capital flight, "unprecedented corrup-

tion," and a general "unfolding economic horror story."

On June 26, *Resumen* reprinted a recent article from the *International Currency Review* pushing devaluation. Venezuela's "bonanza," says *ICR*, "is rapidly coming to an end," and outrageously accuses the Venezuelan government of "covering up the true nature of its financial situation" from foreign investors. A month later, *Business Week* wrote that "Venezuelan businessmen" are "worried" about a devaluation.

With this backing, the destabilization campaign went into full swing on Monday, July 25. According to *El Nacional*, stories circulated to the effect that "nervous" holders of bolivars pushed dollar purchases four times above their normal level. Another story claimed that two banks were forced to shut down their exchange windows when they supposedly ran out of dollars. The rumor campaign of a devaluation was so intense that Central Bank head Benito Raul Losada was forced to appear before the press three times that week to deny it. Even more extraordinarily, Interior Minister Octavio Lepage went on national television to help quash the campaign.

Immediately, President Perez met with business leaders to strongarm them into line behind the government. On Monday, he met with Carlos Vogeler, the new president of Fedecamaras. According to reliable sources in Caracas, Perez told the association that he would not stomach more anti-state sector nonsense of the type peddled by Vogeler's predecessor, Diaz Martinez, and that if the businessmen wanted a confrontation, he would give it to them. The following day, in response to a reporter's question on rumored threats to create a black market, Perez was unequivocal: "If there occurs such a maneuver against the interests of the country ... the government will take the most severe measures against the infractors."

By Wednesday, Diaz Martinez and Reinaldo Cervini, of Pro-Venezuela, had issued public statements denouncing the entire rumor operation as "dangerous" and "unfounded" and calling on the private sector to "make these rumors fail." The next day, Vogeler sent a telegram to the President praising the government for his "broad receptivity" toward the positions of the business community. At the same time, Gonzalo Barrios, secretary general of AD party, sensing which way the wind was blowing, condemned the rumor mongering as "criminal maneuvers."

By the end of the week, Perez had defeated the onslaught. Losada of the Central Bank thanked Diaz and Cervini for helping to return the situation to "normal."

Critical in forcing Wall Street's hasty retreat was the British break with the dollar on Wednesday, July 27. Realizing how absurd devaluation stories sounded under conditions of an almost vertical collapse of the dollar, the IMFers also feared Venezuela might well follow Britain's lead and cause an entire OPEC breakaway. Even the exchange traders and desk personnel on Wall Street wouldn't be caught peddling this stuff.

With Perez again in control, the Central Bank seized the reins on the economic measures and aimed them straight at the speculative capital sector, while favoring "the real economy." On July 28, Losada doused hysterical stories of "paralysis" of the construction sector by guaranteeing that the Central Bank would buy all mortgage guarantees left unsold on the market, thus giving

the state sector greater control over real estate credit, and, consequently, speculation. He added that to further curb speculation, property assessment would be limited to the value of the property when credits were first provided for construction. On Aug. 2, Losada further specified that credit will be eased for the productive sectors of the economy through special rediscounting facilities at the Central Bank. Excluded, he said, are insurance companies, financial institutions, exchange houses, and "intermediaries in stock market and personal credit transactions."

Since the beginning of this month, the pro-dollar forces have had no choice but to resort to sabotage, with veiled threats to shut down the economy. The president of the Consejo Nacional del Comercio y los Servicios, Eddo Polesel, charged Aug. 2 that private banks were shutting off credit to the commerce sector, particularly to merchants and importers.

A week later, Simon Lavieri Hernandez, the acting

'Devaluation Of The Bolivar? Nonsense!'

Queries to Wall Street bank officers and exchange traders last week revealed a sudden silence on the allegedly imminent devaluation of the bolivar and related capital — even from sources that had previously published the phony rumors.

A leading investment house: "I heard rumors mentioned a couple of weeks ago... It doesn't make sense... But then again, rumors are all you need to get something like this going."

Money Manager magazine, which four months ago ran a story on devaluation and capital flight: "I haven't heard a thing."

Business Week magazine, which only two weeks ago reported devaluation rumors sweeping the Caracas business community: "Are you sure you don't mean revaluation? There have been a lot of rumors, but devaluation doesn't make sense. Buying dollars in Venezuela? Who the hell would want to buy dollars? Who wrote that (*Business Week*) article? Well, he shouldn't be saying these things. ...I know there is growing pressure by the Arabs to get OPEC to break with the dollar and go for some gold-backed currency, like you suggest, but I don't think they'll do it. You're talking about a whole new monetary system...The U.S. would scream bloody murder."

Morgan Guaranty: "There's absolutely no substance to these rumors. I don't know where they're coming from."

Schroeder Bank: "The bolivar's as solid as a rock"

Officers from Wells Fargo, Eximbank, Citibank, and the U.S. Treasury all said they had either not heard the rumors or did not consider them serious. "It's no big deal," said one. "It's just being blown up out of proportion for political reasons, probably by Copei (the major opposition party — ed.)."

head of the Confederacion Rural, an association of small growers, claimed that both public and private credit has been shut off for agriculture, threatening the upcoming harvest in the western plains, the largest harvest in the country. Lavieri particularly cites the Banco Italo-Venezolano and the Banco de Fomento Comercial, both with heavy government deposits, for having completely shut off all loans. What Lavieri and the banks have not yet explained is how this can occur when all banks are required by law to devote 20 percent of their activities to agriculture.

The same day, Luis Perez Barreto, executive secretary of the Federacion de Entidades de Ahorro y Prestamo (savings and loans), alleged that the reserve restriction on foreign deposits in Venezuela will actually impair the construction of low-cost housing, despite the government's intentions. Simultaneously, the head of the Camara del Urbanismo y la Construccion in the state of Merida reported that the entire construction industry in that area is supposedly "on the verge of paralysis" and threatened with bankruptcy. Lujano explained that regional bankers told him that in order to meet the government's new reserve ratios (which will only increase by 5 percent in August), they are shutting off credit and calling in outstanding debts.

The Political Strength Of the Bolivar

The irony of the sundry efforts to portray the bolivar as being on the verge of a devaluation is that it is stronger than the dollar, and, if anything, it should revalue. First, despite the enormous growth of imports under the Perez administration, international reserves and foreign exchange holdings have risen to record levels. (See graph.) Secondly, these imports, 60 percent of which are capital goods and industrial inputs, have generated an average real industrial growth rate of 11 percent per year since 1974.

But most importantly, the real strength of the bolivar is President Perez' political commitment to a new world economic order. Exemplary is his government's break with the Malthusian energy policy of the Carter Administration, made explicit by Hernandez Acosta's announcement upon returning from Europe two weeks ago. Hernandez, who visited West German nuclear power installations, stated that Caracas seeks to reach a technology transfer agreement with the Bonn govern-

ment for the development of nuclear energy in Venezuela. "It is in our interest to be prepared for the alternatives which obviously should be chosen in the future," he said, "above all because throughout the world the need for nuclear specialization is being recognized as a proven alternative."

What remains to be accomplished to consolidate Perez' objectives is a total break with the dollar. Not only must the bolivar abandon its fixed parity with the dollar, following the British example, but the Central Bank's moves into European currencies must be vastly accelerated. Further, as part of the European-Arab-Comecon coordinated steps toward an independent gold-backed currency system, Venezuela must rapidly purchase gold — a move it has been avoiding. With these types of "buffer" procedures under way, the Perez government will be in a position to play a major leadership role in bringing the new monetary system into practice, either on the basis of a gold-backed OPEC-wide currency as a first step, or with a broader European-Comecon-OPEC arrangement. But gold backing is the key.

The only immediate danger to the bolivar would be a reversal of Perez' policies. Therefore, the most serious threats to the integrity of the Venezuelan currency are Romulo Betancourt, Hector Hurtado, and Co. Within the AD, Betancourt is personally heading a campaign to destroy Perez' political base and drive anti-IMF ministers out of the cabinet and even out of the country. *Zeta* magazine, published by Cuban exiles led by Betancourt, recently lied that Gumersindo Rodriguez, Perez' former planning minister and still a major influence on government policy, was about to go live in France to get away from "dirty politics." Rodriguez wasted no words in identifying Betancourt's employers: this slander, he said, is the work of "imperialist circles and their political destabilization operatives and agencies, such as the CIA," in an effort to undermine the nationalist economic policies of the President. As previously mentioned, a similar campaign is being mounted against Carmelo Lauria.

In short, if Betancourt gains control over the government, the bolivar will go up in smoke along with the dollar. If he and his friends are stopped, and the government proceeds to assume its rightful international responsibilities, the bolivar will be as good as gold.

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DAILY ENERGY INTELLIGENCE BULLETIN AUGUST 18, 1977

'EX' WATERGATE PROSECUTOR CHARGES 1.5 BILLION DOLLAR COST
OVERRUN IN ALASKA PIPELINE

AUG 18 - IN A HIGHLY UNUSUAL PROCEDURE, THE STATE-RUN ALASKA PIPELINE COMMISSION, ITSELF SPENDING MORE THAN 1 MILLION DOLLARS IN ITS INVESTIGATION, HAS CHARGED THAT THE ALYESKA PIPELINE SERVICE CORPORATION 'WASTED' SOME 1.5 BILLION DOLLARS IN CONSTRUCTION OF THE MUCH PLAGUED ALASKA OIL PIPELINE. THE ALYESKA CORP. HAS CHARGED THAT THE STATE REPORT IS BIASED AND THAT THE INVESTIGATORS 'NEVER INTENDED OBJECTIVITY.' THE 670-PAGE REPORT WAS PREVIOUSLY INVOLVED IN THE POLITICAL FAC-TIONAL WAR AGAINST NIXON WHEN LENZNER WAS DEPUTY COUNSEL TO THE SENATE WATERGATE COMMITTEE. 'INFORMED SOURCES IN THE PETROLEUM INDUSTRY ACTING AT TIMES THROUGH ITS EXXON INTERESTS TO SABOTAGE THE DEVELOPMENT OF THE LARGELY BRITISH PETROLEUM BACKED EFFORT BY AN EXPLOSION AND FIRE EARLIER THIS SUMMER HAS ALREADY CAUSED SUBSTANTIAL DELAY IN BP ALASKA OIL REVENUES, WHICH WAS FURTHER AGGRAVATED BY A US INTERSTATE COMMERCE COMMISSION DE-CISION FORCING DOWNWARD REDUCTION IN RATES CHARGEABLE BY THE PIPELINE CONSORTIUM TO ITS CUSTOMERS.'

BRITISH NUCLEAR REPROCESSING INQUIRY GETS BOOST

AUG 18 - THE ONGOING BRITISH GOVERNMENT-ORDERED PUBLIC INQUIRY INTO THE QUESTION OF WHETHER THE EXISTING NUCLEAR FUEL RE-PROCESSING CENTER OF BRITISH NUCLEAR FUELS LTD. AT SIND-SHALL GOT A MAJOR BOOST WITH THE TESTIMONY THIS WEEK FROM THE NUCLEAR INSTALLATIONS INSPECTORATE THAT THERE AP-PARENTLY IS NO SIGNIFICANT SAFETY PROBLEMS THAT CANNOT BE OVER-COME. IN OTHER TESTIMONY, DR. STANLEY BOWIE OF ABERDEEN ENVIRONMENTAL GROUPS, THAT THE PLUTONIUM BYPRODUCT OF NUCLEAR REPROCESSING WAS ONE OF THE MOST DEADLY SUBSTANCES SUCH REPROCESSING GROUPS, WIDELY CIRCULATED BY VARIOUS ENVIRONMENTAL GROUPS, THAT THE MOST DEADLY SUBSTANCE IN THE CAFEINE PEOPLE DRINK EVERY DAY IN THEIR COFFE-INS WAS AMORY LEVINS IS BELIEVED BADLY FALTERING IN ATTEMPTS TO SO FAR WHIP UP PUBLIC HYSTERIA AGAINST THE EXPANSION OF THE JAPANESE ELECTRIC UTILITIES FOR A MA-JOR CONTRACT.

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