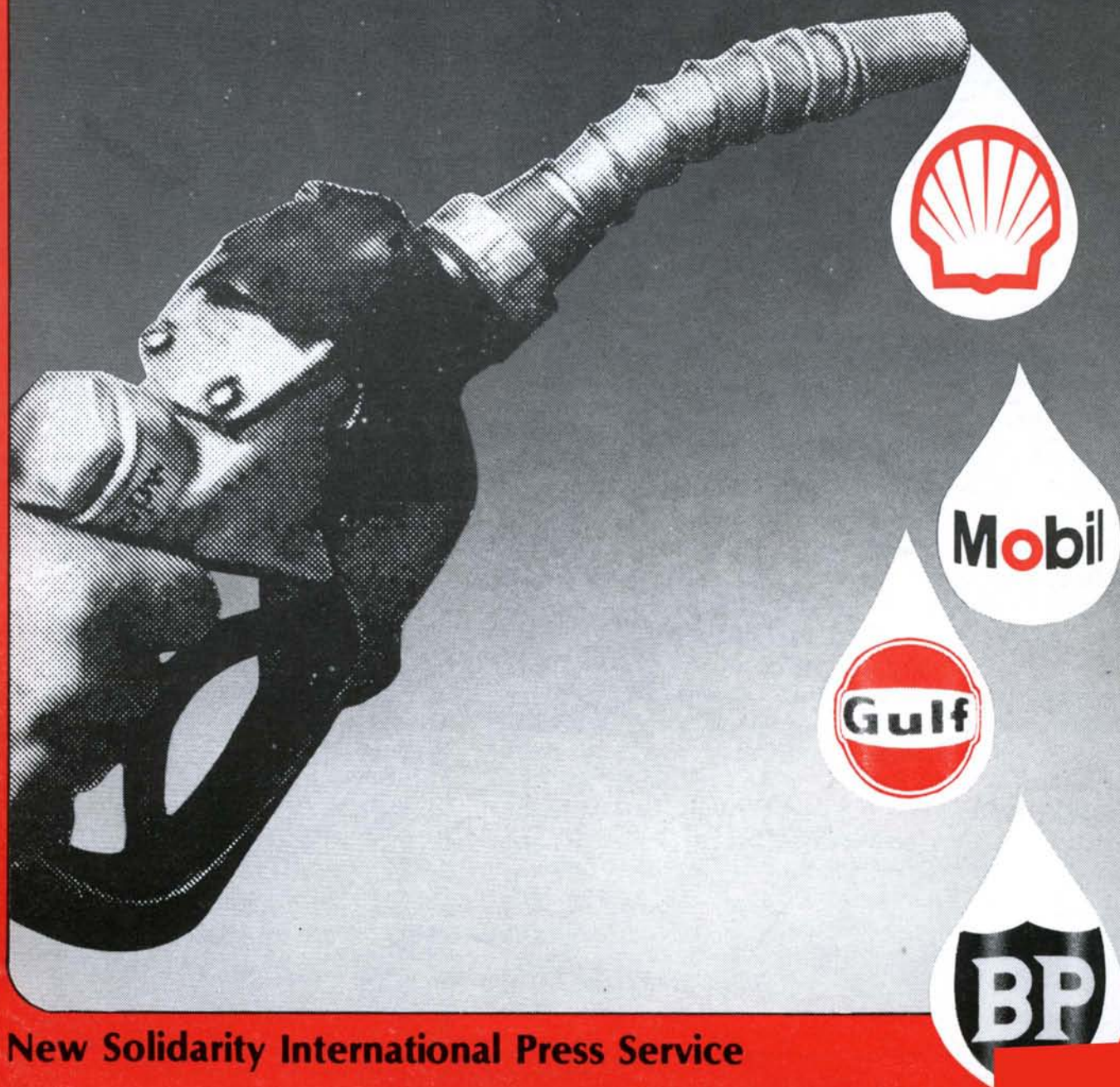


EXECUTIVE INTELLIGENCE REVIEW

The move
toward LaRouche
for 1980

June 5-11, 1979

Gasoline Blackmail



New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW



Gasoline blackmail

Everybody knows it's a hoax: in this week's ENERGY section, *Executive Intelligence Review* pinpoints exactly how London, Energy Secretary James Schlesinger, and the Seven Sisters oil multinationals have turned what is in fact a hefty 5 percent increase in world oil production in the first months of 1979 into what looks more and more like a replay of the infamous 1973-1974 oil hoax. Included in our investigation: examinations of the welter of regulations, allocation procedures, and the ludicrous "Strategic Petroleum Reserve" which Schlesinger has used to help create a gasoline shortage in the United States; the role of the London-controlled International Energy Agency in imposing energy austerity; and how the Rotterdam spot market was used by the oil multitis to trigger skyrocketing oil prices. Plus a look at the producer-consumer strategies of France, Mexico, and Saudi Arabia which are the world's best bet to begin to break the back of London's oil hoax of 1979.

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Labor turns toward LaRouche

The scenario-makers in the backrooms of the New York Council on Foreign Relations had hoped for a smooth transition to a loaded 1980 presidential campaign featuring Alexander Haig on the GOP side, and Teddy Kennedy for the Democrats—with Haig the eventual winner. But the growing support for the candidacy of U.S. Labor Party chairman Lyndon H. LaRouche, Jr., appears to have thrown off the timing of the scenario, with CFR policy-makers unsure at this point just how fast they dare move in dumping the hapless Carter. In our U.S. REPORT this week, we feature the public endorsement of LaRouche by a leading official of the International Brotherhood of Teamsters, Rolland McMaster, as well as the speech LaRouche gave last week to the Detroit Chamber of Commerce. Also: excerpts from General Alexander Haig's provocative speech to the California Bankers Association.

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Winning the war against drugs

A nationwide movement of antidrug coalitions—with international support—is growing against the drug plague that has infested especially America's youth, turning a sizable portion of America's next generation into listless potheads. This week's SPECIAL REPORT takes a look at the coalition movement, including medical testimony on the dangers of marijuana and other "recreational" drugs, an interview with the leader of an antidrug coalition at a Philadelphia high school, and reports on antidrug coalition meetings and activities around the country. **Page 36**

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**Mexico's proposal
pitted against
World Bank at UNCTAD**

Energy was not even on the agenda for the Manila meeting of the United Nations Council on Trade and Development, but Mexico's proposal for a world producer-consumer dialogue to make energy the "responsibility of mankind" has become the center of opposition to World Bank "alternate technologies" and the "IMF conditionalities" approach that was slated to dominate the gathering. Included in our THIRD WORLD report on this meeting, which is indicative of the tenor of the more important Group of 77 meeting in Havana later this year, are the Mexican representative's speech to UNCTAD and an in-depth report on the Ujamaa model of "self-reliance" imposed on Tanzania, which has made that nation one of the World Bank's models of Third World "development." **Page 25**

Note to readers

The editors of *Executive Intelligence Review* wish to state that the review of Mr. Lionel Taccoen's book *The Energy War Has Begun* which appeared in *Executive Intelligence Review* Vol. VI, No. 16 (April 24-30, 1979) does not reflect the views of the editors. Mr. Taccoen is in fact in favor of nuclear energy and of industrial development. The mistake such as occurred in the cited review, occurs because of dependence on secondary sources which must be checked and crosschecked because they are so frequently misleading or downright slanderous. In this case, such checking regrettably failed to detect the error.

<p>EXECUTIVE INTELLIGENCE REVIEW September 24, 1978</p> <p>Why the World Bank Pushes Drugs</p> <p>Richard Brown examines the impact of the World Bank's drug control program.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 7, 1978</p> <p>Saving the dollar—</p> <p>—without a recession</p> <p>Leadership in international politics: how to survive in a world of uncertainty.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 14, 1978</p> <p>Japan exports the A...</p> <p>Will any other country be able to...</p> <p>New Solidarity International Press Service \$10</p>
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Opening the Italian flank

As we go to press, Italy is about to hold the national parliamentary elections that had to be scheduled last March when the City of London engineered a collapse of Giulio Andreotti's government. But the June 3-4 elections may hold a major surprise for the British enemies of Andreotti and his prodevelopment allies in the Communist Party. Events of the past week indicate that the republican forces of Italy may emerge as the strongest and assume a leading role in an unprecedented break by broader Western European forces with the London-Washington war axis.

The first signal was the visit of Saudi Crown Prince Fahd to Italy, following his stops in Paris and Bonn; the Saudi leader assured the energy-dependent Italians of increased petroleum supplies, bringing Italy into the French-Saudi campaign to shut down the speculative Rotterdam "spot market," the primary source of the current oil-price crisis.

The second signal was the sharp rebuff that Andreotti, still Italy's caretaker Premier, gave to a euphoric Cyrus Vance on his stopover in Rome on the way back from the first implementation ceremony of the fatal "Camp David" war accord between Israel and Egypt. When Vance pleaded on behalf of Camp David, Andreotti spoke only of an EEC plan for European development aid to Arab countries including the Palestinians, saying this was the key to Mideast and global peace.

The third signal is the broad publicity which is being given to the Italian organization of the European Labor Party, which is fielding parliamentary candidates in the Rome, Milan and Ascoli Piceno areas. The ELP has targeted Italy's third-largest party, the "kingmaker" Italian

Socialist Party, as a major covert supporter and controller of terrorists on behalf of the British crown and the native Italian "black aristocracy." Moreover, the ELP is conducting a high-profile fight for nuclear energy development against the "environmentalist" deindustrializers for whom the PSI is, again, Italy's major institutional representative.

The ELP, known in Italy as the Partito Operaio Europeo has played a widely recognized role in guiding Italy's antiterrorism efforts which, over the past year, were the principal joint achievement of Andreotti's wing of the Christian Democracy in the government, and a like-minded dominant faction of the Berlinguer-led Communist Party of Italy. Prodevelopment forces in both mass-based parties have indicated that they expect the ELP to displace the PSI as the third major party in Italy—beginning with ELP victories in the June 3-4 election.

ELP candidates' appearances, statements, and, in particular, their attacks on PSI candidates have received regular coverage in all of Italy's leading newspapers, including feature articles on the party in Italy's

newspaper of record, *Corriere della Sera*, in *La Notte*, Milan's leading newspaper, and numerous others. The coverage clearly anticipates the party winning several seats.

The momentous significance of such an outcome lies in the fact that the ELP has demanded *European intervention into U.S. politics* as the centerpiece of its campaign against the British monarchy and its Italian accomplices. ELP General-Secretary Fiorella Operto in a speech over TV Olterpo, said ... "I, Fiorella Operto, General Secretary of the European Labor Party in Italy, am asking Prime Minister Andreotti to make Italy the first country to invite U.S. presidential candidate Lyndon H. LaRouche to visit for necessary consultations.... We are the American party in Italy, not Jerry Brown's America ... not the Kissinger America, not the America of Bob Dylan and Joan Baez, but the America of Franklin, Hamilton and Washington... The Italian community in the U.S. and the millions of Italians here who want us to build up a powerful nation based on technological and economic progress, must support the candidacy of LaRouche.

The Week in Brief

The leaders of Francophone Africa on May 22 unanimously endorsed French President **Valery Giscard d'Estaing's** proposal for a **Euro-Arab-African conference** on peace and development in the final communiqué of the Sixth Franco-African Summit Conference in Kigali, Rwanda.

Giscard's proposed a conference of Western Europeans, Africans and the Arabs to "**discuss the means to more tightly link their destiny ...**"

according to Giscard's speech at the conference. He proposed a "comprehensive approach" linking "African governments recognized by the Organization of African Unity and the Arab world as it is recognized by the Arab League." Giscard's formulation pointedly **excludes Egypt and Israel, South Africa and Rhodesia.**

The association would be **political**, not strictly economic, linked by a "charter of solidarity" and giving the participants "a chance to no

longer be stakes in the global rivalry between the powers.”

The triologue proposal was accompanied by an outline of France's economic development proposals for Africa, in which Giscard implicitly **rejected the World Bank's "appropriate technology" ideology**, saying that France would give priority to projects in Africa which would create jobs in France, and would emphasize **French export of high technology capital goods** similar to the recent Franco-Mexican oil-for-nuclear-technology agreement.

* * *

The Ayatollah Khomeini took Iran a few steps closer this week to the brink of a New Dark Ages. According to Iranian sources, in a recent speech, Khomeini gave official sanction to **drug addiction by proclaiming that smoking opium is not forbidden** by the Koran.

At the same time, Iran announced the **cancellation of over \$34 billion in industrial development projects**, including two highways, a railroad system, a Teheran city center, an airport, and Iran's entire nuclear energy development program. In the southern port city of Bushehr, two almost completed nuclear power plants will be converted into grain silos, according to the *Washington Post*.

Worse yet, Khomeini's Iran has begun to **fragment** according to the design of British intelligence's **Bernard Lewis plan**. As Khomeini's fascist komitehs take more and more control away from the government of Prime Minister Bazargan, **violence has broken out in several provinces**. The latest was in Khuzestan, the Arab-inhabited oil-producing area, where local militias battled the troops of the Khomeiniacs. Observers noted the **possibility of a British-run shutdown of Iran's oil production**.

* * *

Announcing that **"there are no differences"** between British and American views on southern Africa, U.S. Secretary of State **Cyrus Vance** hint-

ed broadly after four days of meetings in London last week that the **U.S. would follow the lead of Her Majesty's Foreign Secretary Lord Carrington**—toward diplomatic recognition of white supremacist Ian Smith's "internal solution" in Rhodesia.

"I would have to say that there is a new reality," Vance solemnly intoned. "We must recognize that there is."

The 'new reality' was spelled out by the *Daily Telegraph* May 23—banner headlines proclaimed the imminent return of the **British imperial flag** to Salisbury. The Thatcher government is openly preparing for outlaw state Rhodesia's return to the Commonwealth, once **Bishop Abel Muzorewa** has been formally installed as the blackface front man for Smith, South Africa and the Queen. Already Lord Carrington has dispatched three new diplomatic emissaries to Africa, including de facto ambassador to Rhodesia **Derek Day** to pave the way.

* * *

An **emergency economic aid package of \$1.45 billion** was offered to the financially strapped Turkish government last week by **14 countries** meeting in Paris under the auspices of the Organization of Economic Cooperation and Development. Billed by much of the press as "unexpectedly generous," the aid offer is, in fact, an **attempt to blackmail** the government of Prime Minister **Bulent Ecevit** into implementing austerity dictates of the **International Monetary Fund**. Unless Ecevit drops his long-standing resistance to the IMF measures, the \$1.45 billion will not be disbursed.

Pressure on Turkey to acquiesce to IMF-OECD demands is also coming from NATO. The first agenda item this week for just-retired NATO commander **Alexander Haig** is a trip to Turkey to strongarm the Ecevit government into line. Last week, both Haig and Joseph Luns, NATO Secretary General, sounded the alarm about Turkey, calling it the

most critical security problem facing the West today.

* * *

Mexico's President **Jose Lopez Portillo**, touring the soon-to-be-completed nuclear plant of Laguna Verde May 29, announced that **electrical growth** will be programmed to reach an astounding **13.3 percent per year**, up from the already high 10 percent currently programmed for the next decade.

Why the increase? The just-approved **National Industrial Development Program** needs it to convert Mexico's surging oil revenues into industry. Nuclear energy will play a big role in electricity expansion, stated Lopez Portillo, and nuclear director for the Federal Electricity Commission said plants are now under study for "Toluca, Poza Rica and Manzanillo."

* * *

Andean Labor Party officials, in a Bogota, Colombia press conference have denounced the May 27 **ransacking of their office** as harassment, intimidation and sabotage of the party's political work in that nation. Essential equipment was stolen from the organization during the incident.

The ransacking of the office, said the party spokesmen, fits into a pattern of preparations for a **military coup d'etat in Colombia**; the numerically small Andean Labor Party has been a principal propaganda force warning that those rightwing **oligarchs who are demanding legalized export of marijuana** by Colombia are the forces behind more widely recognized preparations for a coup.

Colombia has been in a "state of siege" or emergency for months, during which massive **repression** of all opposition parties by oligarchy-allied military elements has been occurring.

The Andean Labor Party spokesmen pointedly warned press representatives in Bogota that the ransacking of their office may well be preparatory to **jailing, torture or murder of their party's organizers**.

International banking lending: will it shut down?

A featured OpEd piece in the London *Financial Times* of May 30 purports to analyze what the effect on the international lending markets of the expected OPEC price increase will be, citing OECD estimates of a \$45 billion current account deficit for the developing countries during 1979. The *Financial Times's* conclusion is that while the international markets will not collapse under the strain—a prospect the article moots—banks will operate under compulsion from the American Federal Reserve, the Bank of England, the Bank for

INTERNATIONAL CREDIT MARKETS

International Settlements in Basel, and the International Monetary Fund as the “arbiter of the terms of credit.” Either stronger supervision, per the proposal of Bank of England Governor Gordon Richardson, or straight reserve requirements on the Eurodollar deposits of the international banks will force bankers to move their LDC loans “onshore” and impose much tougher terms.

In fact, the scenario circulating in London reflects less what must necessarily happen than what the official agencies cited by the *Financial Times* want to see happen. As *Executive Intelligence Review* reported last week, the brunt of the American government proposal to slap reserve requirements in the 15-20 percent range on Eurodollar deposits is fear that the Western Europeans and Japanese will run off with international lending, as they have done during the first four months of 1979.

A type of fake objectivity has muddled the actual state of international credit flows, as witness the *New York Times's* May 29 discussion of the alleged reflow of Eurodollars back to the United States. According to the *Times*, the \$4 billion net reduction in U.S. banks' claims on their Euromarket subsidiaries indicates that the gigantic flow of funds back into the dollar—measured by the \$17 billion net reduction in dollar obligations held by foreign central banks during the dollar's boom days, January through April—has in

large part gone to American banks, and the Eurodollar market is coming back “onshore.”

The *Times* is, in fact, in substantial error; most of the dollars that flowed out of foreign central banks' portfolios (and flowed out of the central banks' main investment vehicle, the government debt of the United States) went into European and Japanese commercial banks, and thence to the developing sector in the form of syndicated loans. That is the main incentive for the State Department and Treasury's sudden insistence on imposing Eurodollar reserve requirements: the stated objective, as published by this service, is to wipe the Europeans and Japanese out of the lending markets. Their central bank-commercial bank collaboration accounts for the fact, which the *Financial Times* discussion found strange, that the international “borrowers” market for LDC lending has persisted despite the last and the current round of oil price increases.

American commercial banks purport to find inexplicable the willingness of the European and Japanese banks to make loans at spreads of one-half of one percent and even less, which barely cover administrative expenses. The answer has been in the headlines of the European press for several months: the foreign banks are sacrificing temporary profitability in order to maintain customer relationships with nations whose credit standing will zoom once the European Monetary Fund comes into effect. Since the American commercial banks despair of their Administration giving them access to the new European development financing facility, they have tended to line up with the Bank of England-Federal Reserve combination for shutting the Europeans and Japanese out. (Technically, G. Gordon Richardson and G.W. Miller have different proposals for rigging the Eurocurrency markets, but the intention of both proposals is the same).

The market development which most dramatically shows up the silliness of the financial forecasts associated with Miller and Richardson is the spectacular rise in the price of gold, whose price is now at \$278. If the constriction of the Eurodollar market and the

movement of dollars back onshore is so imminent, why has gold had its most striking price advance this year? The argument that what is occurring is a disorderly rush out of all currencies is stale and wrong. The leading European institutions and their Arab customers have a deal to put the price up as part of the new reserve basis of the European Monetary System. In part, the rise in the imputed reserve-price of gold to \$300 an ounce or thereabouts from the previously agreed figure of \$230 to \$240 compensates Europe for the rise in oil prices; the Arabs are becoming major gold holders and lose little on this basis. The only major loser is the United States.

The success or failure of these monetary arrangements depends strictly on the outcome of the Franco-Japanese plan to replace the oil multinationals with a system of multilateral oil-for-technology exchanges, which the Saudis and Mexicans have both proposed through a number of media. One European banker

expressed it this way: "By all rights the French securities markets should have collapsed, because France is now paying more for oil than it can afford. However, the institutions have faith in the French government's policy of promoting capital formation and expect to profit in the medium-run. The rise in the oil price as such can be dealt with; what must be avoided at all costs is a shock to supply."

In sum, the United States stands to lose both oil and money. What the European governments have not yet answered is the question, what happens if they succeed? If their oil and monetary package goes through at the expense of the United States—without winning the United States to their policy—the world monetary system will still be subject to continual destabilization.

—David Goldman

'Facing up to the reality of the world oil crisis'

The following is excerpted from a London Financial Times article of May 30, entitled "Finance for the Second Wave of the World Oil Crisis," by Nicholas Colchester and John Evans.

... The recent appearance of the international capital markets could scarcely have been predicted four years earlier. The funds have been coming out of the industrialized nations to be re-lent via the international banks to the developing nations. In a borrowers' market the developing nations have been borrowing more than they strictly need to finance their reduced current account deficits. It was, and so far remains, a "borrowers' market." This is ... partly because a growing throng of international banks emerged ready and eager to intermediate in the flow of funds.

At a moment when the pace of increase in oil price is causing alarm and surprise it is natural that bank analysts are again focusing on the extra funds which OPEC will have at its disposal and the extra needs for funds which will be created in the less developed countries which have no oil. The question is whether

the international banks, which have now emerged as the main channel through which balance of payments financing takes place, will be allowed, able or willing, to repeat their post-1973 performance.

... This time around, according to Morgan Guaranty, the current account deficits of the non-OPEC developing countries should deteriorate by some \$7.5 billion to an estimated \$35 billion—roughly half the rise being due to the oil price. ... In terms of indebtedness the recent rise in the debt of developing countries has been very marked, partly because they have been taking advantage of the market to build up reserves. ... It is clear, too, that private banks are now the mainstay of this accumulated debt. They account for 50 percent of all LDC risk against 36 percent five years ago. ...

It is an irony that a new campaign which is building up to apply some sort of uniform controls to Eurocurrency market lending should coincide with the moment when the need for Eurodollar recycling may suddenly increase. ... The new emphasis on prudence in international lending may also raise the importance of the International Monetary Fund as an arbiter of credit worthiness. ... The hope now is that an increased emphasis on banking prudence rather than a crisis will see to it that funds are provided to the developing world in a way which faces up to reality.

A politically induced recession

"Buy pork, not beef," chief presidential inflation fighter Alfred E. Kahn told the American public on May 25, following the announcement that the consumer price index rose 1.1 percent in April. "Use less gasoline. Don't speculate," Kahn added. "There is no way we can avoid a decline in our standard of living. All we can do is try to adapt to it."

A second, unnamed official in the Administration's "anti-inflation" team told the *Washington Post* on May 26 that it would take unemployment rates close to 10 percent to reverse a new surge in the inflation rate due to further industrial wage and price increases.

These statements are not off the cuff—they are calculated to induce depression psychology in the American population and to torpedo the U.S. economy. The growing signs of economic catastrophe in the U.S. economy, in fact, are all symptoms of a *politically induced* recession, whose key determinants are a rigged oil and gasoline crisis, artificially hyped interest rates, and calculated depression-mongering by the Carter Administration's economic spokesmen. Energy Czar Schlesinger, Federal Reserve Chairman Miller, and Treasury Secretary Blumenthal—who are pulling the strings in the oil hoax, interest rates, and other elements of the recession scenario—fully intend to provoke economic crisis which will pave the way for an International Monetary Fund "surveillance" over the U.S. economy.

The culprit behind the recent tumble in domestic auto sales—they dropped a staggering 25.7 percent in mid-May from year-earlier levels—is Energy Czar Schlesinger's managed

gasoline shortages (see ENERGY). Mid-May statistics showed that prospective car buyers are running from large and medium-sized cars, in fear of soaring gasoline prices and dwindling availability. Sales of small, "fuel-efficient" autos are taking up some of the slack: however, the automakers' profit margins are much slimmer on their compact and subcompact models. Chrysler announced May 29 that it will permanently close its Hamtramck, Mich. assembly plant and idle 2,200 workers this summer.

Depression mentality among consumers which has been fueled by sensationalized media coverage of dry gas pumps and soaring meat prices, has already taken its toll on overall retail sales. These advanced merely 0.5 percent in April, and have now trailed the rate of inflation every month this year.

The latest figures from the nation's savings and loan associations indicate that disintermediation has begun—i.e., the bypassing of savings deposits for higher-yielding Treasury securities and other money-market instruments—and that housing is in for a severe slump. The Federal Home Loan Bank Board reported on May 29 that savings and loan institutions experienced a \$1.5 billion outflow of funds in April, the first outflow since the 1974 recession and a record.

The only reason this form of disintermediation didn't appear sooner is that starting last year S & Ls were allowed to issue six-month money-market certificates, pegged above the Treasury bill rate, to attract funds. Since the end of April, however, when banking regulators re-

duced by 0.25 percent the amount of interest S & Ls can pay on the certificates and outlawed the compounding of interest on them—Einstein must have turned over in his grave," one banking source said—the institutions have had increasing difficulty in attracting funds. May inflows to S & Ls have run about 25 percent below a year earlier, FHLBB Chairman Robert McKinney (who has already turned in his resignation papers) told a Senate Banking Committee in the middle of the month.

The April savings outflow figures "give us all cause for concern," says Donald Hovde, president of the National Association of Realtors. Across the country housing experts are revising downward their predictions of a mild decline in the housing market this year.

It is appropriate to emphasize here that every recession of the recent past—and throughout history, has been politically determined. In August of 1974 former Federal Reserve Chairman Arthur Burns came in and "spiked the Federal funds rate," as one money market analyst reminisced last week. Burns cut off credit to an economy which had been previously wracked by speculative run-up in commodity prices over 1972-73, followed by a 400 percent increase in the price of oil, and an unprecedented buildup in business inventories that continued—involuntarily—through the end of 1974. All those "preconditions" of the recession were themselves the fruit of incompetent credit and investment and tax as well as political policies—not some objective factors of economics.

—Lydia Schulman

Behind the commodity-raw materials price problem

The last two weeks' slump in world copper prices, which dropped suddenly below the 80 cent per pound level on Friday, May 25, signals that a new phase of the 1979 raw materials crisis has begun.

The first phase, a period of "speculative boom," began in November 1978, when a continuous creeping rise in international copper prices left a four-year plateau of 60 cents per pound, and eventually flared to a \$1.05 U.S. producer price from February through March, the highest since 1974.

During those months, copper traded as if it were the "precious metal" of the industrials, fluctuating upwards on a daily basis more in tandem with gold, silver and platinum than with the other industrials.

The second phase began with the gradual downslide of copper. On May 25, copper slipped under the 80 cent per pound mark, and on May 30, bottomed out to 78.40 cents, its lowest level since February.

The first months' "boom" was a direct result of international patterns of speculative capital flows. While many financial analysts and columnists cite the year-long drain on London and New York Commodity Exchange stockpiles as the "underlying" impetus to the copper price rise, the timing and fashion in which the price took off belie this explanation.

Substantial amounts of "hot money" flooded onto metals exchanges this year as a result of panic induced by the collapse of the Iranian government, the disruption of world oil supplies, and the dramatic rise in oil prices.

Now, inflows into copper have subsided because economists, financial journalists and investors are

scratching their heads wondering if the oil crisis will now provoke a U.S. recession, and bring the wrath of a collapse of copper orders down on the heads of speculators.

For the time being, copper has ceased to be a "hot" item trailing the price of gold, and has become one of many psychological measuring rods of confidence in western economies.

No mere supply and demand

One of the lessons to be drawn from these events is that simplistic circumstances of supply and demand do not govern materials prices. This is underlined by the present situation. At exactly the point that copper prices collapsed, other industrial materials including lead, nickel, zinc and aluminum began to take off and become a prime target for either speculators or hotshot merchant houses.

On May 30, the *Wall Street Journal*—picking up on a *Business Week* article—played up a major story on lead, trying to prove that lead purchases by the Soviet Union for its new foreign-built automobile plants were responsible for the record upward leaps in lead prices. (To give an idea how fast lead is rising, on May 25 lead jumped 48 pounds on the London Metal Exchange, to a record 666.25 per ton.)

While informed sources can demonstrate that the Soviets are involved in some major—and in the case of copper, sophisticated—moves in Western raw materials purchasing and reexporting, these moves can only swing the market further in a direction it is already going—they could not establish a new trend.

We summarize here the three major considerations determining ma-

terials price inflation:

- Most important over the long term has been the deliberate policy of the World Bank since 1974 of nixing mining and refinery development in the Third World per the austerity conditions imposed in return for deficit-financing loans. Had these proposed projects in Africa and Latin America in particular gone through on the basis of advanced country exporting of the necessary technologies, the cost efficiency of mining overall would have been vastly cheapened. Without these trading arrangements, the cost efficiency of mining declines—causing U.S. copper producers to push for a \$1.20 per pound price as the precondition for opening new or unutilized capacity.

- Medium term, U.S. government antitrust suits since the 1960s and the Carter Administration's wage-price guidelines are directly responsible for rising prices. Every mining corporation which attempts to cement long-term stable supplier contracts is accused of "price-fixing" with like-minded firms. As a matter of self-defense, copper and nickel producers link their prices to the New York and London Metals Exchanges, to prove that the international market conditions are behind their prices. In every case, this linkage has resulted in price rises.

- The reason is that once on the metals exchange, the commodity in question is a target for speculator. In recent months, zinc, lead and aluminum producers have been pushed to join the N.Y. Exchange as a way of saving legal costs incurred by antitrust suits.

—Renée Sigerson,

Pallavicini funds found in West German banking scandal

This week's issue of *Der Spiegel* slyly leaked an important piece of information in connection with the recent series of West German banking scandals.

In a news item on Ludwig Poullain, the former chairman of Westdeutsche Landesbank (WdL), who is presently under investigation for shady real estate dealings, the West German magazine noted in passing that in one instance funds channeled into a Poullain-organized financial operation had come from the "*Pro Deo*" faction of the Roman Catholic Church.

Spiegel's reference to *Pro Deo* will only be appreciated by a few individuals among its multi-million readership: a small number of European bankers, and also the official investigators involved in tracking down the murderers of former Italian Prime Minister Moro.

Before letting our readers in on the secret, we would like to make two comments. First, that the *Executive Intelligence Review* researchers read the *Pro Deo* reference as another confirmation of a hypothesis we have been working on since 1977 as to who ordered the terrorist assassination of West Germany banker Jürgen Ponto in July, 1977. Secondly, that although we never agreed with Ludwig Poullain's goals, we suspect now that he was probably a victim of blackmail.

From Rome to Brussels

Pro Deo is a factional arm within the Vatican run by the Pallavicini family. The Pallavicinis are the crown of Italy's black nobility, the command center for every feudalistic attack on economic development and republi-

canism which Italy has been subjected to for half a millennium. Members of the Pallavicini family have been named in Italian press reports as under suspicion by police authorities investigating Moro's murder.

Now Pallavicini-*Pro Deo* funds—which come from the family's involvement in international narcotics trafficking—have turned up in connection with Poullain's shady dealings. This should be incorporated as a crucial lead in tracking down how Black Guelph aristocratic families throughout Europe have been increasingly attempting to manipulate and maneuver their way into key behind-the-scenes controlling positions in West German banking operations since 1974.

The two most important events setting the stage for these maneuverings, in which Poullain's resignation as WdL chairman was actually a secondary development, were the 1974 collapse of the Herstatt Bank in Cologne and the 1977 murder of Ponto.

One of the most important effects of the Herstatt bankruptcy was the reorganization it provoked in Belgium's private banking system. As one result of the Herstatt's foreign exchange losses, Belgium's largest discount bank, the Banque de Bruxelles, also lost large sums and nearly closed down. It was saved by a loan from, and eventual merger with, the interests of the Lambert family—Belgium's Rothschild branch—who are financial minions of the Belgian monarchy.

The Bruxelles-Lambert merger enormously strengthened the Belgian monarchy's international financial power, backed by its mining interests in Africa. Leading up to 1976,

those African interests were directly threatened by Ponto's efforts to pump West German and French investment capital into Africa, with the aim of drawing black African nations and South Africa into a joint development effort. Ponto, moreover, was murdered just after he made a tour of U.S. business centers in the hope of attracting U.S. corporate and banking support for his plan.

The obvious point that the Belgian monarchy and its international Black Guelph allies had every reason to push Ponto out of the European banking picture is underlined by Belgian monarchy sponsorship of Robert Triffin as a major economic policymaker.

In a forthcoming article on the Gessler Report issued by West German banking authorities this year to review national banking legislation, we will review Triffin's direct involvement in trying to abort Ponto's efforts. For present purposes, we shall merely point out that when Poullain resigned from WdL in 1977, he was replaced by a long-term collaborator of Triffin's, Walter Seipp, both of whom coordinated their financial warfare against Ponto from their positions as directors of the Belgian Kredietbank.

—Renée Sigerson

FOREIGN EXCHANGE

French franc under threat

The latest issue of the prominent French economic bulletin *Lettre de l'Expansion* warns that the runup in oil prices, bullion, and the dollar will be used against the French franc. The author in fact hints that these price measures are deliberately aimed against the Giscard government and the alliance between France and West Germany which constitutes the core of the new European Monetary System (EMS)

Confirmation of the political character of the franc's potential destabilization appeared May 28 on French radio, where a member of one of France's ultraright groups, the Club de l'Horloge, declared that "either Giscard devalues the franc or he will be forced to pull out of the EMS in the next few weeks."

Thus far, no dramatic pressure has actually hit the franc, beyond the general weakening of European cur-

rencies entailed by the artificial situation *Lettre de l'Expansion* describes. The franc lost almost 2 percent in value against the dollar over the past seven weeks, compared with 1 percent vis-à-vis the deutschemark. Stressing the franc's "fragility," the May 29 issue of the business daily *Les Echos* claimed the franc has dropped 1 percent in ECU terms since the March 13 activation of the EMS currency grid of fixed parities with narrow fluctuation bands. The actual drop is 0.6 percent, and the franc has had no trouble staying within its 2.25 percent allowed band of downward movement.

Despite the bidding of gold to \$300 an ounce in Paris on May 29, the franc held steady against the dollar and mark. A Frankfurt banker cited the following fundamentals: France seems to have to pay too much for oil, but they have a capital formation policy and confidence in the government.

This is what the EMS opponents,

GOLD

EMS forces set new target price for gold

Several months ago, U.S. Labor Party Chairman Lyndon LaRouche reported that the European Monetary System (EMS) would establish a new international dollar-gold standard and that the new official price for gold would be pegged at approximately \$240 an ounce. It now appears that the pro-EMS forces, including most visibly West Germany's Dresdner Bank, have set a new higher target price for gold—

\$300—to take into account the recent oil price-related surge in world inflation.

As LaRouche has outlined in previous contributions to *Executive Intelligence Review*, gold has to play a role in any viable monetary system since, unlike paper, it represents a direct connection to the productive process. That is, the price of gold is determined, in the long run, by changes in the social cost of extract-

ing additional supplies at prevailing mining technologies. Thus, gold acts as a disciplinary gauge against inflationary tendencies within the world economy.

It has been proposed by LaRouche, for example, that the projected European Monetary Fund (EMF) issue low-interest dollar-denominated bonds with the proviso that the purchasers may exercise the option to receive payment in gold—a built-in anti-inflation guarantee.

The point is not that the amount of credits issued should be limited by the amount of gold in the world—the typical gold bug's fantasy—but that governments should take care that credit expansion results in an equivalent expansion in global productive capabilities.

Recent indications are that the Dresdner Bank, and other pro-EMS forces in West Germany and France,

the Thatcher strategists for whom the Club de l'Horloge speaks, want to disrupt. The Tory government has taken a posture better disposed toward EMS membership than the Callaghan Labour government did. However, the City of London, International Monetary Fund (IMF), and their Council on Foreign Relations affiliates in the U.S. remain as opposed as ever to the European Monetary Fund *policy*: namely, redirection of world credit toward hard-commodity, high-technology trade and investment lending to make the Third World a growth center rather than a cluster of "hot spots."

Most intensively through its diplomacy in Africa and Mexico, the Giscard government has persevered in this challenge to the IMF. And its opponents have persevered in the claim, first raised a year ago as the EMS emerged, that the French economy is too weak to keep the franc in alignment with the deutschemark, an alignment necessary for what turned

out to be the victorious preliminary first step of stabilizing internal European parities.

Pressure against the franc, combined with an oil price-fueled recent annualized French inflation rate of 12 percent, are designed at minimum to induce Giscard and his cabinet to raise interest rates. This in fact occurred May 29, when the Banque de France tightened short-term rates by $\frac{1}{4}$ to $\frac{3}{8}$ percent, the third increase in May. Should the tightening continue, it will jeopardize French industry further and, needless to say, open the way for destabilization of the government. This, it should be added, is a threat ranging far beyond France. As the oil hoax speeds inflation, to the extent that authorities bow to the monetarist wisdom of crimping credit, they add to business operating costs—not to mention investment costs—and thus the productive sectors of each economy are doubly penalized.

In addition to the hike in short-term interest rates, there was a second item of bad news for the French economy: the giant Crédit Lyonnais bank has taken a participation through its investment bank, Sofinex, with the Banque Occidentale pour l'Industrie et le Commerce, which is tied to the very unwholesome Franco-British operative Sir Jimmy Goldsmith through the General Occidental Bank. Banque Occidentale's two extant branches are in the contaminated money centers of Geneva and Hong Kong.

—Susan Johnson

are moving toward the kind of gold-backed monetary system described by LaRouche. They have also decided to up the gold price to reflect temporarily higher energy costs and provide an interface with the Arab world.

The clearest indication of the new policy was given by Dresdner Bank's managing director, Hans-Joachim Schreiber, at the May 15 opening of the bank's Hong Kong branch. Schreiber foresaw a gold-price at between \$280 and \$300 an ounce before year's-end, adding that "gold's monetary role will become more obvious with the establishment of the European Monetary Fund as part of the European Monetary System."

Ironically, in the world gold market Dresdner's "predictions" are increasingly law. It is common gossip among precious metals traders that Dresdner's own massive purchases,

much of them apparently on behalf of Saudi clients, have powered much of the recent gold price run-up. Within two weeks of Schreiber's speech, the gold price shot up more than \$20, reaching a new record high of \$276.10 at the May 29 London morning fixing.

According to a West German banking source, Dresdner's gold deals with the Saudis are part of a larger strategy to incorporate the Middle East oil producers into the EMS. This involves an effort to ensure European access to oil supplies through a series of government-to-government deals with the oil-producing countries, bypassing the Anglo-American multinational corporations who are largely responsible for the present contrived shortage in the U.S.

Most importantly, the pro-EMS forces are seeking to pool European

and Arab financial resources to fund a major expansion in the industrialized countries' exports of capital goods and technology to the Third World. The eight EMS-member countries presently hold about 403 million ounces in gold reserves. Valued at \$300 an ounce, these reserves are worth an impressive \$120.9 billion. Combine this figure with the large amounts of gold which the Saudis and other Arabs have taken off the market in recent months, largely through Dresdner's mediation, and the picture emerges of a vast new world financial power in the making.

—Alice Roth

TRADE

U.S. export-import policy: the figures and the PR flak

Statistics released by the National Science Foundation (NSF) underline how much the export potential of the U.S. economy has been sabotaged by antitechnology, "environmentalist" policies.

According to the NSF, U.S. research-and-development-intensive industries ran a favorable trade balance with foreign countries of \$29 billion in 1976, whereas the trade in non-R&D-intensive products ran a \$16.5 billion deficit in the same year.

This being the case, one would suppose that an Administration committed to fostering U.S. exports—to a world in need of development—would emphasize R&D funding for the development of new technologies as the best way of capitalizing on its work force, the most skilled in the world. Instead, the NSF reports, R&D expenditures as a fraction of the federal budget have declined 34 percent during the 1968-1978 period. "Investment by indus-

try, as a percentage of net sales, has dropped 32 percent during the same period. The percentage of scientists and engineers engaged in research and development has declined 13 percent in the U.S., while it has risen 57 percent in the USSR and in West Germany, and 62 percent in Japan," according to front-page *Journal of Commerce* coverage on May 29.

The next day, the *Journal of Commerce* ran, under the headline "Is U.S. in Innovation Recession?", an article featuring various scientists and industrialists blasting the anti-technological bias of current national policy, along with a verbose attempt at refutation by Manufacturers Hanover economist Tilford Gaines.

Two recent public-relations gambits exemplify the antitechnology camp's effort to skew potential mobilization for an actual export policy. One involves the Carter Administration's trade talks with China. The other is a May 28 *New York Times*

CORPORATE STRATEGY

Patent law ploy to restrict technology

Opponents of technology have targeted U.S. patent acquisition for antitrust action which they hope will rapidly develop a body of case law with which to hit corporations holding new patents for restraint of trade.

This is the alternative to pressing legislation weakening patent rights, which would be obviously unconstitutional and would invite a corporate counterattack. The approach was mounted by Michael Malina of Kaye, Scholer, Fierman, Hays and

Handler, attorneys for Xerox Corporation in the recently appealed *SCM vs. Xerox* case. Malina urged patent lawyers at the May 7-8 *New York Law Journal's* seminar on "Planning For Patent-Antitrust Litigation" to develop case law to effectively convert patent law into an antitrust weapon.

If recent decisions like *SCM vs. Xerox* and *Berkey Photo vs. Kodak* are allowed to stand, companies using any newly patented technology

will have to be concerned whether at some future time—perhaps in 15 years—they can be sued for triple damages and equity claims for not having known and informed their competitors that their patent holdings might give them a large share of any given market!

Already, the increasing reluctance by the U.S. Patent Office to accept applications has meant an extraordinary 21 percent decline in patents issued between 1971 and 1976. The number of new venture capital companies launched has dropped from several hundred a year in 1971 to zero in 1977.

Malina explained to the seminar that "Serious legal issues of monopolization are raised by the existence of patents, especially in advancing technologies. Malina pointed out that these legal issues apply across the board, from the issuance of the initial patent on through the accumulation steps where the original technology is improved periodi-

article, titled "A Trade Link to Offset OPEC," which tries to sell the North American Common Market plan—a proposal for a 1930s-style regional autarky bloc—as the same policy sought in the decades before the Civil War by Whig party leader and founder Henry Clay. Speaking of the North American Common Market proposal, Clyde Farnsworth writes: "It is an idea almost as old as the Republic itself. In a more jingoist age, Henry Clay thought the United States should establish a North American union—by military force if necessary. He wanted a 'counterpoise' to what he considered to be the wickedness of the Old World."

Beneath the surface

U.S. Special Trade Negotiator Robert Strauss has been featured prominently by the press as playing tough with the Chinese over the question of the quantity of textiles the Chinese will be permitted to export to the U.S. It is no secret that this is purely

a public relations maneuver on Strauss's part to disarm potential U.S. textile lobby opposition to the General Agreement on Tariffs and Trade pact, which will be coming before Congress for ratification soon. The antitechnology faction is eager to implement GATT's anti-Third-World-development provisions banning various categories of government and export industries.

Hence Strauss's alleged ultimatum to the Chinese to put up or shut up within three days or else uttered for the benefit of the U.S. press—with denials a day later appearing in smaller print. Most telling, however, is the fact that Strauss didn't allow reporters to accompany him, lest some embarrassing details slip out—not only on the textile question, but presumably also the unstated military-geopolitical aspects of his trip.

Meanwhile, a package to expand cheap-labor imports to the U.S.—in the name of patriotically protecting U.S. industry—is being promoted by

Norman Hinerfeld, chairman of the executive committee of Kayser-Roth. Hinerfeld's patriotic proposal is to save 6 percent of the U.S. textile industry by cutting the goods in the U.S., shipping them to the low-wage Caribbean for assembly, then importing them to the U.S. This will only be profitable, says Hinerfeld, if sections 806/7 of the U.S. Tariff Act are repealed so that only the value added in the Caribbean will be dutiable rather than the entire value.

Gulf and Western, the parent company of Kayser-Roth, already has extensive sugar interests in the Caribbean. Kayser-Roth has allegedly helped to conduit U.S. nuclear secrets for Israeli intelligence through a front called the "Nuclear Club of Wall Street"—perhaps the firm's most characteristic contribution to expanding U.S. exports.

—Richard Schulman

cally. Certain patents can result in a company acquiring market power, thus making them vulnerable for antitrust and divestiture cases.... If there's a violation of Amended Section VII of the Clayton Act, the government should be allowed to move on divestiture, but that, in terms of law, is still up in the air." Malina went on to complain that the case law from which he hopes to develop antitrust action—without any basis in actual legislation—is still lacking.

Remarkably, Malina was the attorney for Xerox, the *defendants* in the *SCM vs. Xerox* case. At one point in the seminar, a staff attorney for Xerox jumped up to protest that Malina was essentially presenting the case from SCM's point of view.

In fact *SCM vs. Xerox* was an "inside job"—a fact possibly known to neither company—designed to establish the type of case law Malina was referring to. The jury decided in July 1978 that Xerox knew or should have known that its patent would

increase its market share at the expense of competitors like SCM, and that it was liable for damages going back to 1956. Judge Newman, known as "a smart liberal who creates his own doctrine," then passed the case up to the Appeals Court without indicating what points of law were being appealed, and leaving it entirely unclear whether he was throwing out the damages alone or was dumping the original liability verdict. When he finally passed it back to the Appeals Court, Newman indicated that the issue was one of equity, thus opening up a whole new tack for zero-growthers in subsequent cases.

Patent lawyers are furious about this development but even more frightened by the Justice Department, which they know to be the main official, albeit covert, power behind attempts to turn patent law into antitrust law.

Ironically, at the *Law Journal* seminar, it was Malina himself who

expressed the juridical basis for defeating the zero-growthers. Malina commented that "patent law has been in the tradition of the Constitution and Abraham Lincoln, and the reason for a patent to the founders of the Constitution and Abe was to describe scientific development and to develop the useful arts. But things have changed...."

The legal ground for defeating the use of antitrust actions against holders of high technology patents is the test of whether the patent has been used for the good of the republic, regardless of how much of the market any corporation holding any patent absorbs. The doctrine of market share being confounded with restraint of trade can be knocked down in the patent area with obvious consequences in antitrust litigation. That may take a special breed of lawyer.

—Leif Johnson
and Mary Gilbertson

**'Politics represents the art of calculated cheating'
—Secretary of Energy, James Schlesinger**

Gasoline

The escalating gasoline, diesel fuel, and related energy shortages in the United States and elsewhere throughout the world are the direct consequence *not* of a lack of oil on the world markets but of *criminal collusion* between the London-led "Seven Sisters" multinational oil cartel and, primarily, U.S. Energy Secretary James Schlesinger.

Statistics obtained directly from the U.S. Energy Department's official energy data agency, the Energy

Information Administration, belie the repeated assertions from Schlesinger and the multinationals in recent months that there is an oil shortage. According to the EIA, world oil production is *up some 5 percent* over the first quarter of 1979 compared to both 1978 and 1977 production figures.

Recognition that the current gas lines are the result of a hoax is widespread among the U.S. businesses and the public who are on the receiving end; in this report, *Executive Intelligence Review* cuts through the muddle of confused statistics and misinformation being peddled by the press, the Carter Administration, and the oil companies, and explains precisely why there is an oil hoax, and how it has been created.

Calculated cheating: how Schlesinger executes policy

Energy Secretary James Schlesinger's approach to pushing through the energy austerity program which was rejected by Congress through the rigged oil price hoax is described by Schlesinger himself as "calculated cheating." Schlesinger wrote in a 1967 Rand Corporation paper:

"Politics, so far as mobilizing support is concerned, represents the art of calculated cheating without being *really* caught. Slogans and catch phrases, even when unbacked by the commitment of resources, remain effective instruments of political gain. One needs a steady flow of attention-grabbing clues, and it is of lesser moment whether the indicated castles in Spain even materialize."

In 1977, Schlesinger asked Saudi Arabia to issue fake statistics about Saudi production. He complained that the Saudis were producing too much oil and urged them to revise their reserve statistics downward. Schlesinger is also associated with fraudulent predictions of a developing Soviet oil production collapse.

Why the oil hoax

The key to the oil hoax is the "controlled disintegration" of the world economy projected by the New York Council on Foreign Relations, the U.S. branch of London's Royal Institute of International Affairs, in its 1980s futurology project. In that study, which included Secretary of State Cyrus Vance as a director, the CFR called for the decline of overall advanced sector industrial output, and the reorientation of developed economies toward "services" and "leisure" under a regimen of energy shortage and austerity. It was this policy that was articulated by Exxon Chairman Clifton C. Garvin when he declared last week that the world is "going to be on the ragged edge of price and supply for 20 years or more."

The present "shortage" was planned, in line with the CFR's overall policy framework, at a closed-door session on March 2 at Arden House, the Harriman family estate. Representatives of the major oil companies, including British Petroleum, Texaco, Conoco, and Exxon met with representatives of Schlesinger's office, sources have revealed, and agreed to adopt a policy of using the psychological climate of an oil shortage to push for drastically increased oil prices. This despite the fact, as they acknowledged, that there is *no oil shortage*.

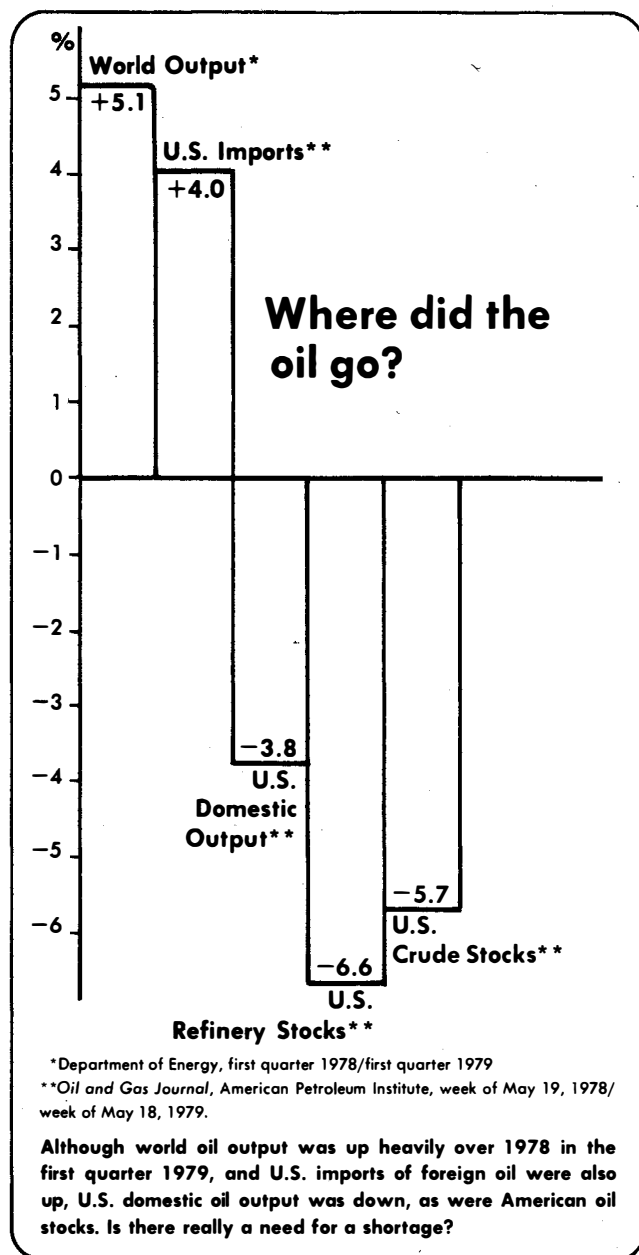
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It is this scenario which is being enacted today. The Seven Sisters, with the aid of Schlesinger's policy efforts and public statements and a media scare campaign to convince the public that the gasoline shortages are real, have pushed the price of petroleum sky high. Rotterdam spot market prices are running in the range of \$25 per barrel, against an official OPEC price pegged at \$14.50 to \$17. Schlesinger is pushing for an official world oil price of \$25 per barrel by 1985 in his latest National Energy Plan II statement to Congress, while the spot market may hit \$40 per barrel by the end of June. And U.S. oil majors are diversifying into other energy and nonenergy activities, such as coal and electronics. Exxon this week offered \$1.1 billion to purchase Reliance Electronics; earlier this month the oil giant bought a major Chilean copper mining installation from the Chilean government. Shortages spreading to the transportation sector and threatening basic industries are giving a new spurt to the damaging inflation in the U.S., and further periling the U.S. economy.

How was it done

How was the oil "shortage" created? As the Energy Information Administration reports, *there is no energy shortage*. According to EIA figures, total world oil production for the first quarter of 1979, the period when Iran was withholding some 5 million barrels daily from world production, averaged more than 60.3 million barrels per day. The average for the same period of 1978 was 57.3 million. And for 1977, considered a more "typical" year by the industry, it was 57.7 million barrels per day. In short, total world production rose by more than 5 percent despite the temporary loss of Iranian output. In addition, Iran has produced between 3.5 million and 4.7 million barrels per day since March.

What the oil majors have done has been to withhold supplies selectively, while diverting other supplies in such a way as to create the appearance of shortages, while enabling the companies to drastically increase prices.



In the following report, *Executive Intelligence Review* will identify the key control points through which economic warfare has been waged:

- 1) The sweeping control over every aspect of U.S. supply, distribution, and pricing wielded by Energy Secretary James Schlesinger;
- 2) The London-controlled 20-nation International Energy Agency, which is now acting, under a London blueprint executed by Schlesinger, to impose supranational energy austerity as global policy;
- 3) The Rotterdam spot market, operated by Rothschild and Oppenheimer financial interests, which has been used to trigger round after round of international oil price increases.

1. How Schlesinger slashed energy supplies

The manipulations employed by Energy Secretary James Schlesinger and the oil multinationals to choke off U.S. gasoline supplies are one of the most incredible swindles in Schlesinger's career of "calculated cheating." Since the defeat of Schlesinger's energy austerity program in Congress, the Energy Secretary has employed a series of measures to cut back available oil supplies for U.S. industry and consumers.

The "strategic reserve" swindle

To begin with, there is Schlesinger's strategic reserve. A ludicrous scheme to build up some 1 billion barrels in government petroleum stocks stored in abandoned salt mines in Louisiana and Texas, as a "reserve" against a possible future Arab oil cutback, Schlesinger's strategic reserve has in fact contributed heavily to the shortage of supplies in the U.S. Since last summer, the U.S. Energy Department has pumped a total of 85 million barrels of crude oil into the salt domes, an amount more than sufficient to relieve the energy

shortage in the U.S. During the first quarter of 1979, when the Iranian shortfall was at its greatest, Schlesinger pumped some 15 million barrels into the domes. At the present moment, with gasoline and other shortages plaguing the country, oil is being poured into the DOE reserve at the rate of 200,000 to 300,000 barrels daily according to official sources.

Why haven't the reserve stocks been drawn on to ease the present crunch—their very *raison d'être*? Because *no pumping equipment exists to recover the reserve stocks*. Schlesinger is pumping valuable oil into holes in the ground from which it cannot be recovered.

This is *not* bureaucratic bungling, but deliberate sabotage of U.S. supplies, designed to drive up prices. As President A.F. Grospron of the Oil, Chemical and Atomic Workers Union charged this week, "If it was expected by the Carter Administration that product shortages would ensue because of the Iranian crisis, it should have been ordinary prudence to cease immediately diverting the crude oil into SPR stocks."

Diesel shortages threaten freight sector

Trucking industry officials said last week that a shortage of diesel fuel now threatens to disrupt the national transportation grid. The shortage is said to be "much tighter than gasoline." Rail, trucking, bus and agricultural industry leaders are offering dire predictions of the near-term effects of the shortage:

- agricultural produce may rot in the fields, and some industrial production may be lost;
- thousands of bus and rail passengers may be stranded;
- layoffs will spread in affected sectors.

Supplies are already said to be critically short in the far West and Midwest.

Meanwhile, prices of diesel fuel have shot up at an even higher rate than the price of gasoline. In one truck stop in Louisiana diesel was selling for \$1.20 per gallon, or approximately double its December price!

As with the gas shortage, the diesel shortage has

been stagemanaged by Energy Secretary Schlesinger, with the apparent cooperation of the major oil companies. A little more than two months ago, Schlesinger convinced the White House to issue its now notorious executive order diverting refining capacity to rebuild stocks of heating oil for next winter. Diesel was one of the fuel categories cut back. With demand running high, refiners cut back deliveries to truck stops and other diesel suppliers by 15 to 45 percent; Getty last week halted all diesel sales in the Midwest.

At least one knowledgeable source reported that the oil majors have been "secretly" shipping diesel fuel from Gulf coast ports for sale on the unregulated European market, where it still fetches a higher price than in the U.S. Schlesinger and the Department of Energy, the source reported, have discreetly looked the other way while these shipments—and cutbacks on the U.S. market—took place.

Significantly, the American Petroleum Institute has calculated that total U.S. oil supply *grew* by 69 million barrels. Schlesinger claims, to the contrary, that stocks declined by 25 million barrels. The difference between the conflicting estimates—94 million barrels—is almost entirely accounted for by Schlesinger's strategic reserve diversions.

Other measures ostensibly designed to guard against the "emergency" are also in fact contributing to the shortage of supplies to the consumer. For instance, Schlesinger's Economic Regulatory Administration (ERA), headed by David Bardin, is empowered to allocate gasoline supplies nationally, and referees the amount of gasoline reaching the pumps across the country. Under ERA procedures, before a drop of gasoline reaches the consumer, 5 percent of the total gas supply is being stored by states in a "state setaside" each month. Another 10 percent is reserved for military and other government customers. This is the reality behind announcements by Exxon, Texaco, and other majors that their oil deliveries to gas stations next month will be only 70 or 80 percent of last year's. It is not the case that supplies are down 20 to 30 percent; rather, more gas is being siphoned off into other useless and detrimental "reserves."

Bardin, who wields the powers that have created

these gas supply dislocations, has the strange credentials for his job of having been the Attorney General of a foreign power, Israel, and probably has greater direct impact on the U.S. economy than any other single individual besides Schlesinger.

It is Schlesinger's regulations, too, and not "supply and demand," that are responsible for the soaring of prices some 50 percent in the last five months. Behind the price hikes, and Schlesinger's confident prediction in March that U.S. gas prices would reach \$1 per gallon, is a little known regulatory power administered by Bardin's ERA, called "cost banking." "Cost banking" is the basis on which one dealer in California is currently charging \$1.36 per gallon *legally* in a government regulated market. Under the until-now unused provisions of the 1975 Energy Policy Conservation Act, a refiner or dealer can add on costs up to a limit defined by the amount below the ceiling that he may have charged in an earlier period. Thus if, as was common, a dealer charged only 65 cents per gallon when the maximum allowed was 70 cents, he "banked" the difference as a credit which he can then "use" when there is perception of tight supplies, so that people are willing to pay almost any price for fuel.

Other Schlesinger directives have furthered contributed to the chaos in supplies. A well-known example is

Having created the shortage, Schlesinger is now trying to play off the various diesel consumers against both each other and gasoline users.

Two weeks ago, the DOE announced an allocation plan that guaranteed agricultural users full allocation for tractor needs during the spring planting season. While the American Trucking Association supports this action, nothing is being done to provide for truck needs and to prevent potential industrial shutdowns.

Simultaneously, groups of independent truckers whose leaders are controlled by intelligence and foundation networks associated with Schlesinger, have announced plans for disruptive countermeasures against the "government, the oil industry, and greedy users. ..." One group down in Texas staged truck blockages of gas stations over the Memorial Day weekend, while proterrorist Fraternal Association of Steelhauleders (FASH) leader Bill Hill has threatened a replay of the 1974 truckers "strike" that blocked up the interstate highway system.

One perceptive trucking industry official charged

Schlesinger with "trying to create economic chaos to get people to give him emergency powers. ... Unless remedial action is taken to alleviate the supply situation, this source felt that there was "no way to avoid major economic disruption."

Even if the supply situation is alleviated, the new diesel price structure—near 100 percent price hikes—is going to have a long-term and negative effect on the transportation sector. Medium size trucking companies fear that the diesel hike may drive them over the edge into bankruptcy, while various rail lines say that it will hasten the demise of already weak companies.

At week's end, scattered reports of violence by independent truckers began making their way into the press. A small number of drivers demonstrated in the wee hours of May 31 in front of the White House, while Mike Parkhurst's Independent Truckers Association, one of the key groups behind the 1974 shutdown promised a mass demonstration in mid-June in Washington.

his directive diverting supplies into home heating fuel, which has affected gasoline and diesel supplies severely. The Energy Secretary also helped guarantee that there would be a shortage by pressuring U.S. oil companies not to buy additional oil on the Rotterdam spot market. Using the fraudulent excuse that such purchases would raise Rotterdam prices even higher, Schlesinger caused an additional 200,000-300,000 barrels per day supply shortfall in the United States. Once the damage had been done, Schlesinger then reversed himself last week, and told U.S. companies to resume purchases on the Rotterdam market, now that prices above \$30 per barrel are being rumored.

Oil company complicity

As their attendance at the Arden House meeting suggests, the oil companies have been witting participants in the London-Schlesinger scenario. In March, for example, Exxon announced that it was applying oil supply allocations for its U.S. customers based not on how much oil they got from Iran (a relatively small factor in the U.S. market), but based on how much oil the U.S. consumes—a formula which doubled the impact on the United States.

The ostensible reason for this unusual arrangement was the fact that Exxon and the other U.S. majors are supplying the Anglo-Dutch majors, British Petroleum and Shell, with supplies to compensate for their losses from Iran cutbacks. (BP and Shell were the majority foreign holders in Iran.) Yet Exxon and Co. made these arrangements with the two Anglo-Dutch companies despite the fact that BP and Shell—who as a matter of policy were involved in the destabilization of the Shah and encouraged the temporary shutdown of their own production—had heavy stockpiles, and are making a killing on profits from their holdings in the North Sea, Alaska, and Nigeria.

This diversion of U.S. supplies, coupled with a series of unexplained but conveniently timed accidents, including one at Exxon's huge Baytown, Texas oil refinery, have given credence to the lie that the oil shortage is real.

—William Engdahl

2. Schlesinger's IEA

At a meeting May 21-22 in Paris, the International Energy Agency, coordinated from behind the scenes by U.S. Energy Secretary James Schlesinger and West Germany's Economics Minister Graf Otto von Lambsdorff, adopted a plan that will use the rigged oil "shortage" to slash world economic activity, with the United States, the *New York Times* stated this week, getting the brunt of the working over.

Rejecting rationing plans as "arbitrary cuts," the final communiqué of the IEA meeting declared that "we should encourage oil prices to rise. This will force energy cutbacks of 5 percent." Moreover, warned the agency, which includes the 20 advanced sector nations, "in the foreseeable future, the world oil market will be tense. New surprising disturbances in the oil market, therefore, should not be ruled out in the future." And, the communiqué added, "the energy scarcity worldwide is threatening the prospect of further economic growth."

The IEA, originally formed by Henry Kissinger in 1974 ostensibly to oversee, and in cases of emergency, to distribute world energy supplies equitably, is in fact attempting to function as a world energypolicymaking crisis management body. With world oil production at a record 60 million barrels per day, according to the U.S. Department of Energy, the IEA crisis managers are relying on the big lie that there is a drastic shortage of world energy supplies.

In March of this year, the IEA, meeting in Paris, set the stage for the present crisis scenario in the U.S. when it adopted a "voluntary austerity" energy cutback plan under which members agreed to a 5 percent reduction in consumption of oil. The formula agreed on at the IEA meeting—a formula devised by U.S. Energy Secretary Schlesinger and Undersecretary of the Treasury Richard Cooper together with Graf Lambsdorff at a premeeting in Washington—imposed the cutbacks on the basis of member nations' consumption rather than the amount of oil each country imported. Thus, of the 1.2 million barrels per day cutbacks total among the IEA members, fully 800,000 barrels per day was borne by the United States—by far the largest energy consumer.

Following adoption of the formula by the IEA, it was then voluntarily imposed by Exxon and the other oil multinationals, in coordination with Schlesinger.

'Energy profligacy'

At the May meeting, Graf Lambsdorff, a German aristocrat, whose policies are sharply and publicly at variance with those of Chancellor Helmut Schmidt, set the tone of the conference by denouncing the heavily

attack on economy

energy dependent advanced sector nations as profligate energy wasters. But, he suggested, this advanced sector profligacy will be taken care of by outside forces, namely manipulated price increases. "There is no way we can prevent energy prices from going higher in the future," Lambsdorff intoned to the assembled economics and energy ministers of the IEA member countries. In fact, he said, higher energy prices are preferable, not to stimulate energy production, but "to force us to make conservation cuts."

Elaborating on this theme, Guido Brunner, Energy Commissioner of the European Commission (EC) staff, developed the conference's secondary theme: dismantling the economy of the largest industrial nation in the world, namely the United States. "The world economy as a whole can no longer accept American imports at their present level," stated Brunner. Fuel imports, leading to inflation, will create a situation in which "we will have to shut down portions of the world's energy production."

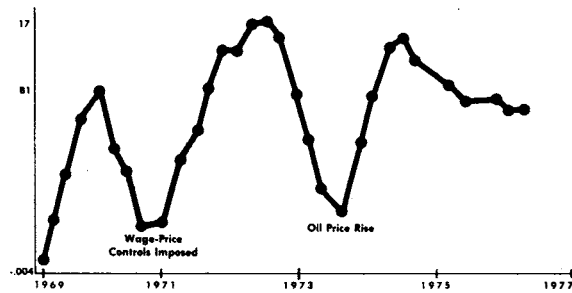
The IEA also gave unqualified endorsement to expanded coal use, and called on the world's governments to develop policies to "liberate coal trade through setting up useful infrastructure." On the nuclear question, the IEA faintly praised nuclear energy, but hastened to add that nuclear energy must be ruled out as a significant aid to the energy crisis, because "it cannot be developed in significant amounts over the coming years."

Rotterdam manipulation

The IEA scenario is being reinforced by the manipulation of the hectic Rotterdam spot market. The day after the conference, the *Journal of Commerce* reported: "Traders on the chaotic Rotterdam spot market predict the price of a barrel of oil there will hit \$36 within the next 10 days, and surge to \$40 within a month just before the Organization of Petroleum Exporting Countries' meeting scheduled for the last week of June in Geneva." The Rotterdam market is dominated by Rothschild and Oppenheimer financial interests, and the price hikes projected would occur just in time to affect the end of the June meeting of OPEC in Vienna.

Also backing up the IEA program, Energy Secretary James Schlesinger (whose manipulation and doctoring of statistics and information is an ongoing scandal) told a press conference at the conclusion of the IEA meeting that "the Iranian crisis and the ensuing cutback in oil has brought forward the day of reckoning. Now there is no leeway for any other *political upheaval* even in a small producing country." Political commentators were quick to cite the "Bernard

Oil hoax—the consequences could be economic collapse



The present shortage of oil and gas—and the concomitant rise in price—contrived by Energy Secretary James Schlesinger could have a devastating impact on the U.S. economy. That is the conclusion indicated by the Riemannian model for economic analysis and forecasting developed for the *Executive Intelligence Review*.

The accompanying graph summarizes the results produced by the model from an historical analysis of the U.S. economy through the period of the 1973-74 oil price hike. What the researchers found was that the ratio of available reinvestable profit (S') to the sum of constant capital (C) needed to maintain plant and equipment and variable capital (V) needed to maintain the labor force dropped dramatically in 1973-74. This ratio, $S' / (C)$ determined by the model as the most sensitive indicator of the potential for economic growth.

Lewis plan," named for the Aspen Institute and Princeton University protégé of Sir John Glubb Pasha which calls for "Islamic" upheavals to fragment the states of the Gulf.

In the United States, the IEA meeting was followed by announcements by the big oil majors May 30 that by the summer, some U.S. consumers will be getting only 80 percent of the gasoline they used in 1978.

Putting the proverbial "icing on the cake," the *Financial Times* reported May 31 in an article titled "Finance for the Second Wave of the World Oil Crisis" that if oil prices increase, it will be the world's lending banks which will increasingly be the arbiters over the world's economy, by virtue of their control over the increased money flows generated, and the increased borrowing needs of countries which must finance oil imports.

The remarkable resemblance of this situation to the 1973-74 oil hoax cannot be dismissed. The question is, will governments passively accept it? Under Schlesinger, the United States has so far eagerly embraced the IEA formula. But Italy flatly rejected the final communiqué of the May IEA meeting, refusing to sign, while the French officials indicated later that their signing of the IEA policy documents was perfunctory and might soon be rejected by the French government as well.

—Richard Freeman

3. The Rotterdam oil price swindle

Although the Rotterdam spot market normally trades only 3 to 5 percent of total world oil output, manipulation of this tiny market, controlled largely by Rothschild and Oppenheimer financial interests, has been a key factor in the process by which the "Seven Sisters" oil majors, led by British Petroleum and Royal Dutch Shell, have added some four dollars to the price of an average barrel of oil on the international markets since December of 1978.

Through the Rotterdam swindle, it is the oil majors, with the complicity of such leading government officials as U.S. Energy Secretary James Schlesinger, who have stampeded Arab and other OPEC governments, to a significant degree against their will, into following the rapid price hikes on the Rotterdam market with a round of price surcharges of their own.

The swindle began in January. Although, as *Executive Intelligence Review* energy analysts documented at the time, there was *no overall oil shortage due to the temporary Iranian shutdown*, two of the majors, British Petroleum and Royal Dutch Shell, seized on the pretext of the Iranian crisis to declare fraudulent *force majeure*, breaking supply contracts with Europe, Japan, and other customers even though both companies had glutted stocks of oil due to stockpiling, and were assisted by diversions of supplies from the U.S. members of the Seven Sisters oil producing community. Incredibly, the two companies declared 35 percent cutbacks for the entire first quarter of 1979, even though, according to the U.S. Department of Energy, world oil production stayed at the high level of 60 million barrels per day throughout the first quarter as a whole.

The supplies which they had fraudulently withheld under the *force majeure*, the two companies diverted to the Rotterdam market, where the price of oil reached \$20 per barrel in late February. (Rotterdam is reported to have increased its share of the world oil trade to around 7 percent.) As European customers, and U.S. independents primarily, were forced to turn to the spot market for the supplies lost following the *force majeure*, BP and other producers on the unregulated North Sea fields raised the price of their North Sea output to match the ballooned Rotterdam prices. It was during this period that BP and Shell began putting intense pressure on the OPEC producers to follow suit with price hikes, with BP Chairman Sir David Steele even publicly chastising the Saudis for keeping their prices down.

It was the spot market bubble, coupled with intense

pressure on OPEC to raise prices (the present situation recalls that the Saudis accused Henry Kissinger of being a leading proponent of high oil prices following the 1973 oil hoax), which has prompted the welter of surcharges and price increases by OPEC members who have been stampeded by the Rotterdam situation. The British and Rotterdam traders are now looking for spot market oil prices on the order of \$36-40 per barrel by the end of June, and London is further urging establishment of a quasi-official "London oil futures market," to institutionalize and extend the Rotterdam operation.

Fight to shut down the market

The Rotterdam issue erupted into the open this month when the French government representative called on the European Economic Community energy ministers to impose ceiling prices and policing measures on the Rotterdam market, as a first step toward bringing the operation under control. As well, the five European oil companies brought a memo to EC Commissioner Guido Bruner demanding an investigation of the market. And *Le Figaro* journalist Paul Marie de la Gorce this week wrote that cooperation between the producing and consuming nations is the only way to avoid "confrontation" which de la Gorce linked to the policies established by Henry Kissinger.

Frantic pressure from Great Britain and allied countries blocked the French government proposal. "That would be unrealistic because if you exercise too strong a pressure on Rotterdam, the free market will just move somewhere else," was the rationale supplied by Tory Energy Minister David Howell to the *New York Times*, but broader moves underway could help to rein in the oil majors' power to use Rotterdam to manipulate oil prices anyway.

These moves center on various proposals by France, Saudi Arabia, and Mexico, for a producer-consumer approach to oil supplies. Underlying the approach is the realization by both producer nations and leading consumers that it is the world marketing control exercised by the "Seven Sisters" cartel that has been the primary vehicle for skyrocketing oil prices. As a result, it is expected that Mideast producers will soon increase direct oil sales to consuming nations—bypassing the oil multinationals, and the Saudi-French proposal for a producer-consumer dialogue will be on the agenda at the June OPEC meeting. Moreover, the Japanese are reported irked over the Rotterdam situation, and are working on bringing the question of cooperation

between producers and consumers onto the agenda of the Tokyo economic summit.

In response, the Seven Sisters will convene a meeting of their own June 26 in London to map a counterstrategy.

State-to-state deals

Saudi Arabia has already begun moves to whittle away the influence of the multinationals. In the first quarter of this year, the Saudi government quietly informed the four U.S. multinationals which participate in the Arabian-American Oil Company (ARAMCO), the Saudi oil service company, that beginning in the second quarter their contracted volume of Saudi oil would be dropped by a million barrels per day, to 6.5 million barrels per day. New York analysts indicated that this was the most forceful way Riyadh could emphasize its displeasure at the recently signed Camp David separate peace between Egypt and Israel.

Shortly thereafter Crown Prince Fahd during a visit to France announced that his country would guarantee France's future oil needs. Saudi Arabia at the same time signed a direct sales contract with the Italian state-owned company ENI through the Saudi oil company Petromin. Washington sources reveal that since the Iranian oil export shutdown, the Saudis have begun to supply some of the National Iranian Oil Company's former customers in the underdeveloped sector with oil through Petromin. A notable beneficiary is India, which just sent a delegation to Jeddah.

Miscalculations and blackmail

The Saudis, in particular, are under intense pressure to abandon their independent initiatives (the U.S. has publicized contingency plans for an invasion of Saudi Arabia, and French sources report that there was a near coup in Saudi Arabia last month by British-linked "Islamic fundamentalists.") And the benefits to the U.S. economy may be restricted by miscalculations on the part of both Giscard and the Saudis, who have foolishly echoed Schlesinger's demands for U.S. import cutbacks.

As a result, London-connected financial sources have gleefully projected that a state-to-state alliance between the Arab, Europeans, and Japanese could "cut the U.S. out of the Mideast oil picture," giving Schlesinger and Co. the ammunition to impose further cutbacks in the U.S., and intensify their hostility to European-Arab development collaboration.

As long as Britain continues to dominate policy-making in the United States and among the oil majors, this scenario is likely to prove valid.

Short-term price hikes

In the short term, the recent spate of surcharges which the OPEC nations, with only Saudi Arabia holding the line, have applied to their oil has pushed the price of

some grades of OPEC crude oil to over \$20.00 a barrel. The OPEC nations have militantly responded to the spot market speculative bubble by "penalizing" the speculators, i.e. the oil companies, but in turn the pattern of price rises has exacerbated a price spiral on the international markets.

As a result, all informed sources agree that the Saudis will doubtless be unable to hold the line at the upcoming price setting parley against another price rise, and the \$14.54 official OPEC price is expected to increase again by at least 5 percent. Such continued price "leapfrogging" between the spot markets and OPEC, if it is not soon abated, will give London and allied oil companies this anticipated \$30.00 per barrel oil price. To date isolated Rotterdam spot sales of crude and petroleum products of cargoes are being bid up to that equivalent level.

—Judith Wyer and Paul Arnest

De la Gorce ridicules energy conservation

Veteran foreign policy commentator Paul Marie de la Gorce writing in Le Figaro, May 24, outlined the failures of Henry Kissinger's policy of confrontation with OPEC. Instead de la Gorce, who is associated with the views of President Giscard, advocated the approach currently taken by the French government: cooperation around building the new world economic order. And de la Gorce blasted U.S. contingency plans to occupy the Arab oil fields, as well as the "conservation approach" of Energy Secretary James Schlesinger. Here are excerpts of the article "From Confrontation to Concertation."

... Five years ago there was talk about choosing between cooperation and confrontation: those were the alternatives. The choice was made: it was blind and anarchist confrontation that prevailed.

First, undoubtedly because the right lessons were not drawn from the 1973 crisis. ... The crisis had a political significance: it showed that it was illusory to try to indefinitely separate the oil problem from the Mideast crisis and that any aggravation of the latter will have consequences on the former.

The fact is that in 1973-74 the question of how to react was correctly posed for the big consumers: confrontation or cooperation with the producing countries. The American government became the advocate of the first option. Mr. Kissinger proposed the creation of a consumer bloc. ...

... At the time the French government wanted to go the other road. Its analysis, which was publicly

expressed by Prime Minister Messmer, was that this was not a crisis which could be reabsorbed little by little, but was the announcement of a new phase of international relations characterized by economic decolonization, just as important as political decolonization. Hence the idea of establishing relations of a new kind, of cooperation, with the producers. This would be translated by the quest for state to state contracts, preferably long term, which would not only be aimed at ensuring the supply of the French market but at a sort of complementarity of economies leading to a rebalancing of exchanges. ...

The fact is that this road was abandoned. First, by France's European partners. The United States obtained their adherence to an association of big consumers. ... As for France itself, it preferred to orient itself after 1974 toward a return to the market. ...

Then began a kind of economic war on both sides, ... followed by a currency war. ... One had to be blind not to see that this war would be disastrous for the industrial countries deprived of raw materials, beginning with France. ...

What was to be done? There were those who thought war would be a way out. Already, in 1975, the idea was raised publicly: a study was made in Washington with a view toward a military occupation

of at least part of the Gulf oil fields, but it appeared that the means were lacking to make this a sure success. Things may have changed since. But the fact remains that the racist climate that is maintained here and there concerning oil affairs could prepare public opinion for this type of solution. ... If there are people who are partisans of transforming the oil crisis into racial and religious wars, let them say so. Or if they retreat in front of an admission of their real and secret desires, let them be quiet.

... We must be lucid enough to see the limitations [of energy savings]. One can reduce oil consumption by reducing economic activity. But a collapse of production means a collapse of living standards, of levels of employment, increased inflation and deficits in public finances. We would indefinitely become engulfed in the inflation-recession duo. ...

The most rational road to take is to equip the industrial countries which don't have raw materials with nuclear energy, at least for a generation. It implies that all European governments seek a real and global settlement of the Mideast crisis. ... And if we want to get out of economic war, we must establish and organize new relations of cooperation with the producing countries. ...

Mexico's plan for securing world energy supplies

On Sept. 27, Mexican President Jose Lopez Portillo will formally present a global energy development and distribution framework to the United Nations for urgent debate and endorsement. According to the view he has spelled out with increasing specificity and forcefulness during the past year, "Energy resources are the responsibility of all mankind. ... We wish to commit our possibilities, our potential, to give meaning and content to a new economic order that, although now recognized among nations, is still a formal and empty framework that must be satisfied and filled out with specific commitments, starting with those we can assume regarding energy resources." These were his words to Cuban President Fidel Castro May 17 during the important summit at Cozumel, Mexico, where the Cuban leader officially endorsed the Mexican initiative and pledged to make the proposal a top agenda item in the Havana Non-Aligned heads of state meeting in late summer.

The President has outlined the following principal features of his program:

- rational, global decisions must be reached on the production, consumption and distribution of energy within the context of a necessary New World Economic Order;

- new energy sources must be developed, and the developing sector must have access to them through

the transfer of advanced technology;

- new and adequate credit mechanisms must be established to finance this massive transfer of technology;

- The United Nations is the proper forum in which the world community of nations must debate out these issues, East and West, North and South; and

- without such a solution to the world energy crisis, war is virtually inevitable and humanity will be faced with "apocalypse."

This program was endorsed by French President Giscard visiting Mexico in early March. Giscard in turn was instrumental in bringing the full European Community heads of state to endorse both the Mexican proposal and the Saudi drive for an oil consumer-producer conference.

Mexico has aimed its international energy offensive against "Mr. Schlesinger's myopic, arrogant and close-minded attitude," in the words of Mexico's semi-official daily *El Nacional*, and equally against the oil multinationals who hold the economies of nations hostage to their speculation. A staunch defender of full national sovereignty, Mexico has forged state-to-state exchanges of its oil for technology and capital goods in its own oil dealings and clearly has such state-to-state arrangements in mind as the essential form of new energy agreements.

Mexico's proposal on energy pitted against World Bank at UNCTAD meet

The agenda for the fifth session of the United Nations Conference on Trade and Development (UNCTAD) which convened in Manila three weeks ago made no mention of energy, much less Mexican President Jose Lopez Portillo's proposal to overhaul the production, distribution and consumption of energy as the practical basis for bringing about a new world economic order of expanded trade and Third World industrialization. Yet, with less than a week until the scheduled June 1 conclusion of the conference, this "non-issue" has moved toward the center of the proceedings.

The fight over "energy" surfaced as early as the second week of the deliberations. It testifies to the determination with which Mexico, in collaboration with France, Cuba and the Soviet Union, is wielding the Lopez Portillo call to convene an international conference of energy producers and consumers to provide leadership and direction to an otherwise fragmented and demoralized developing sector.

The far-reaching proposal has already received the endorsements of several heads of state in both West and East and will be presented formally to the September United Nations General Assembly session.

The Mexican initiative stands out against the "self-help," "trade union of the poor" formulas for underdeveloped-sector suicide contained in the Arusha Declaration, put together for the conference several months ago through the UNCTAD secretariat. The Arusha formulas have drawn significant if often reluctant support from cornered Third World officials. The IMF and World Bank's insistence that these nations export more and halt investment is backed by the U.S. State Department's unqualified commitment to "appropriate technologies" for the sector and, to that end, "horizontal cooperation among developing nations." The mass murder openly entailed by these policies is now being accelerated by a campaign to cut off private lending to Third World nations and by the catastrophic effects on their economies of the price and supply squeeze for oil.

As far as UNCTAD is concerned, the advanced-sector OECD nations have unanimously submitted to the Anglo-American strategists who took the occasion

of the April 26 Bilderberg conference in Baden, Austria, to map the permanent cutoff of Europe and Japan from the Third World. The strategy is to derail the crucial second phase of the new European Monetary System (EMS)—the extension through its own monetary fund of long-term agricultural and industrial credits for Third World development.

Having bowed in March to IMF demands that they postpone the fund for two years, the EMS founders and their collaborators in Japan have refrained from using any public international forum to press their development strategy. Japanese sources say the EMS proponents instead want to use the energy issue to gradually open the wider monetary-system front.

The "energy" fight

The energy "non-issue" had already emerged by May 17 when the Algerian delegate accused the advanced sector ("Group B") countries of undertaking an "ideological offensive" to split the developing nations and OPEC—Algerian Commerce Minister Abdelchani Akbi warned against the meeting ending in what he called "an economic Camp David" that would utterly derail the Third World's fight for industrial development. The warning preceded by moments a move of Costa Rica (not a member of the Group of 77), and backed by Argentina, Chile and six other Latin American countries. Costa Rica challenged the conference to a full debate on the issue of high oil prices—an instant formula to set developing countries against the OPEC oil exporters.

Reportedly most developing nations have so far resisted the divisive bait, which stymied negotiations in the largest working group on "structural reform" last week. Both Asian and African members of the Group of 77 are said to oppose the demand, which was loudly seconded by UNCTAD bureaucrat and Anglophile Gamani Corea and UNCTAD founder Raul Prebisch.

The Arab oil-producers for their part have stated through Saudi Arabian and Iraqi spokesmen that while they consider energy, trade and financial issues inseparable, UNCTAD is not the appropriate forum for fruitful deliberation and action on energy. While

Agence France Presse reports of the Saudi and Iraqi comments do not indicate that either named an alternate more appropriate forum, it should be kept in mind that both nations have in the recent period issued calls for a producer-consumer conference on energy that parallel the Mexican proposal. That proposal specifies a United Nations forum—signifying outreach to the industrialized socialist countries as well as the entire Third World.

The persistence of OECD proxy Costa Rica prompted press headlines announcing the demise of developing sector political thrust, a “split in the ranks of the Third World,” and the like. While the *New York Times* moved UNCTAD coverage to the obituary page, the London *Economist* projected the revival of the Kissinger-created “independent Brandt Commission” to “act as political catalyst” to a prostrated UNCTAD, whole Third World members are incapable of “proposing new types of aid which will run less afoul of the rich world’s present mood.”

But in fact, Cuba has stepped in to shape a compromise which is aimed at strengthening the mandate for the Mexican energy proposal. UPI has reported that the Cuban resolution specified that full discussion be undertaken in the G-77 forum, not UNCTAD. Latest reports indicate the compromise is likely to succeed. In their bilateral talks recently, Castro reportedly invited Mexican President Portillo to keynote the Havana meeting of the Non-Aligned this September with a presentation of his energy proposal.

The Mexican-Cuban push for leadership of the Third World is already under assault—the London press has elaborated scenarios for a “blow-up” at the early June planning session for the Havana meeting where Cuba will be challenged for not being “non-aligned.”

OECD “slid” for IMF

Press reports indicate that both Japan and West Germany executed the Bilderberg-State Department marching orders in Manila. The developing nations’ problems cannot be solved, Japanese Prime Minister Ohira told the delegates two weeks ago, unless they are prepared to “devote the requisite will and effort to their own development”—the World Bank’s “self-help” formula. Ohira made the ritual offer to train more Third World technicians, promised to double Japan’s overseas development assistance by 1980, and otherwise demonstrated the effects of this long friendship with Henry Kissinger.

West German Economics Minister Count Otto von Lambsdorff, whose disagreements with Chancellor Schmidt on economic policy are a matter of public record, vaunted the urgency of strengthened IMF surveillance and controls, pointing to the “really pressing problem” of the “rapid population increase in

the developing countries which threatens to hinder all efforts to better the lot of the people.”

Only France among the advanced sector nations, while propitiating the Bilderberg-OECD directive not to countenance any discussion of “new institutions” (French Economics Minister Monory, according to Mexican press reports, studiously avoided reference to the “new world economic order” and vigorously defended GATT protectionism) has given critical backup to the Mexican proposal for an energy producers and consumers conference. The widely reported French announcement that it was cancelling upwards of \$600 million in state debts held by a group of Third World countries among the poorest, was manifestly a diplomatic gesture in the direction of Third World dialogue.

The Mexican “energy” proposal and French organizing in the same direction were sufficiently unambiguous to enrage the London *Economist* editors, who did protest a bit too much on May 19 that the energy issue was a dead letter. “One non-starter,” the *Economist* insisted, “seems to be energy. Mr. René Monory, France’s Economics Minister, said he thought UNCTAD could help along France’s pet scheme of a new energy forum....”

“OPEC nations quickly ordered the OPEC Secretary General, Mr. Rene Ortiz, to say that OPEC countries can only agree to a rerun of the unsuccessful 1975-77 conference on international economic cooperation”—a rather desperate distortion of Ortiz’s statement, highlighted in a UN press release, that OPEC considers the questions of energy and trade and world finance as inseparable.

Interestingly, both France and the Soviet Union are actively collaborating with the Arab oil-exporters’ moves to eliminate flags of convenience in the shipping industry.

—Susan Cohen

Mexico’s energy proposal to UNCTAD

The following are excerpts from the speech given May 12 at UNCTAD V by Mexican Commerce Minister Jorge de la Vega Domínguez, in which he presented his government’s call for a global energy program as a critical aspect of a new world economic order.

... We maintain total solidarity with the developing nations in regard to the question of debt. We insist, in addition, on the necessity of guaranteeing fluid access to the capital markets whose rigidity affects us all at times. The growing protectionism of the most developed countries and their imperious need to count on raw

Original agenda: Common Fund and self-reliance

Originally, energy was not to have been a topic of discussion at all during the UNCTAD meeting in Manila; the British-World Bank bloc had heavily reorganized the conference with a view to devoting the agenda to a variety of Kissingerian recipes for "international economic cooperation" such as the "Common Fund," and orienting developing sector nations to Ujamaa-like "self-reliance." In a U.N. press release, dated May 7, Anglophile UNCTAD Secretary-General Gamani Corea emphasized "structural change" as the "essential item on a wide-ranging agenda," which emphasized "freeing" developing nations from developed nations—rather than developing Third World nations through a new relationship. The release continued as follows.

Among the main items on the agenda are: the restructuring of commodity markets and trade on which many developing countries depend heavily for export earnings; the restructuring of international

trade, including efforts to do away with protectionist measures that block access of developing countries' manufactured goods to the markets of industrialized nations; and the restructuring of the international monetary and financial framework to take account of the far-reaching changes that have occurred since the immediate post-war period when the basic elements of the existing system came into being. Another important topic is the promotion of greater economic cooperation among developing countries in order to strengthen their move toward collective self-reliance and diminish their dependence on developed countries.

.... Under the heading of another major agenda item, dealing with commodities, is the Common Fund ... an idea proposed by developing countries at UNCTAD IV in Nairobi in 1976 as a means of stabilizing commodity prices. The Fund is to have two "windows" ... one to help finance international buffer stocks and the other for commodity development purposes....

materials for excessive consumption foster international behavior contrary to the principles of a new economic order....

It is essential to realize that the developing nations do not fully participate in decisions that affect them, as in questions of trade, currency, financing, technology or transportation. Such decisions are generated in those bodies which preponderantly reflect the interests of the most powerful nations. Thus, criteria are frequently imposed which in various ways hurt our economies. We reject, for example, the notion of gradualism, according to which international cooperation would not apply to the middle-income developing nations.

Neither do we accept the concept of selectivity, which introduces particularly severe protectionist measures against the developing countries. We also believe that such notions as guarantees for foreign investment and access to supplies are in distinct contradiction to the commitments the international community has accepted....

The new international economic order is not a collection of moral postulates or good intentions, but an objective necessity. It is essential that all states in the interest of international relations assume political responsibility: to pass from words to deeds, to find coherent solutions to the problem of development and therefore to the problem of man.

The results we now achieve should decisively influence the next tasks of the international community. If they do not, UNCTAD will have lost its reason for being....

The president of Mexico has proposed since May of last year the possibility of formulating an authentic world energy policy that considers (energy resources) the common responsibility of humanity, in the context of a new world economic order.

What is happening in this area is exemplary of the (present) world disorder and represents a point of rupture of the precarious balance attained. Thus, a rational energy policy can and should be the beginning of a solution to the entire array of problems we face.

The energy question reflects the insufficiency of natural resources, the lack of forethought, the unequal growth of the economy, the illegitimate use of pressures to perpetuate injustice and the inequality of the prevailing mechanisms of distribution....

In energy matters, decision-making has been captured by the most powerful nations. If a global and equitable accord is not reached, there will be scarcity, injustice and violence....

We will continue putting forward our principles until the commitment of the people and the power of reason make them a reality in which international law reigns.

Ujamaa: World Bank's development model

The 30-volume "Project 1980s" study of the New York Council on Foreign Relations, dedicated to "a new world order based on environmentalism," names two countries as "models of development," in whose likeness the present world ought to be transformed by a process of "controlled disintegration." One country is Maoist China. The other is Tanzania.

There is good reason for this. Tanzania, since its formal independence from Great Britain, was never granted actual independence from the City of London and its World Bank. A program was imposed upon this still-born nation, designed at the World Bank with complementary inputs from Maoist China and Israeli Zionism, that not only prevented economic development, but has systematically undermined its potential to undergo development at any point in the future.

In Tanzania, the World Bank on behalf of the British "colonial office" has virtually institutionalized backwardness. It has degraded a whole population to the threshold condition for genocide—an accomplishment whose final phase may be man-made like earlier phases, or left to "natural disaster." Hence, the Council on Foreign Relations and its British parent institutions point to Tanzania as a "model," which the World Bank is pointedly striving to emulate throughout the Third World.

In Tanzania, the slide into institutionalized backwardness is associated with its own variant of Zionism or Maoism—the term employed is "Ujamaa."

The roots of "Ujamaa" are found in a 1961 report—500 pages long—issued by the World Bank within a few months of Tanganyika-Tanzania's independence. The report proposed a "development path" for the country, one which the new president, Jesuit-trained Julius Nyerere, adopted without visible hesitation. The proposed program drew upon the work of a French agronomist, Rene Dumont, who is not simply an agronomist. Dumont's most recent British intelligence assignment was as an advisor to Iranian Ayatollah Khomeini. His more usual deployments, however, have been in connection with United Nations agencies.

Using the latter auspices, Dumont published a book at the approximate time of Tanzanian nationhood, *False Start in Africa*. It was an elaborate complaint that the leaderships in many emergent African nations had ideas about modernization in agriculture and

industry that must be got out of their heads. Following Dumont's prescription, the World Bank's report on Tanzania proposed to remedy the problem with "agricultural development" which used "appropriate technology," the code-phrase that has since become accepted reference for programs to keep modern technology out of Third World hands.

African kibbutzes

The World Bank specifically proposed "collectivization" of agriculture—not in a Soviet sense, with education, modernization, tractors and the like, but in the Maoist or Israeli sense—massive relocation of rural tribesmen and urban unemployed into "self-help" village communes, *kibbutzes*. This proposal was delivered as a stringent national-austerity condition for any financial aid.

With Nyerere's rubber-stamping of the project, the bank arranged for Zionist kibbutz specialists to be flown in. Ironically, the Zionist method of realizing British "colonial office" goals was not "appropriate technology" for Tanzania. It was the failure of the Zionist method that led to "Ujamaa."

It is one thing for the representatives of Rothschild to take the offspring of cultured European Jewry, steep them in the mystique of the "Land" goddesses, and talk them into adopting the primitive life of a rural kibbutz. The same arguments for "voluntary" relocation do not hold much weight with Tanzanian tribesmen. Moreover, as the Israelis themselves pointed out, the kibbutzim were at least given the means to obtain some modestly efficient farm implements. The World Bank was not offering even that much relocation incentive to Tanzanians, most of whom refused to budge from their "traditional" grounds. By the time of the 1967 Middle East war, only a few rural concentration camps had been successfully established, and the Israelis threw up their hands and departed.

It would not have been diplomatic to send the British army back into East Africa. What was lacking was an ideology, a synthetic belief structure Tanzanians could call their own, one that could induce voluntary relocation. British anthropologists and sociologists had been working on the problem. In 1967, they were ready to try "Ujamaa."

In that year, Julius Nyerere issued the "Arusha

Declaration" on "African socialism" through "self-reliance." The document was reportedly written by Rene Dumont. The anthropologists had carefully profiled existing tribal customs, relations, prerogatives and mythologies, selecting and reorganizing the most superstitious elements into a new spiritual outlook, the cultish "Ujamaa" (familiness) set of beliefs that would make a person want to live in a "Ujamaa" village. An African—or rather Tanzanian—variety of Zionism had come into being, and was proclaimed virtual official religion.

Nyerere-Dumont's "Arusha Declaration" also formally abolished private ownership in industry and land, and forbade any farmer to employ the labor of another—with the result that most entrepreneurs, technicians and administrators fled the country. Near-term "Ujamaa villagization" of the population was proclaimed the fundamental goal of the regime.

To encourage Tanzanians to assimilate the idea of "Ujamaa," the unemployment centers in the cities were shut down, with stranded persons "voluntarily" pointed in the direction of marked out village sites.

Soon after the Arusha Declaration was issued, Julius Nyerere departed on a state visit to China, a Jesuit conferring with Maoists on the points of outlook each shares with the House of Lords. He returned from Peking with 15,000 coolies in his wake, who set to work constructing the Tanzan railway. Until recently it operated about 50 percent of the time, but rainstorms put the line out of commission for one month. It is reported to now be back in operation 50 percent of the time.

Spiritually rich

Concerning the poverty and isolation thus being institutionalized for a majority of Tanzanians, a Syracuse University field worker, part of a Ford Foundation-funded program in "East African Affairs," had this to say: "Tanzania is impoverished only materially. In other realms of human existence, it is rich." He was referring to "Ujamaa," the cultish recast of tribal superstition that did, indeed, help the World Bank manipulate thousands of Tanzanians into "Ujamaa villages" in the next few years, there to remain impoverished materially and culturally.

But thousands more, millions more, resisted. Little could hide the fact that "Ujamaa" meant being sent out of the Tanzanian economy to fend for oneself—inasmuch as the World Bank refused to be forthcoming with sufficient financial support for employment in expanded Tanzanian farming, manufacturing or commerce. The "Ujamaa village" sites were for the most part bare and denuded earth with a stream somewhere in the vicinity (and frequently not!). The technology offered was "appropriate"—a knife and a hoe. What-

ever the ideological ruse, the appeal to most Tanzanians was small.

A gestapo

The slow growth of the Ujamaa movement led in 1971 to the Mwongozo Code. As the Arusha Declaration had placed economic backwardness on a "collective" rather than "individualistic" basis, the Mwongozo code mandated a "collective basis" for political leadership and industrial and agricultural management. The code also established a "people's militia"—as Tanzanians learned quickly, it was a gestapo. Nyerere said at the time, "Before independence we used to promise each other 'Freedom and Work.' Now we should say 'Freedom is Work,'" a paraphrase of the slogan the Nazis displayed at the entrance to concentration camps. The nation's single political party, TANU (Tanganyika African Peoples Union) extended its control to the "Ujamaa villages" in a fascist way, organizing "ten house cells."

The code's full purpose came to fruition one year later, in 1972, with the Decentralization Act. The act institutionalized the "independence" of each Ujamaa village. The inhabitants' elected leaders ("chiefs") could decide themselves what to produce—peas, wheat, whatever—without consideration of national needs or what the next Ujamaa would produce. Symbolically, the administrative capital was moved from the city, Dar es Salam, to the town, Dodoma, in the interior. Legally, the Ujamaa villages became the country's recognized political unit, with the act in effect declaring that anyone not living there was breaking the law! The gestapo was put to work.

Scattered tribesmen were rounded up by force. Villages were burned to the ground, huts, possessions and all. That was a powerful incentive to move. Murder of resisters was another.

Credit for chickens

As decentralization launched villagization in a major way, the Agency for International Development was commissioned to do a study on land use and agricultural diversification in Tanzania. The report recommended production of some coffee for export, by strictly labor-intensive methods, emphasizing that the isolation of the villages and basic technological backwardness must be preserved. "The way to avoid great social cost is to avoid tampering with the social system directly," said the report, "limiting innovation to technical change which will allow the social structure to adapt by itself in only those ways necessary." The villagers should not be given modern fertilizer, but should use the animal dung lying around the villages in heaps. The farmers should be encouraged to use the cooperative credit system, the report added, to invest in

cows and chickens, but nothing mechanical or expensive.

In the same year, 1972, TANU issued a publication, "Politics in Agriculture," which observed that "Our methods of husbandry have not improved, so that increases in output are much less than they should be given the labor effort expended." That was an understatement. The absence of even fertilizer means that the Ujamaa village is one of the few places in the world where the "law of diminishing returns" actually applies. Output could be increased only by increasing the amount of land in cultivation. More intensive cultivation of land already in use led quickly to infertility and erosion.

The program came to relative fruition in the 1973 drought. The implications of the World Bank's program—genocide—were realized. Deprived of even basic technology, the Ujamaa villages could not produce enough to generate a reserve. Decentralized into economically self-contained villages, Tanzania as a nation-state had no reserves. The drought hit, and Tanzania was hit by starvation.

Faced with a food shortage and clear failure of an antitechnology policy, did some tough questions get asked at the World Bank? No. A TANU report on the food shortage bore the marks of World Bank authorship, observing: "Tractors are useful when a farm is large, properly organized and disciplined, and equipped to maintain tractors.... Without these things a tractor can be a disaster, can ruin the peasants and destroy the land." Did they therefore propose to provide these things, so that tractors could be introduced? No. The World Bank proposed "miracle wheat."

Miracle wheat, developed by the Ford Foundation and World Bank's commission for a "Green Revolution," involved providing Third World nations with "souped-up" seeds, high-yield grains more productive than the usual seed grains. The problem was, "miracle wheat" requires extensive irrigation, plenty of fertilizer and so forth, which the World Bank would not finance. The miracle seeds failed in Tanzania. The World Bank explained to Tanzania that this provided a good example of how modern science doesn't work in Africa.

Admittedly, there has been some "industrial development." For instance, in 1974, the Chinese came back to Tanzania to build the "Friendship Textile Mill," employing 1,000 antiquated looms, and 4,700 workmen to operate them. The World Bank did not allow any spending on the infrastructure which would make even this primitive manufacturing unit a start toward something more. The mill runs on electricity, which is not available very often. Power blackouts, and cuts in power are long and frequent.

Roads against the law

In 1977, the absence of infrastructure for manufacturing development was institutionalized by Julius Nyerere's

"Arusha Declaration Ten Years After," emphasizing small, cottage industry and small-scale manufacturing to be managed by tiny "cooperatives" under the Tanzanian Small Industry Development Organization. The products of these cooperative manufacturing projects are of a nature designed to keep the economy backward. For example, one project created a cooperative to produce windmills. Another such manufacturing project is assigned to create cottage cooperatives to fabricate ox-carts, donkey-carts, hand-carts and wheelbarrows. Like tractors, the World Bank explains, trucks or other mechanized vehicles "are inappropriate for the low standard rural roads where they exist." No mention of building roads is made. Ox-carts "facilitate transportation of manure to remote fields; they ease the transport bottleneck which results in delayed harvesting...."

What the World Bank calls development

It has been 18 years since the World Bank's "model" for Third World development got off the ground. Julius Nyerere recently acknowledged that all of his countrymen were not happy, by way of castigating them as follows: "People still think in terms of getting a tractor for their farms—even when they are small—rather than learning how to use oxen-ploughs, or they concentrate on saving for a lorry when their real need is a number of small carts to move seeds and crops from the shamba to the collecting point or village store."

Evidently, despite "Ujamaa," rural-village isolation, material deprivation, and cultural degradation, many Tanzanians do not find anything to be proud of in the fact that it has taken their nation nearly two decades to get from a knife and a hoe to oxen-carts and—here and there—a windmill.

What the World Bank calls "development" can be summarized by a few relevant Tanzanian statistics.

Presently, 90 percent of all Tanzanians are completely illiterate. Only 10 percent of the national budget is allocated to education and health services combined. Only 25 percent of eligible youth have ever seen a school from the inside.

Only 20 percent of all Tanzanians earn more than \$190 per year. Over 40 percent earn under \$50 per year. Industrially, as much as 55 percent of all manufacturing capacity stands idle and rusting. In agriculture, a large proportion of tilled soil is badly eroded, and becoming unusable.

In 1975, infant mortality stood at 15 percent, worse than in 1961. In 1978, infant mortality stood at 16.7 percent. In 1975, average life expectancy was 47 years. In 1978, it was 44 years. Only 25 percent of the population has access to a clean water supply. An so on.

—Vin Berg and
Cynthia Parsons

Zionists tied to 'Nazi' organizing

Last week, our COUNTERINTELLIGENCE Report presented Part One of an exposé on the Zionist lobby's links to the Nazi Party and the Ku Klux Klan, prepared by Scott Thompson in collaboration with members of the Middle East and Counterintelligence staffs of the Executive Intelligence Review.

That connection broke on the pages of the Philadelphia press, which reported that the "James Guttman" who applied for a permit on Feb. 15, 1979 to hold a combined demonstration of the Nazi Party and the Ku Klux Klan in Philadelphia was really Mordecai Levy, a leader of the New Jewish Defense League and the Anti-Defamation League of B'nai B'rith.

The leader of Philadelphia's American Jewish Committee, the primary organizer of the counterdemonstration, was a close friend of "James Guttman"/Mordecai Levy.

As Part One documented, the U.S. Zionist movement has financed every supposed instance of Nazi-Klan racist violence, including "Operation Skokie," the plan for a Nazi march through the predominantly Jewish neighborhood of Skokie, Ill. That march was organized by Nazi leader Frank Collin who, born Frank Cohn, is the son of a concentration camp survivor and an American Zionist leader.

Besides maintaining the capability for domestic violence, the intent of the Zionist Lobby is to maintain the political isolation of the American Jewish community in order to secure their support for the expansionist plans and fascist economic policies of the Zionist Israeli government.

Part II: The Nazis in America— An Anglo-Zionist cult

There is nothing new in such treasonous Zionist lobby activities as the Mordecai Levy affair. Two of the leading founders of B'nai B'rith—namely Confederate Secretary of War Judah P. Benjamin and Bernard Baruch's grandfather, Dr. Kutner Baruch—were instrumental in founding the Knights of the Ku Klux Klan in 1865. (See "The Rothschild Roots of the Ku Klux Klan," *EIR*, Vol. 5, No. 39.) Earlier, with agents of the

Scottish Rite of Freemasonry and Society of Jesus, they conspired to found the KKK's predecessor, the Knights of the Golden Circle, as a key instrument of the British oligarchy's policy of dividing the U.S. through civil war. John Wilkes Booth, assassin of President Abraham Lincoln, was a KGC member. With Lincoln's death, the KKK was founded to help keep the nation in turmoil.

A similar Zionist lobby parentage can be found in the pedigree of most Klan and neo-Nazi groups active in the U.S. in the 1960s. One notable case among many (see, "The Anti-Defamation League: Britain's Zionist Gestapo," *EIR*, Vol. 5, No. 30) is that of the American Nazi Party. According to sources privy to the founding of the American Nazi Party, George Lincoln Rockwell was on the ADL payroll. His American Nazi Party, the first neo-Nazi group to openly organize around an anti-Semitic program after World War II, was a front for the Zionist Lobby.

Rockwell was handpicked for his role as the ADL's "Führer" while he was employed by William F. Buckley to help found *National Review* magazine. Funding for Rockwell's American Nazi Party reportedly came from leading ADL-connected "Our Crowd" New York banking families such as the Strauses, who are better known for their controlling interest in Macy's department store, and Benjamin Freedman, from the U.S. subsidiary that produces Lux Soap for the Anglo-Dutch Unilever Corporation.

"Washington Merry-Go-Round" columnist Drew Pearson ran public relations for the ADL by building up the Nazi Party's image as a major public menace, while maintaining friendly phone contact with Rockwell. Pearson reportedly assigned his young protégé, Jack Anderson, as his official liaison to the Nazis. The ADL picked up the tab for Anderson's expenses.

One of Rockwell's first assignments was to distribute literature bearing a large swastika in Miami Beach, an act which prompted an influx of funds into the ADL's coffers from a terrified Jewish population looking for "protection" from the Nazis. Rockwell's assignment was merely a more sophisticated variant of a long-standing practice. According to reliable sources, former

ADL general counsel Arnold Forster was arrested for painting swastikas on a synagogue in Utica, N.Y. in the 1940s.

A similar *modus operandi* is believed to have been employed in founding Frank Collin-Cohn's National Socialist Party of America, the catalyst for "Operation Skokie." According to U.S. intelligence sources who live in the Chicago area, not only was much of the NSPA's membership drawn from the Zionist lobby-founded American Nazi Party, but the NSPA also received funding from the ADL. Furthermore, as many as six of the secondary leaders of this Nazi organization were agents of the Treasury's Department of Alcohol, Tobacco and Firearms. It is believed that Mordecai Levy's role as a "leading coordinator" for the Collin-Cohn Nazis may have begun when he and other members of a terrorist cell known as the New JDL were ostensibly organizing "anti-Nazi" resistance to the planned Nazi march through Skokie, Ill.

The New JDL, which has claimed credit for a wave of bombings against Egyptian and Soviet Embassy officials in New York, is believed to have originated with a small group organized by Mordecai Levy to conduct the December 1975 LaGuardia Airport bombing which killed seven people and injured 40 others. According to one intelligence source, Levy may have functioned as an undercover ADL controller of the group.

Known New JDL members in addition to Levy include Irv Rubin, Victor Vancier and Bruce Berger. Vancier and Berger were arrested in a combined counterterrorist effort by the FBI and the New York Police Department's Arson and Explosives unit on Dec. 18, 1978 for conspiracy to bomb the Egyptian Tourist Office at Rockefeller Center in New York. Vancier and Berger have also been charged in an embarrassing incident which involved firebombing the Brighton Beach home of an elderly Jewish woman who lived next door to an Egyptian embassy official.

Among those involved with Vancier, Berger, and Levy in "Operation Skokie," according to court documents filed by two factions contending for control over the JDL, were dissident leaders Simon Greenstein (a.k.a. Saymon Grynszthan, who also organized JDLers in New York for a planned counterdemonstration to Levy's Philadelphia Nazi rally), Sanford Goldstein, and Bonnie Pechter. Pechter was briefly named leader of the JDL after Kahane, and became notorious for calling upon hundreds of JDLers to descend upon Skokie in order to tear Collin-Cohn's Nazis "limb from limb."

Part III: The "Holocaust" cult

The "anti-Nazi" Freikorps deployed against the Klan and Nazi puppets are members of a cult which has two main features. The first is the psychotic obsession with

the Nazi Holocaust which, in its latest variation, was fostered by the Most Venerable Order of the Knights of St. John of Jerusalem. This semi-secret society is a chivalric order headed by Britain's Queen Elizabeth II and associated with the Anglican Communion.

The second influence is self-styled Nazi hunter Simon Wiesenthal, whose collaboration with fascist European aristocratic circles recently earned him an award from the Dutch monarchy.

The Holocaust was a taboo subject in Zionist Lobby circles until the early 1960s and it did not become a major focus until almost 30 years after World War II ended, for two reasons. The first is that leading British *Hofjuden* (court Jews) and their U.S. "Our Crowd" auxiliary were in essential agreement with the British oligarchy's geopolitical doctrine to turn Germany into a proxy marcher lord state under Adolf Hitler for the drive east into the Soviet Union. This agreement included support, until at least 1940, for the *blitzkrieg economy* designed by Warburg family protégé and Nazi Finance Minister Hjalmar Schacht. The end result of Schacht's economic policies was the death of 20 million people who were ground up in concentration camps producing weapons for the Nazi war machine.

On a lower level, as Ben Hecht documents in *Perfidy*, his searing indictment of the Zionist lobby as complicit in the death of the Jews of Hungary, such Zionist leaders as David Ben Gurion (who later engineered the Eichmann trial to create sympathy for Israel's expansionist plans) actually collaborated with the Nazis to save handfuls of Zionist Jews while letting others (the non-Zionist, non-"elite") be destroyed. The Zionists conducted their own racial purification program.

As a result, Holocaust studies did not become an issue until the Duke of Gloucester and other members of the Royal Family instructed the Episcopalian Cathedral of St. John in New York to sponsor an International Symposium on the Holocaust on the "30th Anniversary of Auschwitz" shortly after the 1973 Yom Kippur war. Since then, with input from the ADL and other Zionist organizations, there has been an outpouring of materials on the Holocaust ranging from study programs for school children, to the television series commissioned by Irwin Sigelstein of NBC, to the creation of a President's Commission on Holocaust Studies at the request of White House domestic policy chief Stu Eizenstat.

At the hands of British psychological warfare experts, Holocaust studies have been twisted into the means to recruit an entire generation of Jewish youth around a cult of Stoicism and death. The result is essentially undifferentiable from the Jonestown People's Temple cult or the Nazi Deathhead SS units. Sophisticated models of the Zionist ideology were developed by Hannah Arendt, Kurt Lewin, Bruno Bettelheim and others associated with British intelli-

gence's Frankfurt Institute. That institution was responsible for producing the degenerate Weimar culture that would tolerate the imposition of Hitler as Germany's leader. What has been created is a brain-washed manpower pool which can be used interchangeably as Nazi provocateurs or "anti-Nazi" terrorists.

Among the institutions established for this purpose in the case of the JDL were the "Jewish Identity Centers"—institutions which select youth especially susceptible to the cult of Zionism and transform them into individuals who, in the words of one JIC spokesman, are "not afraid to tell an entire roomful of Arabs that there is no Palestine." In addition to attack group sessions employing techniques pioneered by Kurt Lewin and British intelligence's Tavistock Clinic, the recruits are put through a 10-week paramilitary training program in Israel on kibbutzim associated with the Gush Emunim and the Lubavitch Hasidic cult. Other paramilitary training bases exist in the eastern United States.

"Simon Wiesenthal, Nazi assassin controller"

It is a standing joke in informed intelligence circles that Simon Wiesenthal, whose highly publicized exploits as a lone hunter of escaped Nazi war criminals provide the model for JDL members, is primarily a controller of Nazi assassins for Anglo-Zionist intelligence fronts like Permindex Corporation, reputed to be behind the assassination of John Kennedy and the attempts on General de Gaulle. Through the threat of selected exposés, Wiesenthal is able to maintain a wide-ranging network of former SS dirty tricks specialists and others trained by them for this purpose. It is sufficient to note that Adolf Eichmann, whom Wiesenthal is falsely credited with tracking down, worked closely with Ben Gurion and other Zionists who sought selected immigration to Israel at the expense of non-Zionist Jews.

Wiesenthal's character was demonstrated by two recent events in Europe involving the coverup of major Nazi war criminals. On April 10 Wiesenthal was named Commander of the Order of Orange-Nassau by Queen Juliana of the Netherlands for "his services as head of the Vienna-based Jewish Documentation Center." As Wiesenthal and others know, Queen Juliana's husband, Prince Bernhard, is a former member of the Nazi SS who was deployed from Germany to work in the Netherlands with the I.G. Farben industry cartel which helped finance Hitler's rise to power. Moreover, the Dutch Royal Family shares with Britain's Cliveden Set (the Astors, Solomons, and others) the distinction of having been the most ardent supporters of Hitler.

Wiesenthal has rendered other "services" to the crown; for instance, his recent refusal to pursue documentation proving that NATO Secretary Joseph Luns was a member of the Dutch Nazi Party from 1933 to 1936 when he entered the Foreign Ministry at the Hague. Wiesenthal has accepted Luns's "explanation"

that it was a clerical error, despite the fact that Luns's brother was a widely known Nazi Party leader.

Over the last few years and especially prior to "Operation Skokie," Wiesenthal has deployed in the U.S. to create an umbrella of "anti-Nazi" coalitions which receive tactical packages from the newly formed Simon Wiesenthal Center for Holocaust Studies in Southern California and from the New York branch of Wiesenthal's Jewish Documentation Center. The model for these "anti-Nazi" coalitions was established 30 years earlier by Sir William Stephenson, then head of British Special Operations Executive in the U.S.

Among the better-known groups which share Wiesenthal as their spiritual "godfather" are: the Committee to Bring Nazi War Criminals to Justice, the Detroit-based Labor-Community Interfaith Coalition Against the Nazis (LCICAN), and the New York-based International Coalition Against Nazism (ICAN).

Anti-Nazis front for Dope, Inc.

The well-documented case of the Detroit-based LCICAN provides a good example of how such "anti-Nazi" coalitions actually function. "Operation Skokie" provided the rationale for LCICAN's creation. The "muscle" was provided by Detroit Zionist leader and Republican Party power broker Max Fisher. Fisher has been widely identified as the Detroit "godfather" of another Zionist lobby operation: organized crime—especially narcotics trafficking. Fisher's role as a second-level operator in the \$200 billion international narcotics ring known as Dope, Incorporated has been repeatedly corroborated by local law enforcement sources and others who have dealt with Max Fisher. Fisher has reportedly sponsored LCICAN in part to provide a front for drug-running operations which have flooded every Detroit auto factory and school with mind-destroying drugs.

The nationwide scare occasioned by "Operation Skokie" was used to create LCICAN, incorporating networks controlled by ADL Regional Director Richard Lobenthal, Russ Bellant of *Counterpsy* magazine, and bureaucrats from local 600 of the United Auto Workers union. Among the groups they brought in are the Lobenthal-financed Communist Labor Party, Youth Against War and Fascism, and members of the UAW's goon squads who form the core of LCICAN's "security" section. These same individuals, especially in the case of the Communist Labor Party, are known to act as the hands-and-feet of organized crime's narcotics peddling in the city.

Richard Lobenthal, Fisher's henchman and the primary behind-the-scenes coordinator of LCICAN, worked from 1959-1964 as an ADL agent assigned to the Ku Klux Klan. It was provocateurs like Lobenthal who were used by John Doar of the Kennedy Justice Department to incite numerous Klan murders and bombings during the 1960s.

The known history of Lobenthal's career as an ADL/Klan "informer" places him in New Orleans at the time that a "triple" assassination was being planned in the early 1960s. While Lobenthal's personal involvement is a subject for investigation, one U.S. intelligence source claims that the New Orleans ADL—whose leaders are believed to have been linked to Max Fisher's organized crime colleague Carlos Marcello—put up \$100,000 for John Doar to arrange the assassinations. On the hit list were Martin Luther King; Sam Bowers, the Imperial Wizard of the Mississippi White Knights of the KKK; and three civil rights organizers (Chaney, Goodman, Schwerner) at the height of "Mississippi Summer." Had the operation not been stopped by President Johnson, who intervened after the three young civil rights leaders were murdered, the entire South would have been engulfed in a racial conflagration.

Members of LCICAN are also known to have acted as the frontmen for a July 1978 assassination attempt on U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., who is the leading opponent of the British oligarchy's stated policy to foster a New Dark Ages. The attempted assassination of LaRouche, who has announced his candidacy for the 1980 presidential elections, followed shortly after a slander characterizing LaRouche as a "Nazi-Stalinist" was issued by Simon Wiesenthal. A similar formulation was issued immediately prior to the Baader-Meinhof terror gang's assassination of Dresdner Bank head Jürgen Ponto in 1977.

At the time of the attempt on LaRouche's life, international private security specialist Mitchell WerBell identified individuals associated with LCICAN as being part of an assassination capability linked to British-controlled, Zionist organized crime activities. Carlos Marcello and the Bronfman family of Canada have been identified by the authors of the bestselling book, *Dope, Inc.* as being part of this same network. Through such "front" companies as the now defunct Permindex Corp., this network is believed to be responsible for the assassination of President John F. Kennedy, Italian industrialist Enrico Mattei, and Martin Luther King, as well as dozens of attempts upon the life of French President Charles de Gaulle. LCICAN's "left" terrorist members provide the cover by which professionally trained members of Anglo-Zionist intelligence and organized crime can be plugged in for assassinations and other dirty tricks.

Part IV: the Jewish Defense League

Informed political analysts in Washington and New York are concerned that the current nationwide tour of Rabbi Meir Kahane will lay the seeds for the biggest wave of anti-semitism the U.S. has seen since the 1930s. Kahane is on tour to recruit new members to his

Conference of Jewish Activists and to arrange for financial and political backing from such Zionist lobby influentials as Max Fisher, with whom Kahane met while in Detroit. This anti-Semitic surge will not be caused by any anti-Jewish impulse in the American population, as Kahane claims, but by the Zionist organizations that stand behind Meir Kahane and his JDL followers. Like its more respectable fraternal group, the ADL, the Jewish Defense League butters its bread with the fear of anti-Semitism, a fear promoted by the anti-Semitic activities the JDL and ADL themselves organize.

Sources close to Kahane's Conference of Jewish Activists (CJA) report that his tour is a prelude to launching an operation code named "Assault, Assault, Assault, Assault." Financed with a war chest of several hundred thousand dollars, Kahane plans to field 300-400 activists from New York, Philadelphia, Detroit, and Los Angeles who will be bussed first into the South and then to other parts of the country for armed confrontations with Klan and Nazi groups.

"Kahane the pawn"

The story of the JDL begins in 1968. However, to understand how and why it came into existence then, it is necessary to trace the career of its founder, Rabbi Meir Kahane, and, more importantly, that of his associates.

Prior to his being boosted by major media as the militant spokesman for the "true Jewish idea," Kahane was a third-level agent of Anglo-Zionist intelligence. Kahane is merely a pawn of a much larger operation. The JDL would not have gained consistent access to the media without significant support from powerful individuals and institutions who find the JDL useful.

Kahane's family involved him in one or another British-run, Zionist activity at about 14. His father Charles Kahane had long been a Zionist organizer and had often played U.S. host to Vladimir Jabotinsky, the militant Zionist who broke from the World Zionist Organization to form his own movement, which is frequently cited as a model for the JDL. Kahane was very early brought into the gun-smuggling activities of the Jewish Agency for Palestine out of the ports of New York and New Jersey in 1947-1948, which relied on the narcotics smuggling capability developed by such families as the Bronfmans and on the waterfront spy apparatus built by British intelligence's Sir William Stephenson. Thereafter, Kahane turns up in the Anglo-Zionist intelligence community in Washington, D.C.

Kahane's adopted cover-identity was a bit extreme. He adopted the name of Michael King and purported to be a Presbyterian. Kahane's controller in this period was Anglo-Zionist intelligence agent (Rabbi) Joseph Churba. Kahane's link to Churba, which stretches back to their childhood in Brooklyn, is key to understanding

the "real JDL."

Until his dismissal from government, Churba was one of the better placed Anglo-Zionist "moles" in the United States. Protected by Major-General George Keegan, then head of Air Force Intelligence, Churba attained the position of director of Air Force Intelligence for Middle East Affairs. From there Churba advocated strict anti-Arab, pro-Zionist policies for the U.S. military. He was fired when he publicly criticized Gen. George Brown, at the time Chairman of the Joint Chiefs of Staff, for speaking out against America's one-sided support of Israel.

After his dismissal, Churba joined the so-called Team B in the Anglo-Zionist Committee on the Present Danger with his old boss Gen. Keegan. There he advocated an end to detente and adoption of a policy of military confrontation with the USSR. Churba, as well as Keegan, also joined the National Committee of Foreign Policy (NCFP), an Israeli-intelligence linked organization also working for an end to detente.

Senior Israeli intelligence agent Dr. Mordecai Hacothen, a board member of the NCFP, is the New York vice president of Bank Leumi. Bank Leumi, where the JDL maintains its accounts, is the largest finance house in Israel. Controlled by Britain's Barclay's Bank, through Bank Leumi's Chairman Ernest Israel Japhet, the bank is a key part of the Palestine-to-Hong Kong "diamonds for dope" ring. Bank Leumi also finances terrorism as well as drugs through its holdings in the now defunct Banque de Cr dit Internationale of former Israeli Mossad director of logistics Tibor Rosenbaum—one of the chief backers of the Perminex Corp.

The NCFP is responsible for fostering another organization called Americans for a Safe Israel (ASI) whose director, Herbert Zweibon, is the cousin of Bertram Zweibon. The latter co-founded the JDL with Kahane. ASI supporters from the upper ranks of the NCFP include Hans Morgenthau and Jaq Friedgut.

Recently, Churba has served as a part-time consultant to Washington Forum, a subsidiary of the Dr xel Burnham, Lambert investment house of Baron Jean Lambert. Lambert, related by marriage to the Bronfman family and a member of the European black nobility, attended the April 27-29, 1979 Bilderberg meeting in Baden, Austria where a renewed war-drive policy for Israel was discussed.

In 1965, Churba formed an intelligence front with Kahane called Consultant Research Associates (CRA) whose first major project was to launch the July 4 Movement. Its intention was to build campus support for the Vietnam war and to penetrate and coopt conservative political layers around the war issue. The project produced a book called *The Jewish Stake in Viet Nam* coauthored by Churba and Meir Kahane, who was still calling himself Michael King.

Among CRA's patrons were Senator Jacob Javits,

who "commissioned a study" from CRA on the "Greek view of the Cyprus situation." Certain "organizations and labor unions" also provided funding for CRA's diversified operations. In 1967, CRA folded and Churba and Kahane-King split up. Kahane assumed his Jewish identity as a writer for the New York-based *Jewish Press* and as a founder of the JDL in 1968.

The Jewish Defense League

In 1968, Richard Nixon was campaigning on a platform which called for winding down the Vietnam war and opening the possibility of a "detente" policy with the Soviet Union along the lines of President Eisenhower's "Atoms for Peace" policy. Leading circles in Europe were also taking initiatives for a Franco-Italian-Arab policy of Mediterranean development to counter the Anglo-Israeli axis—creating conditions which would permit the U.S. and USSR to play a joint role in the development of the region.

Kahane thus made the founding issue of the JDL that of "Soviet Jewry." Barely one month after the JDL was founded, Kahane was able to appear before the House Un-American Activities Committee, in the presence of the Anti-Defamation League's Herb Rommerstein, to demand that the U.S. pressure the USSR to allow Soviet Jews to emigrate to Israel.

This JDL campaign, a "grassroots" part of the Zionist lobby's effort to sabotage the unprecedented trade and development deals negotiated by Nixon and the Soviets, brought in many other local control, proto-fascists. Among them were Dr. T. Mathew of National Economic Growth and Reconstruction Organization (NEGRO) and the Meyer Lansky-linked mafioso Joseph Colombo.

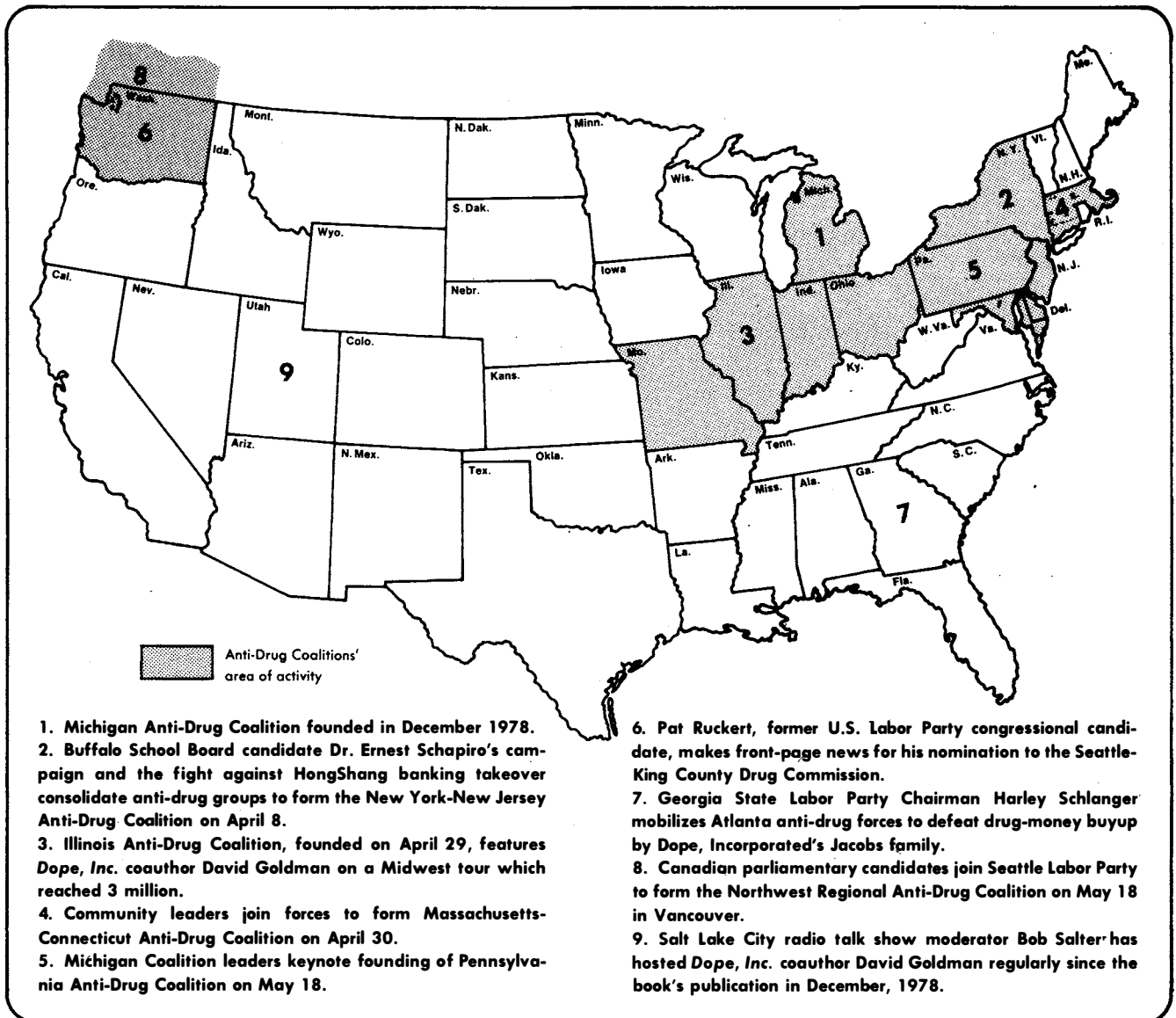
The JDL also played a role in the Nazi versus "anti-Nazi" and other racial conflicts contrived by such ADL agents as Herb Rommerstein to destabilize the Nixon Administration with a domestic crisis. One of the JDL's primary targets were Soviet diplomatic personnel and their Washington, D.C. and New York residences. A list of names and addresses had conveniently found its way to JDL leaders for this purpose.

As a result of these and other terrorist actions, Kahane and 10 JDLers were arrested on May 13, 1971 for conspiracy to violate federal firearms and explosives laws. Kahane received a suspended sentence for these felony violations and was put on probation—a fact that did not inhibit him from inciting repeated race riots and terrorism. Kahane's attorney for the case, Barry Slotnik, was "donated" by Joseph Colombo. Though Kahane resigned as head of the JDL, as late as July 1978, he was calling for "serious violence by professional groups against Soviet persons."

—Scott Thompson

Winning the war

Anti-Drug Coalitions consolidate 'silent



against drugs

majority,' build national movement

With the official founding of the Michigan Anti-Drug Coalition in December 1978, the "silent majority" of the United States—that 60 to 70 percent of the population which in 1972 gave Richard Nixon a mandate—has been rapidly coalescing into a national movement to restore the American tradition of morality and progress.

State by state, this national movement has been emerging through the collaboration of community organizations and concerned individuals with the U.S. Labor Party which made the war against drugs a major national issue beginning with the announcement in the fall of 1978 of the upcoming publication of *Dope, Inc., Britain's Opium War Against the United States*. U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., a candidate for President of the United States, had commissioned the work in the summer of 1978.

Dope, Inc. provided for the first time an exhaustive dossier on international drug trafficking. Included is an identification of every key individual and institution in control of the international network. With headquarters in London, the book disclosed, British and allied international policymakers associated with the International Monetary Fund and the World Bank, in fact, double as the board of directors of Dope, Incorporated. And, as the grids and flow charts in the book demonstrate, the lineage of drug trafficking, as an integral aspect of British political-economic policy, has remained unbroken from the 1700s to the present day.

Simultaneous with the publication of *Dope, Inc.*, the December 1978 formation of the Michigan Anti-Drug Coalition marked the takeoff of a nationally coordinated fight against Dope, Incorporated which has, in the months following, sparked the formation of Anti-Drug Coalitions and unofficial coalitions in over 12 states.

"Since the appearance of *Dope, Inc.*," announced Kostas Kalimtgis (research director of the book) at a

New York City event two months ago, "we have forced Dope, Incorporated to come out in the open and defend drugs in their own name—something they vowed they would never do."

In fact, the B'nai B'rith Anti-Defamation League launched national "anti-Semitic" slander operations against the U.S. Labor Party, the Anti-Drug Coalitions and literally any public figure who showed an interest in joining the fight. The Zionist lobby in the U.S., named in *Dope, Inc.* as one of the principal drug conduits for the British, has since publicly condoned drug use—with the B'nai B'rith appearing as the first endorsement on a recently issued legalization pamphlet produced by NORML (the National Organization to Reform Marijuana Laws).

The Anti-Defamation League has gone one step further to deliver numerous death threats against Lyndon H. LaRouche, who is a declared candidate for his party's presidential nomination, and physically assault party organizers, for which the U.S. Labor Party has filed suit against that organization.

The fight against legalization

The Anti-Drug Coalitions have scored major victories in their campaigns to stop the legalization of drugs in state legislatures. The April 8 founding of the New York-New Jersey Anti-Drug Coalition followed months of organizing by the U.S. Labor Party and other anti-drug forces in New Jersey, which has stopped decriminalization in that state three times in the last year-and-a-half.

The April 30 kickoff of the Massachusetts-Connecticut Anti-Drug Coalition, keynoted by *Dope, Inc.* editor Linda Frommer and New York-New Jersey Coalition leader Dennis Speed, occurred after Massachusetts residents successfully organized passage by both Houses of the Massachusetts legislature of a Labor Party-drafted memorial to Congress and the President

demanding immediate action to stop the flow of drugs into the U.S.

That same weekend, Michigan Anti-Drug Coalition Vice Chairman Salahuddin Muhammad and *Dope, Inc.* coauthor David Goldman were featured speakers at the founding of the Illinois Anti-Drug Coalition, capping a tour that reached some three million persons in the Midwest. (A more detailed report of these Coalitions and others appears below.)

The combined muscle of the state coalitions has been applied directly to the British-controlled financial institutions which payroll the drug traffic under the protective rhetoric of "free enterprise" economics. At present, that battle is focused on the bid by one of the world's largest drug banks, the Hongkong and Shanghai Banking Corporation, to purchase controlling interest in the Marine Midland Bank in New York.

On the one side of the battle lines, the major British press have identified the takeover bid as a crucial test case for the takeover of every key financial institution in the United States. Two other U.S. banks are under pressure to sell to bankrollers of the drug trade.

The HongShang bid has been stalled for months by the Anti-Drug Coalitions which are organizing support for the decision by New York Banking Superintendent Muriel Siebert to deny HongShang its takeover bid. Superintendent Siebert is under pressure to reverse her decision by none other than Governor Hugh Carey, whose political career has been fostered by Dope Incorporated's Bronfman family of Canada.

Anti-drug constituency

The variety of coalition activities presented in this package—including a history of the initiating Michigan Anti-Drug Coalition, testimony by Dr. Ned Rosinsky debunking the so-called medical use for marijuana circulated first through the New Jersey state legislature, and an exclusive interview with 18-year-old Pennsylvania Anti-Drug Coalition organizer Curt Bonaparte, demonstrates that the drug issue is drawing the battle lines in every area of American life: science, politics, business, economics, culture and education. In fact, with the announcement last week that preparations are underway to form a National Anti-Drug Coalition, political experts are already privately conceding that this momentum will blow apart "politics-as-usual" in the 1980 presidential elections.

In summary, the unique political character of the coalitions' "silent majority" base was addressed by Michigan leader Salahuddin Mohammad during his appearance at a public business meeting of the New York-New Jersey Anti-Drug Coalition two weeks ago: "The coalition's concept of uniting is the greatest concept you can deal with. ... The U.S. Labor Party, in its entirety, has done a great job, in terms of revealing certain sources in the book, *Dope, Inc.* This you have to respect and understand. But now we're on

another road; we're on the road of coming together. And on that road of coming together, many people you may come in contact with may disagree with some of the things said in *Dope, Inc.* But in that disagreement, they will not and can not disagree with a coalition working on the dope problem."

Coalition rundown

Michigan: The first Anti-Drug Coalition in the United States was founded here in December 1978 through the collaboration of community leaders including Juan Torres of the Michigan Labor Party, who serves as Coalition Chairman, and Salahuddin Muhammad, the Coalition's Vice Chairman. The founding meeting drew representatives of the National Association for the Advancement of Colored People (Flint, Mich. chapter), many individual members of the World Community of al-Islam in the West, and trade unionists from Detroit-area locals of the International Brotherhood of Teamsters and United Auto Workers: 2,000 people in all.

The board formed at that meeting included Max Dean, a prominent labor lawyer and NAACP member from Flint.

Since its creation, the Coalition has sought and received strong support from black community leaders, including Detroit Baptist Church congregations, and has conducted successful and very public lobbying in the state capital of Lansing to stop the progress of marijuana "decriminalization" bills through the legislature. Coalition Vice Chairman Salahuddin Muhammad has traveled to Chicago, New York, and Philadelphia to help launch Anti-Drug Coalitions there.

New York-New Jersey: The New York-New Jersey Anti-Drug Coalition, founded April 8 at a New York City meeting of 350 organizers and supporters, found its strongest anti-drug constituencies in parents' organizations, black community organizations, including individual members of the World Community of al-Islam, and physicians. The founding conference of the Coalition began with a steering committee meeting at which Dennis Speed, the New Jersey Labor Party Chairman, Dr. Ernest Schapiro, a prominent Buffalo anti-drug spokesman, Dr. Ned Rosinsky, a New York City physician, and Farad Salahuddin of the Newark Community Services, Inc. were placed on the board. The steering committee discussion, led by Salahuddin Muhammad of Michigan, was also attended by representatives of parent-teacher groups, trade unions, and a vigorously anti-drug City Councilman from Westchester, N.Y.

In the subsequent six weeks, the Coalition spokesmen reported a particularly strong response to their presentations at local anti-drug rallies in New York City working-class areas like Inwood, an Irish neighborhood, and a number of Hispanic neighborhoods

where Colombian and other Latin American residents are incensed at the "drug economies" being imposed on their countries.

At recent hearings on a "medicinal decriminalization" bill in New Jersey's capital city, Trenton, Dr. Ned Rosinsky's testimony against the bill was given force by a lobbying team of 15 community organizers from Newark and Trenton organized by the Coalition. The bill has been temporarily tabled.

Efforts to stop the Hongkong and Shanghai drug bank's takeover of New York State's Marine Midland bank have now drawn in a new layer of support for the Coalition: independent bankers in New York and elsewhere who are prepared to mobilize publicly or privately against the threatened British bank coups.

Massachusetts-Connecticut An April 30 event in Hartford, Conn. keynoted by Linda Frommer, the editor of the bestseller, *Dope, Inc.*, and New York-New Jersey Coalition leader Dennis Speed, launched a Massachusetts-Connecticut Anti-Drug Coalition with representation from the World Community of al-Islam in the West and the U.S. Labor Party and community spokesmen from Boston, Mass., and Hartford, New London, and Springfield, Conn. Prior to the Coalition's founding, the Massachusetts Labor Party, which is collaborating in the Coalition, had achieved a nationally important success in the April 18 passage by both houses of the Massachusetts legislature of a Labor Party-drafted memorial to Congress and the President demanding immediate action to stop the flow of illegal drugs into the U.S. (reprinted below). The passage of the resolution was especially important in the home state of liberal pro-"decrim" Senator Edward Kennedy. The constituency to which the legislature responded, and which has consistently supported U.S. Labor Party electoral campaigns directed against Kennedy machine influence, is the skilled and semi-skilled working population of Boston and its suburbs, like Brookline and Brockton—areas of strong backing for 1978 U.S. Labor Party congressional candidate Graham Lowry.

Illinois: The founding meeting of an Illinois Anti-Drug Coalition on April 29 in Chicago was keynoted by Salahuddin Muhammad and by *Dope, Inc.* coauthor David Goldman, following his tour of the Midwest. Thousands of sales of *Dope, Inc.*—the paperback published by The New Benjamin Franklin House of New York—throughout the Central States, and radio coverage of Goldman's tours reaching an estimated 3 million, have created a constituency for the Coalition of northern Indiana parents' organizations (which last month undertook an anti-drug march in Hammond, Indiana), individual Muslim members from Indiana and Chicago, Roman Catholic priests, and hundreds of Central States workers and businessmen.

Vancouver, British Columbia: The Northwest Anti-Drug Coalition held its first meeting in Vancouver on May 18, featuring *Dope, Inc.* coauthor David Goldman, Dr. L.A. Khan, a former director of a heroin treatment program in Hong Kong, Ben Bissett, the president of the federal Social Credit Party in British Columbia, Seattle Labor Party leader Patrick Ruckert, and Carlo Dallavalle, Socred candidate for member of Parliament.

Dallavalle's campaign was the key to pulling together the coalition—the first in Canada, a major center for *Dope, Incorporated*. The Socred Party has historically opposed the drug trade and Dallavalle's candidacy has been endorsed by the North American Labor Party as the only progrowth anti-drug campaign for the Federal Parliament from British Columbia. Dallavalle's district is heavily Chinese and they have reacted strongly to the detailed material in *Dope, Inc.* on Hong Kong, Shanghai and Peking involvement in the international drug trade. His campaign is supported by Chinese civic groups.

On the Coalition board are Dr. Khan, Ben Bissett, Carlo Dallavalle and Patrick Y.L. Kwan, who is chairman of the Chinese National League of Canada and president of the New Republic Newspaper and International Commercial Corporation.

Labor Party activity

Atlanta, Georgia: On May 1, Georgia State Labor Party Chairman Harley Schlanger reported to NSIPS a victory of national proportions against Max Jacobs, identified in *Dope, Inc.* as an important link in the drug-running network in the U.S. An open letter from Schlanger to the Atlanta City Council, delineating Jacobs's ties to Emprise, a Mafia-connected sports entity linked to political assassination capabilities, resulted in a City Council ruling May 1 that Jacobs's bid to take over Atlanta airport parking lot concessions (suspected of being dope-smuggling depots) was invalid. The remarks of one City Councilman that "we won't take tainted money" summed up the sense of the body.

The U.S. Labor Party's base of support in Atlanta, now rapidly expanding, is primarily a combination of conservative business layers and Teamster and other trade union members, as well as a small but significant number of local conservative politicians who have found U.S. Labor Party policy statements and intelligence capabilities an important resource.

Seattle, Washington: A battle has raged in Seattle for months marked by aggressive U.S. Labor Party campaigns to expose the Zionist lobby element of the international drug racket, and Anti-Defamation League B'nai B'rith counter-campaigns of slander. The battle reached a head when former Labor Party congressional candidate Patrick Ruckert was nominated this past

March to serve on the Seattle-King County Drug Commission, a county government agency. His nomination came after more than 25 local Republicans, trade unionists, and some city government circles had brought enormous pressure to bear on King County Executive John Spellman to support Ruckert as a candidate to fill a Commission vacancy. Moments before the expected approval of Ruckert's nomination, his name was withdrawn by Spellman on March 23 amid a flurry of charges by ADL officials in the area that the Labor Party is "anti-Semitic." The story broke on the front pages of the *Seattle Post Intelligencer* and *Seattle Times*.

In the aftermath, the U.S. Labor Party has circulated hundreds of copies of *Dope, Inc.*, a task now undertaken as well by some local Republican officials. The Seattle-Tacoma Labor Party influence against drugs is reinforced by strong anti-drug organizing across the Canadian border in British Columbia, where the North American Labor Party is backing Social Credit Party candidate Carlo Dallavalle.

Candidates speak out against drugs

Buffalo, New York: School Board candidate Dr. Ernest Schapiro was officially awarded 13 percent of the vote in the May 1 elections, a suspiciously low total given the fact that his campaign brought together anti-drug groups and individuals behind his fight to clean drugs out of the Buffalo school system.

An officer in the New York State Non-Partisan Committee Against Drug Abuse and later a founding member of the New York-New Jersey Anti-Drug Coalition, Dr. Schapiro received endorsements for his campaign from Dr. Joseph Riccotta, president of the National Council of Catholic Physicians, Bishop LeRoy Anderson, presiding bishop of the Western New York Church of God in Christ, Dr. James Nunn, the former president of the Erie County Medical Society, Vail Lycett, secretary-treasurer of the United Transportation Workers Local 1530, and the Rev. James Monroe of the Greater Hope Baptist Church in Buffalo.

Dr. Schapiro's campaign gained international attention when he issued an urgent appeal to stop the cultivation and importation of marijuana from such Third World countries as Colombia.

Dr. Schapiro reports that plans are under discussion with community leaders to form an Upstate New York Coalition in the next weeks.

—Barbara Gould

Michigan Anti-Drug

A gathering of over 600 representatives from labor, community organizations, and religious, political and law enforcement associations met in Detroit, Michigan on May 20 under the auspices of the Michigan Anti-Drug Coalition, signaling the emergence of the Michigan Coalition as the leading center of a national movement against drugs and for the American tradition of progress.

Meeting under the banner of "Bridging the Gap for Human Development," the Coalition heard five major presentations on how to escalate the fight against the epidemic spread of mind-destroying drugs. The key speakers were Dr. William Banks, president of Detroit television station WGPR and Supreme President of the International Masons; Mayor Jesse P. Miller of Highland Park, Mich.; Imam Talib Karim, resident Imam of Highland Park's Masjid John Hassan; U.S. Labor Party Chairman Lyndon H. LaRouche, a candidate for the 1980 presidential election; and featured speaker, the Hon. Dr. Frederick Wills, former Foreign Minister of Guyana.

Coalition Vice Chairman Salahuddin Muhammad stressed that these speakers, and Reverend Brockington of the African Methodist Episcopal Church, were not there only to honor the Coalition from the outside, but that each has made special contributions to the Coalition's success over months of hard work and struggle. Mr. Muhammad pointed out for special mention the role played by Lyndon LaRouche and the U.S. Labor Party. "If it had not been for LaRouche's concern with stopping drugs, and the work he did to reveal who runs the drug traffic, we couldn't have succeeded in our effort. No other party or candidate has taken on this task, and that's a true fact you have to acknowledge."

The event itself took place in the middle of the Coalition's fight against marijuana decriminalization in Michigan and its successful midwifing of other anti-drug coalitions in New York-New Jersey, Illinois, Pennsylvania, and Connecticut.

The Coalition's activities since its founding in December 1978 were the subject of their May-June Progress Report newsletter, which was issued immediately prior to their May 20 meeting.

Excerpted here at length, this newsletter, which has already reached 10,000 circulation, describes the success of the Michigan Coalition and exemplifies the commitment of every Coalition to maintain communication with other anti-drug organizations and the general public.

Coalition: a progress report

Coalitions expand nationally

Over the last two months news of the Coalition has moved scores of other groups throughout the nation to begin forming their own state coalitions.

The excited response has come at a time when pro-pot legislation is being passed or introduced and when recent studies are showing that 25 percent of our children are heavy users of marijuana.

Parents, teachers, ministers, labor, political, and civic leaders are realizing that the only way to reverse this trend is to bring down the barriers separating them and join in a coalition effort.

In New York City, Salahuddin Muhammad was invited as a guest speaker at the founding conference of the New York-New Jersey Anti-Drug Coalition. Following this success, we were invited to Chicago to kick off their effort.

Scheduled founding conferences are set for Maryland, Pennsylvania, Washington, D.C., Florida and five other states.

Within six months we hope to establish a National Anti-Drug Coalition that will propose effective international laws to the United Nations to stop the trafficking of drugs on the high seas. ■

Coalition stalls Senate Bill 65

Senate Bill 65, Sen. Jerome Hart's bill to reduce penalties for the use, possession, and sale of marijuana, is still in Judiciary Committee In January, it looked as if this bill would easily pass the new legislature—and it would have—if there were no Michigan Anti-Drug Coalition Pro-drug lobbyists packed two more pro-decrim senators onto the Judiciary Committee, despite

the strong objections of the majority of the committee.

Even with the packing of the committee, the bill failed to get enough support to be released to the Senate. The bill remains stalled in committee but the Coalition won't let up on it until it is buried once and for all. The pro-drug forces are fuming at being blocked by us and they have been forced to try some new maneuvers. ■

Senate Bill 185—a foolish scheme

A dirty maneuver to confuse opposition to marijuana decriminalization was introduced by pro-decrim Sen. S. Monsma: Senate Bill 185. This foolish piece of legislation calls for the legalization of the smoking of marijuana as a competent method of treatment for glaucoma, for nausea in chemotherapy patients, etc.

Dr. John Bellows, Director of the International

Glaucoma Congress, has repeatedly testified that smoking marijuana is a practically useless method of treatment for glaucoma. The bill slyly creates the impression that perhaps marijuana use is harmless and may be beneficial. Already, many school children believe that pot smoking is harmless, with some even insisting that it cures cancer ■

National PTA hearings

On March 30, a representative from the Coalition testified at the National PTA hearings held in Detroit, and entitled "The PTA Challenges the Cities: What Can We Do For Our Schools?"

Grace Baisinger, President of the National PTA,

wrote in her letter to the Coalition, "We need your assistance at this stage in providing us with insights, perspectives and solutions to pervasive problems affecting our young people and families in urban areas." ■

Incorporation and new board member

On March 30, the Coalition became officially incorporated in the State of Michigan as a non-profit organization. This allows us to now file for tax exempt status with the federal government.

We are also happy to announce that a fifth member has been added to the Executive Board of the Coalition, Billy A.A. Rasul. He joins Juan Torres, Salahuddin Muhammad, Ken Dalto, and Max Dean as the executive body of the Coalition. ■

Dismantling Dope, Inc.— an international mandate

The founding of the Michigan Anti-Drug Coalition on Dec. 18, 1978 marked the beginning of a national, coordinated fight against drugs. The initiating conference, held in Detroit, was heralded by concerned citizens groups, the medical profession, and labor leaders across the United States and internationally. The commitment and determination of the Michigan Anti-Drug Coalition to win the war against drugs—and the subsequent formation of Anti-Drug Coalitions in several other states—is reflected in the support telegrams, some of which appear below, sent to that December conference.

This year my organization celebrated the 75th anniversary of our founding convention. Our union's slogan has always been "Teamsters are America," for we have led the labor movement in its struggle for economic growth, technological development, and for decent and rising standards of living for all working men and women.

Now America is faced with a drug epidemic that threatens to destroy a whole generation of our youth. Although the liberal news media tries to portray drug usage as "fashionable" and as something that is too large to be prevented, we, and the majority of American people, know this to be false and misleading.

As leaders of the American Labor Movement, we give 100 percent support to your Coalition's efforts to clean up the drug trade, and pledge our help to rid our nation of this evil disease.

Charles J. Kirschbaum, *Secretary-Treasurer*

IBT Local 147, Des Moines, Iowa

Bill Bounds, *President,*

Teamsters Joint Council 65, Springfield, Illinois

Tony Cannestro, *President,*

IBT Local 769 Miami, Florida

(affiliation for identification only)

I extend my fullest commendation and support to the Michigan Anti-Drug Coalition.

It has been the proud tradition and commitment of the United Mineworkers to fight for a better life for all. Drugs and the drug culture destroy the creative and productive potential of the human mind.

We Mineworkers support the courageous actions to stop drugs in Michigan and we will work for such action all across America and all around the world, to restore dignity and progress to all humanity.

Mike Trbovich, *former National Vice President*

United Mineworkers

The National Agrarian Federation, the FANAL, which represents 120,000 peasants in Colombia, is pleased to

greet the Detroit meeting in the campaign against drugs. The FANAL wishes to express its solidarity with the Anti-Drug Coalition and reaffirms the struggle for the progress of all peoples.

Heli Arambulo, *President, FANAL*

Fausto Charris, *General Secretary, FANAL,*
Colombia

The Andean Labor Party enthusiastically supports your humanist struggle to reestablish the idea of progress among the North American people. Your Detroit meeting of the Anti-Drug Coalition, presided by the Community of Al-Islam in the West and by our fraternal party, the U.S. Labor Party, is the most important step up to now to eradicate mind-killing drugs. The real interest of the Colombian people is to export not marijuana, but rather raw materials and manufactures in return for America's highest technology.

National Executive Committee

Andean Labor Party, Colombia

The European Labor Party and its national organizations in Europe greet the powerful revival of the American tradition which is contained in your conference today. This meeting we view to be of the highest international significance, to be the awakening of the American population to affirm the purposes laid down by the Founding Fathers at a moment when some try to degrade and destroy the universal principles of the American Revolution. We understand the mass-based force which you represent to be reason reasserting itself in the USA, a fact which will be crucial to world peace in the months and years ahead....

We want you to know that the effects already achieved by the mobilization against the drug pushers and their masters here in Europe is vast. We will amplify the results of your conference to the world.

Executive Committee of the European Labor Party
Le Parti Ouvrier Européen (France)

Il Partito Operaio Europeo (Italy)

A national executive official is arranging for a Postal Workers' delegation to attend from Detroit. The executive is very exhilarated over the Coalition developments.

American Postal Workers Union

Warmest greetings to the historic meeting of the Michigan Anti-Drug Coalition. As a member of the National Board of the NAACP and activist for the NAACP since the 1920s, I am gravely concerned over the growth of drug use among our people and support every sincere effort to rid the nation of this menace. I am hopeful that your national effort needed to win this fight and look forward to contributing myself to the work you are setting in motion.

Dr. H. Claude Hudson, *Los Angeles, California*

'Our school is the model for stopping drugs'

The Pennsylvania Anti-Drug Coalition, officially formed on May 11, includes as a member Curt Bonaparte, an 18-year-old student who as president of the Student Association at Philadelphia High School, has organized his classmates to stand up and fight drugs. Attending the May 14 New York-New Jersey Anti-Drug Coalition report-back meeting, Curt described his effort in an interview to Executive Intelligence Review, excerpted below.

Q: *How did you get involved in the Anti-Drug Coalition, what do other students think?*

A: I'm not up against a struggle with people my own age, because I have introduced this fight as the key to learning.

This started one day when I spoke to a student in math class about Dope, Incorporated, and how it relates to everything he's doing, the way he dresses (he was wearing a KISS tee-shirt). This made him curious to know more, so the next week he came to school and he had brought together four of the top students in school and he told me about how he was getting the kids in his neighborhood together...and he wanted me to explain to these four young kids exactly what Dope, Incorporated was about and what marijuana did to the brain and body. After I explained it, I could see their curiosity growing. From there I decided to ask if they wanted to form a Drug and Alcohol Council, and they went along with the idea.

After that was formed and we had a few meetings on how we would set up educational programs, I went to our video department of which I am the president and talked to them about doing a documentary.

So we put on the first production and put out information, wrote literature and got it around school and had people coming to the first production....

From there, we drew up some strategies, and that was part of our introduction of the documentary—to draw up strategies....

We have been putting on these productions twice a week for about a month or two and it is starting to become the talk of the school because in the first classes before the documentary, I was xeroxing the medical effects of marijuana, and different statements by law enforcement officials who are working against drugs and scientists, etc. and what I would do is give people who are concerned assignments to do...from the

booklet of information on popular statements that marijuana and its derivatives were harmless; that if it was legalized only a small minority of the people would be taking it; and that law enforcement of marijuana would be a fruitless exercise and a waste of the taxpayers' money....With all the information in this packet I asked them to make an outline that would disprove the statements, or otherwise...I felt good because people were contributing and I felt that that was the way it would have to be with me and the students.

At that point I felt it was about time, and I brought in some people to speak. I set up a meeting with Dr. Ned Rosinsky from the New York-New Jersey Anti-Drug Coalition to teach a class last week. We had administrators, teachers, adults and students there, and it really put a strong impact on the whole school.

At the same time we already had our school editor doing articles for us on medical effects on drugs....

Besides discussing marijuana and the drug problem, we would always get into small seminars on Plato, philosophy, and art, among other things, and so besides talking about the drug problem, we were mixing on very intellectual terms where a lot of the teachers and administrators were still mixing on aristocracy and they couldn't understand the intellectual reason we as students have been using.

When we came into this class with Dr. Rosinsky, and these kids were sharp, and we had the good administrators and the bad administrators mixed in, there really seemed to be a clear-cut division on who is in the room to try and learn and find out (the students) how to eliminate drugs in the school; and also you saw the people who were not listening to reason at all and would try and find different spots to go and attack. But with Dr. Rosinsky and these sharp students, they had no chance at all. It was really a terrific situation, and we had students who came up and said, "Did you see that fool that came in?"

Q: *How many students use drugs in schools and is there a battle shaping up?*

A: There is a definite turnaround and the turnaround is toward education. We are always keeping a balance between the drug education and other education. The drug issue is a direct vehicle toward higher education. I've always made that clear from the first. ...The first thing that students must understand is that this drug problem is affecting their mind and is affecting their lives, is affecting their families, and is affecting their whole environment. If we're going to control the next generation, be the next doctors, scientists, and engineers, then we have to take command of our future, by eliminating drugs and getting involved in intellectual and social commodities that deal with science and technology and advancement.

This has been made clear to students before, when

a teacher would give up on a student, because of the fact that he's not teaching him the way of reason and thinking, through not just their subject, but through other subjects. Instead, the teacher was pushing students into one track, one specific subject, like art, but not providing any insight beyond art.

The artist has capabilities of seeing man growing. When you explain this, the artist has the opportunity to visualize himself in other fields and in dealing with other fields of scientific and technical divisions. A lot of people who are on drugs say "I don't feel the change at all," but if they could see the rigorous courses before them in college they would see the difference.

Q: *How are parents responding?*

A: I have made clear to students that they have older brothers and sisters who don't go to college, but go to work and are on drugs and tend to try to convince younger brothers and sisters to follow the same course. I tell them, "educate yourself. You cannot go to them and accept this direction. You have to make it clear in their mind. You have to tell them what's wrong and anybody else: their teacher, or minister who's on marijuana. Go to them and you have to tell them your insight. You know you're talking the truth, you know you're talking the facts."

So we have created an environment in the school which is a model for education.

...We're going to produce a printed update on our activities and send them out to a mailing list to build broader relations that plug into the coalition. We've made quite a few advancements on the Board of Education. The other day I was receiving an award for an educational program I produced on registration and voting, and the principal introduced me to all the good members of the Board of Education and explained to them exactly what we were doing in school and that he was 100 percent for it, and that he would like to sit down with other board members with me and make sure that they set up a strong educational packet on what we are doing.

We talked to another principal who bought four *Dope, Inc.* books for his school, and he will also be working with us.

Q: *Is it true that one of the school Board members is actually part of the Dope, Incorporated network?*

A: Oh yes. This is what got my principal on the track. One of the board members is a director of one of the B'nai B'rith organizations in Philadelphia. NORML put out a pamphlet and it has all of the people who support legalization of marijuana, and when he saw B'nai B'rith on the list he knew....I pulled out the pamphlet and B'nai B'rith is on the top of the list for supporting marijuana, and heroin, and other hard drugs—which threw this board member off his feet.

Medical use of marijuana

Decriminalization of marijuana advocates are fueling the fight for legalization by citing "evidence" that marijuana has some medical value. This line is being used to justify the reclassification of marijuana from its present federal-law status as a Schedule I substance that cannot be prescribed by doctors because it is a dangerous substance with no proven medical value to a Schedule II substance that can be prescribed because it has a known medical use. At least four states have independently revised their state schedules to list marijuana as a prescribable drug, and 35 state legislatures have before them bills to investigate the effects of marijuana.

In New Jersey, several bills, including A1851, are now under discussion in the state legislature to implement the rescheduling of marijuana or undertake experiments in marijuana.

Presented here is written testimony exposing this fraudulent argument which was submitted to the New Jersey legislature by Ned Rosinsky, M.D. of the Fusion Energy Foundation.

The New Jersey Bill A1851 is a medically incompetent and socially destructive measure, to which the New York-New Jersey Anti-Drug Coalition stands opposed. The published medical literature to date, taken as a whole, does not support the medical usage of marijuana in any of its proposed areas of therapy: in glaucoma, in the nausea associated with cancer chemotherapy, and in other areas. Moreover, the harmful effects of marijuana smoking are so great that, even if a medical usage were demonstrated, the drug could never become a standard therapy for the above conditions.

Furthermore, the reclassification of marijuana to a narcotic Schedule II substance, even if this were hypothetically done to benefit a small number of patients, would have a major detrimental impact on the population as a whole by encouraging the illegal use of the drug, particularly among our youth. The recently released report on drug abuse by the Essex County Grand Jury, which documents that 90 percent of the area's youth have tried marijuana, is testimony enough to the extreme vulnerability of children to peer pressure and the message that marijuana is essentially harmless. In this context, the elevation of marijuana to the status of a medicine in the eyes of the public will only worsen this horrendous situation, especially among the upper and middle elementary school grades.

In the neighboring state of Pennsylvania, the state health commissioner has been petitioned directly by the National Organization for the Reform of Marijuana

exposed as a fraud

Laws to reschedule marijuana on medical grounds. This can be charitably characterized as a boldfaced ploy by NORML to achieve their officially stated goals of increasing marijuana acceptance within the population (NORML=*normal*), and has nothing to do with the medical evidence per se.

The medical evidence

Regarding the question of marijuana in the treatment of glaucoma, Dr. John Bellos, director of the International Glaucoma Congress, recently summed up the state of research in this area in a letter to the editor of the *Chicago Tribune* on Sept. 29, 1978. He wrote the following in response to the rescheduling of marijuana by the Illinois state legislature:

“Gov. (James) Thompson signed a bill on Sept. 9 legalizing the use of marijuana for human medical treatment of cancer and glaucoma. As an

ophthalmologist, I am concerned that this legislation may give rise to unforeseen difficulties for the uninformed glaucoma patient.

“The legalization of marijuana for the treatment of glaucoma suggests that it is a valuable therapeutic agent. Though in some patients *marijuana may reduce the increased intraocular pressure caused by glaucoma, conventional remedies are far more effective.* Marijuana decreases intraocular pressure for only two hours, whereas conventional drugs are effective for eight, 12, or even 24 hours. The short-term effectiveness of marijuana lessens its usefulness considerably; for example, the intraocular pressure would be uncontrolled during sleep. Since glaucoma requires lifelong treatment, the exclusive use of marijuana would require that the patient smoke ‘pot’ for his entire life.

“Marijuana is also known to produce transitory side effects, including nystagmoid movements, impaired focusing, double vision, transitory loss of vision, corneal anesthesia, conjunctival infection, decreased tearing, and constriction of the pupils. In addition, marijuana may alter

Catholic Doctors Guild demands pot eradication

At the national conference of the National Federation of Catholic Physician's Guilds, held in New Orleans during the fall of 1978, the following resolution was passed.

Whereas, the illegal proliferation of marijuana and other mind-altering drugs has reached intolerable levels in the United States; and

Whereas, criminal elements in the nation of Colombia plan to harvest a crop of marijuana intended for the international drug trade; and

Whereas, the projected increase in supplies for the illicit drug market presented by the upcoming Colombian harvest poses an intolerable burden on the youth, parents, teachers, law enforcement personnel, as stated by Peter Bensinger, Administrator for the Drug Enforcement Administration of the U.S. Department of Justice, and on the general population, whose youth may be expected to be the marketing target of drug trafficking; and

Whereas, the means are available to eliminate this drug crop in Colombia; the government of Mexico, in cooperation with the Drug Enforcement Agency of the U.S. and the United States government, has chemically eradicated the bulk of that nation's marijuana and opium crops, causing a welcome disruption in the flow of dangerous drugs into the United States.

Therefore, be it resolved that:

The National Federation of Catholic Physician's Guilds calls upon the President and Congress of the United States to take vigorous and timely actions by providing technical and financial assistance to the government of Colombia, comparable to that given to the government of Mexico in 1976, to facilitate the chemical eradication of the projected October marijuana crop. This must be done in the interests of the mental and physical health of the children of America and the welfare of the entire world.

National Federation of Catholic Physicians Guilds

perceptions of reality, reduce alertness, and impair short-term memory.

"The prevention of glaucoma blindness requires the patient's lifelong compliance in using conventional medication, and periodic examination by a skilled ophthalmologist to determine whether the disease is under control."

The American Medical Association has consistently refused to support any of the various state initiatives to reschedule marijuana and, in an update of their findings on the dangers of the drug released last summer, commented that recent evidence (to be outlined below) shows that marijuana is even more dangerous than the AMA had previously concluded.

Even one of the staunchest supporters and an early investigator in marijuana research for glaucoma, Keith Green, Ph.D., of Atlanta, Ga., admitted in the course of a promarijuana guest editorial for the *Annals of Ophthalmology* (Feb. 1977):

"It is apparent that research on marijuana itself as a potential modality (for glaucoma treatment) is not only fruitless but is also time-wasting, since the undesirable side effect, i.e., the 'high' makes it totally unacceptable as a 'medicant.' The side effects inflicted upon the recipients of marijuana certainly outweigh any conceivable benefit and it behooves us to insure that good medical practice does not get submerged in the political and lay pressures to allow patients to

utilize marijuana under ill-conceived and poorly managed conditions."

In addition, many investigators, such as Dr. Kenneth Benjamin of the Wills Eye Hospital in Philadelphia, have found, in well-controlled experiments, that marijuana has no effect on the intraocular pressure of glaucoma patients. Dr. Lawrence Pape, director of the Glaucoma Clinic at the Harkness Eye Institute of Columbia Presbyterian Hospital in New York City, has gone on record against the use of marijuana in glaucoma, and is available for further discussion of the issue for interested callers.

The second main therapeutic use proposed for marijuana by rescheduling advocates is in the treatment of the nausea which frequently accompanies cancer chemotherapy. As in the case of glaucoma, there are very few published articles in the area, so the evidence is slim. The most recent update on the state of ongoing research was presented at a symposium on the subject at the National Cancer Institute several weeks ago. Nearly all of the 16 licensed research projects around the country involve only very small numbers of patients, and are therefore inconclusive, in addition to being frequently ill-designed.

For example, Dr. Stephen Sallen at the Sidney Farber Cancer Institute in Boston has only 22 patients in his study, and no controls in the experiment, so he has nothing with which to rigorously compare the marijuana effect; Memorial Sloan-Kettering in New York is also running a poorly controlled study. At the

Stop international drug trafficking

On April 18, the Massachusetts Legislature passed and sent to the Congress and the President of the United States the following memorial.

Resolutions memorializing the President and the Congress of the United States:

Stop international drug trafficking

Whereas, the proliferation of dope, including marijuana, the opiates, psychotropic and all other dangerous chemicals has reached epidemic proportions in our homes, schools and work places until our entire "next generation" of American youth are now literally endangered; and

Whereas, the estimated \$200 billion of international dope trafficking revenues is destroying the industrial integrity and scientific basis of the U.S. economy by disrupting honest capital markets and economic transactions; and

Whereas, developing-sector countries, most notably Colombia, Guyana, and others in Latin America and Asia are being forced into converting their economies into cash-crop drug production to satisfy World Bank-International Monetary Fund terms of debt demand; and

Whereas, the Republic of Mexico has demonstrated, in collaboration with U.S. agencies, that dope production can be rapidly and thoroughly eradicated by concentrated scientific use of appropriate advanced technology—paraquat, helicopters, and other devices supplied by the U.S. for the purpose;

Therefore, be it resolved that:

The Massachusetts General Court calls on Congress and the President to take all necessary investigative and prosecutory steps to collaborate with the governments of dope-producing countries to wipe out all

NCI itself, 15 young bone cancer patients were tried on marijuana and eight had an initial "excellent" response, but of these only one remained "excellent" during the course of therapy; that is, the patients rapidly developed a tolerance to the drug. The only large study presented at the symposium was a review of 150 patients in a well-controlled, double-blind investigation at the Mayo Clinic, in which marijuana was tested not only against a placebo but also against Compazine, a standard anti-emetic. According to the presentation at the symposium, THC (the active chemical in question in marijuana) was found to be comparable in anti-emetic effect to Compazine, and no better; but the THC was deemed "not as promising, not as useful" as Compazine because of a number of "dysphoric side effects" noted, including depression, depersonalization (the feeling that your body is not your own), and a long list of other harmful and distressing psychological effects.

The harmful effects of 'pot'

Dr. Robert Heath, chairman of the Dept. of Psychiatry and Neurology at Tulane School of Medicine in New Orleans, has recently found brain damage in Rhesus monkeys exposed to marijuana (*Journal of Neuroscience Research* 1977, 3:87-93). The marijuana was administered as smoke, injections of THC, and other methods. The dosage was comparable to one 5 percent THC marijuana cigarette for a human per day, five days a week for three months. The brain damage found after

dope acreage, and to assist in the rapid and thorough conversion of these economies away from debilitating World Bank policies and into sound agricultural and industrial integration into a growing world economy; and be it further resolved that

The Congress investigate and bring to justice all those banking and corporate networks complicit in the laundering of the international illegal dope trade money, which takes place in particular in the Hong Kong, Caribbean, and Canadian sections of the London-based banking networks;

And to enforce to the fullest the existing laws against dope use and trafficking into and within the United States.

Senate Memorial Resolution 317, passed in both Houses of the Massachusetts Assembly, April 18.

this period included a pathological widening of the synaptic space (the communication space) between brain cells in a deep area of the brain termed the septum. This damage is clearly visible on electron microscopy of the brain tissue, and this particular change is otherwise found in cases of brain poisoning (as in carbon tetrachloride poisoning) and in severe vitamin B deficiencies which are associated with psychosis.

Dr. Heath continued the marijuana administration in some of the animals for several more months, then discontinued the marijuana and waited six months to see if the changes would revert to normal. He found the changes still present, indicating that at least over the medium term the damage is irreversible. The microscopic pathological findings were correlated with abnormal EEG (electroencephalographic) findings recorded from deeply placed electrodes in the septal area, and these abnormalities also did not reverse. The areas of the brain most affected by the marijuana were also found, on chemical analysis, to contain the highest amounts of THC. All of the variables of the experiment, including route of administration dosage, presence of deep electrodes in the brain, smoke with and without THC, and so on, were compared with control animals, and the results were all shown to be statistically significant.

In another medical area, Dr. Gabriel Nahas, Special Advisor to the United Nations Narcotics Commission and Research Professor of Anesthesiology at the Columbia College of Physicians and Surgeons in New York, has found that THC damages cellular functioning on a general level, by interfering with the ability of the cell to produce the most rapidly, such as the white blood cells and the sperm cells; and as well results in the production of abnormal forms of these cells (see *Marijuana—Deceptive Weed*, by Dr. Nahas, 1975, Raven Press Ltd., New York). Several months ago Dr. Nahas chaired a major international conference in Reims, France, on the biological effects of marijuana, in which dozens of other effects were documented by researchers from more than 20 countries.

In the area of psychological damage due to THC, Dr. Robert Souief, head of the Department of Psychiatry at Cairo University, testified extensively during the 1974 U.S. congressional hearings conducted by Senator Eastland that, in his experience with the problem of hashish (a potent form of THC) users, the degree of psychological deterioration seen is directly correlated with the predrug level of intellectual competence of the individual; highly trained and educated people lose the most on the drug, while those who have never developed their intellectual powers show little change.

The loss of motivation, the "drop-out syndrome," which is closely correlated with a decrease in attention span, has been documented by numerous investigators

Canadians join the fight against drugs

The Coalition drive extends into Canada, where the following telegram was sent to Kurt Waldheim, Secretary General of the United Nations:

We, the undersigned strongly object to the planned "relaxation of marijuana laws" announced on Dec. 27, 1978 by the Canadian government.

We further call for a United Nations investigation into the role of Canadian and British banking and government circles in world drug running.

Rakhra Karnail-Saromni Akalidal, Sikh

Ken Shoemith, Principal, Hamilton Central Public School

H. Condie, Principal, Lakeview Secondary School, Toronto

Alf Matthews, Canadian National Education Director for Elevator Construction Workers Union

Ken Perry, Ex-Treasurer, International Brotherhood of Electrical Workers, local 1788

Eamon O'Donnell, Steward, International Brotherhood of Electrical Workers, Local 1788

Kevin Floyd, Ex-Steward, International Brotherhood of Teamsters, Local 419

Dave Laughlin, Steward, IBT 938

Herman Wever, Hamilton Labor Council

Dave Redman, Ex-Steward, CUPE #1

John Dehart, Regional Counselor, Oshawa

Brian Ring, President Ebastec Cavallin (nuclear engineering consulting firm)

Michael McNamee, Professor of Computer Science and Mathematics, York University

Lionel Ellis, Professor of English, Ryerson Polytechnic Institute.

(affiliations for identification only)

in the U.S., including Dr. Roy Hart, and Dr. Doris Milman, who have both published extensively in the literature.

The federal role

The Drug Enforcement Agency testified at the above-mentioned hearing brought by NORML in Pennsylvania. With reference to the motion for rescheduling by the state, the spokesman said: "There is presently no advantage to rescheduling marijuana from Schedule I to Schedule II." When questioned about the possibility of the federal government rescheduling marijuana, he said flatly, "At the present time there is not enough medical evidence for marijuana to be reclassified at the federal level."

There are now a total of 28 active licenses (IND's) for marijuana experimentation in this country, 16 for

anti-emetic tests, five for glaucoma, and the rest for other conditions such as anorexia nervosa (extreme loss of appetite due to a psychological condition) and multiple sclerosis. Given the paltry evidence for the usefulness of marijuana and its known harmful effects, this represents more than enough effort in this dubious area.

The federal government has been rightfully empowered to protect the population against quack treatment and especially against *harmful* quack treatments. There is now grossly insufficient information that marijuana is a useful addition to the pharmaceutical shelf; but the evidence of its harmfulness is clear.

If NORML, which is backed by tens of thousands of dollars annually from both *Playboy* and *High Times* magazines, is looking for an excuse to push the drug culture on our youth, they will not find it here.

Cabinet shakeup in Mexico

New ministers expected to strengthen government's domestic and foreign policy

In a sudden move May 17, Mexican President Jose Lopez Portillo requested the resignations of his Interior Minister, Jesus Reyes Heróles, his Foreign Minister, Santiago Roel, and his Planning Minister, Ricardo Garcia Sainz.

The replacements in the posts indicate that the dramatic shakeup, just short of the mid-point in Lopez Portillo's six-year term, will consolidate government action and enable more effective implementation of Mexico's progressive domestic and foreign policy.

The events of the first weeks since the change fully confirm this view. The new Foreign Minister, Jorge Castaneda, has stepped in aggressively to direct twin diplomatic offensives, one on world energy supplies and one designed to isolate the barbaric regime of Anastasio Somoza in Nicaragua.

Simultaneously, the president of the ruling Partido Revolucionario Institucional (PRI), Gustavo Carvajal, called upon all political parties in the country now participating in a program of political reform to unite in defense of the nation's sovereignty, its oil resources, and its foreign policy. He was speaking May 26 to a giant outdoor rally of the PRI called to back up Lopez Portillo's decision the week before to break diplomatic relations with Nicaragua.

Roel's presidential ambitions

Less reliable British press sources, such as the *New York Times's* stringer in Mexico, Alan Riding, have stated that the primary motive for the shakeup was disagreements over how to handle the May 17-18 state visit of Fidel Castro to Mexico.

The real factors had nothing to do with that highly successful summit.

The problem of Santiago Roel in the Foreign Ministry was clearly the most pressing of the issues Lopez Portillo solved with the cabinet shakeup. Roel's presidential ambitions to succeed Lopez Portillo in 1982 were notorious. Intent on building up his own political machine rather than carrying out Lopez Portillo's directives, Roel was the divisive beachhead in the present cabinet for all those who wished to start an early and damaging scramble for the succession. He was further neglecting administration of the Foreign

Ministry, the pride of Mexico's civil service, according to Mexican sources.

Since at least January, Roel was more or less openly building his own following. He turned special attention on U.S. Mexican-American groups, many of whom began to complain that they were being cut off from access to Mexican official circles unless they "played ball" with Roel.

The situation came to a head when Roel unilaterally extended a border inspection tour in early May into a two-week political junket, and then committed an unpardonable sin in the Mexican political lexicon: on his own initiative, he made a personal appearance with President Carter during a Carter campaign swing in southern California.

For nationalist Mexico this is taboo. Within two days of his return to Mexico City, Roel was out.

His replacement, Jorge Castaneda, is a respected career diplomat who most recently headed Mexico's delegation at the Law of the Sea negotiations.

The exit of Planning Minister Ricardo Garcia Sainz had been rumored for over six months. It is known that he opposed Industry Minister Oteyza's ambitious National Industrial Development Plan, Mexico's primary program for investment of the oil export revenues. Lopez Portillo gave his strong support to the Industrial Development Plan in mid-March.

The new Planning Minister, Miguel de la Madrid, moves up from the number two post at the Finance Ministry. His previous work has seemed closer to the monetarist leanings of former finance minister and current head of the Interamerican Development Bank, Antonio Ortiz Mena, than to the in-depth development approach favored by Lopez Portillo. But it is expected the President made the appointment after making clear to de la Madrid the failings of Garcia Sainz's efforts. In the wake of the appointment, de la Madrid has vigorously picked up an administrative reform program which the President highlighted as a key goal at the beginning of his administration.

Olivares steps in for Reyes

Though the full reasons for the change over at the Interior post—the most powerful in the cabinet—are

not known, no major change in direction is expected. Departing Reyes Heróles, one of Mexico's most distinguished intellectuals and known as a master politician, turns over the duties to Enrique Olivares Santana, formerly a governor, head of the Senate, and a top official in the PRI party. Known also as a master politician and a solid "orthodoxist" party man, Olivares will continue the political reform program initiated by

PRI president—

'The nation is fully united'

Highlighting the growing popular mobilization in Mexico to defend its progressive domestic and foreign policies from Washington and London pressures, the president of the ruling PRI party, Gustavo Carvajal, delivered the following call to a mass rally of the PRI in Mexico City on May 26.

The Political Reform created by President Lopez Portillo opened up possibilities of political participation to all the parties. Each one is fighting for different platforms; nonetheless in the face of attacks from abroad, and pressures of all sorts designed to alter our sovereign decisions in the exploitation of our natural resources and on our foreign policy, we stand united.

Unity is the great symbol of the Mexican people. That is why the foreign ambitions for our natural resources and our oil, the deceptions and the misinformation that we perceive, will not succeed, because they are going to discover a nation fully united around its president and its government.

I want to extend an invitation from this platform, standing beneath the Monument to the Revolution, symbol of the unity of our people, to all political parties throughout the country to unite against those foreign interests which seek to violate our national sovereignty, so that the interest of Mexico will always prevail above all others.

President Lopez Portillo during the past two years. Its first test comes in early July balloting for the lower house in Mexico's bicameral system.

There are indications that one of the friction points leading to Reyes's resignation was unbending opposition to inclusion of forces associated with former President Luis Echeverría in the current general mobilization of nationalist sectors around defense of the oil and foreign policy. The issue was compounded by the possibility that Echeverría—currently on diplomatic assignment in Australia—might soon be returning to Mexican soil. The relations between current and past presidents are studied with particular care in Mexico, because the strong presidential system builds enduring political machines around each president.

Since the cabinet switch, the semi-official government daily, *El Nacional*, has editorialized that Echeverría is welcome back in the country whenever he wishes to return, and that the longstanding friendship between the current and former presidents has not changed. At the same time, it reiterated the well-understood "rule of the game," that Echeverría would not undertake any direct political role in the country, unless it was by Lopez Portillo's request.

One of the most telling pieces of evidence that the whole cabinet switch serves to strengthen the "mobilizers," who want to prepare mass forces to resist U.S. pressures for the oil and related domestic destabilization maneuvers, is that congressional leader Rodolfo Gonzalez Guevara has been named to a prestigious undersecretary position in the Interior Ministry in the shakeup. Gonzalez Guevara, completing a term as leader of the Mexican Chamber of Deputies, delivered the principle address, on behalf of the three branches of government, at the celebration to honor 19th century Mexican President Benito Juárez's birthday, March 21. He delivered a dramatic call to action in a speech which electrified the country: "We can now state that within our society an economic counterrevolution is building up that, if not halted in time, can destroy the material basis of our nationalist, revolutionary and democratic development." The answer, he said, was the current political reform program. But not merely reform as an electoral question. "The most important thing (in) . . . the political reform is authentic popular mobilization."

—Tim Rush

Labor moves toward LaRouche for '80

Proponents of a Haig-Kennedy 'race' facing a dilemma

As the presidential campaign of U.S. Labor Party Chairman Lyndon LaRouche picks up support from leading unionists and other layers, the strategists at the Council on Foreign Relations who have planned a rigged 1980 Haig-Kennedy presidential race are confronted with an interesting dilemma: Should they continue accelerating their campaign to oust President Carter and risk fracturing the two-party system—allowing LaRouche's campaign to pick up large pieces of the traditionalist GOP and Democratic machinery?

The disintegration of the Carter Administration has become daily more public with both Treasury Secretary

Blumenthal and State Department chief Vance saying they would not serve a second term with Carter. Meanwhile, however, editorial writers at the *New York Times* and *Washington Post* have cautioned that making too much, too fast over the indictment of Carter's close personal friend, former Director of the Office of Management and Budget Bert Lance, or the obvious Democratic split provoked by Sen. Kennedy's challenge to Carter could be dangerous.

From the point of view of those who would like a controlled presidential race in which Alexander Haig and Sen. Ted Kennedy are fielded to a guillible

Teamsters official endorses anti-drug fight, LaRouche candidacy

Following is the text of Teamster Union official Rolland McMaster's endorsement of the presidential campaign of Lyndon LaRouche.

When Dr. William Banks, President of the International Masons and a previous endorser of Mr. LaRouche's Presidential candidacy, introduced LaRouche at this evening's Michigan Anti-Drug Coalition benefit, the crowd gave Mr. LaRouche a standing ovation. They certainly endorsed his views on the drug issue.

I recommend that all Teamster officials across the country seek out the Anti-Drug Coalition in their area to begin the work of ending this cancerous problem of our nation's youth. Teamster officials should do as I have done and listen to Mr. LaRouche's explanation of how to end the drug epidemic.

I was moved by this evening's event—I feel the fight against drugs is the major social issue in the U.S. today.

If only for the reason that he is committed to

saving our next generation from drugs, I will now endorse Lyndon LaRouche for President of the U.S. in 1980. From the response of the many other labor leaders in the audience, I am sure many of them join me in these sentiments.

Earlier this afternoon, I met with Mr. LaRouche privately. We discussed solutions to the drug problem, and to the other problems caused by our government allowing the basic American economic and social system to collapse. I enjoyed especially his position on the deregulation of the trucking industry, which is destroying the lifeblood of the Teamster organization. Mr. LaRouche has answers to the issues of drugs, inflation, the energy problem, and economic growth which would be very interesting to other leaders in the Teamsters and other labor organizations.

I therefore urge other Teamster officials and leaders of other unions across the country to meet and familiarize themselves with Mr. LaRouche and consider endorsing his candidacy for the reasons I have.

electorate by the Republicans and Democrats, the LaRouche campaign is a wild card. Already the LaRouche campaign has begun accumulating a significant list of endorsements from leading political figures in France, West Germany, Italy and Canada. LaRouche has also just completed a round of important meetings with influential Midwestern business leaders.

In the U.S., the LaRouche candidacy has been particularly boosted by the endorsement of LaRouche by Rolland McMaster, general organizer of the International Brotherhood of Teamsters. McMaster's endorsement comes two weeks after leaders within the IBT announced the formation of a Teamster Committee to Elect LaRouche. The Committee began issuing public information bulletins on their activity with their circulation planned to reach 200,000 among industrial workers.

As one political analyst pointed out, "persons familiar with the history of the labor movement and particularly the IBT will understand the significance of McMaster's endorsement of LaRouche's candidacy and the international fight against drugs that he is associated with." McMaster has played a central role in building the IBT since the 1930s and is a leading expert on the economic effects deregulation would have on the trucking industry.

LaRouche's supporters are also engaged in the mass distribution of copies of McMaster's endorsement of LaRouche and are planning to get out 20,000 on the East Coast and in the Central States.

McMaster's statement of support for the LaRouche campaign may well be a catalyst in moving other trade union leaders to take similar action and endorse LaRouche.

How to unravel the mess called the U.S. economy

Presidential candidate Lyndon H. LaRouche explained to the Detroit Chamber of Commerce Government Roundtable, on May 18 why the current anti-inflation policies of the Carter Administration are failing. Here, with minor deletions, is his speech.

This is the season when the Republican Party will be blaming the Carter Administration for all the problems. That is not only unfair, but it is counterproductive. Granted, the Carter Administration has been a national disaster. The collapse of the dollar from DM 2.35 to the level of DM 1.80 where it is now propped up, is indicative of the nature of the major problem of

inflation. But the Carter Administration is bad from the economic standpoint mainly in the sense that, at a point where there is tremendous potential if we correct the accumulated problems of the postwar period, instead of correcting the problem, a larger dose of the disease is added.

These problems are soluble; they are difficult to solve. That is, they're difficult in terms of the amount of work, difficult in terms of the amount of political effort required, difficult in terms of the factional brawls required to solve the problem, but they are soluble.

Actually, although I didn't like FDR much in general ... at the outset of the war—and mind you it was a change in policy—FDR had a fight with Winston Churchill at Casablanca. FDR laid down to Churchill a policy which would have prevented the United States from getting into most of the economic and related messes which we have gotten into in the postwar period. Essentially I would say, from the standpoint of political reference, that what we need to do now is to do approximately 40 years late, or 35 years late, what FDR proposed the United States should have done in 1940. We can do it.

Let me lay out what has to be done. One of our problems is that we make economic analyses and evaluations using tools to figure out the national income statistics levels and so forth, tools that are wrong. According to the statistics, the United States has continued to be in a phase of economic growth. The United States has been, since approximately 1966-67, in a period of economic decay. One can say we have been in aggravated stagnation with some exceptions since approximately 1957-58. We made the wrong turn under Truman. Eisenhower tried to force things toward the right direction with his Atoms for Peace policy. Rogers threatened to do the same thing with his Rogers Plan policy, and even Jack Kennedy did the right thing—among many other things—with his position on tax breaks to foster some degree of capital intensive investment....

So it is correct to say, let's go back to what Roosevelt laid out in opposition to what Churchill proposed. At the Atlantic meeting and the Casablanca meeting, Roosevelt said the United States is not going to war to rescue the British Empire in any shape or form, or under any disguise, nor is the United States going to go to war and continue after the war supporting British "18th century methods" in terms of the relationship of the industrialized countries to the colonial and semicolonial sector. We are going to use American methods, that is, we are going to introduce high technology in agriculture and industrial development in the developing sector to create a self-expanding market for capital goods at the same time that we do what we should do as national political and associated policies in any region of the world—do what the United States did in its own territory: take its own population's

interests with a dedication, however vacillating at times, to high-technology progress, in agriculture, industry and try to form a wasteland or a backward country into a modern, powerful nation.

Lesson of the war mobilization

The circumstances under which that Roosevelt decision came are also instructive. From 1929, but actually from an earlier point, the United States went into a depression and stayed in this condition for about 10 years. What the wartime experience proved to us, the war mobilization, was that we never need have gone into a depression and certainly need not have stayed in it. What we did in the war mobilization was to demonstrate a principle. We demonstrated it around arms production.

The same principle applies much more effectively around civilian production or vast investment projects to create external growth. Before the war, Hoover or Roosevelt could have rebuilt the credit structure of the United States in the way FDR did later, somewhat modeled on Lincoln and Hamilton as well, in the war mobilization. He said the United States is now going to adopt a national economic purpose. We are going to gear up our productive capabilities, which are the greatest in the world, in order to transform those sectors of the world that wish to be transformed. We would supply cheap, long-term credit with an adequate grace period for any competent project to cultivate the developing world. We will use that to fuel our own capital investment programs inside the United States to build up our tax base and to build up the standard of living of our own population, in our own productive forces.

If we had done that as a nation, at any time under Hoover or under Roosevelt prior to 1940, we could have had the same effect in terms of mobilization of the economy that we enjoyed after getting some rickety machines going in 1940-41 and 1944. We could have done it. *It is not necessary for a capitalist economy to go into a depression.*

If government, together with bankers, takes the proper course of action in terms of credit, banking, and monetary policies and develops and fosters objectives for opening up new areas of development for investments, politically, then the United States economy would automatically respond to that environment of opportunity, with its potential incentives, to create prosperity. If government would take that role continually, there never need be a depression or the kind of stagnation we've seen.

In principle, those of us who went through the depression, whether younger or older, should have learned that from the war mobilization. Here was a nation which said it could not produce, it could not employ its own people. We took the labor force of 1939 and by 1940, as the war mobilization report shows,

most of that labor force was deteriorated in its quality as a productive labor force. The machines had been looted, and were worn. It was difficult for many plants to get the power to even do the simplest kind of production. So the first effort of the war mobilization was tied up in knots in the effort to overcome the limitation of a degraded labor force and with a largely degraded, shattered and obsolete plant and equipment. And yet, nonetheless, by 1943 the United States war mobilization had reached the targeted objectives which the government had set out. In 1941-42, the thing was in a take-off point.

Now we should have continued that after the war. Of course we were stuck with a war debt because we had taken the wrong approach to financing the war mobilization. We did it for political reasons. People like to have bonds they can spend later. The unfortunate thing about the bonds is that at the time they were coming to maturity there was no product to match against the mature bonds. That was a mistake, but nonetheless, we had a war debt. That was not a real problem.

The problem with the military debt was the fact that there were no tangible assets which existed to correspond to the incurred debt. Raw material is expendable. You can't renew it. You can't convert it generally to capital goods—which can be capitalized, which are salvageable—whereas if you produce the same magnitude of capital goods and sell these capital goods on long term credits abroad, you have tangible assets. If you put capital goods into viable self-sustaining projects which, after an initial period of construction and operational maturation (say, seven to eight years) of coming into a productive phase, they become self-sustaining economically at the end of 10 years—so that you can finance on 15-25 year terms of debt. Then you have not only a tangible asset in those countries which bought them, but they are developing viable industries and are becoming new markets, self-expanding markets for other economies. If we had done that as Roosevelt proposed, we wouldn't have our present problems.

Consumer credit bubble

Look at the expansion we had from 1954-1957. We had approximately three years of very troubled economic expansion. It was financed primarily by consumer credit financing. In 1954 we revised the tax code and credit code and we unleashed consumer spending. Over the subsequent period we extended the limits on spending for consumer credit. So, what was happening in 1956-57 was an increasing number of new automobiles being sold on 36 month terms. The "36 month note" was generally a balloon note, so that at about the point of 18-24 months, the unpaid balance on what had been a new car purchase was greater than the retail selling price of the same vehicle on the used car lot.

The same problems affected other categories of consumer issues, and spending in general.

Therefore, we went into a monetary collapse because we tried to finance the economy through consumer credit, based on a relatively fixed level of consumer incomes, rather than trying to develop the economy through capital investment, which is the way the American system works. We should have provided consumer credit merely as a social measure of necessity or convenience—except for housing. But we should have emphasized productive capital investments. Then we would have created jobs, increased the tangible wealth produced by the economy, and increased the tax base. And provided we emphasized new technology in capital investment and replaced obsolete or worn plants, then we would have increased the technology of production, the social productivity of the labor force, and have had higher rates of profit, despite the higher average income of wage earners.

The reason we didn't do this—even though Eisenhower was committed to that direction with his Atoms for Peace policy—is that we refused to buck the International Monetary Fund, we refused to buck the City of London and some of our people in New York who think the same way the City of London does. We did not do what Roosevelt recognized had to be done. We had to end not only the old British-French and so forth mode of existence, we had to end those economic practices against which our forefathers made a revolution: the practices of holding colonial countries in enforced relative backwardness.

The way the United States can get out of the mess now is the way it could have gotten out of the mess in the 1940s, or 1950s, or 1960s. Open up the developing sector, or at least those sections of it which represent very large markets for high technology development of agriculture, industry and infrastructure. Open them up on credible financing terms: 3 to 4 percent interest on 15-25 year loans, with adequate periods in which you are not expecting payment for projects before the thing is producing. On that basis, we would get out of this mess.

What statistics to use

As I indicated earlier, the government's statistics and business statistics are totally incompetent. For example, if we legalize prostitution, or if we legalize the much larger illegal drug traffic, if we legalize gambling—if we legalize mugging and burglary—then we will take the revenues of these legalized categories of activity into the national income accounts. We will say the economy has grown. We can prove it because the value-added method applied to these legalized categories of activity will demonstrate economic growth. If we shut down all our plants, produce nothing, shut down the farms, produce nothing, but pay the population for makework of some kind—to entertain each other or to

engage in gambling or to go into prostitution—then we can say we have full employment. In terms of the value-added measures that we use for our national income accounting system today, we have had economic growth. Of course, we're on the brink of disaster, but the figures will say economic growth.

The problem with corporate, banking and government policymaking during the last period is that we have been using figures which do not correspond to economic reality. Apart from the monetary side, which has become more significant since 1966, the structural problem of inflation is that in the entire labor force, the ratio of productive operatives in agriculture, industry and related occupations is declining as a percentage of the total labor force. Granted we need services. Granted we need administration, and especially we need an increase in scientific and engineering training and employment as we increase the capital package. As you become more capital intensive and invest more rapidly, you must develop technology more, and therefore we need more science and engineering. Services are generally necessary, government services, administration. But the important thing is not to let the growth of services and administration combined with waste chew up the entire surplus that we produce from a diminishing productive social base.

The problem with our economy is that instead of employing the labor force in large part as a productive labor force of skilled or semi-skilled operatives, we emphasize nonproductive activities which our present national income accounting system calls productive—under the value-added formula—and therefore all our banking and government statistics are fraudulent, because they call production something which is wasteful, either because it is inherently wasteful or excessive. Therefore the ratio of your services are excessive with the effect of the government.

LaRouche's economic model

I hope that apart from being a presidential candidate, I will also be successful in bringing this problem to an end. I won't talk about it, just mention it. The economic model which I worked to develop since 1972 has now been reduced to the first phase mini-computer type of classification, and we have seen some good test results in that form, and governments and corporations will be interested.

But most of you represent firms or entities with organic, every-day experience in production, engineering, in labor management. All this adds up to an organic experience with the American System. Anybody who works with the American System knows how you increase the production of wealth, knows how to build a pie so that people can get paid more, knows the role of technology in increasing social productivity, knows the urgency of capital intensive investment, knows the urgency of increasing the energy supplies, especially in

higher technology forms, more rapidly than you increase production, because an economy requires a greater rate of growth in energy consumption than it will get in terms of volume and value of production. The average banker, the average administrator, or engineer of production who deals with producing more wealth more cheaply and better has an organic experience with the American System.

The problem is that when you get up beyond the level of the corporate manager, industrial manager, or agricultural manager (where the case might be less of a problem), and you go to the financial layer, or the government layer, a completely different kind of thing occurs, which sometimes we call "liberalism." The liberal ignorance of how our economy works, this is where the problem is.

My candidacy, in conclusion, is, I think, a much more credible proposition than any of you gentlemen know. As you probably know, in politics, you get a result of your work in approximately 18 months. You have to first go through a lot of work in the back room, do a lot of private campaigning, talk to a lot of people.

Role of LaRouche's candidacy

My immediate and obvious function as a candidate is to bring the policies of which I have touched one aspect here and create such a ruckus around them that we force the other people who are running, whether on the

presidential level, on the congressional level, or the state and local level, to begin to discuss the issues in these terms in order to maintain credibility. I want to get some of you people in the corporations and farmers and those trade unions to begin putting pressure on these candidates to respond to these issues in these terms. I am not without some help in this abroad. There are forces abroad such as the Gaullists in France and forces in Italy, and certain forces in the United States who think in the same directions, the same policy directions, that I think in. They may not support me directly, but we agree that if I were in the White House they would be happy and I would be happy to work with them, for example, the government of Giscard in France and in Mexico, Lopez Portillo. We could work with such governments.

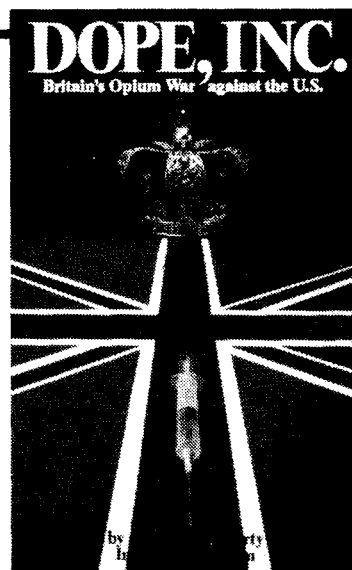
If we in the United States reactivate the policies which correspond to the organic experience of the American System, we will find that these forces abroad will be very happy to support us. They will support not me, but some kind of effort like this. Then I think that, because 70 percent of the American population still is connected organically to the American System, we can mobilize the kind of support to ensure that, even if I don't get into the White House, at least we will have a candidate who thinks in the American Systems terms, not the kind of policy of a John Connally, Haig or Carter or Kennedy.

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Haig preaches geopolitical confrontation

General Alexander Haig, the New York Council on Foreign Relations' candidate in the 1980 presidential race, spoke before the California Bankers Association May 21. As in previous speeches in his still unofficial presidential campaign, Haig's address was filled with speculations that the Soviet Union and East bloc could be balkanized while a nuclear confrontation would reassert United States leadership. Here are excerpts.

Now, as a military man, I am acutely aware that roughly a quarter of Soviet forces are positioned east of the Ural mountains, facing Communist China today. But how long we were, in the West, in comprehending the risks and the benefits of this fragmentation in Marxist-Leninism! I recall my own experiences in 1971 in Peking, when I spent some three hours alone in the Great Hall of the People with Zhou Enlai—at the height of the Vietnam conflict. As I left that experience and walked down the steps of the Great Hall of the People, I thought to myself, “Why, he never said so, but what this wily old Marxist leader was suggesting to me was: “Do not lose in Vietnam, and do not withdraw from Asia!” And when I returned to our nation's capital—and this was before a rabid criticism that existed there and on both sides of the Atlantic at the time—and I suggested that this was my interpretation of the discussions, I was accused of taking leave of my senses.

But how clear the picture has become in the intervening months and years! Why, as recently as this past summer, the Vice Premier of Communist China was asked, “What about this border conflict between Pnom Penh and Hanoi?” and he responded, “Border conflict? This is no border conflict. This is one nation in Southeast Asia seeking regional hegemony at the sufferance of the superpowers!” And how clear the picture became in the intervening weeks and months—as we observed the first 15 regular North Vietnamese divisions overrun neighboring Cambodia, and as we observed the highly dangerous punitive actions taken by Peking against Hanoi....

The reality, as we've observed, of fragmentation in an external sense in the Marxist-Leninist world, has been accompanied by increasing centrifugal pressures from *within* those areas which remain under Soviet hegemony today: the Soviet Union and Eastern Europe. Turn first to the Soviet Union: you know, the period of the 1980s poses profound difficulties for whatever Soviet leadership will emerge. First, we are watching fundamental demographic shifts within the Soviet Union itself.

Today, roughly 50 percent of the populations of that Soviet Union are non-Russian in character; and if one looks at birth-rate trends—*especially* to the Islamic republics of the southern Soviet Union and Latvia and the Ukraine in the West—we will see increasing minorities in the Russian composition of the Soviet Union itself. These minorities are going, in the period ahead, to insist on a greater role and greater autonomy. That combines with fundamental failures in the Soviet system itself—agriculture, historically, reductions in production and growth rates, and the forecast of definitive limitations on energy, which our Central Intelligence Agency forecast a year ago.

Now history has been replete with examples of the Soviet Union plagued by such difficulties, transferring these onerous burdens to their satellite areas in Eastern Europe. This reality will converge with the emergence of increasing restiveness in Eastern Europe today, as a consequence of a wave of historic nationalism which is global in context today, and we saw manifestations of it in recent months as the Soviet Union demanded greater defense expenditures—and some rebelled. We saw manifestations of it as the Soviet Union asked for a unified condemnation of Peking's invasion of Hanoi—and some resisted.

Now it seems to me that we should draw some fundamental conclusions about this. *First* [shouting], *we are not living with the inevitable victory of Marxism in this global world of ours!* Hardly at all! It has been, and remains, a *profound* failure. We must not allow Western and American policies which assume the inevitability of Soviet success. Secondly, barring no change in longstanding Soviet policy, these pressures in the period ahead, these centrifugal pressures, are going to continue to grow, and the directions these pressures propel themselves will be in large measure a product of their assessment of Western unity, solidarity, relevance, and determination to provide and protect our own vital interests.

Now, no strategic overview would be complete without a word about the so-called Third World, an area which today we in the Western industrialized world find ourselves increasingly dependent upon for the raw materials and energy that have spawned our growth since the second Great War. You know, we had great hopes for this Third World in the decade of the sixties. We indulged ourselves in the vast expenditure of American resources to provide for their moderate political development—and in one instance, volumes of American blood.

But how disappointed we have become, to see that

almost without exception, the emerging Third World has adopted dictatorial models of the right or the left today. And again, in the period ahead, it seems to me we should keep two factors fundamentally in mind. One is the current difficulties we seem to be having—especially in our own country—in finding terms and discriminating between authoritarian regimes on the one hand, and *totalitarian* regimes on the other. Both are unsatisfactory, from our Western point of view, because they accumulate at the apex of government unreasonable and unacceptable degrees of power and dictatorial control. But you know, they are fundamentally different in value terms. An authoritarian regime derives its unsatisfactory character from environmental circumstances—a lack of political maturity; perceived threats, internal or external; a lack of economic development—and because it's environmental, and it's expedient in character, it lends itself to entirely different ameliorative programs in our efforts to move it to more pluralistic structures. A totalitarian regime, on the other hand, finds universal conviction, *rejects* the principle of the role of the individual and state to which we are firmly wedded. And it seems to me you do not serve the purposes of social justice—let alone vital American interests—to assume policies which drive the authoritarian model into the totalitarian model; in no way at all.

Now a second aspect of our current problem is that, as Henry Kissinger has suggested recently, we must not proceed in our effort to work out a just and responsible relationship with this Third World under the premise that justice rests exclusively in the hands of those who would adopt warfare, bloodshed and terror to change status quo.

And as I observed recent Soviet activity over the past two years—the *creation of client-states*, in a line running from Afghanistan in the East through the Saudi Arabian peninsula, South Yemen, to the Horn of Africa, Ethiopia, and along both littorals of the African continent—I asked myself: Are we in the West enjoying balanced reciprocity in these twin pillars upon which we have built our peace?

Now, I recognize that there is much current sophistry in our own nation with respect to the implications of these illegal Soviet interventionism [sic] in the Third World. There are those who suggest, with some justification, that *because Soviet power is built essentially on force of arms*, it will ultimately collapse of its own weight—perhaps like ours did in Vietnam; therefore we should not be concerned, because we will soon see what we saw in Egypt, India, and perhaps Somalia. But I would suggest that there are at least three other factors that must be considered as we dispose...of the implications of this *illegal interventionism*. One is this: I am watching today the emergence of sophisticated Soviet naval and air bases on a line

through southern Eurasia along both littorals of the African continent, *which at any given moment could snuff out the lifelines of vital Western commerce*—especially our resources in energy.

Secondly: have we asked ourselves, with sufficient intensity, the impact that these unchallenged, illegal Soviet interventionisms are having on nonaligned, historically friendly Third World nations—upon whose convergence of policy we so vitally depend—Saudi Arabia, the Gulf oil-producing states? And are we not leaving them to a *syndrome of inevitability* in which they see the historic wave of the future turning toward the East?

And finally, I would ask: How can we hope to work out a just and responsible relationship with the Soviet Union, while we proceed ahead, almost mindlessly, in such functional areas as arms control, credit transfer, trade, agricultural transfer, cultural exchanges—while we simultaneously ignore blatant illegal interventionism in the Third World? That cannot be a basis for *sound* development of detente.

What I am suggesting is that we have long since arrived at a point in our own history where we must step back and ask whether or not we are appropriately orchestrated—in the still vastly superior political, economic and security assets of the Western world—to insist as we must, that necessary and desirable historic change occur within the confines of the accepted rules of international law. And I would suggest that this task is going to require a new style of post-Vietnam American leadership, a leadership that recognizes that our sterile involvement in Southeast Asia is *over* and that our *self-hypnotic* [shouting], *traumatized reaction to that involvement must also be over*. It is a leadership that recognizes that the day is gone when the United States could unilaterally move in and out of global crisis situations and bring about outcomes that met the collective interest of the Free World. The time has come to integrate both the advantages and the burdens of this management task. It is a leadership which must develop a global strategic concept that will enable us day to day to sort out the issues on the strategic horizon which are of vital concern to Western interests, from those that are best left to local solutions—leadership that moves away from the hyperactive post-World War II American foreign policy that saw every deleterious effect on the strategic horizon as a consequence of Marxist or Soviet duplicity—but *which will not recoil from challenging blatantly illegal Soviet interventionisms, wherever they occur*.

And finally, it is a leadership that must assemble, through more enlightened and sensitive diplomacy, the collective interests of the Free World, to orchestrate, if you will, a still superior asset, to manage global Soviet power....

Congressional Calendar

Carter wheat resolution "railroaded" through Senate

In what one opponent termed a "railroading," the Senate passed S. Res. 163 relating to an international wheat exporters conference by a vote of 80 to 15 on May 23. Sen. Richard Lugar (R—Ind) called the McGovern-sponsored resolution "a request to the President of the U.S. to take leadership in setting up a cartel arrangement for wheat in the world," despite the attempts of its supporters to pose the resolution as a nonbinding and innocuous call for "discussion" between the world's major wheat exporting countries.

S. Res. 163 is seen as a preliminary step to eventual enactment of Sen. Henry Bellmon's (R—Okla) legislation to create an international grain exporting stabilization commission (S. 356). The commission would license all grain exports—in effect replicating the Canadian government's wheat board—and thereby create the institution through which the U.S. could wage food war against OPEC and the less developed countries. Bellmon admits as much in the legislation, declaring that the ensuing higher prices would:

- Give developing countries "an important new incentive through higher prices to meet future in-country food demands," and
- Require the OPEC countries "to pay a more nearly equitable price for grain imports."

Lugar noted the relation of S. Res. 163 to the food war thrust of Bellmon's legislation in remarks during the May 23 floor debate: "A cartel arrangement is not one entered into by people who want to go flat out in terms of agricultural

production or who are encouraging an overabundance of supply and therefore a decline in price....So, we are prepared apparently to do that (control supply) even in the face of the fact that a great number of people in this world are not only hungry, but are starving and although we would not have confronted precisely the idea of deliberate withholding of food for food power arrangements, that, in fact, will be the effect."

Sources report that this legislative push—which has prompted the spread of bumper stickers in the farm belt saying "A Bushel of Wheat for A Barrel of Oil"—was initiated over a year ago, when Senators McGovern, Bellmon, and John Melcher (D—Mont) met with representatives of the Canadian wheat board and the Canadian parliament who are a dominant element in the British-sponsored drive for commodity cartelization. S. Res. 163, which surfaced earlier this session, was "railroaded" through Frank Church's Senate Foreign Relations Committee in a hasty session and sent to the floor of the Senate without a hearing by the Senate Agriculture Committee, according to Lugar.

Opposition to the resolution came from Senators Lugar, Adlai Stevenson (D—Ill), and Charles Percy (R—Ill) from grain-exporting states and from ardent free trade supporters such as Jesse Helms (R—NC), Orin Hatch (R—Utah), Harry Byrd (I—Va), and John Warner (R—Va).

Reuss to revive monetary control bill

Congressman Henry Reuss (D—

Wis) will attempt to revive the Monetary Control bill at a meeting of the House Banking Committee June 5. The measure was defeated by the Committee in March because of tremendous opposition by the banking community. The legislation is aimed at greater Federal Reserve Bank control over the U.S. banking institutions. The new version of it will require that all financial institutions hold reserves at the Fed on 11 percent of the amount above \$35 million in their demand deposits. It would also eliminate existing reserve requirements for time and savings deposits at commercial banks, except for short-term commercial deposits. Although the new measure, Reuss hopes, will meet American Banking Association objections to it, this is by no means certain. The ABA will meet June 2 and 3 to review this free enterprise-tinged proposal which could spell havoc for the banking system. A spokesman for the ABA said that the ABA "knows the new bill departs in significant ways from our policy. First we have resisted statutory, mandatory reserves. We have said if a bank is not a member of the Fed they should not have to have reserves. We have also maintained that the \$35 million exception for the reserves would mean it exempts savings and loan and mutual banks so our competitors are exempted." However, there is reason to believe that some in the banking business recognize the graver implications of the measure—that is, impeding credit for needed industrial expansion, creating in effect a speculative banking system.

According to one such spokesman, "the Fed is in fact trying to force each and every bank in the country under mandatory Fed

membership, to break its correct flow of capital in scale and the ability to put together consortia would be seriously hurt by this.... What is particularly frightening is that Miller is running the Fed like a business, with regard only for the profitability and growth of the business, and no regard for the economy as a whole. I'm not against efficiency in government, but the government's prime responsibility is service."

New resolution introduced for Mexican oil grab

On May 21 Senator Robert Dole (R-KS) and Rep. Arlan Strangeland (R-Mn) introduced joint Resolution 27 into the *Congressional Record* proposing that the U.S., Mexico and Canada establish a common link based on energy coordination. The proposal would have President Carter invite Canada and Mexico's heads of state for a summit meeting to consult on energy problems.

Dole's proposal fits with National Security advisor Zbigniew Brzezinski's assessment that Mexico's oil and gas reserves—which the Mexicans have refused to put at the disposal of the U.S.—are a national security issue. The proposal has been referred to both the House and Senate Foreign Relations Committee.

The proposal has already been rejected by the Mexican government which has shown determination to use its oil resources to rapidly develop the country. The government has stated its intent to pursue an international policy along the lines of energy growth which is diametrically opposed to what the

bill offers. What the Mexicans would be given under this proposal according to an aide to Strangeland would be "joint ventures," an arrangement where the U.S. would offer alternate technologies in return for their oil. "Mexico has all this oil and they want things from us," he said.

Senator Dole is said to be preparing to have the proposal placed before Congress and is hoping to get the backing of business and other interest groups for it.

While Dole, a presidential candidate, may hope the bill builds his image with conservative Republicans, he is taking his cues from the Democrats' resident kook, California Gov. Jerry Brown. Said Strangeland's aide of Dole: "He has been following Brown's suggestions on this for over a year."

Legislation to "Hong Kongize" New York City may go to Hill

The proposal to make New York City an international free trade zone for banking may surface as legislation on the Hill this year. However, the Federal Reserve Board—which has no legislative mandate—will not pass favorably on the proposal if the opposition to it is too strong.

In response to a question from New York Republican Senator Jacob Javits, who supports the move, during hearings of the Foreign Economic Policy Subcommittee of the Senate Foreign Relations Committee on May 24, Fed Chairman William Miller cautioned Javits that he could not assure him of a favorable Fed ruling in the weeks ahead but added, "we have the option of going the legislative, rather

than the regulatory route." Look for Javits to sponsor the legislation if a Fed turn-down does emerge.

Effort to put NSC under congressional control

The Senate has approved an amendment to the State Department authorization bill which would make the National Security Council advisor and his deputy subject to Senate confirmation. The amendment was voted on May 15 as part of a block of amendments to the bill. It was introduced into the Senate Foreign Relations Committee by Senator Edward Zorinsky (D-Neb) and endorsed by the Committee in a three-to-two vote by Senators Hayakawa (R-Calif) and Helms (R-NC) April 26. Sources close to Zorinsky declared that he decided to propose the amendment because he has been particularly enraged that NSC Director Brzezinski has refused to give the Senate an NSC memorandum on the fact that Mexican oil and gas is a national security issue for the U.S. Zorinsky himself declared: "The National Security advisor plays a crucial role in policy formulations and execution. We must come to grips with that fact." There is no similar measure in the House version of the authorization bill so that a Conference Committee will now resolve the issue. The Carter Administration, which opposes it, will try to defeat it in conference next month.

—Barbara Dreyfuss and Susan Kokinda

Carter austerity guidelines declared unconstitutional

As we go to press, a federal district court in Washington, D.C. has declared the Carter Administration's "voluntary" wage-price guideline program unconstitutional.

Acting on a suit brought by the AFL-CIO, Judge Barrington Parker ruled that "President Carter has exceeded the authority conferred on him by the Constitution by seeking to control incomes and thereby prices through the (government—ed.) procurement power." The ruling refers to the oft-repeated threats by the President and his inflation "fighters" such as Alfred Kahn and Council on Wage and Price Stability director, Barry Bosworth to deny federal contracts to firms which violate the 7 percent wage and price increase guideline.

The program, Parker stated, is mandatory since it "imposes a real penalty."

The precise impact of the court decision is uncertain. One thing that is certain is that the decision caps a week of Carter Administration policy failures that is feeding the climate for a "Cartergate."

Carter Administration sources tended to downplay its importance. An appeal—all the way to the Supreme Court if necessary—is a certainty. The complicated appeal process could take two years. Provided that the Administration receives a "stay" of the court order voiding the program for the duration of the appeal, the government could still use its procurement club against offenders.

Sources close to Kahn indicate that they may have something else in mind. For weeks, they have been saying privately that the

guideline program was worse than a bad joke. The open defiance of the guidelines by the Teamsters union last month and "flips and somersaults" by Kahn to place the 30 percent plus Teamster package inside the guidelines made the program a "liability," said one source.

These individuals want a mandatory controls program—and they want it in place before the United Autoworkers negotiate their contract in September. They point to statements by George Meany and the UAW's Doug Fraser that they might go along with a program that calls for "equality of sacrifice." The AFL-CIO, ironically, is on record as calling for a mandatory wage-price control program."

Industry has maintained a high profile public stance against any mandatory program, although they support the "voluntary" austerity guideline. Some of Kahn's people feel a desperate Carter might be recruited to a populist sounding campaign against "big business"—with possible labor backing—for a full controls program.

The AFL-CIO may however have scored an important victory despite itself. Kahn's corporatist pundits had actually discussed putting another controls program through by executive fiat—thereby avoiding a major congressional brawl. How they were to accomplish this feat was never quite clear, but with the court decision it seems a moot point. As things stand now, a mandatory controls program would have to go to Congress, where it would die.

Rubber strike drags on

The strike by 8,500 members of the United Rubberworkers union against Uniroyal, the nation's third largest rubber producer, is now almost a month old. Both sides got back to the bargaining table last week, but appeared no closer to reaching a pattern setting a three year contract for the rubber industry.

Spokesmen for URW President Peter Bommarito, who has repeatedly charged the Carter Administration interference with the collective bargaining process has prevented the union and company from reaching a settlement, were elated at Judge Parker's decision overturning the Carter wage guideline policy.

Other sources expressed caution.

More importantly, these sources say that while the Carter program most definitely forced the strike, there are other factors that might prolong it. As reported exclusively in this column two weeks ago, a faction within Uniroyal centered around the company's growing chemical division would like to use a long strike to force major cutbacks in the "less profitable" tire-making division. The other tiremakers apparently desire this as well and have reportedly communicated that they will not accept a Uniroyal package as a pattern if it goes near 40 percent. And there is the widely circulated report that General Motors, the largest purchasers of Uniroyal tires, has let it be known that they too would be "unhappy" with a high-wage settlement.

Meanwhile, other contract showdowns are nearing. Pacts covering Teamsters and longshoreman at northern California warehouses expire next week; while a complex bargaining procedure would tend to preclude a strike in the next few days, one is viewed as likely in the near future.

—L. Wolfe and M. Moriarty

AMERICAN SYSTEM

Alexander Hamilton and American Banking System

Congressman Henry Reuss (D-Wisc) is once again trying to corral congressional support for passage of his revamped Monetary Control Bill which would require commercial banks to hold reserves at the Federal Reserve on 11 percent of their demand deposit holdings of over \$35 million. The Fed's G.W. Miller is already well-known for fostering credit policies that restrict industrial expansion. Reuss's bill amounts to a legislative mandate to do the same.

Such restrictive credit policies go hand-in-glove with the broader policy commitments of proponents of the British System to reduce the United States to a second rate nation.

Some 200 years ago, national banking and credit policy was set by Alexander Hamilton, the leading American System economist and first Secretary Treasurer, who proposed in his Report on a National Bank of Dec. 13, 1790 (excerpted below) that "banks become the nurseries of national wealth."

... Gold and silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead Stock; but when deposited in Banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality. ...

The same circumstances illustrate the truth of the position, that it is one of the properties of Banks to increase the active capital of a

country. This, in other words, is the sum of them. ... there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the Bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin are to all the purposes of trade and industry an absolute increase of capital. ... And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, it is clearly deducible in theory. ...

If banks, in spite of every precaution, are sometimes betrayed into giving a false credit to the persons described; they more frequently enable honest and industrious men, of small or perhaps no capital to undertake and prosecute business, with advantage to themselves and to the community; and assist merchants of both capital and credit, who meet with fortuitous and unforeseen shocks, which might without such helps prove fatal to them and to others; to make head against their misfortunes, and finally to retrieve their affairs; Circumstances, which form no inconsiderable encomium on the utility of Banks. ...

The support of industry is probably in every case, of more consequence toward correcting a wrong balance of trade, than any practicable retrenchments, in the expenses of families, or individuals: And the stagnation of it would be likely to have more effect, in

prolonging, than any such savings in shortening its continuance. That stagnation is a natural consequence of an inadequate medium, which, without the aid of Bank circulation, would in the cases supposed, be severely felt.

The payment of the interest of the public debt, at thirteen different places, is a weighty reason, peculiar to our immediate situation, for desiring a Bank circulation. Without a paper, in general currency, equivalent to gold and silver, a considerable proportion of the specie of the country must always be suspended from circulation and left to accumulate, preparatorily to each day of payment. This necessity will be felt very injuriously to the trade of some of the States; and will embarrass not a little the trade of some of the States; and will embarrass not a little the operations of the Treasury in those States.

Banks are among the best expedients for lowering the rate of interest, in a country; but to have this effect, their capitals must be completely equal to all the demands of business, and such as will tend to remove the idea, that the accommodations they afford, are in any degree favours; an idea very apt to accompany the parsimonious dispensation of contracted funds. In this, as in every other case, the plenty of the commodity ought to beget a moderation of the price. ...

Every thing, therefore, which tends to lower the rate of interest is peculiarly worthy of the cares of Legislators. And though laws which violently sink the legal rate of interest greatly below the market level are not to be commended, because they are not calculated to answer their aim, yet whatever has a tendency to effect a reduction, without violence to the natural course of things, ought to be attended to and pursued. Banks are among the means most proper to accomplish this end. ...

—Barbara Gould

U.S., USSR reach tentative accord on energy cooperation

During the last week of April, negotiators from the Soviet Union, led by Academician Alexander Sheindlin, and the United States, led by Department of Energy Deputy Secretary John O'Leary, reached a tentative agreement to extend the terms of the five-year energy cooperation accords between the two countries.

The accords were first signed in 1974, and the extension is scheduled to be signed on June 13-14, when Soviet Minister for Power and Electrification P.S. Neporozhnyi visits Washington.

The agreement was only reached by repeatedly hurdling obstacles set up by Energy Secretary James Schlesinger, and the final signing of the accord is by no means assured.

First, the U.S. negotiators insisted that the agreements be extended for less than five years. The Soviet scientists have argued that an extension of less than five years would prevent cooperation on significant and scientifically interesting programs which would take more than a couple of years to complete. The U.S. proposal for a two-year extension will be finally decided on in June.

The second monkey wrench the Department of Energy threw into the negotiations was the "condition" that the Soviets agree to cooperate on "energy forecasting" for the rest of the 14 nonnuclear energy programs to continue. "Energy forecasting" has been a favorite tool in Schlesinger's energy war arsenal. By spinning out manipulated energy supply and consumption projections, particularly regarding oil, Schlesinger has tried to justify various energy

control schemes in Congress and before the American public.

This "negotiating" tactic in the U.S.-USSR energy agreements is exactly the same in intent as the U.S. "negotiating" position in the Strategic Arms Limitation Talks (SALT). The purpose is to prevent basic research in science and applications in technology, either in new weapons systems or energy development.

A Matter of National Policy

Over the past month, high-ranking Soviet scientists, who are also part of the political decision-making process in the Soviet Union, have clearly stated that cooperation in fusion and advanced non-nuclear energy development is an important part of the Soviets' war-avoidance policy. For that reason, the Soviet delegation here for the April talks, led by the head of the prestigious Institute for High Temperatures, insisted that all major issues be agreed upon before Minister Neporozhnyi's visit in June in order to avoid a high-level confrontation over the agreements.

The Soviet scientists recognized that if they could come to terms on an extension—even if it were not the most satisfactory agreement—channels of communication and some important joint work would continue. Therefore, when the "condition" of energy forecasting cooperation was raised by the DOE, the Soviets took advantage of a tactical opening.

The U.S. energy forecasting program is headed by Sara Jackson, the Deputy Assistant Secretary for International Affairs of

the DOE. Taking advantage of the fact that Jackson has *no* technical knowledge of the contents of the energy research, the Soviets proposed that cooperation in energy projections be based on studies like the American Energy Conservation Alternatives Study (ECAS) done in 1976.

This study was conducted by NASA, the National Science Foundation, and the Energy Research and Development Administration (predecessor to the DOE), to evaluate various proposed advanced fossil fuel technologies. The study concluded that commercial magnetohydrodynamics technology would be the most efficient and cost-effective means of future fossil energy conservation, in this case from coal, to electricity.

This proposal caused a bit of confusion, since Jackson had never heard of ECAS, and the Soviet suggestion was accepted. In addition, according to a U.S. negotiator, the Soviets have agreed to provide certain data on estimates of Soviet energy demand and supply, as well as their projections on world energy production to the end of the century.

The DOE negotiators are gloating that they pulled one over on the Soviets, in meeting the "condition" for forecasting cooperation. However, the Soviets understand that the postponement of the meeting of the joint forecasting group until October will give prodevelopment, anticongression forces in the United States some time to reverse the present U.S. energy program. When the U.S. has an energy program based on developing successively more advanced applications of technology, U.S.-Soviet energy and scientific cooperation will no longer be a tool of attempted U.S. confrontation and manipulation, but will be concentrated on the task of meeting the world's energy needs.

—Marsha Freeman

FACTS BEHIND TERRORISM

Is the Mossad plotting a terror wave in the U.S.?

High level sources in Washington, D.C. reported privately this week that they fear an outbreak of terrorism in the United States—coming as the result of collusion between Kennedy machine operatives within the U.S. Justice Department and the Israeli Mossad intelligence agency. The sources indicated that the “Kennedy Justice” hands—who are now attempting to take over the administration lock, stock, and barrel—are working overtime to establish a “green light” for dramatically expanded Mossad dirty tricks within U.S. borders with the end result being a summer of domestic chaos and disorder unheard of since the riots of the 1960s and the aborted “Operation Chaos” of 1973-74.

There is more to the Mossad move into the United States than simply the launching of Ted Kennedy's presidential campaign. Particularly since March, when the Mossad blew up a French nuclear plant construction facility near Marseille, Israeli intelligence networks have been under increasing attack throughout continental Europe.

• An open factional battle has been raging for months within the West German judicial and intelligence community over the acknowledged fact of Mossad complicity in the Baader-Meinhof and “Carlos” terrorist operations. Particularly since the 1972 massacre at the Munich Olympic Village, the Federal Republic security services have all but exclusively relied on the Mossad for their counterintelligence on foreign terrorist activities.

• The French government of President Giscard d'Estaing has redoubled its efforts to secure the extradition of Flatto-Sharon, a top Mossad mobster who maintains a “private” army of terrorist commandos deployed against “anti-Israel” targets worldwide. One operative in the Flatto-Sharon stable of killers, Col. Zwy Aldouby, spent five years in prison in Spain during the 1960s for his involvement in assassination plots against De Gaulle and Franco. Aldouby is presently in the United States on the basis of extraordinary “courtesy agreements” negotiated with the Kennedy Justice crowd.

• In Italy, the unrelenting crackdown against the murderers of former Prime Minister Aldo Moro reached a new plateau with the May 30 arrests of nine additional members of the Red Brigades. Among those arrested were two members directly responsible for the Moro assassination (the assassination weapon itself was recovered in their possession).

Under this kind of coordinated pressure, the United States may soon represent the only safe base for Mossad operations in the entire advanced sector.

The many faces of Mossad terrorism

Contrary to surface impressions, an intensification of Mossad terrorist operations in the United States would not be restricted to the Jewish Defense League or other such obvious Zionist countergangs. To appreciate the depth of Mossad-linked terrorist operational capabilities already in

place, it is necessary to start from the fact that Ramsay Clark, Arthur Goldberg, Warren Christopher, Max Fisher, and the Anti-Defamation League of B'nai B'rith are the principal controllers of domestic terrorism. Mossad special teams unleashed in the U.S. would “plug in” to operations already activated under a variety of cover “faces.”

U.S. law enforcement officials would do well to evaluate the recently orchestrated prison escapes of FALN bomber Morales and George Jackson Brigade founder John Sherman as an included feature of the Mossad operation. Working through frontman William Kunstler, Ramsay Clark is the principal “supporter” of the FALN in the New York, Chicago and Philadelphia areas. In addition to the longstanding National Lawyers Guild and American Civil Liberties Union covers for terrorist support, Clark and such “academic” associates as Martin Glaberman of Detroit, Bertell Ollman of New York University, and Harry Magdoff of the “Third Camp” socialist *Monthly Review* have set up a nationwide network of support committees for the arrested Red Brigades professors in Italy. These committees are also in place to service the planned domestic activation.

The fact of Kennedy Justice current negotiations with the Mossad defines the “triangular” picture that must inform an effective counterterror approach. Both Ramsay Clark and Arthur Goldberg were prominent figures in the British-modeled counterinsurgency warfare run through the Justice Department throughout the 1960s and culminating with the Ramsay Clark engineered “Operation Garden Plot”—through which the riots of the late 1960s were run.

—Jeffrey Steinberg

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Yugoslavia from U.K.	Davy International will build a steel mill near Belgrade	\$400 mn	NAv	Winning bid announced
Portugal and France in Portugal	Joint venture (65 percent Renault, 25 percent Portuguese government, 10 percent private investors) to build 3 auto plants, convert a fourth assembly line.	\$396 mn	NAv	Renault announcement
India from U.S.	India purchases seven 737s from Boeing; two Airbus	\$187.5 mn	NAv	III
Korea from U.S.	Korea Electric Co. will install two 560 Megawatt thermal power units (Combustion Engineering supplies boilers, GE the turbine generators, Ebasco the engineering services)	\$105 mn	\$78.9 Exim loan	Loan approved

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

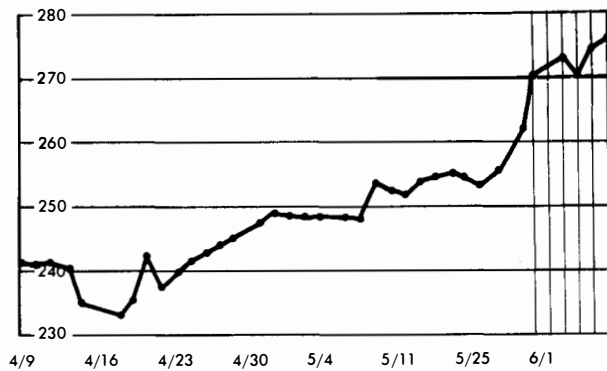
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

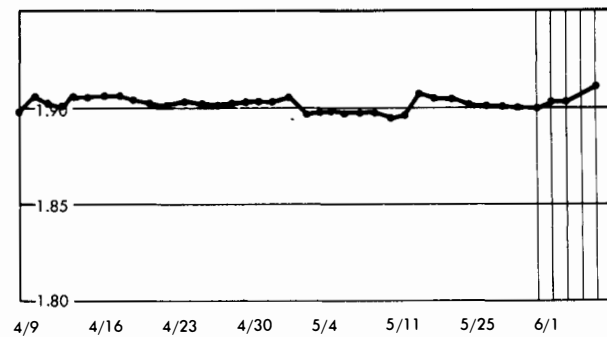
May 28	—
29	273.80
30	270.25
31	274.60
June 1	275.10



The dollar in deutschmarks

New York late afternoon

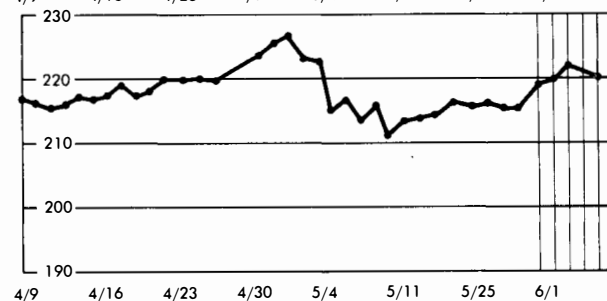
May 28	1.9175
29	1.9183
30	—
31	1.9122
June 1	—



The dollar in yen

New York late afternoon

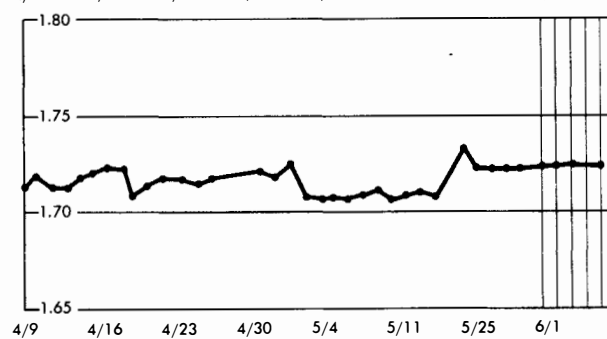
May 28	220.35
29	222.15
30	—
31	220.70
June 1	—



The dollar in Swiss francs

New York late afternoon

May 28	1.7370
29	1.7392
30	—
31	1.7300
June 1	—



The British pound in dollars

New York late afternoon

May 28	2.0533
29	2.0570
30	—
31	2.0684
June 1	—

