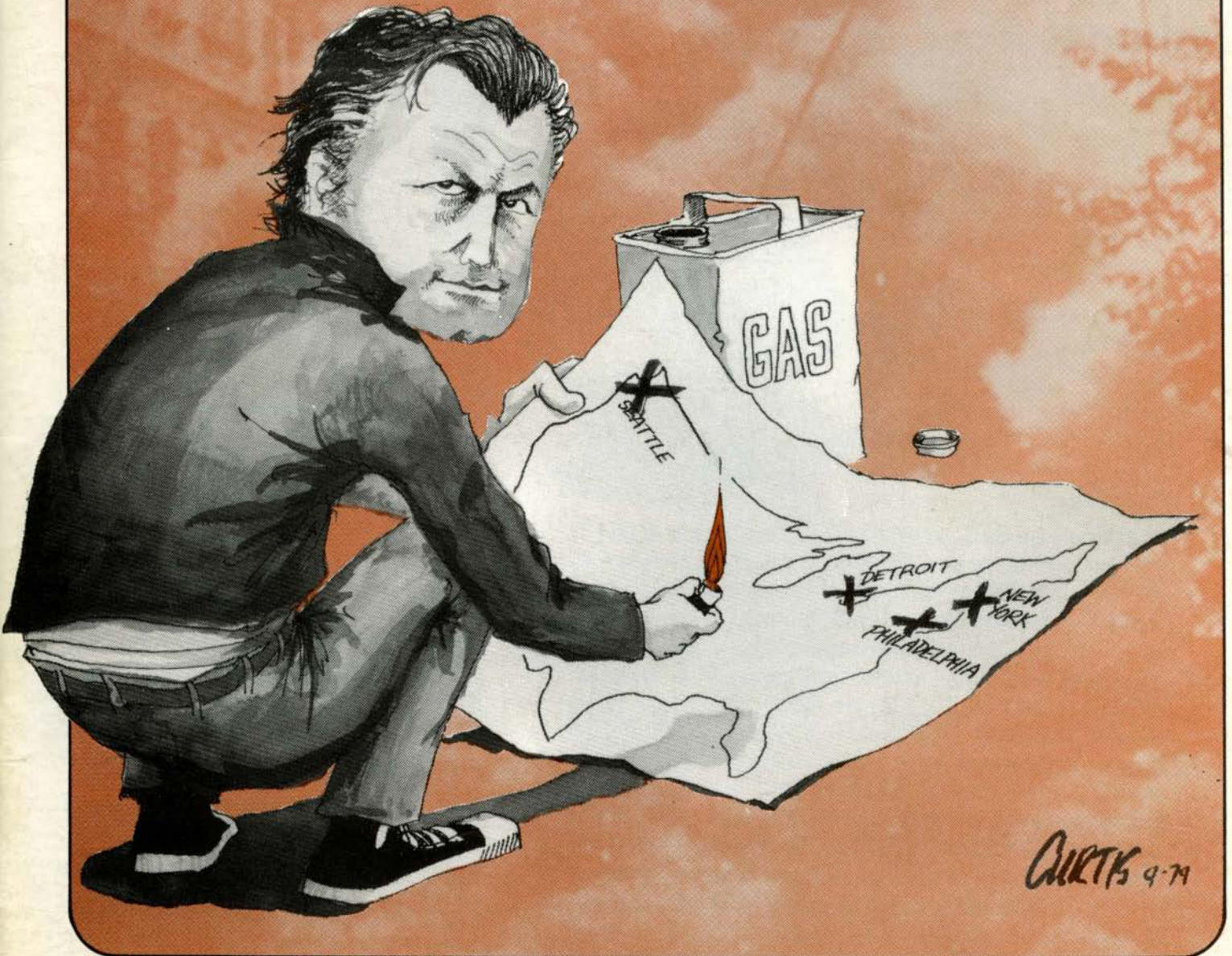


EXECUTIVE INTELLIGENCE REVIEW

Program for a U.S. economic boom

September 4-10, 1979

Kennedy plans a long hot autumn



[THIS PAGE IS INTENTIONALLY BLANK]

Editor-in-chief: Fernando Quijano
Editor: Paul Arnest
Associate Editor: Kathy Stevens
Senior Editor: Vin Berg
Production Manager:
Pátricia Van Zwaren
Circulation Manager: Bonnie Silver

Contributing Editors:
Lyndon H. LaRouche, Jr.,
Criton Zoakos, Christopher White,
Costas Kalimtgis, Nancy Spannaus

NEW YORK BUREAU:
Nora Hamerman, bureau chief
Africa: Douglas DeGroot
Asia: Daniel Sneider
Counterintelligence: Jeffrey Steinberg
Military Strategy: Paul Goldstein
Economics: David Goldman
Energy: William Engdahl
Europe: Vivian Zoakos
Labor: L. Wolfe and M. Moriarty
Latin America: Dennis Small
Law: Felice Gelman
Middle East: Robert Dreyfuss
Science and Technology:
Morris Levitt
Soviet Sector: Rachel Douglas
United States: Konstantin George
and Stephen Pepper
United Nations: Leif Johnson

INTERNATIONAL BUREAUS:
Bogota: Carlos Cota Meza
Bonn: George Gregory
Brussels: Christine Juarez
Chicago: Mitchell Hirsch
Copenhagen: Vincent Robson
Mexico City: Robyn Quijano
Milan: Muriel Mirak
Paris: Catherine Kantor
and Sophie Tanapura
Rome: Claudio Celani
Stockholm: Clifford Gaddy
Washington D.C.: Laura Chasen
and Susan Kokinda
Wiesbaden: (European Economics):
Mark Tritsch

Executive Intelligence Review is
published by New Solidarity
International Press Service
304 W. 58th Street
New York City, N.Y. 10019


Copyright © 1979 New Solidarity
International Press Service

Subscription by mail for the U.S.:

3 months—\$125, 6 months—\$225,
1 year—\$400

ISSN 0 146-9614

EXECUTIVE INTELLIGENCE REVIEW



**Kennedy plans
a long hot
autumn**

If you're a U.S. resident, you've read about the rash of cross-burnings in front of black-owned homes, seen the growth of black-Jewish tensions in the wake of the resignation of United Nations Ambassador Andrew Young, and heard the provocative cries of self-styled "community leaders" protesting what they say is racially motivated police brutality. This week's COUNTERINTELLIGENCE cover story pulls the strands together, and reveals the forces behind the wholly unnecessary upsurge of racial tension in the United States. The chief actors: the same foundations, Justice Department networks, and urban poverty organizations centered around the Kennedy family machine which sparked the tragic racial violence of the 1960s.

Cover drawn by Chris Curtis.

Page 18

IN THIS ISSUE

The U.S. must have nuclear energy

Last July the *Executive Intelligence Review* cosponsored with the Fusion Energy Foundation a forum on Energy and the Science of Economics. A featured speaker was contributing editor Lyndon H. LaRouche, Jr., who is a candidate for President in 1980. This week's SPECIAL REPORT reproduces that important address in which LaRouche, a noted economist, outlines his program for a near-term industrially based economic boom in the United States powered by nuclear energy. **Page 52**

Camp David with a Balkan face?

Of all the strange combinations, former World Zionist Organization bigwig Nahum Goldmann and Romanian President Nicolai Ceaucescu have turned up acting as procurers for the Palestine Liberation Organization's Yassir Arafat. The target of Arafat's woomanship: anyone in the government of Israel who will have him. Current Prime Minister Menachem Begin won't, and that circumstance has sparked an international intelligence war, aimed at replacing Begin's Likud coalition with a Labor Party government, probably headed by Shimon Peres. The ultimate goal: a "Camp David 2" separate peace between Israel and Syria, leading to establishment of London's long-sought Middle East Treaty Organization extension of NATO. The full story in this week's MIDDLE EAST report. **Page 33**

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

Haig stumps and stumbles in Europe 5

ECONOMICS

Fight resurges over new monetary order 7
World Bank mandates enforced backwardness .. 8
World Trade 10 Britain 14
Corporate Strategy .. 12 Domestic Credit 16
Gold 14 Banking 16

COUNTERINTELLIGENCE

Kennedy plans a long, hot autumn 18
Planning for race riots 20
Target cities: how it will happen 22
The environmentalist side 25
A dirty Civiletti disarms police 27

EUROPE

The Mountbatten affair:
 Britain tries to put screws on Ireland 30
Closing in on Italy's Socialist godfathers 31

MIDDLE EAST

Camp David with a Balkan face? 33
 Romania's Middle East peace drive
Britain attacks Begin 35
Corralling Syria 36
Nahum Goldmann tells of his PLO ties 38

LATIN AMERICA

New crisis in U.S.-M

*U.S. demand for Ixtoc damages casts pall on
September summit*

President José Lopez Portillo talks about Ixtoc I .. 40

PRESS

Chicago's gangs—who benefits? 43

*Part 4 of reporter Roy Harvey's award-winning
series*

LABOR

Department of Transportation spends tax money
to finance PROD 'dissidents' 49

SPECIAL REPORT

The U.S. must have nuclear energy 52

*LaRouche presents blueprint for American economic
boom at Chicago conference*

COLUMNS

Labor Periscope 62

Facts Behind Terrorism 63

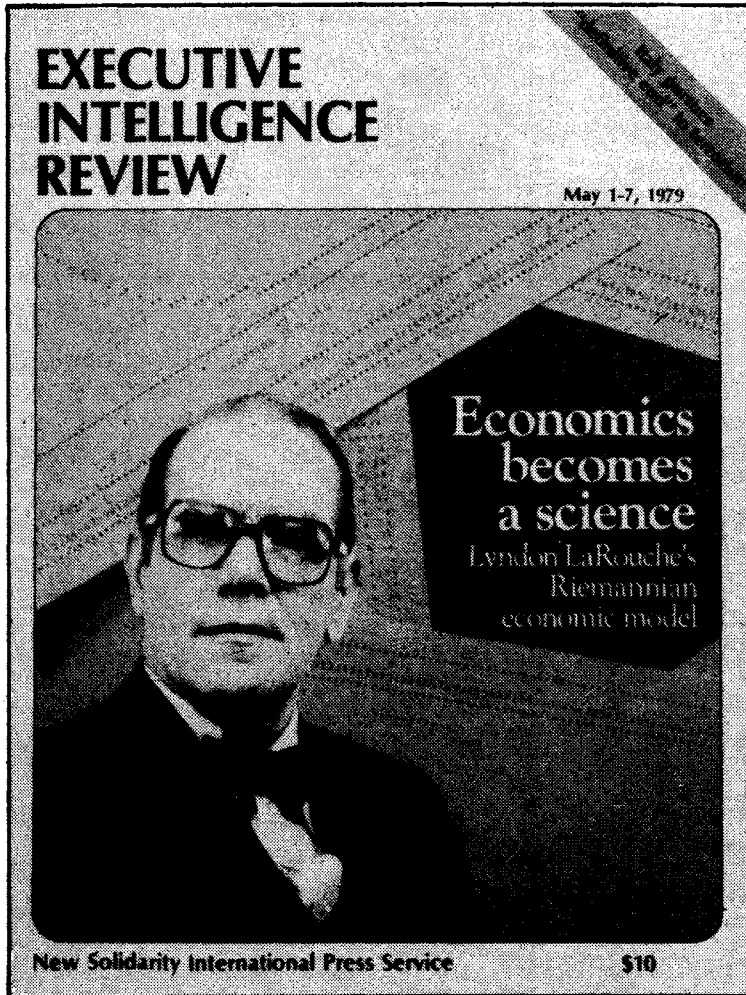
World Trade Review 64

Fight resurges over new monetary order

Don't jump too quickly to dismiss Fidel Castro's fiery attack on the International Monetary Fund at the current Nonaligned Summit in Havana as mere bombast from the Cuban leader. This week's ECONOMICS report looks at the dissatisfaction with the IMF sweeping the Havana gathering in tandem with the soaring price of gold and other developments. Our conclusion: the fight over what the world monetary order of the 1980s will look like is once more breaking out into the open after several months of behind-the-scenes tussling. Included in our package: a look at skyrocketing demand for Soviet gold medals in West Germany, in International Credit; and the British gold bears get burned again, in Gold. Plus two reports reviewing aspects of the World Bank's 1979 report; a closer look at the ITEL computer leasing blowout, in Corporate Strategy; and Britain turns to the Hong Kong model. Page 7

Recess ending

Congressmen are returning to Washington following the Labor Day recess, but not in time to revive EIR's popular Congressional Calendar from its August vacation. Watch for next week's issue for the return of this feature.



Method = Information²

An intelligence service is only as good as its method, because information that's selected by method is information that's worth more.

Executive Intelligence Review has the method—the computerized Riemannian Economic Model pioneered by Lyndon H. LaRouche, Jr., which for the first time explains why investment decisions based on high technology work best. And we bring you the information, 50 issues worth every year, including such exclusives as the first full-length interview with a leader of the new Reconstruction Government of Nicaragua, the first full analysis of the Alexander Haig presidential candidacy and what it means, an exclusive computer economic analysis comparing Jimmy Carter's latest energy program to other possible alternatives, and much more.

Leading corporations and governments around the world make sure their executives and officials read the Executive Intelligence Review. Isn't it time you did too?

Subscribe now!

Don't miss another opportunity!

Special 3 month introductory half-price subscription offer—\$65 (regularly \$125)

6 months
\$225

1 year
\$400

Central America, West Indies, Venezuela, and Colombia:
3 mo.-\$135 6 mo.-\$245 1 yr.-\$450

Western Europe, South America, Mediterranean,
and North Africa:
3 mo.-\$140 6 mo.-\$255 1 yr.-\$470

All other countries:
3 mo.-\$145 6 mo.-\$265 1 yr.-\$490

Special offer, U.S., Canada and Mexico only.

I would like to subscribe to the
Executive Intelligence Review for

3 months 6 months 1 year

Please charge to my

Mastercharge No. _____

Interbank No. _____

VISA No. _____

Signature _____

Expiration Date _____

I enclose \$ _____ check or money order.

Name _____

Address _____

City _____

State _____

Zip _____

Make checks payable to **Campaigner Publications, Inc.**, distributing agents of New Solidarity International Press Service, and mail to Campaigner Publications, 304 W. 58th Street, New York, N.Y. 10019
Credit Card holders call toll free 800-621-5809
24 hrs. a day—7 days a week.
In Illinois call 800-972-5858.

Haig stumps—and stumbles—in Europe

Henry Kissinger pulled all the tricks out of his old "shuttle diplomat's" suitcase this weekend, in an effort to mobilize the powerbrokers of Western Europe behind the military buildup policies of 1980 presidential hopeful Gen. Alexander Haig. Speaking at a conference on the North Atlantic Treaty Organization (NATO) in Brussels, Belgium, sponsored by the Georgetown Center for Strategic Studies of Washington, D.C., Kissinger and Haig demanded the introduction of the U.S. Cruise and Pershing 2 missiles into Western Europe, under the rubric of "modernization of European Theater nuclear forces." They called for the expansion of NATO's powers into the Middle East, and warned the West European participants to cease their opposition to Washington's Camp David Mideast policy.

But the governments of continental Europe are not climbing on the Haig bandwagon. In public statements and intensive behind-the-scenes maneuvering they are insisting on their commitment to detente with the Soviet Union and Eastern Europe, and on their reluctance to introduce the new nuclear missiles onto the continent unless all other options for Western Europe's defense collapse.

At the three-day Brussels conference, the threat was in the air that if Kissinger and Haig went too far the Europeans would bolt, and the newly emerged political alliance between Paris and Bonn would take on military components—possibly even including the withdrawal of West Germany from NATO. Two prominent French Gaullists, General Georges Buis and Alexandre Sanguinetti, circulated a controversial proposal last week for a "marriage between the

French 'force de frappe' (nuclear weapons capability—ed.) and West German industry." The proposal includes West German withdrawal from NATO and the establishment of a joint Franco-German command structure.

While this "trial balloon" has been rejected by sources close to the Bonn and Paris governments, Haig and Kissinger have every reason to fear that those governments will intensify their cooperation and continue to act for detente and development deals with Eastern Europe.

West German Chancellor Helmut Schmidt, in an interview to the French daily *Le Figaro* released Sept. 1, the same day that Kissinger spoke in Brussels, emphasized West Germany's intention to work for European cooperation from the Atlantic to the Urals. Schmidt defined Germany's historic role "as a state in the center of Europe, to work for a policy of balance between East and West ... to provide the space for various

currents and elements in European culture and civilization."

This mission was interrupted by the Hitler era, Schmidt said, as Hitler's war broke off Germany's historic ties to both the East and the West. The time has come to restore this role, Schmidt said, through the policy of detente with the East and cooperation with France.

Schmidt hailed the alliance between French General Charles de Gaulle and West German Chancellor Adenauer during the 1960s for "opening the door to Franco-German understanding and cooperation ... the German and French people have gone through this door, and are bearing their joint responsibility for Europe and for peace in the world.

"To maintain peace it is necessary to continue and develop the policy of balance and detente. That requires special efforts and care in the area of arms control and disarmament. All states are called upon to make their contributions."

The Week in Brief

The Baltimore regional headquarters of the U.S. Labor Party reported Sept. 6 that it had received two death threats against the life of 1980 presidential candidate Lyndon H. LaRouche, USLP chairman. LaRouche is scheduled for a full round of appearances in Baltimore from Friday, Sept. 7 until Monday, Sept. 10, including addresses before the Independent Voters' League and the Arlington, Va. chapter of the National Association for the Advancement of Colored People.

At 9 a.m., two telephone threats against the life of Mr. LaRouche and former congressional candidate Debra Hanania Freeman were phoned into the Baltimore home of Mrs. Freeman. The first caller delivered a message: "If we don't get LaRouche, we'll get you." The second caller, who identified himself as a "Zionist businessman," tried to convince Mrs. Freeman to dissuade the LaRouche party from making a local appearance. "You will never take Baltimore from us," he said.

USLP officials blame the same circles responsible for circulation of slanders that LaRouche is a "new Hitler" in New York City for the Baltimore threats. In New York, this slander was initiated by *Our Town*, a weekly controlled by Zionist-mob lawyer Roy Cohn; on Sept. 5, the *Prince George Journal*, a weekly serving Maryland's Prince George County, published its second slander against LaRouche on the same theme. The *Journal* article cited members of the Anti-Defamation League of B'nai B'rith as saying that LaRouche is "anti-Semitic."

* * *

Hurricane David is past, but harsh winds continue to blow from Washington to Moscow. Following the tense Lyudmilla Vlasova affair—in which the Carter administration came off looking the more foolish, in the eyes of impartial observers—the latest issue to aggravate U.S.-Soviet relations is the reported intelligence confirmation that the Soviet Union has perhaps 2,000 combat troops in Cuba. Held hostage this time is the SALT II treaty, where Senate action is in abeyance pending resolution of the troops issue.

On Sept. 5, Secretary of State Cyrus Vance told a press conference that the troops were a "matter of serious concern" to the U.S., "affecting our relations with the Soviet Union. Together with CIA Director Stansfield Turner, Vance also held closed door meetings on the troops, which may have been in Cuba for as long as three years, with the Senate Foreign Relations Committee. Following the briefing, Senator Frank Church (D-Idaho), the Committee's chairman, said that he sees little chance of Senate approval of the SALT treaty until the Soviet troops are removed—an assessment echoed by ranking minority member Senator Jacob Javits (R-N.Y.).

An additional blow to the SALT treaty came last week as well, when a statement signed by 1678 retired U.S. military officers was released, calling for the treaty's rejection because it is

"injurious to the security interests of the United States and its allies."

* * *

Inflation can only be controlled through "production, production, and more production," Mexican President Jose Lopez Portillo stressed in his third state of the nation address on Sept. 1. And the president reaffirmed that the goal of his administration—as of the Mexican revolution and constitution—is industrialization and "modernization." "To modernize this country is to free ourselves once and for all from colonialism within Mexico by destroying the feudal sway of the caciques [bosses—ed.]; in the international sphere, by establishing relations, not between master and servant, but between equal human beings," he said.

Lopez Portillo's speech is yet another resounding "no" to pressures from the Carter administration for Mexico to abandon its industrialization policy and instead create labor-intensive "employment" in the countryside (see LATIN AMERICA); he condemned "demagogic agrarianism that limits and bogs down production" and stressed that urban-centered industrial employment is the future of Mexico. A full report on the speech will be featured in our next issue.

* * *

Two hundred and fifty Colombians attended the first major public meeting of the newly formed National Anti-Drug Coalition of Colombia. The meeting was held in the municipal stadium of Cali, the third largest city and capital of the agricultural state of Valle del Cauca, on Sept. 4.

A broad cross-section of the population was represented, including trade unionists, students, doctors, peasant leaders, and representatives of the Catholic Church. The event is being described as a major victory for the new organization which advocates eradicating Colombia's marijuana crop with paraquat spraying.

Observers attribute the revocation on Sept. 6 of an arrest warrant

against National Anti-Drug Coalition organizer Fausto Charris to the success of the Cali event. The arrest warrant related to charges brought by factional opponents in the FAN-AL peasant organization Mr. Charris formerly led. In fact, behind the factional maneuvering against Charris stood Conservative Party powerhouse Alvaro Gomez Hurtado, an advocate of marijuana legalization. The revocation of the arrest warrant is seen as a tactical retreat on Gomez's part made necessary by the Cali success.

Those at the meeting were committed to carrying on the anti-drug activity which includes building for an international meeting of anti-drug organizers planned for Bogota in November. Eighty signed up to be members of the organizing committee and planned a follow-up business meeting for Sept. 8.

* * *

Presidential candidate Lyndon H. LaRouche's strategy for the New Hampshire primary is to put together a cross-party "fusion" slate based on a programmatic commitment to reviving the American System of economic growth. "I want to run on a full slate. I want two congressional candidates behind my program. I want a senatorial candidate. And I want a gubernatorial candidate on the slate with me," LaRouche told a Sept. 4 news conference in Manchester.

LaRouche, who was on the ballot in New Hampshire and 25 other states in the 1976 presidential race, now has a forty-person team of organizers boosting his effort in the critical New Hampshire primary sweepstakes. "I will work at the state and local level with good people who will endorse my program, regardless of their party affiliation," LaRouche declares. "Both Republicans and Democrats deserve a competent president. I want responsible good people on my slate in New Hampshire." (For more on LaRouche's views, see SPECIAL REPORT).

* * *

Fight resurges over new monetary order

The most important event at the Havana Conference of the Nonaligned Movement as of Sept. 6 has gone unreported in the advanced-sector press. That was Cuban Premier Fidel Castro's biting call for the abolition of the International Monetary Fund and creation of a new world economic order. In his Sept. 2 address to the non-aligned heads of state, Castro said: "Many governments making noble efforts to develop their countries are overwhelmed and threatened by the unfavorable conditions forced on them by international

reserve arrangement and a World Bank "basic needs" counterdevelopment policy.

INTERNATIONAL CREDIT

monetary institutions. What price have you had to pay because of the IMF? We Cubans ... are excluded from participation in the IMF, but we are not sure whether this is a burden or a privilege.... Let us unite for our right to develop."

In corridors and dinner sessions, according to *EIR* correspondents at the conference, the speech has triggered a wave of discussions of economic development and possibilities of junking the IMF. The response was unprecedented on the eve of an IMF Annual Meeting, a time when less-developed nations customarily go into a cringing posture in preparation for begging the IMF for petty concessions.

Castro's initiative cannot be explained by any reflex thrust on the part of his Soviet allies alone, who have been relatively restrained of late in their criticisms of IMF policy. What we are witnessing is a new level of strategic coordination among the pro-industrial development factions in the Third World, led by Mexico and Cuba, in the European Monetary System, in the USSR and among Arab oil producers.

Yugoslavia, backed by the Indian government, has had a slippery time in Havana trying to "soften" the Cuban-proposed conference resolution of the IMF. The Yugoslavs, who will host the Oct. 3-5 IMF meeting in Belgrade, want to replace the resolutions with a 20-year "restructuring" proposal that would give the Third World a certain amount of extra cash and voting rights—within a Special Drawing Rights world

The European angle

In our report last month on the inconclusive results of the Lomé negotiations between the European Community and Third World commodity producers, we noted that the Nonaligned conference would be a good indication of the actual state of relations between the European Monetary System and the Third World. At issue is the potential for the EMS to activate its European Monetary Fund, which has already pooled 20 percent of its members' gold and dollar reserves, in and to start centralizing gold-backed dollar credits for world technological development, superseding the IMF's "conditional" strangulation of its debtors' economies. The Comecon, to which Cuba belongs, has since 1976 indicated its interest in and ability to join a new gold-backed credit arrangement for expansion of world trade and industrial investment.

The European Monetary Fund discussion, slated for summits later this autumn, has proceeded totally behind the scenes. What is clear is the Euro-Arab elevation of gold's monetary status. (see Gold).

Another public move came from Dresdner Bank, the leading West German gold intermediary for central bank gold reserve purchases and related Arab buying. Dresdner has started to issue a special new four-to-six-year bond, pegged to the six-month Eurodeutsche mark rate, and is specifically designed for foreign central banks to hold deutschemarks in. Because of its term, the instrument is exempt from West German minimum reserve requirements; its longer-term character also means it cushions the problems for West Germany of expanding the mark's international reserve role.

It should be noted that among the Big Three West German banks, Dresdner has traditionally taken the lead in expanding East-West economic relations.

In this connection, it is a more than picturesque circumstance that West German institutions are aggressively offering Soviet gold rubles commemorating the 1980 Moscow Olympic Games, and the West German public is buying them up like mad.

Whether the buildup of central banks' gold and

mark reserves is a prelude to an autumn EMF offensive cannot be determined at this point. The West Germans are becoming largely independent of the dollar as a source of liquidity, without bowing to the IMF's drive to officially phase out the dollar and impose stringent credit rationing on the world economy. Indeed, West German bankers and industrialists continue to elude the Bundesbank's domestic credit squeeze (a billion-mark ceiling on Lombard borrowings from the central bank went into effect this month, on top of interest rate hikes). Raising funds internationally and continuing to lend for exports, the *Grossbanken* are also thought to be behind the heavy attacks being launched against the Ruhr's regional bank, the Westdeutsche Landesbank. The WdL is under fire for having thrown into bankruptcy last year the giant Beton und Monierbau construction firm, which was widely involved in Third World development projects, especially in Africa.

IMF bluffs

Relying on American and British sources, however, one would imagine that the key world financial development at this point is imminent IMF success in implementing its eight-year-old "substitution account" plan. Central banks, and then private investors, would turn their dollar-denominated reserve holdings in to the IMF. In return they would receive assets denominated in the SDR basket-of-currencies numeraire.

At the end of August, U.S. Treasury Undersecretary for Monetary Affairs Anthony Solomon told a European Forum conference in Alpbach, Austria that the Treasury urges approval of the substitution account at the October IMF meeting in Belgrade. Further, he insisted, the substitution must be "permanent." The IMF, he said, should invest the substituted dollars in U.S. government securities.

For the U.S. economy, this would mean that the IMF would "directly own the U.S. government," as one New York economist put it Aug. 28. Solomon indeed is openly pressing for "a more 'active' IMF...coordinating and ultimately directing national economic policies." On the foreign side, dollar holders would receive what everyone concedes is an "unattractive" asset, especially compared with gold.

Despite recent claims by the London *Economist* and New York *Journal of Commerce* in particular, the West Germans, French and Saudi Arabians are utterly unlikely to go with the SDR, no matter what the proposed SDR assets' yield or liquidity. Backhandedly acknowledging the fact, Solomon and the *Economist* are now angling to use the EMS's European Currency Unit (ECU) as a more respectable sort of SDR dollar substitute, and warning West Germany of the perils of the deutschmark internationalization they had pressed for not so long ago.

—Susan Johnson

World Bank mandates

In preparation for the September United Nations General Assembly session in New York and the October annual meeting of the International Monetary Fund/World Bank in Belgrade, the World Bank has issued its latest official policy statement on Third World economic development. Titled "World Development Report, 1979," the 188-page document reads like a modern rendition of a quaint British Colonial Office tract. But the report is a very specific attack on the basic tenets and key proponents of the new world economic order—from the specialized treatment of "energy" to the direct and extended attack on urbanization—that is, citybuilding.

The report's basic prescriptions are familiar ones. *Population control* (there are not enough productive jobs because there are too many people); *cottage industry and appropriate technology* (industrialization is most "inappropriate" in the third world because it is capital intensive); "*bucolic agrarianism*," as Mexican President López Portillo labeled it in his powerful state-of-the-union message this past week. (Subsidized credit programs in the agricultural sector "have often had the unintended effect of encouraging mechanization" says the Bank, and this is very bad). And the Bank *attacks state sector industries*, the key to many Third World industrialization efforts.

This year the World Bank decided to highlight "energy." 1979 is also the year that the Mexican government issued a call for a producer-consumer energy conference to fuel new practical steps toward realizing a new world economic order—a call which gained official support in key East bloc countries and France, and which was echoed among the OPEC oil producers. Mexican President López Portillo will formally present the proposal and its wider implications for progress in the developing sector at the upcoming General Assembly session. The Bank program is two-sided. Its short-term political gambit against the Portillo initiative is contained in its program for underwriting oil exploration in non-OPEC developing countries—a program which, interestingly, was given more hype in the *New York Times* than in the report itself. This is nothing but a bald attempt to counter Mexico.

For the rest, the Bank insists on "energy conservation" and the proliferation of primitive "non-conventional" energy sources (wind, dung, biogas, wood-burning) for the developing sector. Nuclear energy is mentioned once in passing as of "limited" use in the Third World.

enforced backwardness

Prevent cities

Similarly revealing is the report's extensive attack on citybuilding. The bane of the Bank is, of course, people, and in particular, it seems, the Mexicans ("Eighteen cities in developing countries [by the year 2000] are expected to have more than 10 million inhabitants, and one at least—Mexico City—may well have triple this number").

If cities cannot be prevented in the first place through population control, prohibition of mechanization and extension of highly labor-intensive agricultural methods, the Bank advises, then urban policies must be developed and applied which are both cheap and effective

in preventing any significant development of the city.

Those unemployed or underemployed citydwellers who are not sent back to the country will have mortgages slapped on their tin shacks (slum clearance for high-rise public housing construction is scored by the Bank as the unwarranted "destruction of housing stock.") keeping them on retainer as a labile mass of sans-culottes—a deployable asset for Iran-style destabilizations.

The report repeatedly insists that slum clearance and high-rise apartment construction, highway system development and the construction of modern mass transit systems and the expansion of subsidized universities and modern city hospitals are merely social policies to "serve the rich" and an insult to the integrity of ancient native custom.

—Susan Cohen

What the 1979 report says

The following excerpts from "World Development Report, 1979," the World Bank's annual review and programmatic statement, set forth the Bank's prescriptions on the key economic issues:

On Technology Transfer: Frequently the industrial processes designed and developed in the relatively capital-rich industrialized countries are too capital intensive for developing nations, and their indiscriminate adoption aggravates unemployment and underemployment in these countries. Studies indicate that developing countries could significantly increase both employment and output by adopting more appropriate technologies.

On Energy: Developing nations also need to direct greater attention to their use of non-commercial energy sources. About half of the energy produced in oil importing developing countries comes from traditional fuels, such as firewood, charcoal, and animal and crop residues. In many parts of the world, where unchecked reliance on such sources has led to grave ecological problems of deforestation and desertification, there is an urgent need for well designed afforestation programs. *At the same time*, development and dissemination of improved cooking stoves, biogas plants and charcoal kilns could greatly improve the efficiency of energy use from traditional sources (emphasis added—ed.).

On Citybuilding: Despite the obvious manifestations of urban poverty, urban policies are often designed to

make cities serve more effectively the preferences of the better-off who tend to view the growing slums as an infringement on the beauty of their city; who regard street vendors, pedestrians and overcrowded buses as nuisances impeding the mobility of private automobiles; and who perceive educational and health care needs in terms of unmet requirements for higher education and curative medicine. The policies that follow from this diagnosis of the urban problem include the bulldozing of slums; the construction of high-cost public housing, limited access highways and subways; the banning of street vendors and traditional transport modes from public places and major streets; and the expansion of subsidized universities and modern city hospitals.

If, instead, increased efficiency and the alleviation of poverty were adopted as the goals of urban policy, policies would therefore be designed to raise the demand for unskilled urban workers, improve the functioning of the urban labor market, and curb the growth of the urban labor supply through family planning programs and accelerated rural development....

Investment in public services has tended to emphasize high-cost technologies borrowed from the industrialized countries, such as costly water connections to houses, water-borne sewerage systems, and mechanized solid waste disposal techniques.... Water borne sewerage systems are five to eight times more expensive than upgraded pit latrines suitable for urban areas.... Similar shifts in favor of low-cost, replicable delivery systems may be necessary if education and health services are to reach the majority of urban dwellers.

World Bank tries to sell GATT to Third World

Has the World Bank become the underdeveloped countries' champion, leading the battle against restrictive advanced-sector tariffs and import quotas?

That is one message Robert McNamara and his associates at the Washington, D.C.-based World Bank hope to convey through their new "World Development Report, 1979," issued last month. Several key sections of the report focus on questions of international trade. These sections call for Third World government action to build up export-oriented manufacturing. The report

WORLD TRADE

also attacks recent advanced sector moves toward protectionism which would restrict such efforts.

Upon closer reading, however, one discovers that what the World Bank is advocating is a short-term effort to build up a few labor-intensive export sectors in each underdeveloped country—notably in clothing and footwear and related consumer goods sectors accessible to labor-intensive production techniques. Furthermore, the World Bank Report specifically counterposes its "export drive" approach to underdeveloped countries' efforts to achieve a broad-based, high-technology-oriented industrialization.

In the report, high-technology-industrialization efforts are not attacked openly but rather under the guise of the code phrase "import substitution."

The report's perspective is at bottom that of the financial circles who intend to stop at nothing to prevent the emergence of new South Korea and Mexico in the Third World. These are the circles whose political and financial control networks are inextricably tied up with mass-market consumer goods production and distribution. The network in question notably includes such U.S. department-store giants as R.H. Macy & Co. and Federated Department Stores, which controls New York's Bloomingdale's, among others.

Selling a new GATT pact

The immediate task of the World Bank's "World Development Report, 1979," is to sell to the underdeveloped sector the Multilateral Trade Negotiations (MTN) pact (also known as the "Tokyo Round") initiated by the industrialized capitalist countries at Geneva this past April. The MTN seeks to eliminate the "non-tariff barriers to trade"—a euphemism for government subsidies and other dirigist measures that have allowed underdeveloped nations to launch new industries which otherwise would have been crushed by "free trade."

A current problem for the international "Limits to Growth" circles who control key United Nations bodies, the IMF, the World Bank, and the Geneva-based GATT is selling the Tokyo Round to the underdeveloped sector. Almost all the underdeveloped countries refused to sign the pact last April on the grounds that it represents a major attack on underdeveloped nations' ability to industrialize, as indeed it does.

In May, World Bank head Robert McNamara appeared as a featured speaker at the UNCTAD development conference in Manila. The former Defense Secretary, who sought to bomb Vietnam back to the Stone Age, posed as a "Third Worldist" opponent of advanced sector restrictions against the exports of the underdeveloped sector. McNamara was seeking to sell the Tokyo Round's anti-dirigist free-trade package to the underdeveloped sector. The World Bank's subsequently issued "World Development Report, 1979" is the back-up.

The report's premise that the underdeveloped sector must focus on labor-intensive exports over dirigist "import substitution"—broad-based industrialization—is used as the key argument as to why the less-developed countries should support the Tokyo Round pact. The report's argument is roughly this: The halcyon days of world trade were 1965-1973, when the volume growth in world trade expanded around 9 percent each year, as contrasted with the drop to just over 4 percent growth each year in the subsequent 1974-1977 period. During the 1965-1973 period, the annual growth in underdeveloped sector exports was 6.4 percent; this fell to 3.6 percent in the subsequent three years. In 1978, terms of trade remained unfavorable for the underdeveloped sector, given inflation and weakness in primary commodity prices. This deterioration in the post-1973 world economy, the World Bank continues—as though the oil hoax was an act of God—has prompted strong protectionist impulses in both the advanced sector and the underdeveloped sector. Given these worsening terms of trade, the report continues, many underdeveloped countries have found themselves tempted to defend them-

selves through national plans of "import substitution." The report then cites with horror the "inefficiencies" of India under Nehru (when India became a world industrial power)!

Rather than go this "inefficient" route, the report continues, the middle-tier underdeveloped countries should launch short-term export drives centered around low-skill, low-technology, low-capital manufacturing sectors

to be successful, free trade and the removal of the non-tariff barriers to trade must be supported by the underdeveloped sector, lest the advanced sector impose barriers against the Third World's selective export drive.

What the Bank proposes for the underdeveloped sector is thus an enforced colonial backwardness on the Singapore model in which selected manufacturing sectors in "free trade zones" become the surrogate for actual industrialization and merely supplement a traditional policy of keeping the aggregate underdeveloped sector as a primary commodity producer.

The effects of such a policy on the advanced sector would be equally invidious. A flood of Third World, cheap-labor-produced textiles, clothing, and shoes would be (indeed, already is) used as a battering ram against the advanced sector labor force (and consumer manufacturers). Precisely such a translation of World Bank "Third World" policy to the advanced sector is already slated for the United Kingdom (see Britain). It is also the thrust of a campaign for Bronx (New York) Borough President now being waged by State Senator Joseph Galiber, a protégé of Lazard Freres' Felix Rohatyn. Galiber advocates the establishment of a Hong Kong-modeled international free-trade zone in the Hunts Point section of the Bronx.

The payoff is not far to seek. The Macy's and Bloomingdale's of the advanced sector seek to purchase the child- and sweat-labor-produced consumer goods—whether of the "Third World" or "Third World" enclaves set up in the U.S.—at a fraction of the cost at which the goods are then sold to the consumer. The retail chains pocket the difference while their cash flow and accounts-receivables conceal receipts of illegal traffic in drugs. Bloomingdale's has conducted public relations campaigns on behalf of Israel, whose intelligence services are heavily involved in the illegal narcotics trade, and has offered the People's Republic of China, the world's leading opium exporter, a major purchase order for PRC-produced consumer goods.

rejection of the MTN pact and the related perspectives of the World would be doing almost everyone a big favor.

—Richard Schulman

Fed investigates Midwest Air charter

The Federal Reserve Board has decided to "review" its contract with Midwest Air Charter in the wake of U.S. Labor Party charges that the Ohio-based air cargo firm is handling illegal narcotics shipments. Midwest Air since 1973 has held a contract for nationwide transport of the Federal Reserve System's "time-sensitive" financial statements, principally checks. Midwest Air's other major customer is the Airborne Freight Corp. of Seattle, a company which is closely linked to reputed Detroit organized crime kingpin Max Fisher. USLP officials charge that, according to Ohio business sources, Midwest is carrying illegal drug shipments for Airborne on the same flights servicing the Federal Reserve. Midwest is notorious for its frequent failures to transport Fed checks on time, a fact which, USLP representatives say, could point to a conspiracy to manipulate the "float" in the national money supply for speculative or other purposes. In early August, USLP chairman Lyndon LaRouche called for the reopening of Congressional hearings on the Miller and Volcker appointments based on this corruption of Federal Reserve officials by the international drug trade."

James Kudlinski, Director of the Fed Board's Operations Division, notified the USLP of its review of Midwest Air in a letter dated August 22. The text of Mr. Kudlinski's letter was made available to *EIR* and is reproduced below:

"This is to acknowledge receipt of your letter of August 10 concerning Midwest Air Charter.

"Our contract with Midwest recently has been under review due to scheduling problems. We will keep your letter in mind as this review process continues."

Itel: back to the beginning

When Thomas S. Tan stepped into the office of president and chief operating officer of the San Francisco-based Itel Corporation two weeks ago, Itel was being transformed back to its origins a decade ago as a transportation leasing company. In the process, the company had become one of the largest computer leasing firms in the U.S., with the largest insurance claims for broken leaseholds, had put together a multi-billion lease-underwriting operation, had dashed Japan's Hitachi Ltd. of its hopes to market its IBM-

CORPORATE STRATEGY

compatible medium and large computers, and had run up a delicious \$62 million tax-creditable loss in the second quarter of 1979. And all this, in an operation run by the murky multinational American Express and its subsidiary, Fireman's Fund Insurance.

The Japanese should certainly have known better. In 1978, Hitachi, Japan's third largest industrial corporation, made a deal with Itel to market the AS-6, a computer said to be better than the new IBM 3202 machine, thereby entering the U.S. computer market in a large way. Since the Japanese knew that the Carter administration intended to limit Japanese electronic imports to the "junk end"—games, watches, recorders and TVs, penetrating the U.S. market with serious electronics would take very careful political maneuvering. But, Hitachi flew into the spider's parlor—and announced last week, after blanching at Itel's stated second quarter loss, a two-thirds cut in computer deliveries to Itel, taking losses that may run to the hundreds of millions in direct and future losses.

I repeat: The Japanese should surely have known. Itel was founded in 1967 by interests connected to the Fireman's Fund Insurance Company, whose stock ownership of Fireman's Fund passed to Amex Holding Company, a subsidiary of the American Express Co., on Nov. 1, 1978. Two of Fireman's directors, Hoyt Ammidon and J.E. Wallace Sterling, are directly connected to the top level of British intelligence that is running the electronics war against the Japanese. Ammidon, in addition to being a member of the New York based Council on Foreign Relations and a member of American Express's finance committee, is the president of the American Ditchley Foundation Advisory Council, a branch of the British Ditchley Foundation created in the 1950s to coordinate Anglo-American strategic policy. J.E. Wallace Sterling is a director of

Shell Oil, the British-Dutch oil-intelligence consortium run by the British Admiralty.

Fireman's, after receiving at least two hundred-million-dollar-plus capital boosts from the parent American Express, took a 7 percent interest in the Red Sea Insurance Company of Hong Kong to engage in insurance operations in Saudi Arabia through the Red Sea Development Company. According to Best's Insurance Report for 1979, "extensive reinsurance arrangements exist with Lloyds of London" and the Fireman's. Lloyds Bank is the primary bank of the Shell Trading Company, Royal Dutch Shell's largest money-flow entity.

As of Dec. 31, Fireman's still holds 160,000 of Itel's Series A preferred stocks and 400,000 common. In addition to four blue chips, the only other major stock holding of Fireman's is 102,400 shares of Schlumberger, Ltd., the Rothschild/Shell world oil monitoring agency.

Itel begins to move

With such resources behind it, Itel began to move. Tan, who had worked for shipping and forwarding companies in Hong Kong, started a company in San Francisco that became Itel's first acquisition, SSI Container Corp., leasing intermodal containers. Through 1972, the company moved slowly, setting sales in that year of only \$40 million. In December, Itel spun out its Investment Management Corporation to lease computers, embarking on a massive expansion that would yield revenues of \$100 million within three years. In a short time the company created SSI Navigation, a highly complex ship leasing operation, founded Shasta Reinsurance in Bermuda, and, in May 1973, the SSI Rail Corp., to lease freight cars to U.S. railroads.

This latter operation, one that Itel promises to go heavily with now that it is shucking all of its computer financial operations, is a financial operation whose complexity and legal rake-off of both operating companies and the U.S. Treasury (through tax credits) rival August Belmont's turn-of-the-century Traction Trust. In order to pick up residual rights to formerly leased freight cars, Itel set up another shell, and then bought the McCloud River Railroad in California and the Ahnapee and Western in Michigan as the basis for further leasing. Although figures are hard to assemble, Itel is said to be one of the nation's largest rail car lessors.

Another Itel venture that analysts appear to know little about is the lease underwriting that Itel boasted of to a select \$175 per person crowd at the Ambassador Hotel in Chicago at the end of 1975. According to

Barron's magazine, "Itel has become a major factor in lease underwriting, which involves essentially the sale of know-how." *Barron's* continues, "Such underwritings can involve leveraged lease transactions as large as \$100 million, and range from financing turret lathes, to locomotives." Itel's role, which implies a highly developed sense of many markets, is to find the lessor and lessee, bring them together, and plot the maximum tax savings.

Itel concentrated on computer leasing, however. By 1976, almost three-fourths of its sales were from the computer equipment groups, with related revenues bobbing up \$190,000,000. The next year computer related revenues doubled to \$285,700,000!

The following year (1978) Hitachi decided to market its computers through Itel, an idea that lasted until January 1979 when IBM announced that it would crash the lease market by offering new 4300 machines and the H series as rapidly as it could produce them. On the surface it would appear that Itel would take a bath; the company did indeed post a \$62 million third quarter loss and saw its stock plummet.

How real are the losses?

Hitachi can see some anomalies in the picture. This was the second time that Itel had supposedly been caught with computer leasing reverses—the first being the early seventies when IBM 370s replaced the 360s. Yet on Itel's board sits William B. McWhirter, former IBM Director of Organization and still an IBM consultant, who

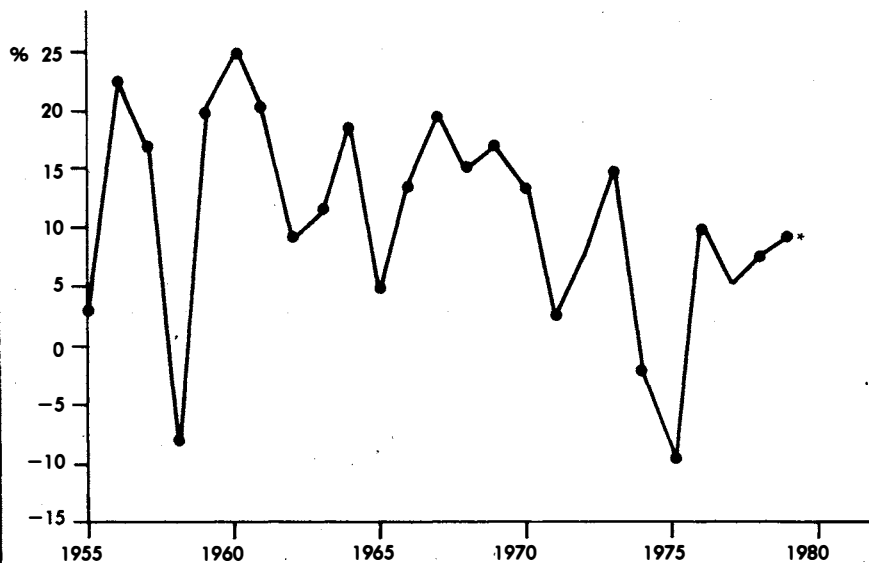
certainly could have forewarned Itel, which itself has extensive knowledge of markets and would have reasonably assumed that IBM was pursuing new computers. Itel director Franklin Benjamin Lincoln did a seven-year stint with Sullivan and Cromwell (the Dulles law firm) and was undersecretary of Defense during several Kennedy years, a pedigree that would have allowed him top-level business contacts and information. Peter S. Redfield, Itel founder and chairman until the purported purge two weeks ago, was a top man at McKinsey & Co., the British consultant/intelligence group, also an entree to top-level "market" talk.

Second, Itel turns out to be the largest insured loser in the IBM caper. The major insurer, or reinsurer, is Lloyds. Although some Itel insurers have balked at paying, Lloyds appears to be willing to do so. Given Itel's close financial relation to Lloyds, it is possible that Lloyds is in fact paying itself, or at least passing money through Itel in some fashion. If Lloyds' potential \$1 billion payout in insured computer leases is realized, it might well be a transfer payment from Lloyds to financially related entities in the U.S., who in turn, because they also have paper losses, will take tax write-offs, spurring another upsurge of speculative growth. Itel, meanwhile, is negotiating with National Semiconductor to rid itself of all computer-related operations and will concentrate on its air, sea, and rail leasing and insurance. There's an excellent chance that they will not buy any Hitachi computers.

—Leif Johnson

Japan: the model economy until 1971

Annual rate of growth of industrial production



Due to an error, the graph of Japanese industrial growth in EIR #33 was improperly flattened. The correct graph appears here.

From 1955 through 1971, Japan averaged a 10.7 percent annual rate of growth (including recession years). Japan averaged a 15.6 percent growth rate during 1966-1970 and was expected to average about 17-18 percent during the 1970s. Instead, the post-1971 world trade collapse lowered the 1971-1978 growth to a 4.2 percent annual average. The above graph is a corrected version of the one printed in *Executive Intelligence Review's* ECONOMIC SURVEY: "Japan Under Ohira" (Vol. VI, No. 33, p. 43).

Source: Ministry of International Trade and Industry.

GOLD

Remonetization heats up; bears burned again

It was a very bad week for gold market "bears." On Wednesday morning Sept. 5, the London gold price set a new all-time high of \$329.25, up a full \$14 from the afternoon fixing of Friday, Aug. 31.

The battle between continental European "bulls" and British "bears" produced an interesting trading pattern on both Sept. 4 and 5. Heavy selling out of the British Crown Colony of Hong Kong weakened the gold price in early morning

trading, but a strong rebound followed when the European markets opened.

Hong Kong speculators are not the only ones to take a bath. The London *Economist* commented in a September article, headlined "At the Altar of the Golden Calf," that Swiss and other unnamed speculators had massively "shorted" gold during August, based on their perception that the gold price was due for a sharp downward correction or even a 1975-style outright collapse.

The rug was pulled out from under the "shorts" when West Germany's Dresdner Bank unexpectedly

acquired 720,000 ounces of gold out of a total of 750,000 offered for sale at the U.S. Treasury Department's auction Aug. 21.

Now it is rumored that Treasury intends to terminate its monthly gold auctions before the end of this year. The reason is that, far from fulfilling their avowed aim of demonetizing gold, the sales have actually permitted foreign central banks and quasi-official agencies—Dresdner's reputed clients—to accumulate further gold reserves.

American investors left out

American investors, by and large, have not participated in the latest gold market rally, which has been powered instead by demand from continental Europe, the Middle East, and Japan. The lack of American interest reflects the poor advice relayed by U.S. brokerage investment consulting services, most of whom rely on either British or Anglophile Swiss

BRITAIN

Bringing Hong Kong back home

If British Chancellor of the Exchequer Geoffrey Howe has his way, Britain could become the "new Hong Kong" within a matter of years. According to a front-page report in London's *Sunday Express*, Howe has dusted off proposals for the creation of special "enterprise zones" in Britain's decaying urban areas which would imitate the sort of "rip-roaring freedom from interference that has created boom conditions in Hong Kong." The zones would be

free of all state control or interference except for the most token planning and safety regulations, the idea being that businessmen and entrepreneurs would be motivated to set up companies in Britain's derelict areas by the chance to make money unhindered by either red tape, high taxations or even the requirement to pay basic wages.

Now that the Tory government has virtually eliminated regional development grants, employment subsidies and other forms of state aid which formerly attracted industry, the "Hong Kong" gimmick is being used as a come-on for any company,

even the most fly-by-night operation, to set up shop in depressed areas like Glasgow, Merseyside and the London dockland. It is not yet clear whether the companies will be producing micro-chips, gambling chips or wind-up dolls, but Howe is apparently deadly serious about making the new zones a model for the sort of "free enterprise" policies which Thatcher has promised will usher in a new economic boom for Britain.

The idea of "boom zones" was first floated by Howe when he was Shadow Chancellor of the Exchequer in 1978, in a "kite-flying" speech which proposed the abolition of detailed planning controls by government agencies, except for "the very basic anti-pollution, health and safety standards." Further changes in the law would make the new developments free from rent control, exempt from land taxes and possibly also from utility charges. Price controls and pay policy would not operate

sources for gold market intelligence. Most of these consulting services have advised their clients to prepare for a major gold market "reaction."

U.S. investors would have done much better if they had followed this column. In our July 31 issue, I reported that Dresdner Bank gold authority Hans Joachim Schreiber was predicting that gold would rise to a "fifteen-fold multiple" of the price of imported oil, placing it within a near-term range of \$330 to \$350 an ounce.

I also explained why we thought Schreiber's prediction made sense; namely, that the Franco-German led European Monetary System is a de facto gold-backed system, that the EMS member governments intend to protect the value of their gold reserves and have opted for a higher gold price to offset the effects of higher OPEC prices on their economies.

Although the "bears" can point to dozens of reasons why gold should

fall on technical grounds (higher U.S. interest rates, declining jewelry demand, recession, etc.), all of their arguments share a common fallacy: they ignore the fact that the European governments and their intermediaries (notably Dresdner) are running today's gold markets, not blind "free market" forces. It is the emergence of the EMS as a political reality which has made Dresdner Bank, as the West German Business daily *Handelsblatt* recently characterized it, the biggest and most important gold bank in the world.

Europe's growing political rapprochement with the Arab world—based on support for a comprehensive Middle East peace rather than the separate agreement under a Camp David pact—is also a factor. The oil producer's surplus revenues will run at approximately \$30 billion in the second half of this year, a large chunk of which is likely to be invested in gold. Not accidentally, Saudi

interests are reported to be among Dresdner's most important customers.

The role of the Soviet government in the gold rally must also be taken into account. Market experts estimate that Soviet gold sales in 1979 will fall short of last year's level by 25 percent, in what would appear to be a deliberate Russian effort to undercut the gold "pessimists."

—Alice Roth

within the Enterprise Zones, and the Employment Protection Act as well as a number of other guarantees of employees' basic rights to decent working conditions could also be declared inapplicable.

Although Howe's proposals initially met with only guarded enthusiasm, the Tory government is now re-examining the proposals with a view toward swiftly implementing the necessary legislation. It is being emphasized in Whitehall that the examination of "enterprise zones" is only part of the Tory government's wider review of all suspected "constraints" on industrial development expansion, and innovation.

Although government departments are already working on turning Howe's blueprint into draft laws, local government authorities in the areas targeted to be "enterprise zones" have not yet been consulted on their views. One municipal official, however, gave his candid comment; "It seemed crazy at the time.

This is not Hong Kong and as far as planning controls are concerned I am not all sure that Hong Kong is an example we would want to follow."

* * *

Britain's vaunted North Sea oil wealth doesn't seem destined to do much for Scotland—at least gauging by Scottish reaction to plans, albeit still tentative, to build clusters of giant windmills along the Scottish coast to supply British energy in the 21st century. Some sources project that the giant devices, each requiring 25 hectares of land, and spaced at 500 meter intervals for safety, could supply twice as much energy as Britain now gets from hydroelectric sources.

But R. Turnbull, deputy chief planning officer of the Scottish Development Department, warned the British Association in Edinburgh recently that the windmills would present a "major visual intrusion" on the

Scottish countryside, would pose a hazard to flying birds, and create "significant" noise levels. The hazards of possible structural failure of the blades and flying ice in winter would force large areas of ground around the devices to be kept clear.

Among other so-called alternative energy sources, solar power remains popular among British environmentalists, but they admit that the island's foggy weather makes the use of solar collectors problematic.

—Marla Minnicino

DOMESTIC CREDIT

Record rates feeding, not fighting inflation

Another boost in the nation's prime lending rate to a record-breaking 12.5 percent was imminent at deadline Sept. 6. Two days earlier the Federal Reserve let it be known that its new target rate for Federal funds—overnight interbank loans—was 11 $\frac{3}{8}$ percent. And on Sept. 5 Fed Chairman Paul Volcker announced that the Fed intends to squeeze money supply growth, pushing interest rates higher still—a statement which helped to abruptly reverse the vaunted “Volcker rally” on the stock markets.

Most money market economists

agree that the present level of interest rates has yet to dampen business borrowing, which has been growing at a more than 20 percent annual rate since late last year. With the real rate of interest still negative—below the current 13 percent inflation rate—the prevailing corporate attitude is better borrow now than later.

This analysis begs the most important point about the record levels of U.S. interest rates. The Miller-Volcker high interest rate policy has been the chief catalyst fueling double-digit inflation in the U.S. economy. At 4 percent interest the yearly interest on a \$1 million loan is \$40,000; at the current 12.25 percent prime rate the interest charge is \$122,500. These financing costs are,

of course, passed on and multiplied throughout the economy. More credit-dependent small and medium-sized corporations are paying between 13 and 15 percent; a corporate treasurer feels he has little option but to engage in inflation-creating arbitrage or other speculative activities.

The problem of high financing costs is all the more serious for sections of the economy, such as retail trade, which are especially dependent on short-term bank loans for carrying their large inventories. The high financing costs come straight out of the consumer's billfold.

* * *

The mortgage bond battle

A bogus debate has erupted over the continued issuance of tax-exempt mortgage bonds by state and local housing authorities. State and, beginning in July 1978, local government agencies have been issuing these tax-exempt bonds in record

BANKING

EIR to market special report on dirty money

The *Executive Intelligence Review* is now preparing a special report on illegal financial transactions, including the laundering of money from the illegal narcotics trade. The report, scheduled for publication in late September and prepared under the direction of economics editor David Goldman and counterintelligence editor Jeffrey Steinberg, will reveal for the first time the role of the United States government in facilitating these illegal banking transactions.

Last year, the book *Dope, Inc.*

(New York: Benjamin Franklin House, 1978) documented the centralized control of the international narcotics traffic through the British Crown Colony of Hong Kong and British and British-linked financial houses into the United States. That book, written under the direction of *EIR* editors Konstandinos Kalimtgis, David Goldman, and Jeffrey Steinberg, is now a trade-paperback bestseller.

The new special report will show in depth how the takeover of sections of the American intelligence establishment during World War II protected the criminal economy. A detailed analysis of the use of wire transfers and electronic funds trans-

fer (EDT) to “launder” roughly \$100 billion a year that is extracted from the U.S. economy through narcotics trafficking and other illegal activities will be a special feature of the report.

The documentation will include:

- The “Airborne Freight” and Midwest Air Charter involvement in the physical distribution of narcotics.
- Which quasi-legitimate corporations and dummy corporations act as major conduits of narcotics money.
- How British intelligence infiltration of a major U.S. commercial bank set it up for a role in illegal money transfers.
- How the National Security Agency protects narcotics traffic over commercial bank wires.
- How the post-Meyer Lansky generation of dirty money laundering techniques have evolved.
- How sections of the mob got

amounts and using the proceeds to buy mortgages from savings and loan institutions and other mortgage lenders; the state and local housing agencies have become another arm of the proliferating secondary mortgage market.

This October the House Ways and Means Committee will take up a controversial bill sponsored by its chairman, Al Ullman (D-Ore.). The bill would limit the yearly amount of these bonds to 5 percent of the aggregate amount of mortgages issued in a given state per year. Ullman, who originally wanted to ban further issue of such bonds, argues that they are an inefficient means of getting money for housing into the hands of the low- and middle-income families which need it the most, and they represent a bottomless drain on government tax revenues. According to his committee's estimates, by 1984 the continued unrestricted issue of these tax-exempt bonds would cost the government \$11.7 billion in lost

tax revenues, whereas the 5 percent plan would cost only \$950 million.

Issue of the tax-exempt bonds has burgeoned from \$59 million in 1977 to \$3.3 billion in the first four months of 1979. And it is conservatively estimated that \$10 billion will be floated by the end of the year.

Proponents of the bonds argue that they have become an important mainstay of the nation's mortgage and housing markets. It is questionable whether the main beneficiaries are potential home buyers, but for reasons ignored by Ullman. Like the bonds issued by federal mortgage agencies, the existence of the state and local mortgage bonds has underpinned the real estate speculation which has pushed the price of the average single-family home above \$60,000.

The single biggest issuer of the tax-exempt state and local housing bonds has been California, site of the hottest real estate bubble in the country. According to California officials,

the sharp drop-off in government revenues since Proposition 13 was passed has meant that ongoing state and local housing rehabilitation programs have had to be financed via these secondary mortgage instruments.

Significantly, the most vocal advocates of the bonds have been the investment-banking houses which collect the underwriting and other substantial financial fees on the bonds, and benefit from the tax shelter provided by the bonds they buy for their own accounts.

In editorials over the past several months the *New York Times* has called for the banning or severe limitation of the bonds. The *Times* objects to the fact that the bonds are channeling liquidity into the building of some new single-family homes, whereas the *Times* prefers "urban rehabilitation."

—Lydia Schulman

into high-technology contracts with the U.S. military.

Readers of this report will learn:

- How billions of dollars can move virtually without trace through the American banking system.

- How British intelligence implanted agents in American commercial banks to launder illegal funds directly through the New York Clearing House—including details of a Hambro's Bank plan to infiltrate a Naval Intelligence officer into the executive suite of Chase Manhattan Bank.

- How the National Security Agency interchanged top personnel with some of the dirtiest entities in the corporate world, including Inter-tel—the security firm wholly owned by Resorts International.

- How National Security Agency veterans at National City Bank of Cleveland arranged a Federal Reserve contract for an organized crime controlled air charter firm—ena-

bling the charterer to divide its business between Federal Reserve checks through the Interdistrict Transfer System and Asian heroin.

The report will detail some of the secret subhistory of the American intelligence community, including the use of American intelligence facilities for the benefit of British intelligence dirty tricks. The Anglo-American wartime collaboration provided the context for individuals like Major Louis Bloomfield, the lawyer for bootlegger Sam Bronfman, to become chief agent-handler for the FBI's counterintelligence division (Division Five) and to use FBI facilities to protect mob narcotics operations.

The report will include—for the first time—a detailed history of Permindex, the bureau which French and Italian authorities have accused of complicity in high-level political assassinations and which New Orle-

ans District Attorney Garrison accused of responsibility for the Kennedy assassination. Permindex's operations inside the American intelligence community—through the Defense Industrial Security Command (DISC), the Pentagon organization responsible for monitoring defense contractors—will come under close scrutiny.

The report will bear a price of \$100—\$75 for subscribers—and may be ordered through the *Executive Intelligence Review*.

—David Goldman

COUNTERINTELLIGENCE



“I just got back from visiting relatives down South. Everybody down there is buying a gun. I’ve never seen it so bad. Not even in the 60s. What’s going on?”—from an interview with a black steelworker employed at the United States Steel Company, Sparrows Point, Md. August 3, 1979.

“Southwest Philadelphia is a powderkeg ready to explode. In all of my years on the force, I have never seen a situation as tense, especially between the black and white gangs. Even the 1960s just before the riots it was better than it is now in that neighborhood...”—from an interview with a Philadelphia police officer with 20 years experience on the force. May, 1979.

Experienced political observers and laymen alike are reaching conclusions like the above in every major urban center in the United States. Each day headlines in numerous big city newspapers are reporting street clashes between police and ghetto demonstrators, accusations of police brutality, and rumors of connections between urban underground cells and foreign terrorist organizations.

In Cleveland last month, an FBI special agent was

shot to death in a housing project. Within hours, 400 FBI and Cleveland police officers were sent into the area to successfully hunt down the killer, a federal fugitive.

Even more recently in New York City, an Hispanic resident of Brooklyn with a history of violent instability went berserk and attacked a group of police officers with a scissors. He was shot dead; and within 12 hours, Brooklyn Reverend Herbert Daughtry, a leader of the Black United Front, staged a mini-riot outside of the NYPD 79th Precinct House. The following day, the Jewish Defense League, based out of the same Brooklyn area, announced the formation of “shotgun squads to counter the threat of black youth gangs attacking local Jewish residents.

The surface evidence of this recent turn towards an urban “politics of tension” is extensive. However, no government or establishment media official has attempted to account for this built-up climate, leaving open the sizeable question of what forces are behind this effort.

Executive Intelligence Review counterintelligence in-

Kennedy plans a long, hot autumn

investigators have completed the first phase of an ongoing investigation of the threatened "long hot autumn" of 1979. Evidence summarized in this special report reveals that the present urban disorder is the result of conscious and highly coordinated deployments over a period of several years by the political machine associated with Senator Edward Kennedy (D-Mass.) and with the "Kennedy Justice Department" networks set in place in Washington, D.C. during the Attorney Generalship of Robert F. Kennedy.

Election eve chaos

For the second time in recent decades, mass scale civil disorders are planned for the eve of a presidential election year. Why?

The answer is to be found in the shared political program of the stable of candidates being fielded by the New York Council on Foreign Relations, the eastern establishment's most powerful political club and the agency responsible for placing the Carter administration in office. Every candidate carrying the "CFR seal of approval"—from Kennedy to NATO Commander

Alexander Haig—has called for the controlled disintegration of the American economy; the dismantling of the U.S. nuclear energy future, the acceptance of drastic domestic austerity and industrial shutdown.

Such policies are unacceptable to the majority of American voters, including the black, hispanic and other ethnic Americans who make up the urban core of the nation's electorate. The National Association for the Advancement of Colored People (NAACP) for two years running has issued national energy policy statements emphasizing that the only future for black Americans is one defined by increasing reliance on nuclear energy to fuel an economic growth rate large enough to absorb black youth into a highly skilled, growing job market. At the end of September, Detroit is to be the scene of a nationwide convention to found an Anti-Drug Coalition directed at building a nationwide non-partisan agency for shutting down the mind-destroying drug traffic and saving the minds of the next generation.

In short, the mass consensus in the American population currently runs wholly counter to the Kennedy-CFR disintegration plan. To bust up that still "silent majority," the Kennedy machine is being quietly deployed in a dozen urban centers to stage manage riots and terrorism to bend the will of the American people into acceptance of a future of austerity, violence and drugs.

The U.S. Justice Department under newly appointed Attorney General Benjamin Civiletti—an old Kennedy Justice hand—is playing the leading role in this effort.

Stage-managing civil disorders

In the concluding section of this special report, EIR contributing editor Lyndon H. LaRouche Jr.—a declared presidential candidate running against the Kennedy-Haig stable—presents a formulation of how the present riot and terror efforts are being stage-managed and how law enforcement efforts can be effectively focused to counteract the threat.

Since his confirmation last month as attorney general, Benjamin Civiletti has taken a series of steps directed at undermining the effectiveness of local law enforcement agencies in combatting pending disorders. Last month, Department of Justice Civil Rights Division head Drew Days III announced the filing of an unprecedented civil suit against the entire city administration and police department of Philadelphia on charges of police brutality.

The preparation for that suit was initiated 18 months earlier following a shootout between Philadelphia police and the terrorist group MOVE. *EIR* has learned that a secret team of investigators from the Justice Department was moved into Philadelphia to begin soliciting evidence for the suit. It was, however, only after Kennedyite Civiletti's appointment as attorney general that the obstacles to such a move from within the Justice Department could be cleared away that the suit was

actually filed. The public climate for such an action was sowed locally through the efforts of the Philadelphia *Inquirer*, whose editor William Guthman was a former top official of the Kennedy Justice Department's notorious "Get Hoffa" squad.

Since the filing of that legal action, Civiletti has further fueled the tense urban situation by promising to launch similar suits against the police departments of Houston, Memphis, and Mobile—all cities with recent experiences of activation of Ku Klux Klan versus Black United Front violence.

EIR investigators have discovered that in Philadelphia, Boston, New York City and Montgomery, the same Justice Department—acting through the Law Enforcement Assistance Administration—has been funding the activities of antipolice demonstrators associated with the Black United Front—under the pretext of creating neighborhood safety patrols and training auxiliary police teams. These efforts, originally launched under the attorney generalship of Ramsey Clark, were instrumental in fueling the late 1960s and early 1970s urban violence.

—Jeffrey Steinberg

Who's behind the riots of 1979

Anti-Defamation League of B'nai B'rith
Anti-Nazi Coalition
Benjamin Civiletti, U.S. Attorney General
Black United Front
Committee to Stop Government Spying
Communist Party U.S.A.
Drew Davis III, Assistant Attorney General, Civil Rights Division
Eli Lilly Endowment
Franklin Thomas, director, Ford Foundation
Fund for Peace
Heritage Foundation
Institute for Policy Studies
J. Irwin Miller, trustee, Ford Foundation
Jewish Defense League
Law Enforcement Assistance Administration
Max M. Fisher
National Black United Fund
New York Post
New York Times Corporation
Permindex
Ramsey Clark, former U.S. Attorney General
Reverend Jesse Jackson
Senator Edward M. Kennedy
University of Chicago Theological Seminary
University of Pennsylvania Wharton School
Urban Training Center
World Council of Churches

Planning for race riots

In city after major city in the United States, racial tension has been rising to the point that a major urban explosion can be expected some time this fall. But like the wave of riots during the late 1960s, the threatened hot autumn of race riots is in no way spontaneous. It is a planned and well-funded conspiracy.

The facts are these.

- From June 28 through July 1, the U.S. controllers of urban riots, terrorism and environmentalism gathered under one roof in Boston, Mass. for a semisecret meeting called by the National Black United Fund, Inc.

- The current apparatus for the funding and instigation of racial violence is not only identical with the Ramsey Clark-created riots of the 1960s; the race riot machinery has been meshed with the same networks that were responsible for the bloodbath in Jonestown, Guyana and the zero growth movement.

- The strategy discussed in the four-day series of seminars was the New York Council on Foreign Relations' "Black Strategy for the 1980s"—riots and chaos, bringing the horror of the Jim Jones massacre home to the American population.

The Boston conference

The NBUF conference in Boston was shaped by the concerns expressed at the May 6, 1979 environmentalist demonstration in Washington, D.C. Speaker after speaker, including NBUF conference participants Barry Commoner and Jane Fonda, bemoaned the "lack of support" among America's urban ghetto population and labor movement for their zero growth, slave labor programs. It was a signal to move into the next phase of building a national crisis that will lead to the demise of the Carter administration and the CFR-rigged election of a strongman—like Alexander Haig—in 1980.

That phase—which can be characterized as a Northern Ireland-style face-off between blacks and whites—was launched at the end-of-June conference of the NBUF. On the agenda were such topics as economic democracy, urban priorities, and organizing coalitions—innocuous enough until one looks at the roster of panel participants.

Representing the controllers of terrorism and environmentalism were D. James Jackson of the Communist Party, U.S.A.; Dr. Claude Lightfoot of the CPUSA; Marcus Raskin, the director of the Institute of Policy Studies; Tom Hayden, who chairs the Campaign for Economic Democracy; Dr. Barry Commoner, the lead-

ing U.S. environmentalist; Jane Fonda, who has a similar bent; radical feminist Gloria Steinem; and Dr. Ruth Love, superintendant of schools for Oakland, California.

Representing the controllers of race riots in this country were Minister Louis Farrakhan; Dr. Barbara Sizemore from the University of Pittsburgh; prison reform activist Mel King, a member of the Massachusetts House of Representatives; Curtis Woods, president of the Bed/Stye Restoration Corporation; Dr. Alvin Poussaint from the Tavistock Institute and Harvard University; Dr. James Breedon, superintendant of the Boston public schools; and Dr. Robert Browne, president of the Twenty-First Century Foundation.

Spokesmen for slave labor/sweat equity were Joseph Brooks, president of the Emergency Land Fund; Dennis Blacket, president of Housing Innovations, Boston; Harriet R. Michel, director of the Office of Youth Employment Programs in the U.S. Department of Labor; and Rep. John Conyers from Michigan.

The conference literature notes: "The present world order is arranged in a way that allows six percent of the population to control more than two-thirds of the wealth.... The 'have's' of the Western world have achieved a level of material comfort that is unprecedented in the annals of human history. The 'have-nots' of Asia, Africa and the Americas are beset by poverty,

malnutrition, disease, and the concomitant characteristics of social instability."

What they propose are "new forms of economic and political organization that are structurally and philosophically cooperative," incorporating "principles of democracy."

Translating words into action

How are these "principles of democracy" being translated at the street level? This part of the operation is being run through the same Kennedy-Justice Department networks established by Attorney General Ramsey Clark in the 1960s. In the past few months, many of the old racial hot spots have been reignited with telltale tracks from the Justice Department's Law Enforcement Assistance Administration (LEAA) showing all over. Through the LEAA's Office of Community Anti-Crime Prevention (CACP), tens of millions of dollars have been poured into the cashboxes of veteran race riot provocateurs over the past three years. Under the cover of "community involvement" in police work, LEAA-CACP has set up 165 programs around the country which primarily involve the creation of vigilante squads.

In Philadelphia, LEAA-CACP gave \$250,000 for "Community Security Patrols" to Felekah Fatan's House of Umoja, a spinoff from Newark race-rioter Imamu Baraka's network. The House of Umoja's "Security

What is the NBUF

The National Black United Fund, based in Los Angeles, was created in 1974 by the same Indiana-based Episcopalian networks that created Jim Jones: J. Irwin Miller, his Cummins Engine Company, and the related Cummins Engine Foundation, Irwin Sweeny Miller Foundation, and also that offspring of methadone, the Eli Lilly Foundation. Walter Bremond, the current executive director of NBUF, formerly worked for Cummins Engine. Bremond set up, with Cummins Engine Foundation money, the Brother Crusade, the direct predecessor organization to NBUF.

The primary contributors to NBUF are the Cummins Engine and Eli Lilly foundations. The president of NBUF is Dr. Carlton B. Goodlett of San Francisco. Goodlett was the "personal physician" to Jim Jones and had traveled to the People's Temple in Guyana only a few weeks prior to the mass murder.

A look at the financial controllers of the National Black United Fund gives the entire story away. A top Midwest Episcopalian, J. Irwin Miller, is also a member of the New York Council on Foreign Rela-

tions, whose most recent published scenario calls for the "controlled disintegration" of the U.S. economy and government. He is on the board of directors of the Ford Foundation, Chemical Bank, Yale University, Butler University, and American Telephone and Telegraph.

Through the Cummins Engine Foundation and the Irwin Sweeney Miller Foundation, Miller has provided hundreds of thousands of dollars to projects of the Institute for Policy Studies such as Counter Spy (through Youth, Inc.) and the Fund for Investigative Journalism, to the gun-running American Indian Movement, and to the Congress of African Peoples, run by Newark race rioter Imamu Baraka.

The Jones connection continues: The British Fabian Society's Oxford cult, the Disciples of Christ, and its action agency, the Fellowship of Reconciliation, ran the "dissident church" networks in Indianapolis in conjunction with the American Friends Service Committee. A key operation was Butler University where Jim Jones was trained. Butler was controlled by the Disciples of Christ and received heavy funding from Miller's foundations and from Lilly. Miller, as stated before, sits on the board of trustees of Butler University.

Section" showed up armed in the middle of racial tensions in Southwest Philadelphia several weeks ago to "protect the blacks from the Caucasians."

Then in August, the federal government filed police brutality charges against Philadelphia city and police officials just days before the acquittal of a police officer for the shooting death of a young black man. That set into motion such organizations as the Black United Front and Communities United Against Police Abuse to "protest police brutality," keeping racial tensions high.

Similarly in New York City, the Metropolitan Black United Front is escalating a series of confrontations with the police, ostensibly centered around police brutality. BUF and the Communist Party U.S.A. sponsored a rally in Harlem in support of New York Judge Bruce Wright, who has come under intense criticism for releasing without bail a suspect involved in an assault on a police officer.

Another of the sponsors of the police-ghetto confrontation is veteran race rioter Charles "37X" Kenyatta, who is receiving a large LEAA-CACP grant for his Citizens Active for a Safer Harlem (CASH). Also surfacing in the middle of these riot preparations is Les Campbell, leader of another Baraka spinoff—The East.

In Boston, the old race riot apparatus is being dusted off and greased with a \$40,000 grant from the Housing and Urban Development Corporation to Jim Kelly and his South Boston Information Project for the creation of a "Tenement Security Force" which is "to be trained in small arms and martial arts."

The Maoists have gotten their cue and are moving back into action around Boston. Nine members of the Revolutionary Communist Party were recently arrested, and the Progressive Labor Party has mobilized around the integration of a YMCA in Dorchester.

The party also sent its recruits and seasoned members into the South for "Summer Projects" to ensure maximum violence there. At the University of Arkansas in Little Rock, the party staged a demonstration in opposition to David Duke, calling for a shooting war against the Klan. The party has moved into Tupelo, Mississippi, where the United League has had a series of violent clashes with the KKK.

—Rick McGraw

Target cities: how it will happen

The Kennedy machine/Council on Foreign Relations gameplan to create a "long, hot autumn" of race riots, on a scale possibly exceeding the riots of the 1960s, is in advanced stages of preparation in many major U.S. cities. Racial tension, built up over the summer through a reactivation of the Ku Klux Klan for clashes with "leftist" and black groups, has been brought to a boiling point by the Andrew Young affair. Now, the point has been reached where further provocation by the Kennedy networks which dominate the Justice Department's Civil Rights Division will easily trigger open riots. The following detailed outline of the situations in four targeted cities, Detroit, Philadelphia, New York, and Seattle provides a sense of the scope of the operations and networks that are being employed by the CFR's staff of race war coordinators to once again trigger chaos in the United States.

Detroit

For the second time in a decade, Detroit has been selected as a trigger for massive election-eve racial violence. The same Anglo-Israeli political intelligence networks centering on Zionist lobby leader Max Fisher which were used to provoke the 1967 Detroit riots to torpedo the presidential aspirations of Michigan Governor George Romney, are this time out to provoke chaos to boost the "strongman" candidacy of General Alexander Haig for the White House in 1980.

Several carefully orchestrated events have been set into motion in Detroit which are geared to set off full-scale race riots by no later than October.

For one, the London *Economist*, *New York Times*, and Zionist lobby Senator William Proxmire and Congressman Henry Reuss are currently stonewalling efforts to put together a federal loan package that could keep ailing Chrysler Corporation from going under. Should they succeed, Chrysler must make massive cutbacks in production within the next few weeks. Already, as a result of the damage done to Chrysler by the gasoline hoax, 35,000 of the firm's predominantly inner-city employees have been laid off, creating major economic hardship and unrest in Detroit's black community.

Heightening the economic chaos in Detroit is the

announced plan of the United Auto Workers to strike General Motors when its contract expires on Sept. 15. Reliable sources in Detroit report that the UAW may actually seek an early settlement with GM and instead strike the Ford Motor Company if it cannot meet the union's terms, thus placing Ford in the same position as Chrysler.

The networks that will spark the race riots in this situation are centered in the so-called "Anti-Nazi Coalition" founded in Detroit as a joint project of the UAW and Max Fisher's operatives in the Anti-Defamation League of B'nai B'rith to safehouse the agents who led the 1967 riots. Establishing the Kennedy link to the operation, the personnel of the coalition also serves as the local roster of the Citizens Labor Coalition on Energy set up by Senator Ted Kennedy, UAW head Doug Fraser, and IAM chief William Winpisinger. This Kennedy organization is building for an October demonstration against the oil multinationals which will beef up the Senator's divestiture calls and provide a cover for the upcoming heating oil swindle.

The Communist Party U.S.A., which has been controlled virtually from its founding by essentially the same CFR and Morgan banking interests that are forcing Chrysler toward bankruptcy, held its annual convention in Detroit on Aug. 26. Temporarily revitalized with a transfusion of funds from anticommunist, right-wing social democratic circles in New York, the CPUSA and its British intelligence-trained leader Angela Davis, have been brought to Detroit to put a "Made in Moscow" label on the race riots that are intended to follow.

It is against this backdrop of "Communist-inspired" rioting that the Council on Foreign Relations is pinning its plans to bring the Haig candidacy forward.

Philadelphia

Philadelphia, a city where traditional machine politics remain largely intact, has been selected as an example of the brand of justice that Benjamin Civiletti intends to practice as attorney general. In almost his first act upon entering office last month, Civiletti filed an unprecedented suit against Philadelphia Mayor Frank Rizzo and the entire Philadelphia Police Department on sweeping, unsubstantiated charges of police brutality. This suit, which, Civiletti has threatened, is to be followed by "more civil rights suits than the world has ever seen" targeting other cities for similar legal actions, is a virtual declaration of war upon the citizens of U.S. urban centers.

A protégé of former Attorney General Robert Kennedy, Civiletti commands a DOJ with numerous intelligence agencies experienced in domestic race-war destabilizations. It was under Robert Kennedy, for example,

that the FBI built-up a pool of 3,000 "informants" in the Ku Klux Klan, many of whom have since been investigated for deliberately provoking Klan assaults and murders of civil rights organizers. It is not surprising to find Civiletti now using "civil rights" suits to defend terrorists.

The Justice Department's Philadelphia suit boils down to the charge that the Philadelphia police used excessive force during last year's eviction of a terrorist cult known as MOVE from its West Philadelphia headquarters. In the hour-long gun battle that ensued, one police officer was killed by the MOVE terrorists who were heavily armed with automatic weapons. Police entering the MOVE house found its rooms barren except for human excrement and stockpiles of weapons and drugs; a half-dozen nude and nearly starved children were also rescued from among packs of dogs and the carcasses of dead rats and other MOVE "pets."

Subsequent investigation uncovered that the MOVE cult was created as a joint project of the American Friends Service Committee (AFSC), which provided funding and radical liberal support, and of British intelligence's John Stuart Morgan at the University of Pennsylvania's School of Social Work. Morgan's chief operative, a graduate student named Donald Glassy, wrote the MOVE Manifesto which advocates violence as the only alternative for the poor and purchased the MOVE house and weapons with the proceeds from drug-smuggling operations for which he was finally arrested in 1971.

Typical of Glassy's recruits to MOVE is Delbert Africa, whose alleged beating by police during eviction proceeds has been turned into a cause celebre of Kennedyite liberals and Civiletti's Justice Department. Also known as William O'Neil, Delbert Africa was a paid informant and provocateur for the Justice Department in the 1960s and has been identified by Chicago police sources as the finger man for the assassination of Black Panther leader Fred Hampton.

Since the Justice Department filed its suit in defense of Delbert Africa, et al., tension between blacks and whites and gang warfare has once again begun to simmer in Philadelphia. Local hotspots include Southwest Philadelphia, along the border between Italian and black neighborhoods, where a black youth was shot by snipers in a white gang; the Whitman Park Housing Project in South Philadelphia where State Representative Milton Street has led black marches; and, North Philadelphia (a large black and hispanic ghetto area) where a number of counterinsurgents funded by the National Black United Fund and DOJ's Law Enforcement Assistance Administration such as Felakah Fattah have pushed the police brutality issue to heighten racial tension.

Philadelphia is an example of how the Kennedy forces and their Zionist lobby allies intend to deal with traditional city machines in the 1980 campaign. U.S.

Attorney Peter Vaira, a veteran of the Kennedy Justice Department's "Get Hoffa" squad operations and who filed the Philadelphia suit locally for Civiletti, was implicated in an attempt this spring to plunge the entire city into racial chaos through a phony Nazi Party rally. Vaira staunchly defended the right of the same Nazi group that earlier attempted to march through Skokie, Ill., to demonstrate in Philadelphia, even after the New York police department had informed Vaira that the "coordinator" for the Nazis, James Guttmann (a.k.a. James Frank) was actually Mordecai Levy, the leader of a new Jewish Defense League terrorist cell responsible for repeated bombings in the New York area.

Ed Ramov, the Philadelphia JDL leader in whose home Levy stayed while organizing various Klan and Nazi groups to attend the rally, later admitted in a taped interview that Levy was a paid agent of the American Jewish Committee and the Justice Department through the Federal Bureau of Investigation.

New York City

Throughout the summer months a rash of cross-burnings and bombings of black homes swept New York's suburbs.

lobby has unleashed its entire gamut of Black Nationalist, Jewish Defense League and other agent provocateur and terrorist groups in an attempt to discredit legitimate Black national policy debate through violent actions.

A key agent in this operation has been Reverend Herbert Daughtry of the LEAA/Justice Department-funded Black United Front, who led a 200-person demonstration in front of the Israeli Consulate, eliciting threats of violence from JDL national director, Brett Becker. Throughout the last year Daughtry's followers have been involved in gang-type clashes with the Lubovitcher Hassidic Jewish sect in the Crown Heights area of Brooklyn.

In the orchestrated conflict with the Hassidim, who are tied into right-wing Likud political layers in Israel, Daughtry has been supported by The East, a Black Nationalist cult group run by the same Leslie Campbell who acted as the catalyst for Black-versus-Jew confrontations during the 1968 Ocean-Hill Brownsville teacher's strike in New York City. During this strike, agent-provocateurs like Campbell were deployed by McGeorge Bundy—then head of the Ford Foundation—to stir up Black anti-Semitism to bust the Teacher's Union. Ironically, many of the Black Nationalists used for this purposes like Leslie Campbell, Kamil Wadud and Imamu Baraka, were created as part of a similar race-war destabilization of Newark that was documented to have been run jointly by British intelligence's John Rees and

ADL agent Herbert Rommerstein—who were later deployed into the John Birch Society.

Another hotbed of racial conflict in the Greater New York area is Westchester County, which is a "cultural" center for British-Israeli cult operations.

Other cults in the area include the Rastafarians, who are heavily involved in local drug trafficking operations and race riot operations.

groups in New York last week ended in a bloodbath when Rastafarians opened fire upon rival gangs, leaving 43 people wounded.

Farrakan, who is the head of a completely synthetic counterpart to the World Community of Al-Islam. Farrakan represents a key aspect of current attempts by the CFR's racewar planners to destroy the Muslims who have consistently acted in the Black community as a deterrent to racial violence.

Seattle

In Seattle, the implications of the Civiletti lawsuit against the Philadelphia police department have already been taken to the extreme, with constricting guidelines imposed upon Seattle Police Intelligence by a city government that has been taken over by the region's highly active terrorist networks.

The current mayor, Charles Royer, and deputy mayor, Bob Royer, his brother, were both subjects of police intelligence dossiers for their activities in the 1960s. Charles Royer, among other things, was listed for his work with King TV, whose president, Ansell Paine, is associated with Airborne Airfreight—a firm owned by associates of Detroit's Max Fisher which is believed to be a primary transporter of illicit heroin in the United States under cover of its capacity as courier for the Federal Reserve. According to Seattle sources, King TV was implicated in attempts to instigate a "race riot" in the 1960s when a team of its cameramen were deployed to cook up an incident from scratch.

Mayor Royer's wife, Jennifer Jones, is an official advisor to COYOTE, the "civil rights" organization for prostitutes that is led by the women's section of Seattle's terrorist Jonathan Jackson Brigade.

legal advisor to the mayor, Hugh Spitzer, is a former member of the National Lawyers Guild, which together with the Coalition to Stop Government Spying has been in the forefront of attempts to curtail a U.S. counterterrorist intelligence capability.

Everything is currently set in Seattle for a resurgence of the terrorism which plagued the city in the 1960s and early 1970s, terrorism which could be triggered in the context of a wave of riots in other parts of the country.

—Scott Thompson

The environmentalist side

Intimately connected with the urban riot threat is the projected antinuclear demonstration to be held at Seabrook, New Hampshire on Oct. 6. Organized under the auspices of the same left-wing forces who are currently defending the Italian terrorist Red Brigades in the U.S., and modeled on the tactics of the antinuclear movement in Europe, the violence scheduled for Oct. 6 is intended to be the trigger for a series of civil disturbances at other nuclear plant sites. The foundation and "radical left" networks that are organizing for racial disturbances this fall, such as the Fund for Peace and the National Black United Fund, all have connections to the antinuclear movement.

The Italian model

Over the last few months, a pamphlet titled "Midnight Notes: Strange Victories—The Antinuclear Movement in the U.S. and Europe," has appeared in "movement" bookstores around the country. The authors of the slick, expensively produced document represent themselves as members of the "Midnight Notes Collective," but the tract was in fact written by a group known as the "Committee Against Repression in Italy" (CARI). CARI was formed after the early April arrest by Italian authorities of a group of individuals charged with being the controllers of the Italian Red Brigades. The best known of these was Antonio Negri, the "godfather" of the Italian ultraleft movement, Autonomia, who formed the Red Brigades out of this movement.

The address listed for the Midnight Notes Collective, 491 Pacific Street, Brooklyn, N.Y., is a headquarters of CARI in the United States, and the residence of the leader of CARI, Sylvia Federici. "Midnight Notes" author George Caffentzis is a member of CARI, and also serves on the editorial board of a magazine called *Zero Work*. *Zero Work* is Negri's vehicle for contact with U.S. ultraleft and terrorist networks, and was the cosponsor with Negri of a terrorist conference held in Britain two years ago. It is also the base for CARI staff members. In the view of antiterrorism experts, the new name, "Midnight Notes," is merely an effort to steer the credulous away from the obvious terrorist connections of the document.

For the antinuclear movement, "Midnight Notes"

frankly prescribes tactics that are violent—extending to murder. It states, for example, that

The antinuclear movement has not always relied exclusively on nonviolent civil disobedience. It has turned to more violent tactics whenever the contract of nonphysical behavior could not work. A clear case in point is the antinuclear struggle in the Basque country of Spain.

under construction in Lemoniz was bombed by the E.T.A. (a Basque nationalist organization) on March 17, 1978, and two workers were killed. This accident did not impede the antinuclear movement, but widened its impact. The E.T.A. was not blamed for the death of the two workers. ... The movement, far from losing support after the bombing, turned the incident against the plant and continued to sponsor mass demonstrations.

This justification of violence is aimed at whipping up the anarchist-oriented hippie and student layers who frequent antinuclear affairs who tend to see any action by police or government as "repressive." "Midnight Notes" later adds: "For the argument that 'violence breeds violence' distorts the real class relations and leads them ['certain nonviolence ideologists'—ed.] to blame the state's brutality on the resistance of the working class. Such a logic ends by equating the violence of the Warsaw ghetto fighters with the brutality of their Nazi executioners! But who provokes whom?" etc., etc. What is meant by "resistance of the working class" is terrorist actions by groups like the Weathermen, the Italian Red Brigades, and now the antinuclear movement.

"Midnight Notes" then turns to the lessons of the European movement for the U.S. antinuclear movement.

While a part of the movement went back to legalism, other antinuclear activists experimented with acts of sabotage against power lines (France), railroad lines (Switzerland), construction sites (Spain), factories supplying nuclear plants (Switzerland, France), and installations of utility companies (bombs at the information pavilion in Kaiseraugst, Switzerland in the spring of 1979). Sometimes bombs were placed near nuclear construction sites or plants, not to damage them but to demonstrate their vulnerability. This wave of "violent" acts has triggered an intensive debate within the European antinuclear movement. At first the "official" nonviolent organizations denounced these actions as "directed against the movement and harmful for its growth." But later this "hard line" weakened and they sometimes accepted bomb-attacks, if the bombings were carefully and "cleanly" executed without damage to the environment, nature, or "living things."

"Midnight Notes" program for reaching this stage is based on bringing into the antinuclear movement

"less valuable labor-power (like minority people, blacks, factory workers)." This racist characterization may seem surprising coming from "radicals," but it is precisely the way in which professional terrorist controller/profilers (usually liberal sociologists and anthropologists) view human beings.

The Seabrook connection

The organizers of the Oct. 6 demonstration at Seabrook are implementing precisely the policies spelled out in "Midnight Notes." In conversations with members of the "Coalition for Direct Action" and the "Clamshell Alliance" (the two, functionally indistinguishable organizations responsible for the demonstration), *EIR* investigators have been told that the demonstration is "modeled on the occupation of a nuclear plant construction site which took place in Whyl, Germany." The Whyl demonstration, cited as a model by "Midnight Notes," was a violent occupation of a nuclear plant site by ultraleftists and other environmentalists. The demonstrators created an "alternative" community on the site and stayed until an agreement was reached not to build the plant. This is the policy for the Oct. 6 demonstration.

A spokesman from the Boston chapter of the Coalition (speaking from the Clamshell office) described the tactic to be used in great detail. The plan calls for at least 10,000 people. "This demo is going to be different," he said. "It's going to be an action demonstration. We're going to take over the site. ... We're tired of civil disobedience."

The demonstration will begin with massive "die-ins" and other tactics at the gates of Seabrook. The demonstrators will attempt to enter through the gates, but do not expect to gain entrance. When this attempt fails, groups numbering 1,000 to 2,000 composed of 10-20 person "affinity groups," will then split off to conduct "flanking operations." This will entail moving around the outer perimeter of the Seabrook site, which has a four-mile fence that, coalition spokesmen said, "would take the 82nd Airborne to defend." "We're prepared to use battle tactics," he said. "We're prepared to have a mass fence takedown," opening holes in the fence "enabling two- to three-thousand to have one point to get in." Affinity groups are going through special training to prepare them for tear gas and other weapons at the disposal of the police. After holes are ripped out of the fence the demonstrators will link hands and charge through the fence en masse. As amazing as it may seem, all the demonstrators spoken to claim that this will be done nonviolently!

It should be obvious that the "nonviolent" ripping down of the fence and the storming of the grounds by two- to three-thousand persons at a time, is meant to trigger a response from police officials. The liberal national media, predominantly antinuclear, will exploit

the incident to the fullest, portraying the terrorist demonstrators as innocent doves, while the police will be pictured as unnecessarily violent.

From "nonviolence" to urban terrorism

The Seabrook scenario is only a prelude to what the "Midnight Notes" editors foresee as a fundamental shift in the American radical swamp. "Midnight Notes" states: "...we are convinced that the antinuclear movement in general, and the 'new' antinuclear movement in urban areas in particular, could be a catalyst for struggles against the 'crisis' and capitalism's attack against the working class." The antinuclear movement is to become an avenue for recruiting an urban component, especially ghetto youth, to overt terrorist actions.

"Midnight Notes" proposes to redirect the internal structure of the antinuclear movement away from "consensus" decision-making toward a more autonomous, and hence secretive, command structure—of the type which characterizes terrorist organizations. In a discussion with a Clamshell spokeswoman in Long Island, New York, the word "autonomous" (a code word among the author/controllers of terrorism) was used explicitly to describe the functioning of the "affinity groups." This restructuring has already started with the new "training" "affinity groups" are receiving for the Oct. 6 demonstration.

The controllers

Although the spokesman for the New England Clamshell Alliance quoted earlier claimed that "Midnight Notes" was active only in New York, an investigation begun after CARI was created this spring has shown the group to be active in both the Shad Alliance and the Clamshell Alliance. It has also been established that extensive contact exists between the CARI organization and long-established antinuclear groups, such as the War Resisters League, the Friends of the Earth, Ralph Nader's Public Interest Research Groups, and others.

Such connections establish the interface between CARI/"Midnight Notes" and the higher-level controllers of the antinuclear movement. We have noted the appearance of such environmentalists as Tom Hayden and Jane Fonda at the "National Black United Fund" conference in Boston this summer. NBUF is controlled by the Fund for Peace, which operates at the highest control level within Anglo-American political intelligence circles, and includes many members of the New York Council on Foreign Relations. The Fund for Peace also controls the two "new" antinuclear political parties, the Libertarian Party and the Citizens Party.

The Libertarian Party is controlled through Morton Halperin, who runs the so-called Center for National Security Studies, which is funded by the Fund for Peace.

Barry Commoner and Peter Weiss are two of the

leading organizers of the environmentalist Citizens Party. Weiss, along with David Hunter of the Stern Foundation, has funneled millions of dollars to almost every antinuclear organization, especially Marcus Raskin's Institute for Policy Studies. Halperin's Center for National Security Studies has received money through the same legal "nonprofit" channels, and has worked closely with the Institute for Policy Studies in running campaigns against police agencies for "repressive" and "illegal" activities—notably, monitoring terrorists.

The chairman of the Fund for Peace is Randolph P. Compton, a vice president of Kidder, Peabody & Co., which is currently underwriting the securities being used to fund the Seabrook nuclear power plant. This last fact is most instructive for understanding how the antinuclear movement operates. The drugged hippies who provide the warm bodies at the antinuclear demonstrations are at the lowest level of such deployments, yet they receive the most attention. Shielded from most investigation and the public spotlight are those who deploy and control the shock troops: the Council on Foreign Relations and allied Anglo-American circles which run multilayered operations through such organizations as the Fund for Peace. This is what allows a James Compton to use his respected and powerful position at Kidder, Peabody to control the financing of Seabrook, on the one hand, while controlling environmentalist/terrorist operations against it—whether of the "right-wing" Libertarians, the "left-wing" Citizens Party, or the "black liberation" National Black United Front—on the other.

Compton's Kidder, Peabody is only one of many financial institutions involved both in financing the Seabrook plant and aiding the environmentalists deployed against it. In an interview this week a representative of Blythe, Eastman, Dillon, which is sharing the Seabrook underwriting chores with Kidder, Peabody, stated that his firm considers nuclear energy "too high a risk," and declared emphatically that nuclear energy, specifically the Seabrook plant, will not benefit New England's energy-short economy. Among other institutions involved in Seabrook's financing are the Bank of Montreal, which is controlled by the Bronfman family, leading backers of antinuclear Edward Kennedy and the antinuclear Coalition of Northeast Governors; Morgan Guaranty; and the First National Bank of Boston. First Boston, under the direction of vice president James Howell, is one of the leading policy-setters for the Northeast, heavily promoting labor-intensive as opposed to energy-intensive economic development policies. Some law enforcement experts believe that the Clamshell Alliance's Aug. 31 invasion of First Boston's offices to protest the bank's funding of Seabrook, is the bank's attempt to cover its tracks on the eve of the Oct. 6 action.

—I. Levit and D. Levit

A dirty Civiletti disarms police

Contributing editor Lyndon H. LaRouche, Jr. sees the appointment of Benjamin J. Civiletti to the post of U.S. attorney general as having "very dirty" implications for effective law enforcement and crime prevention in the face of a scenario for riots and terrorism that is slated to make this a very hot autumn. A declared candidate for president in 1980, LaRouche submitted the following analysis while campaigning in Atlanta, Ga. on Aug. 23.

A shamelessly "dirty" new U.S. attorney general, Benjamin Civiletti, has confirmed his intent to disarm local law enforcement agencies on the eve of a threatened outbreak of both urban riots and international terrorism inside the United States.

There is no competent dispute against the characterization of Civiletti as dirty. Civiletti himself has associated his policy with marijuana decriminalization, identifying himself as a collaborator of the drug lobby. The second piece of evidence against him involves his role in placing the Justice Department knowledgeably into cooperation with the forces behind international terrorism, into cooperation with the so-called Permindex network of Bronfman, attorney Roy Cohn, et al.

The pretext for Civiletti's attacks on law enforcement capabilities is his demagogic pretense of opposing "police brutality." In fact, this is merely a demagogic pretext; the effect of his actions is to destroy those police intelligence and related capabilities which are indispensable to defend the American people against terrorism.

Permindex

Civiletti's connections to the Permindex networks came to public light during this past week.

The trigger for this disclosure was the publication of a de facto assassination order against presidential candidate LaRouche by a New York City throw-away weekly called *Our Town*. *Our Town*, edited by convicted felon Edward Kayatt, is nominally a plaything of John Loeb, Jr., of the Loeb, Rhoades Loeb family. It is coordinated through the law office of attorney Roy Cohn, heavily associated with organized crime and also directly associated, together with Joseph "Joe Bananas" Bonano, with the Bronfman-created Permindex organization.

Although Permindex's corporate existence has undergone transformations since the assassination of President John F. Kennedy, the same constellation of figures running Permindex then operates as a unit

today, penetrating into such Permindex-influenced entities as Resorts International and the associated Intertel detective agency.

Permindex's reorganization was caused chiefly by two developments of the 1960s. It was expelled from its base in Switzerland under French pressure, because of Permindex's involvement in repeated attempted assassinations of President Charles de Gaulle. Permindex was also indicted at the instigation of (now) Judge Jim Garrison for its alleged role in preparing the assassination of President Kennedy. Permindex is also identified by leading Western European intelligence agencies as an integral part of the command and control of international terrorism, interconnecting with the Israeli intelligence agency Mossad in coordinating Arab and other terrorist deployments in the Middle East, Western Europe, and elsewhere.

Nominally, Permindex was a creation of the Bronfman family, with close cooperation from France's Edmond de Rothschild. Permindex's chief executive officer was Major (ret.) Louis M. Bloomfield, wartime personnel coordinator for the Office of Naval Intelligence (ONI) and the FBI's "Division Five." According to reliable sources, Bloomfield maintained his influence with ONI and the FBI into the period of the Kennedy assassination. Despite the Zionist cover, Permindex is in fact a branch of the British secret intelligence service, using top Zionist figures as cut-outs and potential fall-guys in event Permindex comes under heavy attack by governments.

Generically, the Permindex network is the top-most assassination organization in the world today, an international "Murder, Incorporated," specializing in elimination of heads of state and of other prominent figures of the sort of Malcolm X and Martin Luther King.

The significance of the *Our Town* libel of last week is that Permindex, the top assassination organization in the world, committed itself publicly to requesting the assassination of presidential candidate LaRouche. The further significance of the hit order was that this operation was conducted in cooperation with the B'nai B'rith Anti-Defamation League, The *New York Times*, Israeli intelligence, and the Office of Special Investigations of the U.S. Department of Justice, a unit which reports directly to Civiletti. Civiletti was, in fact, the only top ranking Justice Department official to actively lobby for the creation of the Office of Special Investigations.

Civiletti is very dirty.

The terrorist danger

U.S. Labor Party counterintelligence specialists, collaborating with the staff of *Executive Intelligence Review*, have been watching closely the Detroit convention of

the Communist Party U.S.A. for clues concerning the impending outbreak of international terrorism in the U.S.A. Although Moscow is not behind international terrorism, elements of certain Communist parties are implicated in international terrorist networks, in cooperation with British agents-of-influence inside top Kremlin circles. The "Angela Davis" fraction of the Communist Party U.S.A. is an implicated, dirty element of that sort.

It is also known that the scenario for bringing international terrorism into the United States, a scenario worked up by British and Israeli intelligence, is to conduct terrorist operations in such a way that Moscow will appear to be responsible. The British and Israeli intelligence services have presently two assets at their disposal to create such an appearance. One asset is the embrace of Jesuit operative Philip Agee by variously rotten and foolish influential circles in Moscow. Agee can be connected in one way or another to every piece of terrorism to be deployed in the U.S. The other asset is the "Angela Davis" element within the CPUSA.

Moreover, undercover investigations of the anti-Nazi coalition spawned within UAW Ford Local 600 have produced crucial indicators of a Permindex-CPU-SA overlap in coming violence to be launched within the U.S.A.

According to our information, developed partially through undercover penetrations, Israeli intelligence operatives, working in close cooperation with British-Canadian intelligence, will assassinate several prominent Jews in the United States—reviving the "Black September" scenario afoot during 1973-1974, and terminated during the spring of 1974. The new twist is to intermix terrorist deployments with urban-ghetto rioting, and to attempt to spill this terrorist-rioting activity into the orbit of trade-union strikes, such as the mooted General Motors strike coming up.

In light of the successes of Italian antiterrorist agencies, this writer and his associates can be considered experts in antiterrorist intelligence work. The arrests of high-level terrorist controllers in Europe during the recent period has fully corroborated our published analysis of terrorist operations and networks, and has also vindicated our proposed antiterrorist methods.

If law enforcement agencies are to combat terrorism effectively, they must have surveillance and related intelligence and operations capabilities. These must be the kinds of capabilities we associate with a national intelligence agency, the ability to run sophisticated political-intelligence operations against the high-level controllers of terrorism, and to neutralize such well-known supporters of international terrorism as former U.S. Attorney General Ramsey Clark. Unfortunately, the most important controllers of terrorist capabilities

inside the U.S. are high-level public and private figures normally considered unreachable, if not entirely above suspicion.

It is this sort of law-enforcement capability which Civiletti is acting to destroy.

Riot control

The same methods are required for riot control.

There are very few "spontaneous ghetto riots" in the United States. None of the famous cases from the 1960s were spontaneous. They were well prepared and long prepared, with aid of federal and private grants, using principally Alinsky-type operatives, many of which were deployed nationally from the environs of the University of Chicago.

The first job of the police is to prevent riots, which can be done best by moving in to isolate and detain Alinsky-type "community activists" on the eve of a social disturbance. If that fails, then during the riot, the police must use the same surgical methods of neutralizing the incendiaries.

The comparison of the 1967 Detroit riots with the 1977 blackout disturbances adequately illustrates the point. In the 1967 case, previous action by certain civil liberties specialists prevented police from deploying the intelligence capabilities required. In the 1977 case, Mayor Abe Beame and Police Commissioner Codd neutralized the Alinsky-type agents, and the rioting subsided as the looters cooled themselves down through exhaustion.

The nightmare of law enforcement agencies in such situations is the danger that provocateurs will shoot at police or National Guardsmen from within a screen of merely hysterical looters. A volley into such a crowd creates the bloodshed through which Alinsky-type operatives escalate a major disturbance into a virtual state of insurrection. In the Detroit case, the Johnson administration, led by Attorney General Ramsey Clark, and with aid of Cyrus Vance and Joseph Califano, exacerbated the situation. In the New York City 1977 case, Beame and Codd were able to follow appropriate methods and procedures.

Without appropriate intelligence and enforcement capabilities, law enforcement agencies are almost helpless to prevent escalation of riotous situations.

Police brutality

There are three different categories of action which an unthinking person might lump together under the single heading of "police brutality." In the case of an uninformed citizen, such mistakes are understandable. In the case of an attorney general of the United States, such willful confusion borders on the treasonous.

There is such a thing as *unlawful* police brutality.

This may take the form of a forceful action against an innocent person, or represent excessive force used in handling of a perpetrator or suspect. That is to be deplored and to be corrected by better training, selection and supervision of commissioned peace officers.

At the other extreme, there is the lawful brutality of a police officer in a clear-cut combat situation. In such cases, the officer must act promptly and with all necessary force to bring combat to a successful termination. That is often brutal, but unavoidable.

The third case typifies the police officer's nightmare. In a combat situation, will the person reaching for a handkerchief within the environment be mistaken for one of the perpetrators? This sort of nightmare situation can be minimized by more time spent on combat training of peace officers. It is also reduced as a potentiality by improved police intelligence, the kind of intelligence which aids the officer in knowing who is who in each situation, including who is and who is not a potential combat-situation threat.

Where the obligation of the police is clear, as in response to fire from the MOVE organization in the famous Philadelphia case, the more quickly and decisively the police act to suppress the perpetrators, the less the risk to the innocent.

With the spread of drug usage, homicide rates are spiraling upward—all largely to the credit of such prodecriminalization officials as Civiletti. The need for more and more efficient police action is rising—as a result of Civiletti's support for the drug lobby. With riots and terrorism looming, combat-efficiency by police is the proper watchword.

The quicker the perpetrator is taken out of action, the less likely a police officer under stress will mistakenly identify an innocent person as a perpetrator. What we require to reduce actual police brutality and errors by police is more accurate law enforcement. Riots and terrorist activities must be prevented if possible, and contained and suppressed efficiently where they are not prevented.

If one wishes mass police brutality, simply follow Civiletti's course, ensuring that situations escalate to the point that large-scale bloodshed arises from lack of adequate law enforcement action at the inception of the problem.

The truth of the matter is established by comparing the Justice Department's complicity with Permindex against Civiletti's sly, demagogic concern for "police brutality." Civiletti has so far shown himself willing to wink at assassination conspiracies against a presidential candidate. His sincerity is therefore to be held in considerable doubt. Civiletti objects to the use of force, except in the commission of crimes by his political allies.

The Mountbatten affair: Britain tries to put screws on Ireland

The British government is holding Irish Prime Minister Jack Lynch and his government personally accountable for the murder of Lord Mountbatten, Earl of Burma, an intimate of the Royal Family who was killed when his fishing boat exploded off the coast of Ireland last week.

Although the Irish government is already closing in on the suspected assassins, British newspapers and government officials have laid the blame for encouraging terrorism on Ireland's doorstep and have seized the opportunity to propose a new "pacification" scheme which would jeopardize Ireland's sovereignty.

But the British government has more in mind than stopping terrorism in its attacks on the Irish government and its prime minister, Jack Lynch. The bedrock of Lynch's party, the Fianna Fail, is a program for the eventual reunification of Northern Ireland with the Irish Republic. The foundation of unity is to be expanded industrial development in both Irelands based on the successful implementation of the European Monetary System. As chairman of the European Economic Commission's Council of Ministers for the current six-month period, Ireland is working with France and West Germany to restart the European Monetary System, which only Britain has opposed.

In retaliation for Lynch's breaking of the link between the punt (the Irish currency) and the British pound, and to head off Lynch's solution for Northern Ireland, the British government is putting extreme pressure on the Lynch government—both economic and political. British Petroleum and its sister Royal Dutch Shell have cut back oil supplies to Ireland, exacerbating the economic crunch there which had already reached a crisis because of the oil hoax earlier this year. The *Financial Times* gleefully notes that if elections were held today, Lynch would lose to his opponent, the pro-British Garrett Fitzgerald.

Britain's solution

The British are now demanding that Lynch agree to

full Irish-British security cooperation in a crackdown against the Irish Republican Army, which allegedly carried out the Mountbatten murder. Demands for a coordinated intelligence service and police cooperation are features of the latest outlines for a "confederal" solution to the Northern Ireland question.

Under the pacification plan, which has been presented as a radical new political initiative, the Republic of Ireland would become part of a confederation of "independent" nations, including Northern Ireland, Wales, Scotland, and England. The scheme, endorsed by the head of the Welsh Nationalist Party and leading Liberal members of Parliament, would solve Britain's immediate problem: the break-up of the United Kingdom, while preventing the reunification of Ireland under Dublin's able leadership.

It is no wonder that Irish opposition leader Fitzgerald favors the confederal solution, as do the London *Economist* and the British Intelligence-run Institute for the Study of Conflict. The plan is also backed by certain dubious friends of Ireland in the United States, such as Sen. Ted Kennedy, New York governor Hugh Carey, and Speaker of the House Tip O'Neill.

In Ireland, Fitzgerald, a former foreign minister, has proposed an added feature: that the Republic of Ireland rejoin the British Commonwealth.

Pressure on terrorism

In a radio interview three days before he was to meet with British Prime Minister Thatcher to discuss antiterrorist measures, Lynch ruled out British requests that Ireland allow British security forces to cross the border to question terrorists and made it clear that extradition of "political" prisoners was contrary to the Irish Constitution. Lynch further pointed out that Ireland already has the strongest code against terrorists of any country in Western Europe.

The Irish Republican Army, whose aim is to force Britain to relinquish Northern Ireland through a campaign of violence, terrorism, and bombings, is a pros-

Closing in on Italy's Socialist godfathers

Italy's anti-terrorist investigators over the past week have zeroed in on the Italian Socialist Party as the central organizing nexus of terrorism for the peninsula. This development, which *Executive Intelligence Review* had predicted, has occurred months after the European Labor Party published the details of the Socialists' creation of terrorist gangs.

One of the Rome judges preparing the documentation needed for the extradition from France of terrorist leader Piperno, stated yesterday that Piperno's role was in fact one of mediating between the notorious Red Brigades gang (kidnappers last year of former premier Aldo Moro) and the Socialist Party. Piperno's French lawyer had complained a day earlier that the real aim of the Italian magistracy in seeking the extradition for trial of Piperno was to use him as a means of tracing terrorism back to the Socialist leadership, including party general secretary Bettino Craxi himself.

On that same day, the Roman judge Galluci, who is charged with overall responsibility for the Piperno extradition, had issued a thinly veiled threat of legal action against one of the top national Socialist leaders—Giacomo Mancini. Gallucci announced that he was requesting of the national council of the magistracy that he be given the right to take legal action against all those who sought to protect Piperno from being returned to Italy to stand trial.

Mancini panicked

Judge Gallucci's statement was a response to the provocation of Socialist leader Mancini, who had addressed a mass rally in the south to attack Gallucci and his fellow magistrates for their handling of the Piperno case. Mancini had appealed to the French Socialist Party of François Mitterrand to do everything in its political power to block the extradition in the French courts.

Mancini's panic is related to the fact that Piperno is known to be his particular protégé.

The Socialist leader had already thoroughly discredited himself days earlier when he had similarly criticized the Italian judiciary for its successful extradition of the notorious fascist mass murderer Freda, who was finally caught in Costa Rica after his successful escape from imprisonment in Italy months earlier. In that instance, too, Mancini had attacked the magistrates as "undemocratic" for successfully bringing the nation's most notorious mass murderer home for trial.

—Vivian Zoakos

cribed organization in the Republic. Ireland's six-year old emergency law against terrorism has been used to arrest, prosecute and imprison many IRA members.

Irish authorities have already made two arrests in connection with the Mountbatten murder and suspect that as many as 10 to 15 people took part in the assassination operation. "The police have names and they know whom they are looking for," Ireland's Deputy Prime Minister George Colley told the press. In addition, detectives in Dublin are investigating the connections of an internationally known terrorist who was picked up in Ireland's largest drug bust the week before the Mountbatten murder. Irish security forces are also investigating the hypothesis that the recent wave of bank robberies, arson attempts and kidnappings in the Republic is the work of "hired gangs"—former IRA members and other mercenaries working for whoever pays and deploys them.

Nevertheless, the British and American press are conducting a smear campaign against the Lynch government, contending that it is "soft" on terrorism. Thatcher's lightning visit to Northern Ireland last week, during which she toured British Army installations in combat dress, was meant to dramatize the fact that Lynch had not cut short his vacation in Portugal to deal with the emergency.

Headlines such as "Maggie Shames the Irish" and "Ireland's Shame" appeared in the tabloids like the popular *Daily Express*, charging that Ireland has become an "open house" for worldwide terrorists. The more respectable *Financial Times* merely reported on Lynch's "political difficulties," saying that his popularity was sagging because of recent—British-created—economic problems such as the oil crisis and flagging industrial production. Lynch's Health Minister, one Charles Haughey, who was implicated in a gun-running scandal several years ago, is "poised to take power," reported the *Daily Telegraph*.

—Marla Minnicino

Italy now leads new drug, terrorist crackdown

A well-coordinated crackdown against international drug running has begun in Western Europe.

The stepup began Aug. 24 when the editor and general secretary of *Der Spiegel* magazine of West Germany, Rudolf Augstein, was arrested in Sardinia, Italy by customs officials who found 40 grams of marijuana hidden in his valise. Augstein's slick weekly magazine, first licensed by British occupation troops, is known as liberally sympathetic to the drug culture and the support networks around the Baader-Meinhof terrorists.

The newspaper of the Italian Communist Party, *L'Unità*, has joined the national antidrug effort, reporting the likely hypothesis that so-called soft drugs like marijuana are being deliberately dried up from the markets, and replaced with killer drugs such as heroin, cocaine, and LSD. The exception to this pattern is Florence, now flooded with a new variety of marijuana from Iran called "Khomeina," a tribute to the Ayatol-

lah who has declared himself in favor of opium smoking.

Another link between terrorism and dope running surfaced on Aug. 25 in the Irish Republic with the arrest by police of four individuals transporting 850 pounds of cannabis, valued at around \$2 million, Ireland's biggest bust to date. Among those arrested was one Jim McCann, who escaped from a Belfast jail in 1971, and who has been wanted in Canada, France, and West Germany for a multitude of crimes including possession of explosives.

West German police had been looking for McCann, nicknamed "The Fox," for the bombing of army personnel stations in conjunction with the Baader-Meinhof gang.

His arrest strengthens suspicions of Irish police that McCann is involved in an international drug-running operation to finance the weapons purchases of the "Provo" terrorist wing of the Irish Republican Army (IRA), a case which could bring the internationally organized drugs-terrorism machine further into the open.

Italian Communists blast Dope, Inc.

The Italian Communist Party has joined the fight against drugs in Italy, citing the U.S. Labor Party's Dope, Inc., Britain's Opium War Against the U.S., in a Sept. 5 feature in L'Unità. Entitled "Are Free Drugs More Easily Fought?" by Giuseppe de Luca, the article is excerpted here.

The recent death by heroin of youth has made the "drug question" a key issue and reopened the discussion on the strategies which national and international government entities have developed to deal with a problem that involves the entirety of civil society. Now the Liberal Health Minister Altissimo announces a project for the "controlled distribution of drugs," seemingly a semi-legalization of drugs.

... It is possible to differentiate three models generally adopted in Italy and abroad for dealing with the problem.

The first model is incarceration. ... The second model is the health model ... (using) methods for detoxification ... or substitution (of one drug for another): ... Finally, the third model for intervention is that which goes under the name of "psychosocial therapy of dependence": the addict is a weak individual to be protected ... to be maintained in a permanent state of dependence. ...

To rechannel the drug problem into a historical-social dimension would mean above all making a distinction between drugs and addicts. Drugs are a product, the addict is a person. To the extent that drugs obey economic laws, they generate profit; they are produced for this reason, and would not have otherwise entered the commercial markets. And the profits are huge: it is calculated in fact, that in the United States the income of the large centers of trafficking realize each year \$50 billion, and internationally nearly \$200 billion. Other projections, which must be viewed with caution, estimate that, if the American government does not block the initiative to liberalize and decriminalize drugs, beginning with marijuana, annual income would reach \$300 billion—a figure which is equivalent to double the budget of the Italian government. (Source: *Dope, Inc., Britain's Opium War Against the U.S.*)

If these are the economic parameters of the problem, then it is legitimate to ask who profits from mass drug sales. Certainly not the youth, nor the population at large, nor workers....

... Drugs, as drugs, threaten the health of populations, degrade the quality of life. Obviously, as a product, it is in its interests to present itself candidly as innocuous, even advantageous. But here too let us ask: who is interested in changing people's ideas on the "drug product?" Only those who, through the spread of drugs on a vast scale, pursue a serious objective of social control over the new generation.

... From this point of view any program to legalize drugs produces incalculable damage....

Camp David with a Balkan face?

Romania's Middle East peace drive

Over the past two months, an international diplomatic campaign has developed, with the goal of forging a cosmetic resolution of the Palestinian issue, the heart of the Middle East conflict.

The current diplomatic initiative, the government of Romania and Israeli Foreign Minister Moshe Dayan, were, not coincidentally, central figures in launching the original Camp David bilateral peace between Egypt and Israel.

The current series of moves, which was launched in July with the controversial meetings between Palestine Liberation Organization chief Yassir Arafat and Austrian Premier Bruno Kreisky, has provoked a global intelligence war involving various agencies, including the Israeli Mossad, as a result of Israeli Premier Menachem Begin's flat refusal to make any deal with the PLO. Due to this stance, Begin has come under heavy attack from prominent Zionist leaders and the normally pro-Israel governments and press of Great Britain and the United States.

At the heart of the current pro-Palestinian diplomatic flurry is an effort to blackmail Syrian President Hafez Assad into negotiations with Israel over the Golan Heights, for which some "breakthrough" in the impasse between Israel and the PLO would serve as the cover. Coinciding with the Romanian-led efforts to achieve such an agreement between the PLO and Jerusalem, Syria has been hit by a wave of domestic instability and by Israeli incursions into Syrian-protected Lebanon, both aimed at weakening the Syrians' resolve to resist the Camp David process.

The diplomatic players

European Socialist International circles with long-standing ties to Britain and the European nobility are the major machine in the current initiative. London, in alliance with the New York Council on Foreign Relations (CFR), the anglophile Ditchley Foundation, and the Carter administration, wants a Middle East agreement which will allow for the establishment of a Middle East Treaty Organization to serve as the regional extension of NATO.

Such a plan would allow for the institutionalization of the World Bank's appropriate technologies plan as the basis for "small scale" economic development and

for the necessary military force to back up such a neo-colonialist economic policy for the Mideast and eastern Mediterranean region. This policy for the Mideast is an integral part of the proposed neo-Malthusian zero-growth policy for the world economy prescribed by the CFR in a study, the so-called Project 1980s, in which prominent Carter administration officials participated. This comprehensive plan for the Mideast has been publicly backed by top U.S. and Canadian Zionists and pro-Zionists, most importantly liquor magnate Edgar Bronfman, Senator Henry Jackson, and Senator Jacob Javits.

More immediately, such an arrangement would effectively place at London's disposal both the Middle East "oil weapon" and the petrodollar assets of the Middle East oil-producing nations. Both would be available to disrupt efforts by European nations and Japan to build a new international economic order based on the European Monetary System.

Romanian president Nicolai Ceaucescu's role in initiating the latest flurry of meetings and negotiations is seen by the Anglo-Americans as central in "selling" their peace package to the Kremlin. Working closely with Ceaucescu is an array of European, Middle Eastern, and American figures associated either directly or indirectly with the Fabian Socialist International. Austrian Premier Bruno Kreisky and his close associate Socialist International head Willy Brandt met with Arafat earlier this summer to inaugurate the widely publicized dialogue between the PLO and the European socialists.

Among the other key players backing up Romania's initiative are:

- former World Zionist Organization head Nahum Goldmann, a founder of the state of Israel and a leading Zionist "dove";
- Jean Danielle, the editor of the French weekly *Nouvel Observateur*, a fellow traveler of the French Socialist Party and a close friend of the party's leader, François Mitterand, himself a long-standing confidant of Israeli Foreign Minister Moshe Dayan; and
- Jordan's Prince Hassan, an outspoken proponent of appropriate technologies for the Middle East. Prince Hassan is known to have close ties to Rifaat Assad, the

brother of Syrian President Hafez Assad, who is regarded as a virtual Romanian agent within Syria. Earlier this summer the Israeli daily *Haaretz* (which is closely linked to Dayan) mooted the possibility that Prince Hassan may soon take over in Jordan.

Yugoslav President Josip Broz Tito has also played a sustained role in setting up the current mediation between Israel and the PLO. Both Tito and Romanian President Ceaucescu are known for their allegiance to the International Monetary Fund. Tito has been a long-standing advocate of keeping the Nonaligned group of nations under the IMF's aegis, while Ceaucescu's government is the only East bloc nation to belong to the IMF, and to have relations with Israel.

Sequence of diplomacy

Following the meeting between Kreisky and Arafat in mid-July, Nahum Goldmann gave a startling interview to the West German weekly *Die Zeit*, in which he called for an overall peace settlement for the Mideast and attacked Begin as a security risk to the state of Israel because of his intransigence on the Palestinian question. Corresponding to these developments, Britain's Lord Caradon, who has formulated a peace plan similar to that put forth by Goldmann, made a visit to the West Bank to get the West Bank Palestinian mayors to back United Nations Resolution 242, drafted by Caradon together with Arthur Goldberg and Eugene Rostow specifically to provide a legal basis for continued Israeli occupation of the West Bank. Since the Caradon visit, Moshe Dayan has had a number of publicized meetings with West Bank mayors termed "close sympathizers" of the PLO.

Within Israel, Shimon Peres, the head of the Labor Party, is now making an open bid for the premiership. Peres, a member of the Socialist International, has had several meetings with Ceaucescu, including one this month, and has also met with Egyptian President Anwar Sadat. The Aug. 14 *Christian Science Monitor* reports that Romania was nearly successful in setting up a meeting between Peres and Arafat, from which Peres withdrew only at the last minute. On the same day, a report was leaked from Vienna that the U.S. Ambassador to Austria, Milton Wolf, a prominent Cleveland Jewish figure, had held at least one meeting with Arafat aide Sartawi. A few days later Nahum Goldmann was quoted in the *New York Times* as saying that he had been asked by State Department sources to set up a meeting with Arafat. Such developments occurred against the backdrop of the scandal involving U.N. Ambassador Andrew Young's meeting with the PLO's observer to the U.N., Zehdi Labib Terzi, the event which led to Young's resignation. The next day, Aug. 15, Ceaucescu arrived in Syria for talks with Assad.

During this period Arafat was involved in extensive diplomacy related to the Anglo-American initiative. On

July 24, Arafat met with the British Ambassador to Lebanon and urged him to press Washington to back the Brandt-Kreisky efforts to open a dialogue between Israel and the PLO. On Aug. 27, Arafat was visited by former U.S. Attorney General Ramsey Clark, a top figure in U.S. National Security Council circles who also helped the Ayatollah Khomeini take power in Iran. Clark's visit to Beirut was set up by Arafat aide Sahfiq al Hout, who recently made a tour of the U.S. at the invitation of the Chicago Council on Foreign Relations. Shortly thereafter, Arafat made a sudden visit to Romania to meet with Ceaucescu.

Target Syria

At the heart of the operation is the destabilization of Syria, and the breaking up of the Syria-Iraq alliance—to leave a weakened Syria no choice but to enter the Camp David axis.

Among the events directed toward this goal have been the assassination of Zuhair Mohsen (the head of Saiqa, the Syrian PLO guerrilla organization) during a visit to France in late July, which has been attributed to Israeli intelligence. The murder took place after Palestinian terrorists, who were identified as Saiqa members, seized the Egyptian embassy in Ankara. This incident supplied the pretext for the hit against Mohsen, and was calculated to split the Syrian wing of the PLO off from Arafat's liberal wing and smooth Arafat's efforts to make a deal with Israel through Romanian mediation.

Also tied to the destabilization of Syria is an attack which took place about the same time on a Syrian military academy in Aleppo. This incident was attributed to the extremist Muslim Brotherhood. Shortly thereafter, the Syrian government officially linked the attackers to Zionists and Zionist-connected Lebanese Maronite Christians. The attack has sparked a wave of assassinations against Syria's Alawite minority, from whose members Assad and most of the Syrian political and military leadership are drawn. Syrian sources state that Rifaat Assad and Mohammed Haider, the Deputy Premier for Economic Affairs, are behind the recent terrorist attacks. Haider, too, is a contact man within Syria for Romanian interests.

The internal troubles in Syria took a quantum leap forward last week when riots broke out in the port town of Latakia in the northern section of Syria, which is predominantly Alawite. Since then, reports have swept the European press of civil war conditions building in Syria. These latest riots are reportedly the work of the Muslim Brotherhood, and took place at a time when Syrian President Assad was out of the country, leaving handling of the affair to his brother Rifaat.

Also timed with the Romanian diplomatic drive was the collapse of Iraqi-Syrian efforts to federate. The collapse occurred following the takeover of Iraq by the

number two man, Saddam Hussein, who exposed a plot within the Iraqi Ba'ath Party to take over the government—a plot reputedly linked to Syria. Syrian diplomatic sources report that the conspirators were deliberately exposed in order to cast a shadow over Syria-Iraq relations. In an interview with West Germany's *Der Spiegel* this week, Assad notes that the negotiations between his country and Iraq have reached a stalemate. Such a stalemate serves the interests of the Israelis insofar as it leaves Syria militarily more vulnerable to Israel—particularly in light of the repeated provocations against the Syrian peacekeeping forces in Lebanon by the Israeli armed forces.

Sources from the CFR and the London-based International Institute for Strategic Studies are also predicting that Assad may soon be assassinated. Such rumors are designed to further intimidate the Syrian regime into following Egypt's example along the Camp David path. But if Assad cannot be broken by the Romanian-Israeli carrot and stick policy, then the possibility of an assassination is very real.

London and its allies appear to feel that their operation is moving forward smartly. Only last week, Ceausescu sent a special emissary to Israel to meet with Prime Minister Begin. Though the public statements from the meeting indicated no breakthrough, *Corriere della Sera* and other European press sources indicate that behind the scenes substantive differences are being resolved. The Aug. 31 *Cambio 16* reports that Kreisky is vacationing in Mallorca and has held a number of round-the-clock meetings with the "political department" of the PLO there. Simultaneously, Moshe Dayan has launched his own effort to open talks with West Bank associates of the PLO and, according to the British Broadcasting Corporation, with Palestine National Council member Dr. Hamzeh Natchi.

But, to the extent that the Romanian-led diplomatic drive has focused worldwide attention on the Palestinian question, it has opened the door for others to inject a more broad-based and viable peace plan into the Middle East—the approach stated in the October 1977 U.S.-Soviet call for an overall Mideast peace parley. Such initiatives would likely come from the Soviet Union and France, both with extensive interests and contacts in the region. France opposed the current Anglo-American effort because France and other European nations would be the first targets of the "oil weapon" that establishment of METO would place in the hands of London; the Soviets fear the threat that the Camp David process poses to global peace and stability. Beyond that, however, neither power has any goal in the Middle East that poses any threat to basic U.S. or Arab interests, and on this basis, a French or Soviet counterinitiative cannot be counted out in the Mideast sweepstakes.

—Judith Weyer

Britain attacks Begin

The normally pro-Israel British have recently done an about-face, attacking the government of Prime Minister Menachem Begin for its intransigence on the Palestinian-West Bank issue and for its continuing raids into Lebanon. The British "outcry" against Israel is part of a plan to set the stage for the removal of Begin and his replacement with a liberal, Labor Party-linked government led by Shimon Peres. Such a government would, according to the London scenario, be more amenable than the Begin crew to making a deal with the PLO and Syria, a deal that is aimed at roping the Palestinians and Syrian President Assad into a new stage in the British-Second International-sponsored Middle East "separate peace."

Following are excerpts from the British press:

The Economist, editorial, "Israel's Blunt Instrument," Sept. 1:

Despite a hiccup of Israeli protest, Mr Menachem Begin's government has declared its intent to continue its policy of attacking Palestinians in Lebanon by sea, land and air regardless of what these particular Palestinians have, or have not, done against Israel. ... Last week the foreign minister, Mr Dayan, complained that he could not justify this policy to Israel's unhappy American allies....

Pre-emptive attack is sometimes a genuine and justified means of defence. ... But Israel should not feel free to attack the Palestinians and their Lebanese neighbors at will, and without attempting to draw a distinction between weapons and tactics that are reasonably accurate and those that are not. To do that is to answer terrorism with terrorism, and the answer is no more acceptable than the deed it answers.

The Daily Telegraph, editorial, Aug. 31:

A small-scale war has been going on in the Middle East for several weeks. Almost every day, Israeli forces, or Israeli-backed forces, bomb and shell villages and ports in southern Lebanon. ... The subject is causing unease within Israel itself and has led to dissension in the Israeli Cabinet. It is yet another aspect, and the most worrying one, of the unsolved Palestinian question.

Israel's declared object is to make the Palestinian guerrillas who operate from south Lebanon so unpopular with the indigenous Lebanese that they get squeezed out. It is not working. If anything the Israeli attacks are causing greater solidarity between Palestin-

ians and "Left-wing" (i.e. non-Christian) Lebanese. Thus the recent civil war in the Lebanon, put down by the massive intervention of Syrian troops, who remain in control north of the Litani river, is being continued in miniature south of that line, where the Syrians have not penetrated. Israel is in effect daring and taunting Syria to do something about it. Mr Dayan, Israeli Foreign Minister, who it has been revealed is talking to a prominent PLO sympathiser in Gaza, said yesterday: "You can't get the Arab opinion by sitting and talking with Jews." Nor can you get it by shelling Lebanese.

Washington Star, editorial, Aug. 28:

The calmness—the apparent indifference, it might be said—of Attorney General Benjamin Civiletti about the possibility of illegal Israeli intelligence activities in this country is rather curious.

He is reluctant to look into reports that Israeli agents bugged the July 26 meeting in New York City between U.N. Ambassador Andrew Young and a representative of the Palestine Liberation Organization because, he said, "I have seen no information or evidence that it was bugged or surveilled."

Mr. Civiletti was curtly dismissive of press reports, including one in *The Star* quoting knowledgeable U.S. sources, that Israeli agents have pursued their vocation in this country with a vigor that runs to excess and perhaps even illegality....

The attorney general said he had not received a request from Congress or any of its committees to look into Israeli espionage activities in this country. Well, we hope such a request will materialize.

But it strikes us that the reports of Israeli bugging have been sufficiently informed that Mr. Civiletti would show more concern, in his official capacity, over who's doing what to whom.

As part of the effort to undo Begin, sections of Israeli intelligence tied to the Begin machine are also being targeted—as exemplified by Newsweek's Sept. 3 feature article "Israel's Spies in the U.S." Similar articles have appeared in other U.S. papers.

Corralling Syria

Earlier this summer, in a New York Times op-ed, CBS diplomatic correspondent Marvin Kalb signaled the enactment of a plan to rope Syria into a METO "Peace" configuration for the region. A key component of this scenario involves rupturing Syria's relations with Iraq and coercing France into throwing its weight behind the operation.

A more recent editorial in the Financial Times of London gloats that the growing unrest inside Syria is forcing President Assad into a Camp David-style peace arrangement with Israel. The editorial admits that a Syrian deal with Israel would be nothing but an outgrowth of Henry Kissinger's step-by-step diplomacy, a diplomacy that exacerbated, not ameliorated, tensions in the Middle East. Excerpts follow.

New York Times, op-ed, "The Syrian Connection" by Marvin Kalb:

The American attitude is, to put it mildly, shortsighted. ... Syria cannot be sidestepped in any realistic pursuit of peace. The recent upsurge of sectarian violence, directed against the regime of President Hafez al-Assad, has led to the surfacing here of an intriguing theory circulating among some of the principals who see its pitfalls and benefits: It holds that Syria may not be ready for a subtle approach (probably by the French) aimed eventually at negotiating an Israeli return of the Golan Heights under airtight security arrangements in exchange for a pledge of peace and co-existence.

According to this theory, Mr. Assad is in bad trouble; he requires a major victory capable of rallying nationalistic sentiment. His minority, Alawite regime, drained by the civil war in Lebanon, is being challenged

by the Sunni majority as well as Moslem fanatics, and the possibility of a bloodbath looms on the near horizon. War with Israel, as an option, would be attractive but suicidal, without Egyptian support on the southern flank. But a negotiation with Israel, focusing on a phased return of the Golan Heights, might save Mr. Assad's regime by restoring national honor, so long as it does not appear as though he is abandoning the Palestinian cause in the process....

No two negotiations are alike; and no doubt Israel and Syria would both find ready reasons for initially rejecting or disparaging the concept of negotiating their differences *before* the Palestinian problem could be settled in a parallel set of talks. But that predictable response should not discourage the United States, working this time with the French, from going down the route of realism by playing on what is, after all, still the strongest force in the Arab world—the force of nationalism.

Financial Times, editorial, Sept. 4:

Syria's opposition to Egypt has been characteristically hedged. ... This suggests, as has been hinted at through recent Romanian contacts in Israel, that Syria might not be totally averse to being co-opted into negotiations with Israel—given the right terms.

[The article then discusses the mounting instability in Syria, citing in particular the role of the Muslim Brotherhood, which, writes the *Financial Times*, "has caught on as a means of expressing opposition to an apparently well-entrenched regime."]

The temptations to leave the Syrian Government to cope with its own largely self-created problems are considerable. The Camp David framework agreements and the Washington treaty, for example, make no direct reference to the Golan Heights, still occupied by Israel. But there is a strong case for trying to involve Syria in negotiations with Israel.

As long as only Egypt and Israel talk together on the Middle East no breakthrough on the wide issue is feasible. Syria's involvement, perhaps through an ad-

Turk calls for 'Islamic NATO'

Necmettin Erbakan, leader of Turkey's National Salvation Party, has called for the creation of an Islamic defense organization modeled on NATO. At a press conference in Turkey on August 11, Erbakan, an adherent of the fanatic Muslim Brotherhood and an outspoken admirer of Ayatollah Khomeini of Iran, said that it is time for the Islamic world to unite and form "a NATO-style defense organization." The establishment of a Middle East NATO is part and parcel of ongoing Anglo-American efforts to pull together a Middle East Treaty Organization as an outgrowth of the Camp David accords, now in the process of being expanded to include the PLO and Syria.

Erbakan also called for a "U.N. of Islamic Countries," and an Islamic Common Market based on an "Islamic dinar," and an "Islamic Countries' Culture and Research Organization." Erbakan's efforts to pull together an Islamic Common Market are linked directly to parallel British efforts to take over and dominate the European Monetary System. In his press conference, Erbakan compared his Common Market proposal with European efforts to "destroy the dollar"—which is precisely what the British want to use the EMS for.

dendum to the basic U.N. resolution 242 (treating the Palestinians only as a refugee problem), might lead the way to others, Jordan and the Palestinians, joining in.

Finally, there is a precedent. Syria complained bitterly when Egypt in January 1974 concluded the first interim withdrawal agreement with Israel. But four months later, thanks to tireless shuttling by Dr. Henry Kissinger, it concluded its own partial withdrawal agreement with Israel on the Golan Heights. Instability in Syria is more likely when it is isolated.

Nahum Goldman tells of his PLO ties

The end of August issue of the West German weekly Rheinischer Merkur published the magazine's interview with Nahum Goldman, the former head of the World Zionist Organization and a founder of the Israeli state. Excerpts from our English translation of the interview follow.

Q: *Once again you've put the public in an uproar, for the announcement is going through the media that you'll shortly meet with (PLO chief) Yassir Arafat. What do you actually have in mind?*

A: At this moment, there is no appointment with Arafat. ... Various sides are ... making efforts to arrange a meeting with Arafat. Important personalities in Washington have encouraged me to meet with Arafat in the event he is willing. In principle, I have stated my readiness for this, but the modalities must nevertheless still be carefully arranged. ...

(Israeli Prime Minister) Begin has my word that he would be informed before and afterwards. ...

At the moment, my meeting with Arafat is in a state of suspense. A meeting with me poses certain difficulties for Arafat. For one, because I was president of the World Zionist Organization for 12 long years and, furthermore, because I would only be negotiating on the basis of mutual recognition by the PLO and Israel. The PLO would have to change their program and Arafat does not want to risk a split in the PLO if Israel does not beforehand declare itself finally ready to recognize the PLO. ...

Q: *People are talking about the troubled relationship between the Federal Republic of Germany and Israel. ...*

A: I have often spoken with many German politicians about Israel. ... My conviction is that they are all real friends of Israel. The Israeli viewpoint that foreign powers and especially the Federal Republic should not be allowed to have their own opinion and must blindly accept what Mr. Begin wants is absurd. I do not accept that and I am an Israeli citizen. This outlook is one indication of the domestic weakness of the Israeli extremists. ...

Q: *Is Israel's loud criticism about the Germans traceable back to a Masada complex? ...*

A: No. The Israelis are not so dumb that they would fall into a Masada policy. Israel's policy has its foundation, for the most part, in the conduct of the American Jews. The American Jews overestimate their power. ... There is their bad conscience about having reacted

too weakly to the danger of Hitler for, with a different policy, they might have been able to save hundreds of thousands. ... Now their bad consciences are driving them to exaggeration in the defense of Israel. ...

They have the feeling that they must stick to Israel through thick and thin. This conduct damages Israel, because the Israelis get the feeling that they can move the American Congress to sabotage a policy by the President that is not acceptable to them. ...

Q: *What do you think of Arafat's formula in which Jews, Christians, and Moslems could live peacefully with each other in a secular democratic Palestine?*

A: That is unrealistic. Look at Lebanon. There can't be a second Switzerland in the Mideast. ... No. In a state in which Jews and Moslems live together there would always be domestic conflict.

But if America were to support the Palestinians and help them to set up their own state, then what could possibly occur at the end is a Confederation of Jordan-Palestine, and this confederation could form a kind of common market with Israel. ...

Q: *Would Israel then, when the Arab threat no longer existed, sink into domestic conflict? I am thinking of the conflict between Ashkenazy and Sephardim.*

A: No. When peace comes for once, the conflict between (them) will tone down because the younger generation of both groups is no longer so very different from each other as are the adults.

Nevertheless, Israel today finds itself in complete chaos in terms of party politics. Begin has no majority. Actually, he only came to power by mistake and, among other things, because my friend Yigal Yadin suddenly had the ambition to become a politician after he had already gotten a great name as an archeologist. ... Besides, the Likud party itself is totally split.

What this comes to is that, in the long term, the U.S.A. cannot support Begin. Oil plays a role here and so does the latent anti-Semitism promoted in the long term by Israel's hardness. ...

Q: *Back to Arafat. Do you consider him to be a Palestinian Sadat?*

A: According to everything that I know, Arafat is a moderate man. Those in the know tell me that the extremist opposition ... have at the most 15 percent of the Palestinians behind them. ... So it comes down to whether the U.S.A. and Israel are ready to speak with him. ...

New crisis in U.S.-Mexico relations

U.S. demand for Ixtoc damages casts pall on September summit

Observers who hoped that U.S. relations with Mexico had nowhere to go but up following President Carter's provocative and tasteless performance in Mexico last winter received an unpleasant jolt last week, when an aggressive new expression by Washington of its displeasure with Mexico's plans to use its oil wealth for industrialization brought U.S.-Mexico relations to the brink of complete collapse. On the eve of President Jose Lopez Portillo's state visit to Washington, the Carter administration, through its special ambassador Robert Kreuger, announced it had sent a cable to Mexico demanding that that country accept juridical and financial liability for the possible damages to U.S. coastlines from Mexico's Ixtoc-1 oil spill.

The demand provoked outrage in Mexico, particularly as the U.S. has been known in the past among the international community as a strong proponent for the view that there is no international law to guide action in such cases as the Ixtoc-1 accident. Washington's transparent attempt to put pressure on Mexico—in the midst of an active dispute over the sale of Mexican natural gas to the U.S., as well as of the more fundamental, simmering disagreement over Mexico's plans for development of its oil resources—sparked an angry official response from the Mexican Foreign Relations Ministry the next day: "Mexico is not in a position to start conversations [on the Ixtoc case] . . . the fact that there are no bases within international law to recognize the existence of international legal responsibility by the government of Mexico."

In a press conference the next day, Aug. 24, Mexican President Lopez Portillo attacked the U.S. demand as a "new, unexpected and disconcerting" element in U.S.-Mexico relations. And the deterioration in the relations between the two countries has gone so far that the Mexican leader even questioned the usefulness of the visit to Washington scheduled for Sept. 28.

In the eyes of impartial observers, not only is the U.S. entirely to blame for the crisis in the two countries' relations, but is the big loser as well. In the view of Carter administration Mexico-policy gurus—Zbigniew Brzezinski, the National Security Advisor, is regarded as a leader of this group, especially since the departure of Energy Secretary James Schlesinger—the benefits of

U.S. oil-for-technology deals desired by Mexico must be sacrificed to the broader "geopolitical" goal of preventing the emergence of a major industrial power on the U.S.'s southern border. Although industrialization is precisely what the Mexicans seek—and the price they are asking for Mexico's oil wealth—U.S. strategists reason that the Mexicans can be bullied into coughing up Mexican oil to the U.S. at a minimal cost.

The result of the U.S. policy has so far been only a series of fiascos, the latest, Foreign Minister Jorge Castaneda's announcement last week that negotiations for the sale of Mexican natural gas to the U.S. have been suspended, and will not be included in the agenda for the Lopez Portillo-Carter summit. As well, U.S. firms are being shut out of a potential export market that will eventually produce "billions of dollars" in capital goods orders, according to some experts.

"Tough guy" approach

For the time being, the U.S. seems to be persisting in its bullying tactics. In an interview in the Mexican press recently, William Colby, former CIA director and protégé of Henry Kissinger, declared that "the greatest threat to the United States is its relations with the three-quarters of the world which lives in underdevelopment, and the most obvious threat is Mexico, with 60 million inhabitants becoming 120 million by the end of the century." "There aren't enough bullets to go around" to stop the "invasion" of Mexican labor, Colby stated, so the only solution is to prevent any capital-intensive development and industrialization in Mexico, and to create labor-intensive jobs for Mexican peasants who are attracted to jobs in U.S. industry.

The Mexican answer to Colby will come at the United Nations in late September, where Lopez Portillo will officially present Mexico's world energy policy to the United Nations, one day before he is scheduled to meet with President Carter. That proposal calls for making energy "the common responsibility of mankind," to ensure that supplies and prices are best apportioned to provide for global industrial development. The U.S. has yet to officially recognize the existence of that plan.

—Elsa Ennis

President José Lopez Portillo talks about Ixtoc I

Following is a partial transcript of Mexican President Jose Lopez Portillo's Aug. 24 press conference, largely on the topic of the Ixtoc affair, held at the inauguration of a major petrochemical complex at Salina Cruz on the Pacific coast.

Q: *Mr. President, we would like to know your views on the postures assumed by the U.S. Government in the negotiations about oil and the Ixtoc problem.*

Lopez Portillo: The president's point of view is the one expressed by the Secretary of Foreign Relations, which is an office whose specific function is to deal with this type of situation and who has expressed the point of view of the Republic. We hold that there is no juridical basis for posing a claim of this kind [for oil spill damages to Texas beaches—ed.]. And we could add some other considerations to support our position.

First of all, we were disconcerted that a specially designated ambassador should direct a message of this type as his first act in a relationship of interchange, and do so in public fashion in the U.S. without waiting for a reply. This is unprecedented and entails an attitude which, I repeat, is disconcerting.

Second, we think that the claim lacks juridical basis, because we have complied strictly with all our international and national commitments in the case of the

unfortunate Ixtoc accident. It was drilled in Mexican territorial waters, taking every precaution. It was an accident; there was no negligence. Afterwards, we have taken all possible precautions of a technical nature, and more, to make sure the spill does not spread. We are making three types of efforts to control it: the direct ones—in a few moments you will find out the present situation—bombarding the well with lead and iron pellets; the ones to drill relief wells; and also an emergency effort which I would call “sombbrero,” to take advantage of the products flowing from the well.

We have done everything humanly possible, and more. I believe that never in the history of this kind of accident has any country done so much to reduce the problem, a problem which occurs rather frequently: an average of 60 wells go out of control every year in various parts of the world.

In this case of damage claims, many precedents in international law—including those in which the United States itself has participated—give no basis for such claims. The latest case I recall is that of the 13 Japanese sailors who died as a result of an atomic explosion in the Pacific. In that case the United States ratified the thesis that no system of guilt exists which could substantiate such claims.

I want to tell you that, juridically, international law

U.S. makes Ixtoc damage claim...

Following is an excerpted version of the Aug. 23 U.S. demand that Mexico accept liability for any damages resulting from the Campeche Bay oil spill, delivered at a State Department press conference by U.S. Coordinator for Mexican Affairs Robert Kreuger.

For some time, the governments of Mexico and the United States of America and many people in each of these two countries, have been working together in an effort to minimize the damage to the coastline and coastal waters of our two countries from the oil spill in the Gulf of Campeche. I would like today to review

our joint efforts and to respond to inquiries about some of our government's current actions.

If an accident occurs on a freeway, the first thing to do is to get any injured parties to the hospital; the second is to get the freeway open; and the third, perhaps, to get the names of the parties involved so that, later on, attorneys and insurance companies can get together to determine whatever responsibility is involved. I would say that it now appears we are entering that third stage.

Yesterday afternoon the U.S. government sent a cable to the Government of Mexico indicating that, while it is too early to make a definitive assessment of the damage that may

result to the U.S. coastline, we believe that we should now begin discussion on various issues related to the oil spill in the Bay of Campeche. ... One matter that we suggest be included in that discussion is the question of liability and possible alternatives for dealing with claims for compensation for cleanup costs and any damages that may have occurred to property and resources.

We are hopeful that the Mexican government shares our desire to address this matter together, for our two countries have thus far cooperated very closely in attempting to control this oil spill. We see this as a continuation of efforts to solve this issue jointly.

is not a closed system, unlike national legal systems. National juridical systems have evolved to the point that law can establish what is called "the thesis of objective injury," by which he who benefits from the act has to pay whatever damages it causes. International law does not attain this end. We do not see it as something improper. When we reach the point, when there are resolutions of international law, obligatory to all and with which all comply, when there are tribunals to apply those systems in a generalized order, then we will subscribe to them. But we will not, under any circumstances, accept one-sided agreements: that when it's Mexico, we have to pay damages, but if it's another country, they don't.

I recall the case I've cited. I recall the case of the Colorado River waters in Mexicala and others of that type. Law must be general and apply to all; there can be no particular or circumstantial applications.

In light of these considerations, we judge that the [demand for] reparations is unfounded. We regret that it was made in this way, and we rest confident in our cause, which is valid.

Q: Mr. President, does this change your plans of meeting President Carter? Do you think this is a maneuver to soften up the position of Mexico on natural gas?

Lopez Portillo: I do not want to think that something so fundamental is a pressure maneuver. In view of the nature of what happened, I rather think it is some kind of concession to an internal pressure group, which compels them to break precedent and make it public before waiting for our response. This suggests to me that what they want is to publicize the position of the United States; but I am not softened by that.

Q: Mr. President, does this change the position of Mexico on energy in the United Nations? [Mexico's proposal calls for considering energy "the common responsibility of mankind—ed.]

Lopez Portillo: No, on the contrary, this confirms the necessity of establishing a generally shared responsibility. This type of situation confirms the thesis we are going to bring to the United Nations.

Q: Mr. President, don't you think that this serves as pressure before your meeting with President Carter?

Lopez Portillo: This does not pressure me. I know the country's rights; I am confident that we have done what's right and even more than other countries have done in similar cases. I look upon this with great serenity.

Q: Are you going to deal with this in your meeting with President Carter?

Lopez Portillo: If it occurs, because there seem to be some doubts about it. ...

Q: I was asking if you intended to speak of it. ...

... and Mexico replies

The Mexican Ministry of Foreign Affairs delivered this reply to the Kreuger statement, also on Aug. 23.

The Ministry of Foreign Affairs of Mexico presents its compliments to the Embassy of the United States of America and has the honor to acknowledge receipt of its note 1560, dated yesterday, proposing to start conversations on various issues related to the oil spill from the Ixtoc well in the Gulf of Mexico, including issues regarding the question of the liability and possible alternatives for dealing with claims for compensation, for cleanup costs, and any dam-

ages which may have occurred to property and resources.

On the other hand, the Ministry has learned through the international mass media that, without waiting for a response from the government of Mexico on this issue, the United States Government—through Mr. Robert Kreuger, U.S. Coordinator for Mexican affairs—has disclosed, in general terms, the contents of the United States' embassy's note. These circumstances have forced the Government of Mexico to use the same public means to state its position on the issue set forth, which is as follows:

"The Government of Mexico is not in a position to start conversa-

tions with the United States about the question of liability and possible alternatives for dealing with claims and possible damage to other states, or persons, or property of its nations, that may result from the accident which occurred at the Ixtoc well, by virtue of the fact that there are no bases within international law to recognize the existence of international legal responsibility by the Government of Mexico or by Petroleos Mexicanos.

"The Ministry of Foreign Affairs of Mexico avails itself of this opportunity to renew to the Embassy of the United States of America its assurance of its highest consideration."

Lopez Portillo: Well, I think it is always good for us to talk things over, if there is anything to be discussed. We'll see.

Q: *Will Mexico make a protest concerning the way Mr. Kreuger proceeded in this case?*

Lopez Portillo: No, it is not a question of protesting because [the complaint] is not formulated in terms of a tribunal, but merely of a proposed bilateral meeting, which we reject. We do not have to discuss this subject.

Q: *Mr. President, if it were necessary, would you go to the Hague Tribunal [the International Court of Justice]?*

Lopez Portillo: Well, let them go [laughter].

Q: *Mr. President, in the context of our relations with the United States, pressure has been applied in many instances and many situations. Do you feel that this sets a precedent for a permanent reevaluation in Mexican-U.S. policies, not only in the oil field, but in general?*

Lopez Portillo: We are always reevaluating, and since it is a permanent relation, and one linked to the closest geographical proximity, there are always new developments, and we are always reevaluating the relation. This is a new circumstance and a new attitude—one which to us is novel, unexpected, and, I repeat, even disconcerting—which simply obliges us to once again sustain our principles. You know that principles are what are most important to Mexico. The damage claim which seems to be for two or three million dollars—I'm not sure—is of no importance in itself. What is important

in these cases are the principles and the principles which arise in this case are those of international law. Does international law have norms to resolve cases of this sort? Has the United States, the possible claimant nation, taken a position in the past congruent with the claim it now lodges against Mexico? Yes or no? Has Mexico complied with its national and international commitments? In the Ixtoc case, yes.

Hence, gentlemen, we face whatever now happens with a clear conscience.

Q: *Mr. President, new refineries have been placed in operation [at Salina Cruz, site of the press conference—ed.]. What does this mean in relation to the Ixtoc situation?*

Lopez Portillo: [It means] that there has been so much distortion—and we will deal with that in our State of the Union address [Sept. 1—ed.]—there has been so much distortion of the extraordinary, incredible, miraculous activity of Petroleos Mexicanos [Pemex] concerning Ixtoc, that I want to answer as follows: Pemex is a complex institution which, more than ever in its history, is meeting the challenge of our times. Ixtoc is a single incident, one of 60, I repeat, that occur in the world every year on the average. This is one of them, with serious characteristics, because the oil deposit is exceptional. What has happened is bad. But under these conditions, I don't want Ixtoc to distort the many things Pemex is doing. Here you have one [example], and all over the Republic they are working harder than ever.

Chicago's gangs: who benefits?

Part 4 of reporter Roy Harvey's award-winning series

This week Executive Intelligence Review continues with part four of its publication of excerpts from Chicago Defender reporter Roy Harvey's award-winning series on Chicago gangs. Copies of the complete series may be obtained directly from the Chicago Defender, 2400 S. Michigan Ave., Chicago, Ill. 60616.

July 3: Politician support for gangs

To many, the problem is perplexing: how could black parents, church leaders, politicians and others stand by and "watch their kids and their community be destroyed," as Winston Moore states it.

Moore, now head of security for the Chicago Housing Authority (CHA), also poses an answer: "Those phony, white, bleeding-heart liberals."

To Winston Moore, it is one word: "Phonywhite-bleedingheartliberals!" He says it with as much contempt and rage as he can muster. Which is considerable.

At the top of the list, Moore places the phonywhitebleedingheartliberal politicians.

"The final insult to black people was when Senator Charles H. Percy invited Jeff Fort and the Blackstone Rangers to attend Nixon's Inaugural Ball in Washington..."

In congressional testimony before the McClellan hearings, Edward Buckney, head of the Chicago Police Gang Intelligence Unit (GIU), noted that Senator Percy had met with and said of Blackstone Ranger leader Jeff Fort: "He's a bright boy and ought to go into politics."

Buckney commented: "It is this kind of thing that gives power, status, and recognition to these fellows—and it makes our job much more difficult."

"We've been working with this problem for the last

several years," Buckney's mid-1968 testimony continued, "and we still don't feel that we have the answers, so its kind of frustrating for us to find these overnight experts."

In a recent interview with the *Defender*, former State Representative Lewis A. H. Caldwell stated: "The police were really hamstrung. They were damned if they did and damned if they didn't with all these charges of 'police brutality'—and the politicians were making some of those charges. The gangs played that stuff like a yoyo."

Among the politicians cited by Caldwell was Abner Mikva, congressman from the 2nd Congressional District in which most of the gang violence was taking place.

In defense of Rev. John R. Fry of First Presbyterian Church, Mikva was quoted as testifying before the McClellan hearings: "I have known Rev. John Fry for a number of years. His integrity and commitment to a peaceful society are impeccable."

Mikva continued: "He (Rev. Fry) has lived his religion in the best sense of the word." The statement caused one critic to comment: "Mikva apparently doesn't think much of the Christian religion."

In an *Atlantic Monthly* interview (May, 1968), Mikva had stated: "I get violent mail, more from the black community than from the white asking: 'What are you doing defending the Rangers?'"

To this, Mikva insisted he was a victim of police terror: "The police insist on using direct, terrorist, violent methods and only succeed in polarizing people. They force people like myself to come out pro-Ranger because of their tactics."

Continues Mikva: "If the Rangers had committed all the crimes they have been charged with, there would probably have to be 100,000 of them—or they would have to be some of the most energetic criminals who ever lived..."

At the end of the interview, Cong. Mikva makes this curious comment: "If they (Blackstone Rangers) weren't here, I wouldn't invent them..." Was the congressman tacitly acknowledging the fact that they were "invented"—an ersatz (phony) creation?

Senator Percy is a liberal Republican. Congressman Mikva (10th District-North Shore) is a liberal Democrat. One more thing they have in common is the University of Chicago. Percy graduated in 1941; with better connections than Mikva (he is a Rockefeller in-law), he is a university trustee. Mikva graduated 10 years later; currently he is President Carter's nominee for a position on the District of Columbia Court of Appeals (the court second only to the U.S. Supreme Court).

But the University of Chicago alumni weren't the only "phonywhiteliberalbleedingheartpoliticians" involved, notes Moore.

For example, there is Senator Jacob Javits (R-NY), who in May 1967 took Jeff Fort and other Blackstone Rangers gang leaders out to lunch when he (Javits) was in Chicago, as part of a probe of the Office of Economic Opportunity (OEO) program in Chicago.

As John Fish suggests in his book, *Black Power, White Control*, with the threat of an investigation into the Chicago OEO office, Mayor Daley got the message: he accepted the OEO experimental gang project he and his advisers had opposed.

A member of the Permanent Subcommittee on Investigations, Javits played a foil to the McClellan hearings investigation.

Another politician was a part of that investigation: Sen. Robert Kennedy. "Kennedy hated Daley and the Daley machine," Charles Livermore (who in 1968 was the executive director of the Chicago Commission on Youth Welfare), told the *Defender*. "Bobby Kennedy called Daley 'a Neanderthal', to which Daley responded: 'I thought I was a member of the new breed'."

Yet another Kennedy in-law played a part in the Blackstone Ranger development: Sargent Shriver, a man with presidential ambitions in 1968, was head of OEO.

In sworn testimony, James Houtsma (then deputy warden of Cook County jail), told the Senate hearings that chief OEO investigator Marvin Fulmer told him, when in Chicago during an OEO investigation of the federal government gang project, that in spite of evidence of corruption and illegality within the project presented by Houtsma (et al.), "nothing would be done because OEO was firmly committed to the grants...and

as long as he (Fulmer) worked for them, he would see that nothing was done to embarrass them—in particular, he did not want to, he said, embarrass (OEO director) Sargent Shriver."

Detectives James Doyle and Richard Peck corroborated that testimony. Fulmer denied the conversation had occurred.

Midway through the McClellan hearings, he resigned from OEO to accept a position as ambassador to France.

There were other liberal politicians that supported the gangs, but by 1970 they had backed away. The experiment was complete.

Black political leaders such as Rep. Lewis Caldwell and the late Cong. Ralph Metcalfe (who had been forcibly thrown out of his office by Jeff Fort and other Blackstone Rangers) moved forward to hold investigations, drafting a 1970 report called *Crime in the Black Community*.

"The phony white bleeding heart politicians—they moved on to other things. As for black-on-black crime, it was given tacit approval. That's part of what the university experiment was about. As long as you don't do it against whites, nobody gives a damn," concluded Winston Moore.

Street gangs as troops

Among university professors, the watchword is "publish or perish." But the University of Chicago, with its own publishing house, has a different watchword: perish the public.

Readability is not one of the requirements of books published by the University of Chicago. But they're not meant for the general public, anyway.

This is not to say that the books are not purposeful. They are hardly ivory tower creations. Like the university, they have their own purpose, their own coherence.

Take, for example, University of Chicago sociologist Irving Abraham Spergel's book, *Community Problem Solving: The Delinquency Example*.

Spergel, head of the 1967-1968 University of Chicago \$80,000 OEO-financed gang school analysis study, published his *Delinquency Example* book in 1969.

The sociological analysis seems to have been derived

from the Blackstone Ranger experimentation.

In the book, a hypothetical gang called the "Nobles," for example, had "attempted to increase their political bargaining power (in an attempt) by its parent organization, in this case a Presbyterian church, through a 'black paper'."

The 'black paper' Spergel refers to is, of course, Rev. John Fry's of the First Presbyterian Church of Chicago. (*Defender* sources report, however, that it was in fact the U. of C. (Theological Seminary) that drafted the political "black paper.")

Buried within a style that would repulse most of his readers, author Spergel gets finally to the point: "Gang youths ... can be useful as the shock troops, the putschist elements, the essence of the rabble or the mob which attacks and serves to topple the existing political regime or at least to seriously threaten the existing political structure."

Spergel continues: "Extremist groups may see gangs as a useful means of influencing and controlling low-income populations in an urban area."

The author describes "the new (urban) politician"—(He) "is usually an executive of a gang control agency, community action group, or neighborhood organization who uses his connections with the delinquency problem for his own political advancement..."

"They think of themselves," Spergel continues, "as directly or indirectly heading a youth or young adult movement whose object is to ... drive out incumbent councilmen, assemblymen, or congressmen who are opposed to civil rights or progressive social legislation..."

Gang controllers could simply eliminate their political opposition. This scenario was acted out in the Blackstone Ranger experiment.

Spergel's book indicates a much more sophisticated—and political—objective contributed to the university's interest in gangs.

The Blackstone Rangers was not a simple real estate operation.

Community Problem Solving: The Delinquency Example states:

"Recent experience in... Chicago and elsewhere suggests that hard-core delinquents have considerable interest and skill in the organization and manipulation of positive community programs. They are deeply concerned with the problems of the ghetto and are no longer alienated from its dominant life style. They can act out its central fears, anxieties, and hostilities."

The analysis continues: "Either they (the gangs) will

serve as the destructive shock troops of the bloody revolts that have and may again occur, or they will perform as the vital agents for the human and physical rehabilitation of ghetto communities."

July 5: Gangs only 1 of 3 projects

Millions of dollars were poured into the South Side gangs, in three stages.

Initial monies came from the churches, quasi-religious organizations, private donations, and the University of Chicago.

The Blackstone Rangers was only one of many experiments being conducted in Woodlawn.

Imagine several clinicians experimenting on one caged rat at the same time. That's what you had in poor Woodlawn. And then the experimentors yelled "police interference" with their experimentation.

They called it a "programmatic but not a political success." Funny business.

What was it all for? Where did all the money go?

We have examined briefly the destruction of Woodlawn; if it was "for" anything, that is what it was for: Woodlawn's destruction.

And the money? Cars, clothing and high living for the gang leadership—for a while. But mostly, the money went to the lawyers.

Many of the lawyers who intersected the gang money are now judges. One of those lawyers, a judge today, was "paid in advance to defend the Rangers for future crimes they would commit," notes a *Defender* source.

Much of the money came early: seed money. Cash really began to flow after the University of Chicago formally made peace with its countergang: money from the Schwartzhaupt Foundation (\$69,000), the Archdiocese (\$50,000), Citizens Crusade Against Poverty (\$22,500), Center for Community Change (\$68,000), Ford Foundation (\$102,000), University of Chicago (more than \$100,000, for housing for the gangs), W. Clement Stone (undisclosed amount), the Wieboldt Foundation (undisclosed), Charles E. Merrill, Jr. (\$23,000), Sammy Davis, Jr. (\$160,000 plus), the Charles Kettering Foundation \$50,000 plus), the Field Foundation (an undisclosed amount).

As Pierre de Vise notes, "Woodlawn became the recipient of about \$35 million of federal, university, and foundation support for experimental programs in housing, education, employment, youth, law enforcement, health, and welfare. Probably no other neighborhood in the nation had as much money and brainpower lavished upon it in the last 10 years."

"It's the same old money angle," Edward Buckney of Gang Intelligence Unit (GIU) noted in 1968. "If the gangs can get enough members and consolidate them, they think they can lure grants from the various private and public agencies..."

And they were right. They could.

Earlier, GIU had stated to the press: "The big money (keeps) the older individuals in the gangs longer—otherwise they will have gone on other things—to jobs in their late teens. But now they don't work. They're professional street gang leaders and poverty pimps. They have to keep the organization going so they can suck the blood of the younger members."

In late 1967 the gang leadership of the Disciples and the Rangers were drawing salaries between \$5,500 to \$6,000—well publicized federal salaries—at a time when the median income for an employed family of four in Woodlawn was around \$4,000.

Even after the OEO \$1 million gang "on-the-job-training" school was shown to be a disaster, the money to the gangs—and gang-related projects—did not stop.

The Wieboldt Foundation, the Ryerson Foundation, the Ford Foundation, along with Sears, Bell Telephone and Community Renewal Society poured a half million dollars into new projects which hired Black P Stone Nation gang leaders as "area wide coordinators," and "organizing directors."

The money was still flowing—even at a time when the gang as the police reported, were committing six murders a month and an additional 30 shooting victims per month.

"Money was available for bail bond—and for the best criminal defense lawyers in the Chicago area," notes a *Defender* source. "It was no longer a matter of kids with zip guns, but .38s, .45s and shotguns."

But by 1970, the foundations, like the politicians and the University, had backed off. The money dried up. A mafia link-up was tried in 1970, but it fizzled.

The gangs stepped up their extortion business, but without the foundation money, they had no legal defense.

The gang experiment was complete. Like a Frankenstein monster created by a mad social scientist, the

gang hustlers wandered about—cut loose from their creators—until new hustles landed them in jail, or until they hooked into new social experiments.

West side gangs funded too

The South Side gangs were not the only ones into which big foundation money was pumped.

For example, there is David Dawley, and the Vice Lords.

But the West Side Vice Lords had no university; there was little interest in using them for urban renewal purposes.

But Dawley tried. He was able to raise more than \$300,000.

David Dawley, described as "the only white member of the Vice Lords," had been in 1967 dispatched into Chicago from Washington, D.C. by a curious organization called the "TransCentury Corporation." TransCentury was conducting an evaluation of the attitudes of youth in 11 cities toward federally funded summer programs for the President's Council on Youth Opportunity.

The Vice Lords, based in Lawndale, had been formed 10 years earlier—it was a traditional street gang.

Dawley saw their political potential. The politics, if anything, were anti-machine, anti-Daley.

With degrees from Dartmouth College and the University of Michigan, Dawley was able to hook the Vice Lords into the money. And the lawyers.

Police Commander Edward Buckney, in 1967 head of the Gang Intelligence Unit, remembers Dawley as "the John Fry of the West Side."

Dawley wrote up his two years experimentation in a book (published by Anchor books) called *An Autobiography of the Vice Lords*.

With an introduction by Andrew Kopkind, the first part of Dawley's book is an obscene glorification of violence, bestiality and crime. The second part details the politicization of the Vice Lords. And the money.

W. Clement Stone gave the Vice Lords \$60,000; the Department of Labor, \$36,000; the Ford Foundation, \$130,000; the Field Foundation, \$25,000; the Rockefeller Foundation, \$15,000; Operation Bootstrap, \$15,000.

By mid-1968, Dawley was going for big time money: An OEO project of \$750,000. But the OEO backed

away after McClellan had intervened in their Blackstone Ranger gang project.

Dawley states: "...Joe Califano (currently head of the Health, Education and Welfare department) backed away." The McClellan committee had generated too much heat.

Not even Senator Charles Percy would talk to the Vice Lords, after the McClellan hearings had occurred.

So Dawley—the only white member of the Vice Lords—packed his bags and went off to write his book.

In 1970, the President had appointed him to the National Advisory Council of the Peace Corps. At the time the book was published, Dawley was an assistant to the Governor of Massachusetts.

And the Vice Lord gang leadership? Dead, or in jail, or on drugs, or hustling...

July 6: Moore wages long fight against S.S. gang blight

The story of the gangs is one which reveals how the University of Chicago and its allies in the press were able to create the "leaders" for the black community.

It is also a story which tells how—at a crucial juncture in this city's (and nation's) history—the University and its allies and countergangs were able to cut the black community off from its leadership.

Winston Moore, if the credit could go to any single individual, was the man who stopped the gangs.

Moore, a psychologist, first became aware of the seriousness of the gangs in 1964 while working at the research and diagnostic center at the State Correctional Institute in Joliet.

"I had worked with kids there who were running away from home, stealing autos and so forth—but then I began getting a series of kids charged with murder. I talked with these kids—some of whom I knew because they had lived in the same building I lived in—and they told me they had to kill, in order to get membership in the Rangers."

"I felt at that time that the only way to break up the gangs was to put Jeff Fort—who controlled the little kids—in the penitentiary. It became an obsession with me."

But Moore ran into the University of Chicago, and the experimenters, and the foundations, and an ambi-

valent press, and the "phony, white liberals in the churches..."

A psychologist with the Chicago Youth Opportunities Center in 1965, Moore had initially assumed that the University was consciously using the gangs to "turn Woodlawn into a blighted area."

"Gangs by nature are anti-social. The University decided to make them a political force. This was an era when social experimentation was coming out of various universities."

Moore continued: "When the University wanted to expand south of the Midway, TWO (The Woodlawn Organization) stood in their way. If they hadn't already created it, they more or less bought up TWO (in 1963)."

Julian Levi's (head of the University's Urban Studies Dept.) objective was simple, Moore stated: "Julian Levi just wants to control the land around the University of Chicago. That's all there is to it. And any way he can. Any way he can."

It was Moore who provided the information for a series of Chicago Tribune articles which were critical of the gangs.

And it was Moore who spirited defecting gang leader George Rose out of Chicago. The tapes made by Rose and Moore were then sent to the Senate investigations subcommittee, resulting in the formation of the McClellan \$1 million OEO "on-the-job-training" gang project investigation.

Again, it was Winston Moore who provided the McClellan committee with some of the most damaging evidence concerning the gang's controllers.

"One of the sad commentaries," Moore told the Defender, "is that it took a Southerner—Arkansas Senator John McClellan—to try and right the wrongs done by the social experimenting phony, white liberals."

"The Presbyterians and the people with the Community Renewal Society admired Fry (Rev. of the First Presbyterian Church, based in Woodlawn) for doing missionary work with those 'heathens in the black community.'"

"So he was a hero. They thought that anybody who would 'go out to the jungles' needed help. So they poured money at him, and attacked anybody that stood in his way."

"It was Fry who created their mysticism. If you ever look at that old Blackstone emblem, it was a pyramid circumscribed by a circle. They were to rule the world. The green represented fertility. Blacks have been pretty vulnerable to mysticism—and Fry played on that."

In the days before the hearings, gang leader Jeff

Fort visited Moore, then warden of Cook County jail. "Fort told me," remembered Moore, "you been leaning on our boys too hard."

"Then Fort stated, 'You still live at 34th and Rose?' I said, 'Yeah, Jeff, I still live there'."

"Fort said, 'Is your wife still teaching at 38th and Cottage Grove?' I answered yes. Fort said, 'She still drive that blue Thunderbird?' I said yes."

"Then I said, 'Jeff, you listen to me well. She's not going to transfer and I'm not going to move. But if you say anything to her, I'll come in your house and bury you'."

"Then Fort told me, 'I don't mean it that way. You know, I don't control my boys'."

"'Well, you get control of them,' Moore responded to the gang leader."

The University had not done its homework as well as Jeff Fort, apparently. After the McClellan hearings, a man identifying himself as Ed Levi (president of the University of Chicago) called him, to ask: "Do you want a scholarship for your son?" Moore told the *Defender*.

"I had been accusing the University of perpetuating the gangs to get the land. They wanted me to lay off," explained Moore.

What did you tell the caller? the *Defender* asked.

"I have no son," responded Moore. "I told him I didn't have any children."

Moore returned to the subject of the gangs: "They got out of control because they were supported by a bunch of phony bleeding-heart liberals. It was black-on-black crime. They (the gangs) were given tacit approval to commit crimes against blacks. That's part of what the University experiment was about. As long as you don't do it to whites, nobody gives a damn."

"Cornell Steele for example," continued Moore, "he was one of Jeff Fort's assassins. I was with him when the jury read the verdict: 'We the jury find the defendant

guilty of murder as charged; we the jury find the defendant to be 21 years of age; we the jury recommend death'."

"While the lawyers were arguing pre-trial and post-trial motions, I took Cornell back to the bullpen. He said to me, 'What did they say?' I told him, 'They said you must die in the electric chair'."

"Then he said to me, with no emotion, '(Rev.) Fry told me that as long as we kill just black people, this would never happen to us'."

"I asked him, 'Cornell, how many men did you shoot?' He answered, 'Fifty.' 'How many did you kill?' He answered, 'Twenty-one'."

To the press and to the McClellan hearings, Moore had told the story: the University (Chicago Theological Seminary) had written the OEO \$1 million gang proposal) which they would then 'evaluate' for the federal government.

And the University provided legal counsel, and housing and psychiatrists...

Then indictments came down, after McClellan turned the investigation over to Ramsey Clark and the Justice Department.

And only four or five of the Blackstone Rangers went to prison, for fraud.

That's another story.

And it wasn't too long before Edward H. Levi, president of the University of Chicago, was sworn in as head of the Department of Justice.

And that is another story.

And Winston Moore? As the warden of Cook County jail he was prosecuted for mistreating prisoners—he was acquitted of all charges—by the very lawyer who had provided most of the legal counsel, with foundation money, for the Blackstone Rangers.

And that is yet another story.

Next issue: Gang opponent Charles Livermore remembers era he'd like to forget.

Department of Transportation spends tax money to finance PROD 'dissidents'

PROD, Inc., the Justice Department-controlled anti-Teamster dissident grouplet, has received taxpayers' money to conduct attacks against the International Brotherhood of Teamsters from within.

Angry Teamsters report that they have received a mailing in an official Department of Transportation envelope, with postage paid by the DOT's National Traffic Safety Administration. Inside: a notice announcing a DOT-sponsored truck safety meeting—and a two-page, four-sided edition of the *PROD Dispatch*, dated August 1979 and, to top it off, registration forms for the Sept. 1-2 PROD National Conference!

Spokesmen for the DOT confirmed yesterday that they had handed PROD 5,000 official DOT envelopes allegedly to mail out announcements of the truck safety meeting. They further confirmed that 5,000 envelopes were stuffed and mailed with PROD organizing literature. The postage was paid by the United States government.

A Federal offense

Printed on the front of all official government envelopes is a notice that private use of the government franking privileges carries with it a \$300 fine per envelope. PROD, having mailed 5,000 pieces and stuffed each with its "private" mail, is liable for a \$1.5 million fine.

Spokesmen for the DOT, including from its legal office, admit that what PROD did constitutes illegal, private use of government franking privileges. But these same officials state that they plan no legal action against PROD and that there will be no fine. Instead, the government plans a second 5,000-piece mailing—at taxpayers' expense—to officially disassociate itself from the PROD conference and its mailing.

This government funding for PROD activities and the attempts to then cover it up are evidence supporting charges made by the *EIR* and Teamster officials that the U.S. government is conducting a witchhunt against the Teamster union and its leadership, using PROD

and its sister "dissident grouplet," the Teamsters for a Democratic Union, as its instruments.

Kennedy's timetable

Sources in the intelligence community report that orders have come down from City of London-New York financial circles to the Justice Department to "finish off" the Teamsters union within the next six to nine months. The object is to neutralize the 2.3 million member union, which stands as an obstacle to austerity in the United States.

One component of this attack is the proposed trucking deregulation legislation sponsored by Senator Edward Kennedy—and with major support from the DOT. That legislation would at once destroy the highly integrated and efficient truck transportation system built, in large part, due to the efforts of the Teamsters Union, and destroy the IBT by making a national master freight contract impossible.

A study commissioned by U.S. Labor Party Chairman and 1980 presidential candidate Lyndon H. LaRouche, Jr., has placed the cost to the U.S. economy in lost production at more than \$500 billion over a five-year period and a highway death toll almost equal to that of the Vietnam war. Kennedy plans a major move on trucking deregulation next spring, timed to coincide with a direct offensive against the IBT.

'Get Hoffa' rerun

The witchhunt against the Teamsters is coordinated through the networks in government commonly referred to as the Kennedy-Justice machine. In the Justice Department, they have a base of operations in sections of the FBI, the Organized Crime Strike Force, and the newly formed Office of Special Investigations. These networks, which date back to the 1950 McClellan Committee staff and Robert Kennedy's "Get Hoffa" unit in Justice, function as the "enforcement arm" of the international dope cartel, Dope, Inc. They use

professional assassins, murderers, intimidators, liars, and slanderers.

The latest campaign against the Teamsters will use all of these, just as they were in the 25-year crusade against murdered Teamster leader Jimmy Hoffa. The recent jailing of New Jersey Teamster leader Tony Provenzano is part of this offensive.

Sources report that the Kennedy Justice machine plans to secure indictments against Teamster leaders, including Teamster president Frank Fitzsimmons. This would set the stage for assassinations of Teamster officials.

Such operations are to be code named "mob warfare." Alleged evidence for the indictments is to be secured through entrapment and intimidation of "lower level" Teamster leaders, who are then offered "deals" if they sign DOJ-offered confessions implicating "higher ups." Nicknamed the "Roy Cohn" method, the scramble to turn in the other guy is what eventually made the McCarthy crackdown on labor successful.

The Kennedy Justice-Dope, Inc. machine plans to use the "unsolved" Hoffa assassination as a weapon to implicate Teamster leaders through phony confessions, obtained through intimidation and "deals."

This legal-DOJ offensive is to be accompanied by press smears against the Teamster leadership, leaked from DOJ operatives to their conduits in the media, such as that group of journalistic whores known as the Fund for Investigative Journalism. It is slated to feed into a proposed congressional witchhunt against the Teamsters conducted by the Senate Permanent Investigations subcommittee in spring 1980.

Since its founding in 1971 by Ralph Nader and Joe Rauh, Jr., PROD has played two roles in this anti-Teamster operation.

First and foremost, PROD is run as a low-level informers network, with ties to the Organized Crime Strike Force. PROD, which is effectively run by a handful of Kennedy-Justice-linked organizers and lawyers, attempts to attract disgruntled Teamster members and turn them into "informers."

In addition, PROD conducts smear campaigns against Teamster leaders—leaders targeted by the Kennedy-Justice machine for "elimination."

The information for such charges comes from leaks by PROD's controllers in the Organized Crime Strike Force and elsewhere. PROD's smears most often represent material which cannot be substantiated in any form and which would be laughed at if issued by the Justice Department. But PROD's charges are used by Kennedy Justice officials for fishing expeditions against Teamster leaders.

PRODgate

But the PROD operation is in trouble. The joint efforts of the U.S. Labor Party and Teamster officials have discredited it in the eyes of most Teamsters.

This fact may explain why the DOT has conducted money to PROD, giving its organizing an effective government stamp of approval.

The Justice Department, controlled at the top by Kennedy machine operatives, is now in a real bind. Their Public Integrity Section should prosecute the relevant government officials for allowing the misuse of government money and to force legal remedy against both them and PROD. If they do that, the publicity and the \$1.5 million fine would all but finish off PROD. If they don't—that's the stuff of which Watergates are made.

—L. Wolfe

Introducing

EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORTS

In-depth studies on the major topics business, government, and labor officials need to follow

- **Do you know** how the 1979 Oil Hoax was planned at an April gathering of the super-secret Bilderburg Society?
- **Do you know** that the 1979 Oil Hoax and the Carter Energy Program will lead to a new world depression? And that this need not happen?
- **Do you know** that the government of Mexico is countering the "energy crisis" with a proposal for international cooperation to increase production?

Readers of EIR SPECIAL REPORTS have all of this information...and much more.

For more than two years, EIR has provided decision-makers with a weekly overview on the pressing issues of the day. Now, to meet the need for more specialized and in-depth information, the EIR is publishing Special Reports.

Each Special Report brings all of EIR's comprehensive intelligence resources to bear on a single subject. The finished result is a no-holds-barred briefing paper between 25 and 40 typed pages in length.

Eight Special Reports, on a wide-ranging field of subjects, are now available, and EIR will be preparing additional reports on a continuing basis according to the needs of our clients. Where desired, the staff of the EIR is also available to prepare intelligence reports on an exclusive basis.

For more information, contact Mr. Peter Ennis, Director of Special Services, Executive Intelligence Review, 304 West 58 Street, 5th floor, New York, New York 10019. Phone: (212) 247-5749.

Available now from EIR:

- | | |
|--|---|
| <input type="checkbox"/> The 1979 Bilderberg Society Conference: Planning for a New Oil Hoax. \$50.00 | <input type="checkbox"/> The Case of Max Fisher: Zionist Treason in America. \$50.00 |
| <input type="checkbox"/> The Energy Crisis and the World Economy: The Facts and the Future. \$50.00 | <input type="checkbox"/> The Significance of the May 1979 Cabinet Change in Mexico. \$100.00 |
| <input type="checkbox"/> An Energy Program for America. \$50.00 | <input type="checkbox"/> The Jose Lopez Portillo World Energy Proposal. \$100.00 |
| <input type="checkbox"/> All the CFR's Men: A Profile of Campaign 1980. \$50.00 | <input type="checkbox"/> The New Downturn in U.S.-Mexico Relations: What's Behind It? \$100.00 |

Gentlemen: Please send me the EIR SPECIAL REPORTS I have checked.

| | | |
|---|---|-----------------------|
| Please charge to my | | Name _____ |
| <input type="checkbox"/> Mastercharge No. _____ | Interbank No. _____ | Address _____ |
| <input type="checkbox"/> VISA No. _____ | Signature _____ | City _____ |
| | Expiration Date _____ | State _____ Zip _____ |
| <input type="checkbox"/> I enclose \$ _____ check or money order. | Make checks payable to Campaigner Publications, Inc. , Publications, 304 W. 58th Street, New York, N.Y. 10019 | |
| <input type="checkbox"/> I am not ready to order any EIR SPECIAL REPORTS at this time. Please have your representative contact me by phone at _____ | | |

The U.S. must have nuclear

LaRouche presents blueprint for American economic boom at Chicago

On July 31, the *Executive Intelligence Review* and the Fusion Energy Foundation cosponsored a conference in Chicago, Ill. on "Energy and the Science of Economics." In attendance were 50 political, business, and engineering leaders from a half-dozen Midwestern states. Addressing the conference, from the Fusion Energy Foundation, were Midwest Director Mel Klenetsky and Director of Research Dr. Uwe Parpart. Keynoting the event which was held at the Continental Plaza Hotel was Lyndon H. LaRouche, Jr., a contributing editor of *Executive Intelligence Review*, who has declared his candidacy for President of the United States. We present below, with minor editing, the text of LaRouche's address.

I shall situate the question of nuclear energy and related matters of energy policy within the appropriate context. Nuclear energy is obviously necessary. We haven't got a chance in the next century without it, but the possibility of realizing it and the function to which we apply it depend upon the economic environment. Otherwise, it doesn't function.

Without credit, without capital, you can't go with your plan. It's fine to talk about nuclear energy, but if you don't have the capital and credit to build a nuclear plant, and if you have an Environmental Protection Agency which prevents you from building it, then you're not going to have it, no matter how much you argue for it. The question is: Can we turn the United States, together with other nations which will ally with us for that purpose, to creating the kind of monetary order which generates the low-borrowing-cost credit and accumulation of capital necessary to develop, not only nuclear energy and related fields, but the other kinds of capital investment which will *utilize* that nuclear energy.

I will indicate what the solution is in that sense, in order to situate how I see the nuclear future.

Replacing the IMF

If I were in the White House today, inaugurated, I would undoubtedly receive a call from the Elysee in France, from President Giscard d'Estaing, and he would ask me, "Have you been sworn in yet?" If I said yes, that would immediately give the world a new world monetary system, replacing the International Monetary Fund and World Bank, which would be quickly pushed to one side as irrelevant. The new monetary system would be based on the existing European Monetary System (EMS) proposal's phase two, which is called the European Monetary Fund. Under that arrangement, since the new EMS is gold-based, the EMS—or the EMF, as its credit-creating central bank facility—can generate 25-year, 2-to-3 percent yield gold-denominated bonds which will be purchased by holders of dollar credits among central banks, large corporations, and principal commercial banks abroad. That means that these banks and corporations will now own gold-based bonds, which have only a 2-to-3 percent yield. Well, that's fine. They are *very* competitive to 15-to-20 percent bonds in floating markets today.

Anybody who would go and buy a 15-year bond, or even a 10-year bond, at 15 percent in a floating market ought to have his head examined, because the rate of inflation is double-digit. In fact, the *underlying* rate of inflation is already 20 percent or higher, which means that at 20 percent interest the bankers are losing money; and by 1981—if you try to finance under the present IMF system—we're going to go to *triple*-digit inflation! Because under the present Carter and Haig and Con-

energy

conference

nally policies, the curve of economic activity will plunge downward somewhere in the last quarter of 1980 or 1981. It might go down sooner, because these fools keep doing things that make the economy worse than it would be otherwise. So, a 2-to-3 percent gold-denominated bond is inflation-proof; therefore the holder of the bond has got *something*, whereas if the holder of a bond in a floating market is getting 15 to 20 percent yield, on long term, he's got *nothing*—he's got a loss.

The buyers of these bonds, as I said, will not generally be individuals; that doesn't function, it's a mess, so we don't encourage that sort of thing. The buyers of these bonds will be central banks, large commercial banks, and industrial corporations, which are at present holders of large overhangs of dollar debits. They're going to get this overhang off their books, and turn it into something useful. A gold-denominated bond, which is rediscountable within a gold-based monetary system, is a means by which lending institutions and large corporate entities can generate credit *for purposes of hard-commodity trade and investment*. That's one restriction that's going to be put on it.

That means that we have accumulated immediately, under that arrangement, several hundred billion dollars worth of liquid liquidity controlled by a central facility which will probably be the FECOM or some international bank allied to the European Monetary Fund, which can be loaned out at rates going from 3.5 to 4 percent as prime rates—which is what you have to have for long-term credit for the developing sector. This means that the so-called Lombard rate within that monetary system is between 5 and 6 percent.

We're going to have a very conservative Congress if I get in, which I intend to do. The first day, we'll have an authorization bill which will immediately take the United States and distinguish us from a commitment to the IMF and its huge surveillance authority. We will

immediately participate in the European Monetary Fund—together with the EMS members, and with Japan, Mexico, and a number of other developing countries including the Arab Monetary Fund, which will also come in. We're going to have the economic monetary pie in the hands of this alliance. Anybody who tries to buck us is going to be crushed, because we're *not* going to see the human race go down the drain simply because somebody else has a "different opinion." I'm not a liberal; that should become clear.

Secondly: on the first day of assembly, just to get itself organized, the Congress will give me a capital authorization for the Export-Import Bank, increasing that to an authorized capital limit in the order of magnitude of several hundred billion dollars. The Export-Import Bank will now function as the U.S. central banking institution, which mediates the nation's relationship to the European Monetary Fund, the FECOM and so forth. That means that just as we organized war contracts in World War II, we can turn the economy around. Every export order which is stamped by the Export-Import Bank, and every subcontract generated off the primary export order, now becomes subject to credit, all the way down the line to the guy in East Oshkosh who needs a machine tool to produce his part of this export contract as a sub-sub-sub-sub-vendor. He gets not only the operating capital, as we did during World War II, to produce for this contract; if he needs to purchase a machine tool or some other device in order to give himself the increased capacity to deliver on the contract—and if the local bank thinks he's a reliable investment—the local bank calls up the Export-Import Bank and automatically gets backing from the Export-Import Bank for loans at a base between 5 and 6 percent for operating capital and long-term investment.

Now we just watch the Federal Reserve system shrink while we channel the great weight of government-generated credit and foreign-generated credit through the Export-Import Bank, which becomes—due to such a devil as myself—the Third Bank of the United States. We'll let the Federal Reserve system shrivel, because the volume of credit—this nice low-borrowing-cost, gold-denominated credit—is going to flow back to East Oshkosh through the Export-Import Bank and the country banks. The New York banks are just going to have to beg to get in on the racket.

As for the Federal Reserve System, some day we'll say, "What are we doing with that antique? Can we sell it as an antique to some historical society?" Maybe we'll give it to the Smithsonian Institute. We don't need it! But, we can't throw it out right away, because that would cause a monetary shock, and we don't want to have monetary shocks—they get people all upset and so forth—but we're going to phase it out.

A rational tax policy

Internally, the Congress—also during the first 30 days—will give me a new tax policy. The tax policy will have three primary elements. Number one: We are going to get the federal government out of taxing basic household income. We cannot do it all at once because our tax and fiscal structure will not stand it at this moment; but we have to commit ourselves to a policy such that, for example, if the basic income requirement of a household of a family of four is \$22,000, the policy of the federal government is *not to apply a federal income tax to that income*.

In the meantime, we'll take the federal government out of the business of coming down and sending a social worker to help people do their shopping. Anybody who is intelligent enough to acquire money is intelligent enough to know how to spend it! They don't need a social worker to advise them. We're going to close down a lot of the social work and sociology departments—by free enterprise methods! There just won't be any jobs available and that'll end that. We don't need those people. We're going to give them *honest* jobs—working in factories, where they produce something, instead of running around like a bunch of useless talking parrots! We'll make them become human.

For the second part of the tax policy, once we establish that as a principle—which we're going to get to stepwise, as fast as we can increase the tax base—we're going to have a very high tax rate, *very* high. *But*, we're going to have some lovely exemptions!

We are going to base depreciation amortization *not* on the historical accounting cost of a past purchase of plant, equipment, machinery, and so forth; the depreciation of equipment, or amortization of investments, is based on the cost of a *competitive* replacement. In other words, if you bought a buggy whip, and you're depreciating the buggy whip—now that buggies are out and automobiles are in—what in the devil is the sense of amortizing the original purchase price of a buggy whip? It's useless! As technology shifts—and technology is going to shift very rapidly—it's useless to say to someone: "You can get an accounting credit for the machine tool you bought 20 years ago"! That kind of machine tool, only a lunatic would buy today! He wants a *modern equivalent*.

Therefore, the amortization and depreciation policy must be based on replacement in terms of the competitive, modern technological equivalent, right? We're going to have a very high accelerating rate of deprecia-

tion and amortization, which creates a tax shelter, but also, as the depreciation runs out, the income becomes taxable. Therefore each firm now has to race against time to come up with more technology to get more profitable depreciation, to buy depreciation amortization; which means that we have changed the nature of incentives, to force the flow of capital, credit and savings into investment in high-technology production.

In the meantime, the fellow who's out there building casinos with Max Fisher in Detroit as a replacement for the Dodge Main plant which has just gone, and the Chrysler Jefferson plant which is about to go—*that* fellow is going to find that the full weight and burden of the lovely high rate of federal taxation is going to come in and take his income, or a large part of it; whereas the person who is investing in productive activities—buying tools and so forth—is going to find himself with a lovely depreciation rate.

Then we're also going to supply, in the same vein, tax credits. I'll come to an example of how we're going to use that in the future. But at this point, in those areas where a private interest is willing to make the expenditures—such as research and development expenditures—which obviate the need for the federal government to do it, the private industry ought to get a direct tax credit for that specific work. That's the way we get a lot of things done; that's the way the Elizabethans conceived setting up this capital system, and that's the way we are going to run it.

Third World: the market of the future

How are we going to deal with the Third World debt? Our market is the Third World. That's the market of the future. We do not have the rate of growth and technology necessary to keep the so-called industrialized nations prosperous and healthy. We don't have enough technological progress. We have too few scientists and engineers; we have insufficient R and D; our machine tool industry virtually does not function—it's been run down since 1966; everything we can call high-technology capital goods has been seriously afflicted. We could no longer put a man on the moon the way we did 10 years ago—we have destroyed the industrial capacity, or a large part of it, to do that.

So we do not have the rate of industrial progress being generated to make the economy go. The only way we are going to make the economy go is by exporting high technology. We take an urban worker in India or in Mexico who is now producing 2,000 or 3,000 or more a year in tangible output, and with his

***As for the debt of the Third World,
that's no problem. All I have to do is freeze
the IMF and World Bank.***

culture, and with machine tools, we increase his production an order of magnitude. When we transfer existing levels of high technology from the industrialized countries to those countries which are operating in fact on a low level of capital intensity, we are creating leaps in the rate of gross world product. Those leaps in product are the means by which to finance the export of capital; those leaps in product also increase the world market, so that instead of dealing with trying to share out a shrinking world market, we're taking up a policy to expand the total world market for hard commodity product

For example, India. India today has a population, in terms of urban labor force, of 54 million. Within the next 10 years their urban labor force, skilled or semi-skilled, will reach in the excess of 100 million. In terms of urban labor force, the nation with the largest number of qualified nuclear scientists and engineers among its nationals is India! In the medical profession, our hospitals on the East Coast would collapse without Indian and Pakistani physicians. Without Indian and Pakistani scientists and technicians, the British nuclear industry would collapse! The German nuclear industry would be affected; the French and Italian nuclear industries would be affected; and the British medical system would totally collapse—because the British doctors don't provide medicine anymore, they emigrate! It's the Pakistanis, in general, who provide the medicine. And the same thing is true at many of our hospitals in this country. You have the third largest population, in general, of scientists, engineers, and related categories of profession, in India.

So India is not an underdeveloped country; it's a country in which development of the population at one end and massive, hideous poverty at the other end are in violent contrast. But you have a labor force which is expanding. A qualified, highly educated labor force—better than in some parts of this country, better than in parts of Europe—is sitting there, producing 2-, 3-, 4,000-a-year or less, only because it lacks the capital goods to produce more. Thus any intelligent investment in India can increase the rate of production per capita in the effective population, the effective section of the labor force, by an order of magnitude!

Who ever heard of such rates of profitability, such leverage of technology? We have that available—and if we use it properly, we'll develop over the next 50 years

the rate of growth in science and technology so that once these developing countries, as we call them today, come up to some kind of parity with the advanced sector, we'll have the rate of scientific and technological progress which will make the world continue to function. But we must use this interim development process as a way of getting the world economy in line, so that 50 years from now when we've brought the Third World, so-called, up to parity with the industrialized sector, we'll already have the take-off point for the next phase in world economic development.

As for the debt of the Third World, that's no problem. All I have to do is freeze the IMF and World Bank. They're of no account, and whether they pay *their* debts is of no importance, at least in the short run. The IMF and World Bank owe their money to governments; therefore you can freeze the IMF and World Bank and it does not affect the private banking system at all. The problem area of Third World debt is the commercial banking debt.

Now, why do you do this—why do you put out 1.5 percent loans, 25-year term, fixed lump sum payment in 25 years, with no money to be paid for 25 years? Well, we've put them within the EMF system; therefore they are gold-denominated for payment 25 years hence, assured. There's no problem in paying 25 years hence, provided we have the economic development in these countries to enable them to readily pay that amount in 25 years. The important thing is not paying 25 years ahead, that's not the issue. The issue is that our commercial banking system, worldwide, has at present a tremendous overhang of commercial debt, of marginal, dubious debt, or debt which is in danger, or debt which has a very poor yield. They have a difficulty in refinancing that debt, because the developing sector cannot pay 20 to 25 percent on refinancing; and if they refinanced at 5 or 6 percent interest, somebody would have to pay for the difference between that and 15 percent interest.

Therefore, as in the case of the Deutschebank, the German banks no longer have the ability to lend in the Third World, or lend for development, because they're so choked up with worthless U.S. dollars—about 40 billion or so—which they bought to support the dollar that Blumenthal was trying to sink and because they're loaded with this commercial debt. How do we solve this problem? Our banks are in a similar situation, those

that participate in Third World debt. They're loaded with an overhang of virtually nonnegotiable paper. Well, it's very simple: We give them gold-denominated, 25-year maturity, 1-to-1.5 percent bonds. Someone says, "But they can't get any money on them." Ah, wrong! They can discount them within the international monetary system to secure credit to loan.

The role of the Export-Import Bank

The problem is that we have to freeze this debt without destabilizing the banking system. We cannot go into the banks and pull out whole chunks of assets and say they're worthless, without collapsing the banking system. Therefore we give our banking system an asset which has no yield in the short run, or in the medium term, but 25 years from now has a gold-secured payment. In the meantime, that asset can be discounted and rediscounted for the purpose of putting actual credit into the banking system.

How does the bank get the credit? Well, the bank says, in the United States: "I have an Export-Import-stamped sales contract, export contract, or investment contract. I want to lend money—as a country bank would—to this producer. I need some capital for it." And we say at the Export-Import Bank—not the Federal Reserve, but the Export-Import Bank—"All right, fine. We will act as intermediary to discount this bond—one of these 25-year bonds at 1.5 percent—and we'll discount it at another half percent, or 3/4 percent. We, in turn, will rediscount it with the European Monetary Fund, the central banking system."

So we have a controlled mechanism of credit whereby we put low-borrowing-cost credit into the economy for the purpose of anything related to high-technology capital goods export or related investment. This in turn develops within the economy the secondary flow of credit, through the private banking institutions, which takes care of the follow-on of domestic investment to our capital goods export investment.

A two-phase nuclear program

In this country, the nuclear program is obvious. We have about 68 plants or less functioning now, certified or to be certified. We have 120 nuclear plants in various phases of construction. Anyone who's talking about jobs but who is not supporting completion of construction on those 120 nuclear plants is a phony. The only

thing that has propped up employment in this country, with everything else sliding off with high interest rates, has been nuclear construction!

Pull the plug on nuclear construction, and you're going to destroy the whole construction field in this country. The export construction field now is virtually dead. Bechtel, Turner, and others are practically out of business, because their markets overseas are finished.

Those 120 plants under construction are the gut of employment or unemployment in this country—and we need them! People talk about productivity in the construction field. But productivity in that field is a matter of whether you're doing labor-intensive, relatively, or capital-intensive construction.

If you're doing heavy engineering, if you're engaged in series-type production and installation of plants, then we introduce modern technology and methods into construction. In that case, you have high-productivity construction. If you're hiring people to rebuild hen-houses by labor-intensive methods, then you have low productivity in terms of construction.

That is the gut of our entire employment question. And anybody who does not say, clearly, "We are now going to complete, within the next four-and-a-half years, 120 nuclear plants now in various phases of construction"—that person is a phony. Otherwise, the rate of unemployment will rise and stay high. We are headed toward something worse than the Great Depression of the 1930s unless that kind of thing is done. Without the energy, without the construction, we cannot make this country function internally.

We need, obviously, 1,000 gigawatts by the year 2000 in additional nuclear energy. We've got to have it—there are no two ways about it. It doesn't mean just light water reactors; it means, to the extent to which we can bring them on line, breeder reactors, our own breeder reactor program. We should have the equivalent of the French Super-Phenix program; we should develop a fusion-fission hybrid program—develop the whole range of technologies. It means, also, as fast as we can do it, bringing fusion on line as part of the overall spectrum of what we can call categorically nuclear energy. With that, we should aim to supply over 50 percent of our national total energy needs directly from electrical energy or processed heat, supplied from nuclear processes.

The second phase of our energy program in the United States has to be rapid conversion to hydrogen and hydrogen-based fuels, to phase out the use of petroleum and coal as fuels. We have two problems with petroleum and coal. There is no shortage of either; however, we should not continue to use them as fuels.

There is probably three times as much petroleum available to us in the world as anybody is admitting. We probably have enough petroleum to get well into the next century on the basis of *present* parameters of

petroleum consumption. We should not convert to coal; that's *idiocy*. The environmentalists are the biggest idiots in the world—how much carbon dioxide do you want to put in the atmosphere? Do you know the pollutant effect of coal liquefaction? The pollutant effect of coal gasification? The energy inefficiency? It is insane to tell a utility company which has now converted to petroleum to convert to coal for conservation reasons. Utter nonsense! It's economic nonsense; it's monetary nonsense; it's engineering nonsense; it's scientific nonsense; it's environmental nonsense! We should not be burning coal, in any case, by old technologies, except in the case where we are continuing to do so until we can replace them.

We should continue to burn petroleum because there is plenty of it available to us—we can have all the petroleum we want over the next 10 to 20 years. There is no need for conservation; there is a need for *exports*.

We can import all the petroleum we require, provided we are exporting to pay for it, as in the case of Mexico. Mexico is or was willing to give a trade-off to us: high technology for oil. Mexico would increase its petroleum production by two to three million barrels a day per year. It has as much oil as Saudi Arabia. The entire Caribbean is loaded with oil. There is no limit to the amount of oil available, in terms of present consumption parameters. We could pay for it by exporting high technologies. But that's not the point.

We should be using our petroleum and coal as *petrochemical* resources. There are hydrocarbons in petroleum. Natural gas is useful for producing plastics, pharmaceuticals, fertilizers—why not use it that way? Coal is also essentially a raw material—*why burn it up?* That's very wasteful. It was all right when we *had* to do that, but we don't have to do it anymore, at least not over the next 20 years.

We talked to a friend of ours in West Germany who was the developer of the magnetohydrodynamic (MHD) process, who is based at Munich, West Germany. He gave me a rundown of where high-temperature gas reactors stand. I've been checking with people here, including our good friend, Dr. Moon, on some of the implications of this.

We are now in a situation to proceed immediately to develop hydrogen and hydrogen-based fuel. It's going to take us some time to standardize the use and

first range of commercial applications of these fuels for general usage—maybe five years, if we go at it properly.

In the meantime, we must go ahead and use as much petroleum as required, as cleanly as possible, up until 1990 and somewhat beyond. We could crank up our petroleum refineries now, to get a capacity which is adequate to meet our needs into the 1990s, knowing that after 1990 our requirement for refined petroleum—except for petrochemical uses—is going to go downhill.

So, do it on a one time basis, to carry ourselves through to the 1990s, and then quit. In the 1990s, we will phase in hydrogen and hydrogen-based fuels, so that by the year 2000 we'll be running on two sources of energy: first, nuclear energy as process heat and electrical energy—55 percent or more of our total energy production. Second, all of our remote and mobile forms of energy consumption will be either hydrogen gas, produced by high-temperature gas reactors and so forth or will be derivatives, such as hydrides used in fuel cells, of the hydrogen fuel program.

We will be entirely in a synthetic fuel program, not the kind that the Carter administration or John Connally is talking about, but the logical fuel of the future: a fuel which, when combusted, has a waste product called *water*.

The only problem is that you've got to engineer the process so that instead of having to put nitrogen in as the other side of the cell, we can clean up the air, in a sense, by getting the nitrogen out of the process when the air goes into the combustion process—to get an efficient combustion process which is free of nitrous oxides.

How do we get to the second part of the plan, the hydrogen fuel? Most of the technology for a hydrogen fuel economy is already developed; it's started; it's in a very advanced R&D phase. But it's not ready yet. We have all the beginning off-the-shelf reference technologies. Most engineers know exactly what you're doing when you talk about fuel cells and hydrogen combustion for tractors, trains, automobiles, trucks, and planes. (The application of this for a jet has some interesting implications.)

We need a crash program of five years to bring this to the level where we can say that we now have a package that can be standardized for first-generation

Anyone who's talking about jobs, but who is not supporting completion of construction on 120 nuclear plants already started is a phony.

***We need 1,000 gigawatts by the year 2000 in
additional nuclear capacity,
not just light water reactors,
but breeder reactors.***

workable replacements. How do we get that? Have the government go into it? The government should do something about it, particularly NASA. NASA is the one government agency qualified to coordinate this kind of work. But the way we do it, essentially, is to *provide tax credits*.

We want to know every viable fuel cell application; we want it worked on. We want a pool of scientific thinkers—the Fusion Energy Foundation obviously should do something in this direction—to pool scientific knowledge and to steer this knowledge out to the various firms which have the R&D capabilities to begin to work on these problems, the way NASA would do it.

Use tax credits—that's the way the system was developed to work, that's the way the capitalist property title was created. Not the way Adam Smith says—he's a liar! Not the way the Heritage Foundation says—they're a bunch of liars, too. The capitalist system was created initially on the initiative of Plethon and Cosimo de Medici during the 15th century. The national economy was created under Louis XI in France, successfully, during the last part of the 15th century.

The capitalist economy was created under the Tudors during the 16th century, by dirigist methods—not by free trade methods, it never would have happened! The capitalist property title was developed out of a patent. The problem which faced the city-builders, the Neoplatonics, my spiritual and political ancestors of that period, was: if you're going to have a high rate of technological progress, how do you mobilize the creative potentialities of a population both to *make* inventions and discoveries and to *mediate* those inventions and discoveries into general use?

A very simple system was developed. A person comes up with a useful discovery, and we wish to encourage the production of that useful discovery, so we give that person and his friends a *patent*. The patent has a certain life, until he has exhausted what we think is his proper benefit from this discovery. He and his friends can now profit from the production in quantity of things produced according to his patent for a fixed term of years. And in the meantime, if he comes up with a number of patents, he keeps going on in that way. That's how the system was developed. That's the way it's supposed to function. The capitalist system was

developed by the Tudors and others as a way of mobilizing the brains of society to invent, to produce, and to distribute new inventions which were useful, so that the population benefits from these useful inventions.

Why the "American System"?

This takes us to one final thing.

When we look at an economy from this standpoint, from the standpoint which I've exemplified with these predicates, we know immediately, if we know economics, that I'm talking about what was called during the 19th century "the American System."

The name American System was circulated internationally and established by Friedrich List, who was actually, in a sense, an American intelligence operative. List, Lafayette, Washington, and the Baron von Steuben had created an international secret intelligence society which in the early part of the 19th century was headed by Chief Justice John Marshall on the U.S. side. Lafayette brought List into the United States in 1825, and List stayed from 1825 to 1830. He ran the *Reading Eagle* actually as a political intelligence operation among German-speaking Americans to help try to fight traitors like Thomas Jefferson, Andrew Jackson, and that crowd. They understood that these were traitors.

The American System means not only what List did, to create this as the international name of the American System of economy; it means the policies enunciated by Alexander Hamilton under the first administration of George Washington on credit, banking, and economic policy. Those are *my* credit, banking, and economic policies.

The American System was further developed around Lazare Carnot in France, who took an active hand, not only including the French Army, the Ecole Polytechnique, and the acceleration of modern theories of functions of a multiply connected manifold, but also in developing the system of political economy. Two leading French associates of Carnot's, Chaptal and Dupin—the same Dupin who was celebrated by Edgar Allen Poe in his detective stories—worked further to perfect the

American System of political economy theoretically.

List brought that tradition back to this country. Henry C. Carey, who was the son of Mathew Carey, who was a close coworker of Ben Franklin and also a key figure in the American secret intelligence service, worked with List in popularizing the American System *inside* the United States. The entire industrial revolution accomplished by Abraham Lincoln was based entirely on the strategic approach developed and articulated by Henry C. Carey.

Those are my political, philosophical antecedents. They go way back, but these are common antecedents to both them and me. The fundamental distinction between the American System and the British System theoretically has been, on the one hand, that we are protectionist. It was correctly understood during the 19th century that anyone who said "protectionism" was fighting for the American System against treasonous elements which were for free trade and slavery. The words "free trade" and "slavery" mean the same thing—they always have, in one form or another.

We are protectionists. We don't mean protect a rotten, bankrupt shoe industry; we mean protect those industries which represent technological progress on the principle of the patent system. We are not going to make ourselves dependent upon some foreigner for our technological progress. We're going to make our industries prosper.

The second thing is that the British said man is a laboring ox, that the wealth of land comes from a combination of the bounty of nature and the number of hours that ox-like man puts into labor. This was the theory of Adam Smith, to the extent that he understood what he was writing. This was the theory of David Ricardo, and of all these peculiar fellows—Jevons, Mill, Marshall, and down to the modern Hjalmar Schacht, Keynes, and the other fruitcakes.

Even though Adam Smith was not mentioned in Alexander Hamilton's 1791 "Report on the Subject of Manufactures," it is known that this was based on Hamilton's thorough denunciation of Adam Smith as a fraud, a liar, and something to be kept away from American shores in any shape or form. As a matter of fact *the American Revolution was made against the policies of Adam Smith*. That's what we fought for: to free ourselves from British "free trade" after being kept in relative, what we would call today, neo-Malthusian backwardness.

Hamilton proved that the sole source of human wealth is the increase per capita in wealth which comes from increasing the productive powers of labor, and that this is accomplished not only through education and through improvement in the culture of the labor force, but that this requires capital intensive increases in artificial labor, in which we increase the amount of energy available per muscle-unit of energy to the human

mind. We multiply man's power over the universe in terms of the energy equation.

Energy density, progress, and survival are one and the same thing. Anyone who says that increases in energy don't correlate with economic growth is a liar or a fool. They don't know how the economy functions.

Sure, houses of prostitution do not require an increase of energy, so some say all you'd have to do is legalize houses of prostitution and that will increase our GNP without increasing any energy—and in fact, decreasing the available energy. Legalize marijuana and you'll add \$100 billion to the GNP with no increase in energy, a lot *less* energy, in fact.

Energy density is the requirement, and it is effected through inventions, through the increases of the cognitive powers of the educated mind, and effected through capital—capital investment, capital-intensive labor. The problem has been that, although this proposition has been repeatedly proven, heretofore into this century it has not been possible, apparently, to determine what the relationship was between inventions, or technological progress, and resulting economic growth and productivity *before the fact*. You could always prove it *after* the fact, but you could not demonstrate the exact amount of energy increase you were going to get before the fact.

My own particular concern at the beginning of 1952 was to develop, using Riemann and Cantor, a solution to this problem. My economics were already identical with that of Hamilton, Chaptal, Dupin, List, Carey, and so forth; yet, there was an omission in terms of the technological capabilities of their method of political economy, and, therefore, it was necessary to remedy that. It was clear to me at the same time that the question of energy function would become the dominant determinant of the economy in the period ahead.

What we've arrived at, of course, is the point in which that has become manifest, partly through artificial means. The fact that we are subject to, artificially, a crisis in energy compels us to look at the energy question perhaps earlier than we would have looked at it otherwise.

We wouldn't have had to face the energy issue theoretically perhaps, at least until sometime ahead. Now the fact that some enemy forces—treasonous forces—using things like the environmentalist battering-ram against us and against our nation, have created an artificial energy crisis, compels us at this stage of development to think in terms of an energy policy.

My contribution to political economy, in what's called a Riemannian Model—which has many implications in many fields of science—has been a contribution to solving that problem. This has enabled me, with the aid of some of my friends, some of whom are here, to begin to elaborate this in the actual form required for computer applications.

This is going to compel us to make revolutions in mathematics, because these functions are more advanced than those that students of Maxwell normally allow to be introduced in mathematical physics. Mathematical economics applied from the standpoint that is due to the energy density function and the effect of technological progress on the energy density function, is actually the most advanced branch of physics we have today. Most advanced in the sense that comparable areas in mathematical physics have not been generalized into the proper conceptual form.

We now have the means, or the imminent means, to look ahead in terms of determining policy, particularly energy policy, to determine the kind of inventions we need, the kind of things which should be fostered, the kind of things for which we should give tax credits—either for domestic investment or foreign trade. We are now in a position to look to this more rigorously than our American System predecessors such as List, Lincoln, and so forth.

We're doing the same thing, but doing it in a more refined way appropriate to the modern age.

America vs. liberalism

We simply have to recognize, fundamentally, finally, one thing: Every estimation that I am able to make indicates that the United States is divided in terms of the general electorate, between two categories: one of which we call American, or republican with a small "r," and the other of which we can call "generically liberal." By generically liberal, I mean people whose thought, organizations, rhetoric, and argument is organized according to the same principles used by John Locke, Jeremy Bentham, John Stuart Mill, the so-called utilitarians, or, in this country, William James, John Dewey and so forth. These people are liberals.

William F. Buckley, for example, is an example of that in his argument for the use of marijuana. This is a classic argument—the type of argument that Jeremy Bentham used to argue at the end of the 18th century for the legalization of pederasty. And, as a matter of fact, Buckley critically supported Mayor Koch in New York with the same argument, recently when Koch proposed that pederasty between a consenting child and an adult—a child over 12—be legalized provided it's done off school premises! This is literal! And that's what I mean by liberalism, and I have emphasized Buckley to show that it's not peculiar to people who are "liberals" or so-called radicals. There is a section of conservatives in this country which is properly called "Tory conservatives," which is really a disguised liberalism, and Buckley is, of course, the well-known whip-

ping-boy and exemplar of that kind of disorder.

The distinction I make is this—as Bentham defines it in the plainest of words. Bentham says that society should be organized according to hedonistic principles—that the pleasure and pain of the individual, *are* society. He says society is a collection of what Kant calls heteronomic individuals: irrational, hedonistic persons governed by blind individual prejudices. And like Locke, like Hume, Bentham insists that there is no higher moral standpoint from which to judge which of these viewpoints and policies is correct or wrong. Like Locke, Bentham argues that the only thing you do with society is to make a *social contract*—everybody is irrational, but you make a contract so that the irrationality of one person does not go too far in crushing the irrationality of another person.

That's the argument which is used for environmentalism. Thirty unwashed persons walk in complaining about the environment getting dirty. They walk in behind Ralph Nader or Barry Commoner, as interveners into federal court—this petty group of unwashed individuals, of deluded, existentialist, quasi-suicides, who may commit suicide any minute! It's true, exactly true, I'm not exaggerating! In philosophical principle, these are suicides, because the ultimate act of an existentialist is suicide—is to determine when the undertaker carries him out by his own will, not somebody else's will. That is actual, philosophical, ultimate existential science. That's what these people are.

If any one of them is seized by the perception that somebody might kill him at some future date, they say: "I would rather assert my independence, my free will—I'm not going to let natural causes kill me. Disease? Well, I'm going to conquer disease, I'm going to conquer illness, I'm going to conquer mugging—I'm going to kill myself right now!" That's an act of free will, as argued by Sartre and the other leading existentialists.

So this little environmentalist has said he will do it in a political courtroom, immediately! And the judge says—this liberal judge—"Now, society must make a compromise between the interests of mankind and the irrational prejudices and demands of this little bunch of unwashed kooks, these people who didn't get their spankings at the proper time." That's liberalism!

Seventy-five percent of the people in this country *do not*, when push comes to shove, accept that proposition. Seventy-five percent of the people in this country *demand* a moral purpose for their own lives and that of their children; a true moral purpose, not an arbitrary one. They demand a sense of national purpose which says that this nation exists to make the world better, to secure humanity, and the individual exists in this nation to play his part in making the nation better so the nation can make the world better—in the real Platonic republican sense. And that anybody who is doing that—

as a parent, as a scientist, a workman—has the right to stand up proudly and say, “I am a free, important individual! There is something about me that transcends the ephemeral of mortality.” He has that right. And 75 percent of the people in this country either know that immediately, live that immediately, or, when confronted with the choice, will say, “That’s where I stand.”

This fight before us is a fight to mobilize the 75 percent, who are not yet well organized, against the 25 percent who at this point are very well organized. It’s analogous to World War II, where we started the war in 1939 with superior resources but nonmobilized. We had the superior in-depth capability. The adversary had his lesser in-depth capability *mobilized*. Therefore we were constrained to conduct the war in a way which took into account these twofold discrepancies. But by 1943, we had mobilized a war machine that would not quit. We had to stop it in 1945; we couldn’t just go on producing—we were going to conquer ten planets if we didn’t stop it at that point, because we had gotten ourselves going.

Today, that’s the proposition, that’s our difficulty. We have to take the issues, which the majority of the American people want solved, and we’ve got to work on them. I think most Americans, through a process of several months, will accept the kind of proposition that I’ve got now—just as they would accept the idea of fighting a war to save the nation—but you’ve got to get them organized first. You can not fight a war without getting people organized.

Therefore, we and others as striking forces are leading the battle, harassing the enemy, keeping him from conquering everything by harassing him, until the point that we get our forces organized, and then one day, I hope, in January of 1981, we’ll walk into Washington and take that joint back, and we’ll never let anybody take it away from us again. And I don’t mean “me”; I mean 75 percent of the American people.

We’ll give the liberals and so forth their rights; if they want to complain about the condition of the environment, we’ll let them stand outside any sewage dump, any cesspool in Washington, and complain about it—all they want to! We’ll let them vote, we’ll educate them, we’ll give them the rights every other citizen has; but we will never let that minority take over our country

again as it has so far. We’ll never let it happen again.

And if we can organize this 75 percent of the American people—and we can do it—then this energy policy will be realized. We’ll look at the implications of this energy policy overall, and deal with them exactly as we have to.

We are entering into a new age of scientific discovery. We are entering a quantum leap in our thinking about the universe. We are entering, in a sense, a potential golden age, rivaling that which emerged out of the late 14th and 15th centuries around Florence. We are entering a new golden renaissance. This is not simply an objective we aim for; we are not trying to build a utopia. For 3000 years of our knowledgeable history, mankind has been struggling between the city-builders—the Neoplatonics—on the one hand, and the oligarchists, the Hesiods, the Dionysians, the evil Roman Empire, and so forth, on the other. The fight has been going on for thousands of years. We have made a certain amount of progress despite many defeats. We have reached this point, at which we are either going to be destroyed or we’re going to make an advance.

The fight for the perfection of humanity does not end in the next 10 years; it goes on for thousands of years to come, perhaps for thousands of centuries—at least we hope the human race survives for that process to continue. We are but a moment in the process of continuation of humanity, but in this moment we have a universal purpose, an obligation to keep. That is to keep the process of perfection moving. We should be inspired, not to imagine that the golden renaissance of science and technology about to burst upon us is that final utopia—it is not—but it is one of the great, exciting new steps forward in the continuing process of advancement of humanity.

Once we get into the process of developing these energies—most of which we are capable of doing *right now*, over the next 10 or 15 years—that process creates the environment in which we will not only satisfy the *material* requirements of human existence, but create the material environment in which the *moral* development of our citizens, and other nations’ citizens, is advanced. That moral development, arising in the context of technological progress, is the thing for which we are fighting

***I hope, in January of 1981,
we’ll walk into Washington
and take that joint back, and we’ll never let
anybody take it away from us again.***

LABOR PERISCOPE

AFL-CIO to dump Carter for Kennedy?

Sources in the Building Trades Department of the AFL-CIO report that the top leaders of the federation have already made up their minds to dump President Carter as the Democratic Party 1980 presidential candidate and to urge Ted Kennedy to run.

The AFL-CIO Executive Council, which just concluded its summer session without endorsing any candidate, has decided to make the move sometime within the next several weeks. The federation's decision is said to be approved by several building trades leaders, including department president Robert Georgine. It is expected to be announced in a 60-million-piece mailing now being prepared.

The announcement may coincide with an announcement of a Kennedy candidacy, now expected by some sources to occur soon after the conclusion of the papal visit to the United States next month.

AFL-CIO spokesmen officially deny the report, stating only that the federation as a body has not endorsed any candidate for President. But building trades leaders already view the recently passed Executive Council resolution on energy, which downgraded nuclear energy, as an overture to the antinuclear Kennedy forces. The same tendency was signaled by an advertisement placed by the building trades department in a newsletter of the pro-environmentalist Democratic Socialist Organizing Committee.

These leaders say that any open move toward Kennedy will trigger defections in the building trades and other progrowth, pronuclear unions like the steelworkers. An independent candidate like the Labor Party's Lyndon LaRouche stands the most

to gain from such an exodus.

There was little hint of the impending break with Carter earlier this week as many labor leaders, including AFL-CIO Secretary Treasurer and heir apparent to George Meany, Lane Kirkland, participated in a Labor Day picnic on the White House Lawn. Six labor leaders led by Glenn Watts of the Communication Workers, recently endorsed Carter for re-election.

If the reports of the Dump Carter move are true, political observers here state that there will likely not be any prior signal. This will heighten the impact of the Dump Carter announcement while leaving some time to bargain for concessions from the administration on domestic policy.

McBride knuckles under to U.S. Steel job elimination plan

Lloyd McBride, president of the United Steelworkers, said in an interview with the *Wall Street Journal* Aug. 29 that he will fully cooperate with U.S. Steel's retrenchment policy—a policy which has produced 5,000 steel layoffs since the beginning of the summer and portends at least another 5,000 before the end of the year.

McBride told his interviewer, "There isn't any way in the world that the industry is going to escape a recession, and I haven't any illusions about what the industry will do. They've made it clear that they won't subsidize unprofitable plants ... and neither will they continue in product lines that aren't profitable."

The interview with McBride comes in the context of the opening of the steel union's bargaining period with the nation's ten largest steel producers this October. McBride's message was that the union leadership

will not challenge the unfolding "shakeout" of "marginal" steel facilities and the resulting severe job losses in the upcoming contract negotiations.

With this public acquiescence to U.S. Steel's "planned shrinkage" policy for steel, McBride is compounding the suicidal tactic adopted by the steel union in recent months. Recently, the leadership of the USW backtracked from its earlier support for nuclear energy, while mooted support for the gross inefficiencies of solar power and coal gasification—the form of energy production most favored by the U.S. Steel leadership and before them by Nazi Germany.

Chavez gets quick fix from United Brands

Cesar Chavez and his United Farmworkers received an important boost last week when the nation's largest lettuce grower, Sun Harvest, Inc., suddenly agreed to a new contract with the UFW.

The announcement of the agreement came at a low point in the fortunes of Chavez and his UFW leadership. Observers termed the pact a "lifesaver," and expected it to help settle a violent and previously ineffective eight-month strike against California's lettuce growers. Sun Harvest split away from the other growers two weeks ago.

Sun Harvest is a subsidiary of the United Brands conglomerate headed by Detroit's Max Fisher. Law enforcement officials estimate that at least one-half of the cocaine entering the U.S. is carried in United Brands' ships.

Chavez, a stoop-labor advocate who was originally groomed by Saul Alinsky to serve as a foil against the Teamsters, is slated to play a major role in 1980 presidential politics, trying to hold the Mexican-American population first in the camp of pro-environmentalist Gov. Jerry Brown of California, and later, in that of Senator Edward Kennedy, a long-time Chavez ally.

—L. Wolfe

FACTS BEHIND TERRORISM

Terror wave set for Persian Gulf oil lanes?

Over the past 2 weeks a series of incidents have occurred in the oil rich Persian Gulf which suggest that a terror wave aimed at sabotaging the gulf's 20 million barrel a day (mbd) oil flow has begun. Last week 2 oil tankers exploded and sank within 24 hours of one another after departing from the terminal at Abu Dhabi. The week before a mysterious explosion ripped through a section of the Saudi oil tanker terminal at Ras Tanura. Shortly thereafter, the Saudis announced a cutback in oil output of 300,000 bpd because of damage from the explosion.

In both cases neither the governments of Abu Dhabi or Saudi Arabia were admitting to sabotage as the cause of the mishaps. The oil producing nations have been particularly sensitive about sabotage of oil flows for fear of a possible invasion into the region by the U.S., which both Secretary of Defense Harold Brown and former Secretary of Energy James Schlesinger have openly threatened.

Simultaneously, Iran's oil output was reported to have dropped over the same time period by nearly 1 mbd. The official explanation for the drop from the National Iranian Oil Company (NIOC) is bad weather, but oil industry and Iranian sources link the sudden drop in output to sabotage. Over

the recent weeks there have been numerous reports of bombings and machine gun attacks on Iranian oil pipelines, which have set back the refining of products for domestic use. As a result, the U.S. has offered to sell Iran 1.5 mbd of heating oil, an offer which was later refused.

The Lloyd's Connection

Less than a month prior to the outbreak of these incidents, on July 22, the U.S. Mapping Agency of the State Department predicted an outbreak of terrorism in the gulf. Shortly thereafter Lloyds of London announced it was raising all insurance rates for tankers going into the gulf, terming the area a "war zone." At the same time an international conference took place in Jerusalem where similar predictions were put forth. In attendance were some of the Anglo-American establishment's top agents whom this publication has documented to be linked to international terrorism, notably Henry Kissinger, British journalist Robert Moss, Georgetown University thinktanker Ray Cline, plus prominent leaders of Israel.

Lloyds of London's rate increase was met with unanimous outrage by the gulf oil producers. The head of the Kuwaiti Chamber of Commerce and Industry termed the move "psychological

warfare" designed to build up anxiety within the oil consuming sector over the future stability of the gulf.

According to European sources, Lloyds' involvement in spreading an atmosphere of instability in the Gulf linked to future terrorism is reminiscent of Lloyds' alleged involvement in Italian terror. The London firm is still under investigation by the Italian law enforcement authorities for alleged involvement in murders and kidnapping. A high number of kidnap victims in Italy were found to be insured by Lloyds, leading to suspicion that kidnapers might have obtained inside information on victims' security arrangements available to Lloyds.

The Iran trigger

NIOC chief Hassan Nazih last week warned of cutbacks in Iranian oil output due to brewing conflicts within the oil producing region of Khuzestan between leftists and followers of Iran's theocratic leader Ayatollah Khomeini. The conflict between the Kurdish minorities and Khomeini is also mooted to spark further violence within the Khuzestan region where militant Iranian Arabs are too at odds with the Islamic regime. Iranian sources warn that elements within the Palestinian movement are working closely with the Khuzestan Arabs who comprise a sizeable percentage of the Iranian oil workers. As well, numerous radical European organizations such as the London-based Bertrand Russell Peace Foundation and the Amsterdam based Transnational Institute, both known to have strong British intelligence links, are cultivating the militancy of the Iranian Arabs. A shutdown in Iran's oil output could easily trigger a renewed crisis such as that which Iran prompted in early 1979.

—Judith Wyer

WORLD TRADE REVIEW

New Trade Deals

| PRINCIPALS | PROJECT/NATURE OF DEAL | COST | FINANCING | STATUS |
|--|--|------------------|---|----------------------------------|
| China from U.S. | Trade credits promised by Vice President Mondale | N Ap | \$2 bn trade credits for 5 years | III |
| S. Korea from U.S. | Korea Electric Co. has purchased two nuclear reactors. The Eim credit is the largest single credit ever granted by the U.S.institution. | \$1.38 bn | \$1.17 bn Eximbank credit | Preliminary approval granted |
| Saudi Arabia from Japan | Saline Water Conversion Corporation orders 40 desalination units for Jabail. A Mitsubishi, C. Itoh, and Sasakura Engineering consortium will build 20, Hitachi Zosen will build 10, and Ishikawajima-Harima (ICI) will build 10. Mitsubishi will also build a 550 mw power plant | \$1 bn plus | NAv | Contracts awarded |
| Indonesia from W. Germany | Indonesia buys 4 semi-container ships from Slichtung Werft | \$393 mn. | 15 yr. W. German loan with 3-yr grace | I |
| Nigeria from Hungary, Czechoslovakia, and Norway | Nigeria purchases metallurgical and engineering plant, machine tools, and auto spare parts from Hungary and Czechoslovakia; 6 fishing vessels from Norway | \$187.9 mn | Loans from the three supplier countries | Signed bilateral loan agreements |
| Portugal from Nigeria | Portugal purchases 500,000 tones low-sulfur crude per year for two years, contract renewable | \$90 mn per year | | I |
| Costa Rica/Nicaragua | Government-to-government bilateral agreement for trade in 91 articles | \$25 mn. | Costa Rican credits to Nicaragua if unfavorable trade balance | Pact signed |
| Argentina from U.S. | Cargill will build a linseed and sunflower oil production plant | \$18 mn | NAp | Company announcement |
| Greece rom France | Greece adopts French SECAM color process | Multi-million \$ | NAv | Unofficial Greek source |
| Bolivia and Venezuela from France | Series of commercial and industrial accords signed between Renault Vehicules Industriels (RVI) and Bolivia, where the state-controlled COFADENA will assembly 1,000 RVI trucks over the next 18 months; Venezuela's Ensamblaje Superior CA will import and assemble 600 chassis for mini-buses | NAv | NAv | I |
| China/France | CFP and ELP will prospect for oil off China coast; under other agreements, France will supply technology in computers, machine tool industry, coal, electronics, and metallurgy | U | Banque Francaise du Commerce Exterior \$2 bn credit line | II |

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

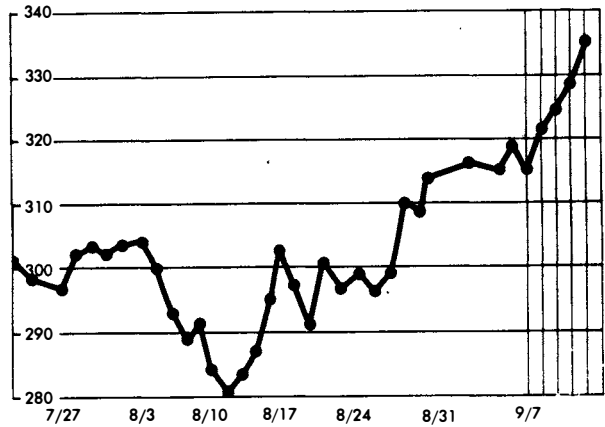
I = deal signed
 II = in negotiation
 III = preliminary talks

[THIS PAGE IS INTENTIONALLY BLANK]

Gold

London afternoon fixing

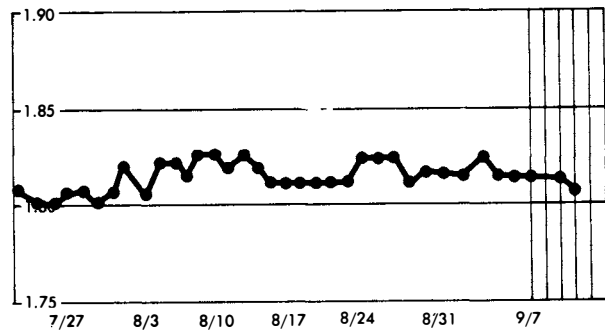
| | |
|--------------------|---------------|
| August 31 | 315.10 |
| September 3 | 322.90 |
| 4 | 325.00 |
| 5 | 329.00 |
| 6 | 335.50 |



The dollar in deutschemarks

New York late afternoon

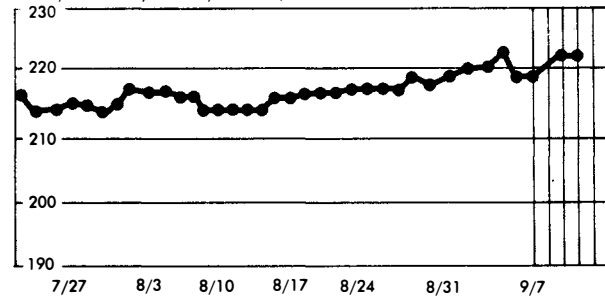
| | |
|--------------------|---------------|
| August 30 | 1.8217 |
| 31 | 1.8230 |
| September 3 | — |
| 4 | 1.8248 |
| 5 | 1.8182 |



The dollar in yen

New York late afternoon

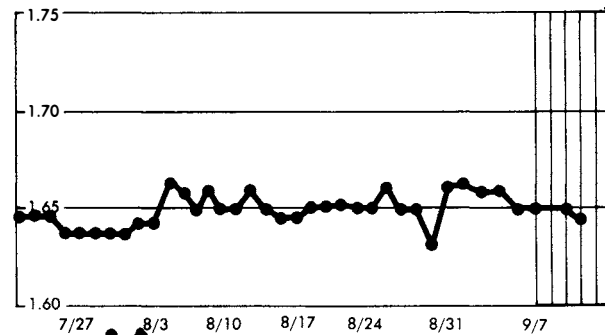
| | |
|--------------------|---------------|
| August 30 | 219.95 |
| 31 | 219.90 |
| September 3 | — |
| 4 | 221.45 |
| 5 | 221.30 |



The dollar in Swiss francs

New York late afternoon

| | |
|--------------------|---------------|
| August 30 | 1.6525 |
| 31 | 1.6540 |
| September 3 | — |
| 4 | 1.6568 |
| 5 | 1.6485 |



The British pound in dollars

New York late afternoon

| | |
|--------------------|---------------|
| August 30 | 2.2525 |
| 31 | 2.2605 |
| September 3 | — |
| 4 | 2.2402 |
| 5 | 2.2455 |

