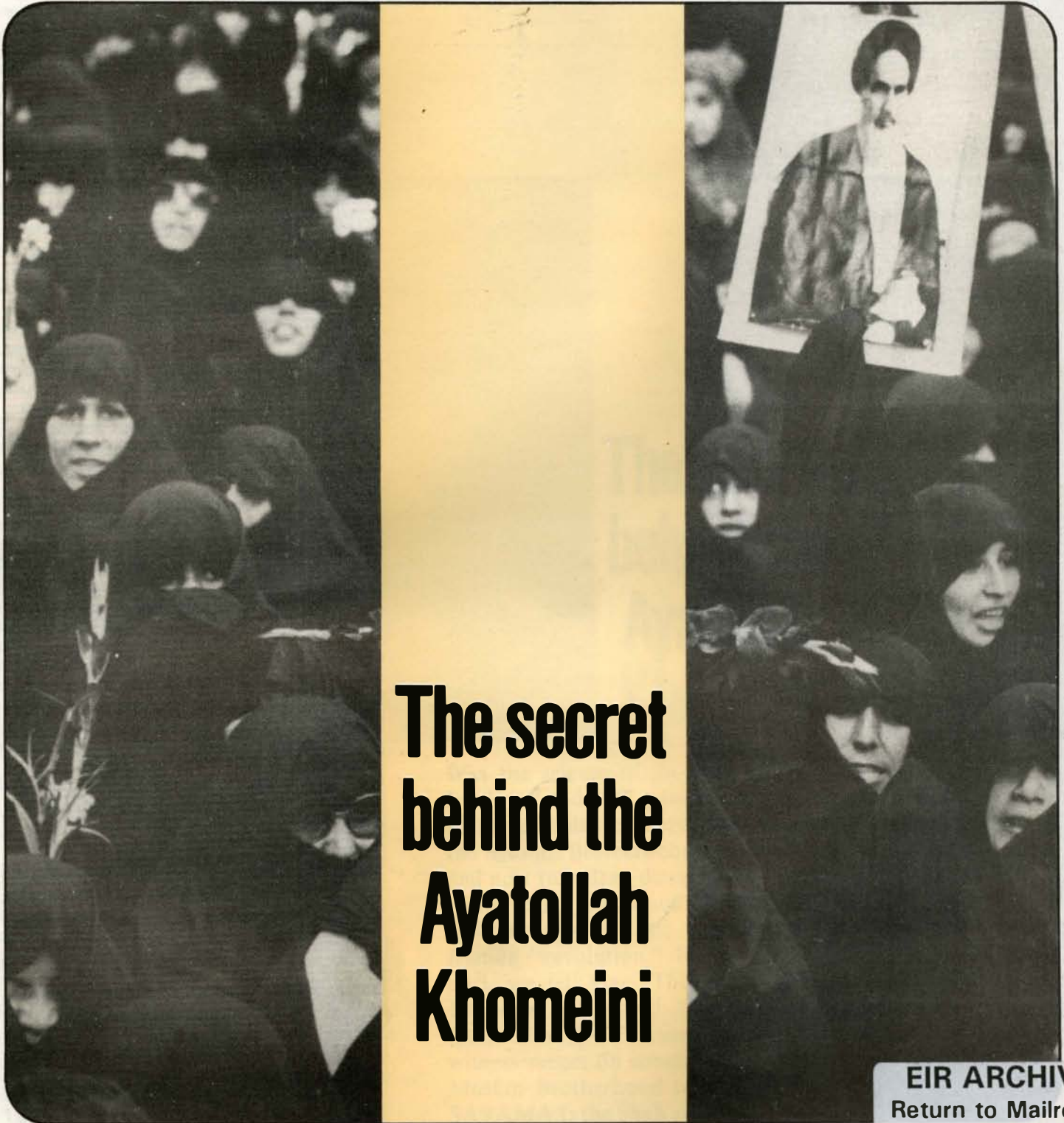


EXECUTIVE INTELLIGENCE REVIEW

Who wants
Giscard out

November 13-19, 1979



**The secret
behind the
Ayatollah
Khomeini**

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Editor: Linda de Hoyos
Managing Editors: Kathy Stevens,
Vin Berg
Production Manager:
Deborah Asch
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
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and Susan Kokinda
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Mark Tritsch

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EXECUTIVE INTELLIGENCE REVIEW

The secret behind the Ayatollah Khomeini

Was the seizure of the U.S. Embassy in Teheran by Iranian "students" planned in Washington? Who actually controls the international secret society known as the Muslim Brotherhood, that deployed the "students" and now rules Iran dictatorially? What has NATO been doing there? This issue of EIR undertakes the urgent task of exploding the "anti-U.S." mythology of the Iranian "revolution." In our featured MIDEAST report, we tell you "The Secret Behind the Ayatollah Khomeini." Included: the threat posed to the Persian Gulf: How NATO uses Iran, and an exclusive eyewitness report on conditions inside Iran itself since the Muslim Brotherhood took power. Plus: "Khomeini's SAVAMA Is the Shah's SAVAK." **Page 18**

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The economy's swift collapse

Paul Volcker's policy, "controlled disintegration" of the world economy, has begun internationally. Will it be as bad as EIR forecast in the past two weeks? According to this week's ECONOMICS report, it will be even worse: "The Economy Faces a Swift Collapse." Industrial closings are already being announced in the Midwest, with a proposed solution not seen since Mussolini. We detail it in "Looking to Employees for the Bailout." This week's gold column by Alice Roth answers your questions on trends in light of the Iran crisis's disruption of the link between gold and oil prices. Plus: A look at Margaret Thatcher's spending plans—"Tory budgeting: All is Cut Except NATO." Don't miss the Foreign Exchange column by David Goldman: "Is the Dollar Still a Reserve Currency?" **Page 7**

An effort to topple Giscard

What's behind the shocking suicide of French Labor Minister Boulin? "An Effort to Topple France's Giscard" is the answer given in this week's EUROPE report. Few people believe it was actually suicide, when the man rumored to be the next premier of his country, made a victim of scandalous charges in the press, suddenly turned up dead. But while British press were quick to predict the downfall of President Giscard d'Estaing—and with him, the European Monetary System—the result to date has not been what they expected. Included: "What is Jacques Soustelle?" and "Europe faces Growth of Dope, Inc." **Page 31**

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Epidemic of coups in Third World

Suddenly nine Latin American governments are facing upheavals, coups d'etat, or have already experienced such. What has that spreading instability south of the border to do with the murder of Korea's leader? And with predictions of a government turnover in Thailand? Is there any connection with a rump meeting of British and American NATO policymakers in London last week? Our THIRD WORLD report details the unfolding destabilization of two-thirds of the worlds' peoples in "An epidemic of coups sweeps the Third World." Included, a look at the U.S. role in China's new designs toward Southeast Asia, plus: "Did the 'China Card' Kill Korea's Park?"

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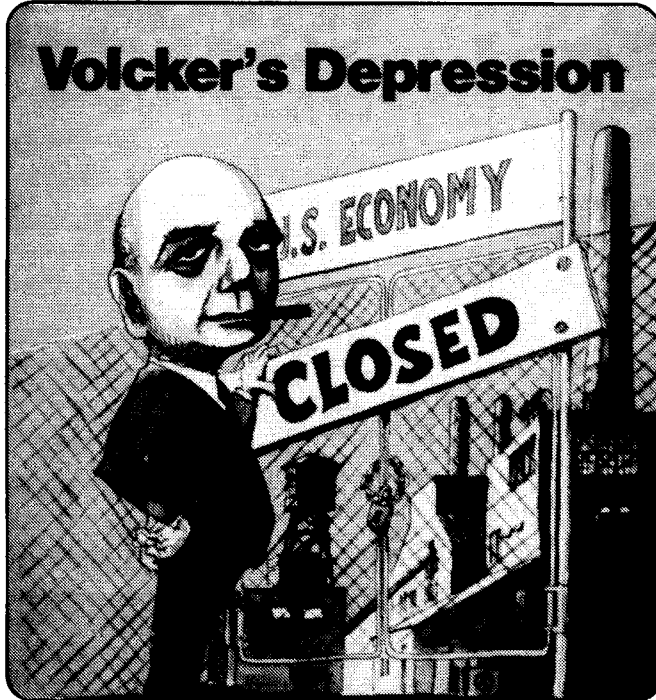
LaRouche Addresses Economists Club

Is there any alternative to the tight-money measures of Paul Volcker? Last week, excerpts of John Connally's policy statements in favor of Volcker and on other matters were presented in the EIR's U.S. Report. This week: "LaRouche Addresses the National Economists Club" is the featured item in the "Presidency 1980" section of our U.S. Report. In an address whose effect was characterized as "electric," the Democratic contender criticizes tight-money measures from the standpoint of his own "Riemannian" economic forecasting technique. Included in our U.S. Report: "The Illinois Resolution Against Volcker: It's Going National" plus an exclusive interview with the resolution's sponsor, Rep. Larry Bullock of Chicago.

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October 23-29, 1979



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Cleveland's message to Kennedy

Some important conclusions are to be drawn from the pattern of voting in the Nov. 6 local elections across the United States. In at least four key U.S. cities—Boston, Cleveland, San Francisco, and Buffalo—the message to prognosticators of the 1980 presidential race is that Senator Edward M. Kennedy, who announced his candidacy for the Democratic nomination officially on Nov. 7, is already in a good deal of trouble. Some observers are even asking if the *intention* of the Kennedy candidacy is to hopelessly split the party and ensure its defeat next year.

Perhaps the most significant of the black eyes voters gave the Kennedy machine occurred in Cleveland, where radical-liberal Mayor Dennis Kucinich went down to defeat despite his endorsement by such Kennedyite celebrities as Jane Fonda and Ralph Nader. Cleveland, a city where registered Democrats outnumber Republicans 7 to 1, elected a Republican, Ohio Lt. Governor George Voinovich to replace the "boy mayor" whose two-year term had all but destroyed a once proud city.

The defeat (by implication) for Senator Kennedy was delivered by the very same white-ethnic and black combination of voters that is commonly referred to as his "base." And the timing, on the eve of the Massachusetts Senator's formal announcement of his presidential candidacy, could not have been more ominous. Observers around the country noted that last spring, when the reelection of Kucinich seemed probable, the Democratic Party of Cleveland's Cuyahoga County went on record as the first in the nation to endorse Kennedy.

Kucinich's defeat was effected by

the combined efforts of the LaRouche Democratic presidential campaign organization, the anti-Kucinich Democratic black machine on Cleveland's east side, and white ethnic machines on the west side.

In Buffalo, the Democratic candidate for Erie County Executive, Frank McGuire, who had been personally endorsed a week before at a rally by Ted Kennedy, was trounced by a 2-to-1 margin as the result of a revolt in Democratic ranks. Boston Mayor Kevin White won a landslide victory against avowed Kennedyite Joseph Timilty. In San Francisco, the liberal Dianne Feinstein machine has been forced into a runoff in the mayoral and District Attorney races.

Very clearly, the mood in the American electorate is not going toward the brand of radical-liberalism that Kennedy represents. Nor, as many observers have pointed out, did Kennedy's television interviews over the previous weekend on the subject of Chappaquiddick redeem his political fortunes. Those willing to look past the unanswered questions about the "incident" could

hardly overlook the candidate's downright incoherency.

Last spring, we predicted that the New York Council on Foreign Relations would field two prerigged nominees in the 1980 election—Alexander Haig for the Republicans, and Ted Kennedy for the Democrats. We also noted that Lyndon LaRouche's candidacy on a program openly counterposed to the CFR's plans and its habit of preselecting the presidential choices could upset that scenario, which called for Haig (or a stand-in, like current GOP frontrunner John Connally) to win the election.

Our international friends should now look closely at the outlook on the 1980 vote, just one year away. The CFR appears more than willing to destroy the Democratic Party entirely with a Carter-Kennedy showdown, in order to prevent the "LaRouche option" from succeeding. But LaRouche now stands an excellent chance of reaping the disaffected Democratic (and Republican) vote that said goodbye to Dennis Kucinich in Cleveland.

— Nora Hamerman

The Week in Brief

The Carter administration has embarked on a plan to shut down nuclear power in the United States for good. Already the Nuclear Regulatory Commission has declared a temporary moratorium on the licensing of seven nuclear plants about to come into operation. The NRC is also considering a Three Mile Island Commission recommendation that all nuclear plants located within 10 miles

of a major urban center be shut down.

Furthermore, by fostering a climate of hysteria, the NRC has contributed to the closing of five out of six of the nation's commercial nuclear waste disposal sites—thus threatening the shutdown of all nuclear fission plants as well as vital cancer and medical diagnostics and treatment.

The closings follow the first waves of industrial shutdown as a result of the high-interest policies of Federal Reserve Chairman Volcker. Experts predict that the nuclear plant closings could result in as much as a 25 percent cut in electric power supply, resulting in grave economic losses to the economy.

* * *

Soviet President Leonid Brezhnev's Oct. 6 arms negotiation offer was not "propaganda" but was intended as a negotiating package that could give a new impulse to the Vienna troop reduction talks, according to an interview given by two top Soviet officials to the West German weekly *Der Spiegel* Nov. 5. Central Committee officials V. Falin (former ambassador to Bonn) and V. Zagladin insisted that the Soviet offers be taken seriously before a NATO decision to deploy new medium-range missiles in Europe causes a serious deterioration in East-West relations.

Falin emphasized that the United States views installation of these missiles—the first targeted against the U.S.S.R. from West Germany—as necessary in order to conduct "limited" regional nuclear wars. Soviet military doctrine rejects this concept entirely. If NATO does decide at its Dec. 12 meeting to introduce these new weapons, the Soviet Union will have to respond, Falin said. "This is not a threat but a fact." In particular, if West Germany abandons its commitment to detente and goes for an arms buildup, the whole

strategic situation in Europe would be completely changed, said Falin.

* * *

Japanese Prime Minister Masayoshi Ohira won a narrow victory against intraparty rivals to retain his post, but it is "only the beginning and not the end of the fight" to depose him vowed a top-level political leader within the ruling Liberal-Democratic Party (LDP). Ohira beat out former Prime Minister Takeo Fukuda 135-125 in the first vote. The LDP could not agree on a unified candidate to present to the Diet (parliament).

The new cabinet just announced by Ohira, for the most part, is made up of "unknowns" and emphasizes that Ohira's opponents—Fukuda, former Prime Minister Miki, and Yasuhiro Nakasone—refused to strike a deal with Ohira. It is described in Tokyo as a "cabinet not to last more than a few months."

The question making the rounds of Tokyo is whether the fight will continue to be conducted on a level which appears to the public as only a personality struggle or will the actual issues in the campaign come out. One issue is what is the hold Washington has over Ohira and his ally former Premier Kakuei Tanaka that makes them so subservient? The anti-Ohira leader cited above indicated this issue might be forced when he stated: "The real issue in the fight is morality and ethics in politics. Ohira and Tanaka are dirty, mafia-linked politicians."

Israeli Agriculture Minister Ariel Sharon was accused this week of trying to "topple" the Israeli government and bring about a full-fledged government crisis.

In a heated special Cabinet session called to discuss the controversial issue of settlements on the illegally occupied West Bank, Defense Minister Ezer Weizman charged that Sharon was colluding with the Gush Emunim religious fanatics to obstruct plans by the Israeli army to forcibly dismantle the settlement of Elon Moreh, which the Israeli Supreme Court recently ruled was illegal. Weizman threatened to resign from office if Sharon prevented the army from implementing the Supreme Court order.

The Weizman-Sharon confrontation brings the government crisis in Israel to a head. Allies of Sharon in the government, such as newly appointed Finance Minister Yigal Hurwitz, are trying to use the atmosphere of crisis to ram through a series of drastic economic austerity measures that would be coupled with a hardening of Israeli foreign policy, as part of an effort to "fundamentalize" the Israeli population along the lines of "pure Zionism."

One foreign commentator and sympathizer of Israel, Rafael Seligmann of West Germany's *Die Welt* newspaper, warned on Nov. 8 that this process was leading Israel "toward political isolation and economic disaster. . . . The population is filled up with tranquilizers, with drugs, and is losing touch with reality."

The economy is facing a swift collapse

The unraveling of the U.S. economy, following the imposition of stringent credit tightening measures by Federal Reserve Chairman Paul Volcker on Oct. 6, is proceeding faster than even this publication warned.

The Riemannian economic model developed by contributing editor and Democratic presidential candidate Lyndon H. LaRouche, Jr. projected a percent collapse of the auto industry.

Reports have come in of a 22 percent cut back in U.S. auto production in November from November

DOMESTIC CREDIT

1978 levels; corresponding "adjustments" in the production schedules of steel, rubber, glass, and other of auto's feeder industries; a virtual halt of all new mortgage lending in the nation's capital and other areas of the country with obvious implications for the construction industry; and other signs of an economic depression like that of the 1930s.

But dramatic as these individual developments are, they are merely the surface phenomena in a sweeping restructuring that is taking place in the world's largest economy. As a result of the Volcker measures and coordinated developments—most notably the death knoll sounded for the U.S. nuclear industry by the Kemeny Commission report on the Three Mile Island nuclear "accident"—the United States economy is entering an era of exorbitant energy costs, a scaled-down and cartelized industrial sector, no savings banks, no long-term capital markets, "employee stock ownership" financial frauds, and a deep plunge in American living standards—in short, all of the elements that characterized the fascist Italian and German regimes during the Great Depression.

Resistance to this "restructuring" is coming from those sectors of U.S. economic life which are first on the chopping block—the savings banks, the construction industry, and small- and medium-sized businesses generally. However, the "Fortune 500" corporations—with the exception of Chrysler and other black-listed companies—have continued to issue public praises for Volcker's "anti-inflation" measures. We can only sur-

mise that this is because these elite corporations expect to come out on top of the heap when the full force of Volcker's "Saturday night special" package hits.

The most recent monetary statistics available, in fact, show that the Federal Reserve has continued to pump out banking reserves to selected commercial banks via its relatively low-cost discount window, despite the talks about cracking down on credit availability. Borrowed reserves soared during October, lifting the growth of total banking reserves to a 24.1 percent annual rate. And sources at the "Fortune 500" corporations report that they can still get bank loans

Financial Times columnist Samuel Brittan is predicting that the next international phase of the U.S. credit crunch will be the advent of tight, central bank control over the Eurodollar market, in which U.S. multinational banks can look forward to increased margins and a bigger share of the lending market—at the expense of Japanese, West German, and other international banks.

The contradiction between what the major U.S. banks and corporations perceive as their immediate short-term interest and the health of the U.S. and world economy, has never been greater.

Here is what the latest economic developments look like in energy, auto, on the markets and in the nation's financial institutions:

Energy

The availability of expanding sources of cheap energy, upon which capital formation depends, has now been ruled out by the highly publicized warnings against nuclear power issued by the Kemeny Commission during the first week of November. That the Commission did not vote for a complete moratorium on nuclear plant construction is an academic point. As the *Journal of Commerce* noted editorially on Nov. 6, "Talk of a moratorium on nuclear plant construction, mandated by Congress for the NRC, may be irrelevant. The capital market, by denying the industry the capital it needs at a price it can afford to pay, may decide the matter independently."

The de facto moratorium on nuclear plant construction in the U. S. coincided with a new take off in spot

oil prices from last spring's highs, following the Iranian government's threatened renewed cutoff of oil exports. Our energy analysts foresee a \$60 a barrel spot price on the Rotterdam market and a \$30 a barrel OPEC benchmark price by Christmas.

Both developments will hit the energy- and capital-intensive sectors of the U.S. economy the hardest as happened after the 1973 oil hoax.

Auto and Steel

Current Federal Reserve policy, meanwhile, is hastening the trend toward a highly "rationalized" and cartelized U.S. industrial sector.

The U.S. auto industry has responded to what one auto executive termed the Fed's "erratic and contradictory economic actions" and the resulting 21 percent slide in domestic auto sales in October by slashing its November production schedules by 22 percent from year-ago levels. With the announcement of another 10,300 layoffs by Ford Motor effective Nov. 5, there are currently about 90,000 auto workers out of work.

A secret memo circulating among top-eschelon auto executives, which was obtained by this publication (see our last issue for coverage), predicted a 20 percent cut in the auto workforce by the end of the year—300,000 layoffs—and advised the auto executives to gird for conditions worse than the 1957 recession.

The plight of the consumer credit-dependent auto industry was dramatically illustrated by the recent announcement by General Motors, the best-off of the companies, that it ran at a loss during the quarter ending Sept. 30—that is, before the worst hit. GM's actual operating loss for the quarter was \$200 million. A set of tax write-offs managed to give the corporation a book profit of \$21 million.

The contraction of the auto industry has immediate ramifications for steel, which ships over 20 percent of its finished product to the auto industry. The planned 22 percent cutback in auto production this month means a 4-5 percent drop in overall steel consumption, according to industry analysts.

Steel is simultaneously being hit by a collapse in orders from the construction industry—also hard hit by the credit crunch—and capital good producers.

During the last week of October, steel producers in the Pittsburgh district, the nation's second largest steel-producing region, poured only 407,000 tons of raw steel, less than half of the region's 831,000-ton capacity. Peter Anker of First Boston, the most quoted steel industry analyst on Wall Street, said in an interview that it would be wrong to interpret the below-50 percent-capacity rates in the Pittsburgh region as a precursor of what is to come nationally, however. "The steel producers are putting very little capital into that area," according to Anker. In other words, the steel industry

has already written off many of its antiquated facilities in Pittsburgh, Youngstown, and neighboring steel towns.

Financial Institutions and Markets

An equally sweeping restructuring of the nation's financial institutions and markets has been unfolding, especially since Oct. 6. Volcker's astronomical interest rates have done as yet untold damage to the saving bank industry. Caught in the squeeze between the escalating cost of money and fixed-rate mortgage assets, even industry veterans like the New York Bank for Savings operated at a loss for the first time in their history during the second quarter of this year. The Federal Deposit Insurance Corporation, which, incidentally, is probably the most under capitalized financial entity in the country, is drawing up contingency plans for merging the weaker savings banks and savings and loan institutions into the commercial banks.

This eventuality is part of what bank analysts call the "homogenizing" of the banking system—a "blurring" of distinctions between savings banks, commercial banks, credit unions, and so forth, in which the housing market-oriented savings banks disappear.

The "homogenizing" that is left undone by the "market place" will be taken care of by pending banking legislation. The Federal Depository Institutions Deregulation Act, which passed the Senate by a margin of 67 to 17 on Nov. 1, would permit the issuing of "NOW" accounts (interest-bearing checking accounts) nationwide by all types of banks, compel savings banks to hold reserves with the Federal Reserve for the first time in history, and phase out Regulation Q.

Regulation Q places federal interest rate ceilings on savings deposits, giving savings banks a quarter point rate advantage over commercial banks. Both the institution of Reg Q and the outlawing of interest-bearing checking accounts date from the 1930s, and both measures were specifically introduced to stabilize the banking system and protect a housing-oriented savings bank sector. In tandem with eliminating Reg Q, the pending dereg bill would override state usury laws on business loans of more than \$25,000 until mid-1981.

The bitter irony is that this banking "deregulation" bill, which was sponsored by Sen. William Proxmire (D.-Wisc.), is one facet of a broad package of banking measures in the works which would lead to a much more highly regulated and controlled national and international banking system.

As a result of the cut-throat competition unleashed by the pending bill, only a dozen or so banks will remain standing; they will be tightly controlled by the Federal Reserve, which in turn will be tightly bound to the International Monetary Fund (see Congressional Calendar).

The future of the long-term capital markets as we

know them is also completely up in the air at present. Last week the Dow Jones wire carried rumors that the life insurance companies and other major institutional investors are about to pull out of the equity market for higher yielding money market instruments.

In keeping with Fed Chairman Volcker's predictions of a coming decline in American living standards, the new source of investment—read, bail out—funds in the economy is to be wage earners' saving. A feature article in the Nov. 5 *Financial Times* of London cited the proposed "final solution" for bankrupt Chrysler—federal loan guarantees, real wage cuts, and a pension fund bail out—as the precedent for dealing with all of the weaker American industries (see Transport column).

Meanwhile, an Oct. 25 press release from the Office of Management and Budget indirectly revealed that the federal budget deficit is now being financed by a combined cut in living standards and consumer installment borrowing. According to the OMB, the U.S. budget deficit is down by \$9.7 billion from projected levels to \$27.7 billion. This is due totally to an unanticipated rise in revenues of \$10 billion. That rise in turn was totally the result of inflation pushing households into higher tax brackets.

—Lydia Schulman

Looking to employees for the bailout

Prototype employee stock ownership plans (ESOPs) are now in the works as integral parts of bailout packages for two corporations on the brink of liquidation—Chrysler Corporation and the bankrupt Milwaukee Railroad.

TRANSPORTATION

Under this corporatist plan, employees would be given representation on corporate boards in return for equity purchases, to be paid for variously by payroll deductions and direct worker investments.

In the case of the Milwaukee Road, the railroad has already proposed to abandon two-thirds of its track and shrink its operations to a 3400-mile core system. To forestall this, Congress passed a bill temporarily subsidizing the full Milwaukee system, providing that the interested parties devised alternative financial and system plans by December 1. By then it is expected that

a consortium of employees, shippers, and outside investors centered around a group called New Milwaukee Lines, Inc. will submit a de facto takeover plan. This ESOP-type formation would inject capital in the Milwaukee Road, while simultaneously paring its least profitable branch lines. With the gathering recession reducing commerce, however, the scale of cutbacks will necessarily approach the original abandonments proposal—and employees and shippers will be stuck with a bankrupt railroad.

Corporatism at Chrysler

In a first for a top U.S. corporation, United Autoworkers President Doug Fraser was recently elected to the Chrysler Board, in exchange for a contract where Chrysler workers will receive \$203 million less than other auto industry workers over the next two years. Not only did Fraser agree to a 3 percent annual pay increase but the awarding of the increase itself will be delayed six months in the first year and for several months in following years.

At the same time, cost-of-living increase earned by Chrysler workers under their old contract will be delayed until December 1980, and thus will not be counted in the base pay of Chrysler employees.

The contract also allows Chrysler to defer \$200 million in payments into the union pension fund, eliminating part of already slated pension increased for Chrysler pensioners. At congressional hearings several days before the announced agreement, Fraser also offered to loan almost all of the Chrysler workers' \$850 million pension fund to the company provided government guarantees were given for the investment.

The UAW's magnanimity is in sharp contrast to the banking community's refusal to extend further loans. Further unsecured loans are not "feasible to the banking community," Manufacturers Hanover Trust's Chairman John McGillicuddy said in his congressional testimony.

Following the announcement of the Carter package, the banks agreed once again to waive default clauses on \$800 million in loans to the auto maker, despite the fact that Chrysler's working capital has fallen to a new low of just over \$300 million.

The loan guarantee plan requires Chrysler to raise an additional \$1.5 billion in unguaranteed funds through more borrowing and sales of assets.

Furthermore, it is widely expected that an amendment mandating a full-fledged ESOP will be attached to the administration's proposal. The UAW's reaction? "We are not opposed in principle to ESOPs," said one Washington-based UAW spokesman in an interview, "and will go along with the expected amendment to the Administration's bill."

—Steve Parsons

Volcker's 'controlled disintegration' begins

At England's Warwick University just a year ago, Federal Reserve Chairman Paul Volcker took "as my text" the dictum of the late British economist Fred Hirsch: "Controlled disintegration of the world economy is a legitimate objective for the 1980s." Volcker wondered if such disintegration could, in fact, be controlled. Now he has given the world financial community the chance to find out.

EIR is not privy to the deliberations at the Bank for International Settlements on the subject of controls on

INTERNATIONAL CREDIT

the Eurodollar market. However, such controls are now coming on line as a de facto condition of doing international business. Whether the Eurocurrency markets, bending under the strain of a 16 percent London Interbank Offered Rate for funds, will manage not to break is open to question.

Uneasy Agreement

There has been struck the following unstated deal between the American, British, West German, and Japanese central banks, according to highly reliable sources in the banking community. Mainly because of divisions at the West German central bank—misleadingly cited in the press as a fight between outgoing President Otmar Emminger and his successor, Karl-Otto Poehl—the deal is highly tentative. Nonetheless, this is what is operational: commercial lenders in the four leading countries are now subjecting major international credits to the formal or informal scrutiny of central banks.

This has gone furthest in Japan, where the finance ministry in October began case-by-case review of all Japanese bank participation in international syndications. Reportedly, the approval rate has been extremely low. As a result, Japanese participation in several major credits, including recent Mexican and Brazilian loans, has been sharply reduced. One syndication by Japanese banks on behalf of the Mexican electricity authority fell one-third short of the \$600 million goal. In addition the Japanese banks are now under finance ministry orders to fund at least 20 percent of their term loans with one-year liabilities and 10 percent of such loans with three-year liabilities. In a Euromarket where the average maturity of deposits is less than 30 days, that is a de facto prohibition.

The status of West Germany's international lending

profile is a matter of contention. Nominally, the Bundesbank is in favor of stricter oversight of the expansion of Eurocredits. However, the major political pressure in this direction has come from the Berlin-based *Aufsichtsamt fuer das Gesamt Kreditwesen*, the West German equivalent of the U.S. Controller of the Currency. The bureau's director, Ingelore Behre, is a political ally of ex-chancellor Willy Brandt and hostile to the commercial banks. Apart from attempting to rein in the commercial banks, the *Aufsichtsamt's* major demand on the banks is a reduction in gold market operations (see Gold).

However, the Bundesbank's continued pressure on liquidity has hit the West German banks as hard, in terms of their DM operations, as Fed Chairman Volcker's crunch has hurt their dollar bookings. There is no end in sight to the contraction of the West German fixed-income securities market, which has forced major cancellations over the past month, including a Commerzbank-managed DM 100m issue for Chile during October.

The interest rate on the U.S. Treasury's four-year DM bond released to the West German markets last week was 8.55 percent. That is not merely a new plateau for the West German market; it is almost as much as the U.S. Treasury was paying in dollar terms just before Paul Volcker's "Saturday Night Special" maneuver Oct. 6.

As for dollar bookings, the Dusseldorf daily *Handelsblatt* warned Nov. 6 that the 16 percent Libor rate was discouraging banks from undertaking new syndications. Worse, the newspaper reported, German banks are currently taking losses on existing six-month rollover credits (the standard Eurodollar term credit), because credits funded with less than six-month liabilities must now be funded at a loss. The borrowers' rate can only be adjusted at half-year intervals.

Volcker's cut

Volcker's share of this deal appears much meatier than that handed to the Germans or Japanese. U.S. banks are now predicting an increase in their Euromarket share, which fell drastically during the past year and a half. The current edition of Chase Manhattan's newsletter *International Finance* predicts not only a solid expansion of the Eurodollar market (although at less than the 30 percent annual rate registered at mid-year 1979), but an expansion of American bank operations. Bankers say that the top-down "lending cartel" arrangement Volcker is now putting into place guarantees

more attractive margins (the difference between the banks' cost of funds and their charge to customers), the basis for a return to the market.

European and Japanese banks undercut American and (to a lesser extent) British banks during most of 1978 and 1979, reducing spreads on prime credits to less than 0.5 percent, or barely equal to the cost of administration. German and Japanese banks did this less for book profits than to maintain foreign markets for their closely allied industrial customers.

Since the Volcker package came through, bankers have expected some form of international lending (or exchange) controls to appear—along the lines of the old Interest Equalization Tax which former Treasury Secretary George Schultz abolished in January 1974. Such controls appear to be in place, albeit not formally, and in a form attractive to dividend-watchers at the commercial banks.

To a great extent, public discussion of this process has taken the form of an ideological debate over the Eurodollar market's role in monetary expansion. At a conference sponsored by the Philadelphia World Affairs Council Oct. 31, monetary sages Robert Triffin and Guido Carli demanded formal controls on the Eurodollar market to contain world inflation. (Extracts from the Triffin and Carli speeches are appended to this report).

In the *Financial Times* Nov. 5, columnist Samuel Brittan—a conduit of leaks from Sir Geoffrey Howe's finance ministry—predicted that the "compromise" on this issue to be struck among the U.S., British, West German, and Japanese central banks would be to limit Eurocurrency expansion to the rate of growth of national currencies in each individual sector.

This is nonsense, if carefully designed nonsense. Paul Volcker is not controlling the U.S. money supply, except to the extent that it can be controlled with a blackboard eraser. The Fed's discount window is still open to the commercial banks, providing them with cheap borrowed reserves at a discount rate that still has not been raised. According to William Griggs, economist at the New York branch of Schroeder's Bank, the Fed has promised the banks a solid two more months of this.

Volcker does not see the matter in the technical terms that Triffin, Carli, and Samuel Brittan present. His standpoint is the best means of "controlling disintegration," that is, deciding which sectors of the developing world will be cut off from credit, which basket-cases may be written off, and which sectors of international trade must give up the ghost. It is mainly in the hands of the West Germans, who are far from decided on collaboration with this approach, to say whether Volcker's policy will prevail.

—David Goldman

Triffin forecasting new reserve currencies

The following are excerpts from Robert Triffin's speech before the Global Interdependence Center in Philadelphia on Oct. 31:

I could tell you that the international monetary system *has no future*, because our political leaders ... may be unable to muster the lucidity and the courage required to negotiate and implement the radical, agonizing reforms indispensable to cure the world inflation, recession, balance-of-payments disequilibria, chaotic exchange rate fluctuations, creeping protectionism, etc. to which we seem condemned.

I prefer to concentrate on what should be done to reverse the process, even if the chances are that nothing of the kind will be done in the foreseeable future

My major thesis ... is that neither stable, nor floating exchange rates can function satisfactorily in the absence of any international control, and *restraints*, over the fantastic explosion of international liquidity provided to the market, in recent years, by the monetary authorities and the commercial banking system....

Gold was traditionally the major constraint on such (inflationary and reserve expansion—ed.) proclivities, but its beneficial role in this respect has been vastly exaggerated by the enthusiasts of the gold standard.... Any country determined to fight inflation would be better advised to try legal, or constitutional, ceilings on money creation (percent a year, for instance, a la Milton Friedman) than to tie money creation to gold....

The United States (after the 1971 elimination of any fixed rates or gold standard—ed.) was not restrained by gross reserve losses, because the acceptance of its own currency—which it can produce without limit—by other countries enabled it to finance enormous deficits, before and even after the dollar became inconvertible. What is less perceived so far in most of our economic debates is that the size and persistence of these deficits, together with floating exchange rates, have practically eliminated any substantial losses of reserves, even by the most inflationary countries. Significant reserve losses were experienced by about a dozen countries only in the first years following the explosion of oil prices, but gross reserves ... more than doubled on the average ... over the three years 1970 - 1972, and have nearly doubled again ... since 1972.... This does not mean, of course, that all other countries were in surplus on current account, but merely that the current account deficits of even the most inflationary ones could be financed—and indeed overfinanced—by international borrowing.

The flooding of world reserves by dollar and Eu-

rodollar creation has added new dimensions to this financing. It has increased the cash reserves of commercial banks, enabling them to expand their own foreign lending at a pace which they could not have sustained otherwise....

The most hopeful sign of possible progress toward reform, since the breakdown of the Bretton Woods System, is the breakthrough finally achieved in March of this year with the initiation of the European Monetary System (EMS)....

One of the first and most urgent problems confronting nonmember countries as well as member countries is the insertion of the EMS into the world monetary system, and particularly the uneasy relationship between the ECU (the numeraire used to record EMS currency support operations—ed.) and the dollar in international settlements.

An important feature of the EMS in this respect is highly welcome by our monetary authorities. This is the replacement—in principle at least—of the dollar by Community currencies in intra-Community interventions on the exchange market.... The first months of functioning of the EMS have been somewhat disappointing in this respect, dollar interventions have remained far larger so far than was intended. New measures are now under discussion to make possible a further reduction in the use of the dollar in market interventions and settlements....

The use of the ECU outside the Community itself, might, at first view, be more worrisome. Switches from dollars to ECU's in private and official settlements and reserve accumulation might become very tempting, if made possible by the EMS authorities, or by the imaginative Eurocurrency and Euro-bond sectors of the world economy....

A more decentralized structure of monetary cooperation than that of Bretton Woods is long overdue. It would have, to my mind, (some of the following advantages):

- To relieve the IMF of unnecessary responsibilities, and enable it to concentrate its time and attention on those which cannot be discharged as, or more, efficiently on the regional scale.
- To make wholehearted participation in the IMF more attractive and feasible to disaffected countries, such as many less developed countries, and particularly to make it possible for the Communist countries ... to adjust their mutual relations to rules and norms derived from the market....

Guido Carli: dollar is on the way out

The following are excerpts from a speech by Italian banker Guido Carli, in Philadelphia Oct. 31:

The international monetary system is going through a period of transition that will probably end with a change in the role of the dollar. But this process is slow and the dollar will remain very important during the transition period.... (There are) two institutional sources of instability, which the (world monetary) system has not yet corrected. The first lies in the fact that the process of creation of international liquidity triggered by the U.S. balance-of-payments deficit is not only due to the increase in the amount of the dollar reserves in the hands of other central banks, but also to the presence of an international banking system that multiplies U.S. liquid liabilities outside the control of any monetary authority. The problem is old: it has been ten years since I first pointed to the need for some kind of regulation of the Euromarkets....

The possibility of a repetition of the same sequence of events that followed the 1973 crisis has revived interest in Euromarket regulations. But it is perhaps too late. The volume of the international liquidity denominated in dollars has reached levels that may no longer be controllable by any one authority. The idea that the problem can be solved with the institution of a specific center of control, or with the alignment of the control responsibility of one central bank, seems inadequate.

The second institutional problem ... is that of containing the effects of reserve and portfolio diversification policies on the price of the U.S. currency. These policies increase the destabilizing consequences of the existing supply of dollars. The challenge is to create an alternative asset that satisfies the needs of dollar-holders searching for viable forms of investment for their liquid balances. You will recall that the first official discussion of the idea of a "substitution account" can be found in the IMF Executive Directors report to the Board of Governors on the "Reform of the International Monetary System" of August 1972. Yet the idea was never put into practice. The market, however, made up for the inertia of the system, finding in gold the instrument that was lacking.

...The solutions of these two institutional problems—control of Euromarkets and creation of alternative assets—are, of course, complementary....

Is the dollar eliminated as a reserve currency?

After two weeks of inactivity, the foreign exchange markets began to boil Nov. 7, with a substantial fall in the foreign value of the dollar (except in Tokyo). After a long plateau of 1.80 to the West German mark, the dollar fell at deadline to 1.7850. Sterling recovered from \$2.07 to the British pound to \$2.1050. In a parallel development, gold reached \$395 at the morning London fixing, a \$19 jump in the past two days.

To a certain extent, the renewed attack on the dollar may have been triggered by the Iranian developments,

FOREIGN EXCHANGE

although a shortage of oil would more seriously affect Western Europe than the United States (and markets have been sensitive to this fact for some time).

There is, however, a deeper tone to the dollar's momentary problem. It is now evident that the Federal Reserve and Treasury are taking the advice of the "Group of 30" and other financiers who want to knock out a big portion of the dollar's reserve role. Whoever held out against diversifying dollar holdings into other currencies now has an incentive to do so.

The week's key event was the U.S. Treasury's DM 4 billion issue on the West German market, similar in appearance to the foreign currency bonds the United States issued at the time of the dollar support package of exactly one year ago.

This time, a different context puts a different interpretation of the issue's importance. In this case, the Federal Reserve did not need foreign exchange for intervention purposes, since most of the \$30 billion defense fund established a year ago is still intact. (Nor is the Bundesbank pressing the United States to convert short-term "swap" borrowings for intervention purposes into longer-term obligations. On the contrary, the West German financial community was displeased to have an additional burden on its already-tight financial markets).

Fed Chairman Paul Volcker is taking the advice of "Group of 30" Executive Director Geoffrey Bell, a senior vice-president of Schröeders Bank. Reiterating what the group discussed at its meeting outside Belgrade, Yugoslavia at the beginning of October, Bell testified on Nov. 5 before Rep. Henry Reuss's Banking Committee field hearings in New York City. Rather than wait for attacks against the dollar to appear on the foreign exchange markets, Bell said, the central banks should "preempt" diversification of dollar assets.

In particular, the United States should issue foreign-currency bonds to official or private dollar holders off the foreign exchange market if possible.

The Group of 30, known as the "Consultative Group on Monetary Affairs," was created as an unofficial adjunct of the International Monetary Fund by Bell and former IMF Managing Director Johannes Witteveen.

Bell is only one of a larger number of economists who have promoted this means of eliminating the dollar's reserve role. Others include Morgan Guaranty Trust's international economist Rimmer de Vries; Robert Triffin and Guido Carli.

In fact, after months of apparently heated academic debate over the so-called substitution account for dollar reserves at the International Monetary Fund, in which Special Drawing Rights were to be swapped for dollars, the issue has come down to the Group of 30 formulation: a central bank management scheme for wiping out dollar reserves through the creation of other reserve assets in West German marks, pounds sterling, and other currencies. Among the governments and financial institutions who oppose the European Monetary System, this has become the proverbial "party line."

The European Monetary System and projected European Monetary Fund would handle the dollar problem by absorbing dollars into a gold-backed reserve pool (expanding the current European reserve system of combined gold and foreign exchange reserves).

The Gameplan

When the Treasury's foreign currency bonds first appeared one year ago, critics warned that their issue might only give holders of dollars a good opportunity to dump their existing holdings of dollar-denominated U.S. Treasury obligations in favor of DM-denominated obligations. At the time, the Treasury brushed such objections aside.

Inevitably, the market's perception that the American monetary authorities are actively promoting the elimination of the dollar as a reserve currency will weaken its position on the foreign exchange markets. Although that is not yet stated U.S. policy—the official view is that the International Monetary Fund should accomplish the same job through Special Drawing Rights issues instead—the correspondence between the Group of 30's words and the movements of Mr. Volcker's hands and feet is clear enough.

—David Goldman

WORLD TRADE

The LDCs dependent on imports are facing starvation

Already, during the 3rd quarter of 1979, international credit issuances to both the developing and advanced sectors plunged by over 50 percent. Since these credit issuances are used in significant part to finance imports, and since in the case of the Lesser Developed Countries (LDCs) those imports significantly include food imports needed by populations among which malnutrition is already

endemic, this credit drop is the more immediately devastating.

The Volcker credit crunch initiated in early October has ushered in an era of systematic mass starvation for the LDCs.

The reality of this matter has not escaped the financial circles who are Volcker's principal base of support; witness the September-October issue of the City of London publication, *International Currency Review* (ICR). One article openly discusses the fact that military force (i.e., NATO) will be necessary to maintain control over the underdeveloped sec-

tor under International Monetary Fund-World Bank austerity. The comments come in the context of an ICR review of the World Bank's August-issued World Development Report. ICR blasts the World Bank for concealing its real thoughts under "anodyne phrases." Where the World Bank Report writes "a deterioration in the international situation could trigger inappropriate policy actions," ICR bluntly complains that this "euphemism for military adventures is the closest this report comes to recognizing what its authors must know to be true: that the prospect facing the developing world is far gloomier *than the international financial community is prepared to admit publicly.*" (*emphasis in original—ed.*)

A second article warns "that a repetition of the (1929) disaster may be unavoidable," that "The outlines of the next Great Depression are ... clear," including such likelihoods as the financial destabilization of "a

GOLD

Iran crisis severs gold-oil price link

The world gold price regained the \$395 an ounce level last week following unconfirmed reports that the Iranian regime may cutoff oil shipments to the U.S. The gold price could go much higher still should the Iranian crisis worsen.

As we reported last week, the European Monetary System (EMS) governments have sought to protect themselves against rising oil import costs by establishing an unofficial peg between the price of a barrel of

oil and gold. Gold would then be approximately a fifteen-fold multiple of the oil price. The EMS countries together control nearly 40 percent of the world's monetary gold.

Prior to the eruption of the Iranian crisis, the gold market had begun to weaken, since many traders were caught offguard by the U.S. Treasury's decision to market 1.25 million ounces of gold on Nov. 1. Some thought that the Treasury's new policy of selling "arbitrary amounts at arbitrary times" was actually an attempt to gracefully retreat from the marketplace. The

Treasury received an average price of \$372.30 for its gold on Nov. 1, considerably below the mid-October level of over \$400.

On Nov. 7, in the midst of the Iranian turmoil, the International Monetary Fund held its regular monthly gold auction of 444,000 ounces. In sharp contrast with the Treasury sale only six days earlier, the IMF auction was oversubscribed by more than four times the amount of gold offered and the average price received was \$393.55.

Even if the Iranian crisis is resolved quickly, the gold price is unlikely to fall below \$350, because of European and Arab government commitments to remonetize the metal. According to a reliable West German banking source, major Western European central banks purchased gold unofficially earlier this year in an effort to stabilize the price.

—Alice Roth

fragile economy such as that of the United Kingdom, Italy, Portugal or an African or Latin American republic; a disaster on the virtually uncontrolled Eurodollar market, perhaps induced by failure of an important Third World country to repay a commercial loan, or by international institutions imperilled by a Third World default ... or else a combination of several of these possibilities."

The ICR's packaged gloom is echoed in the October 1979 issue of *African Business*, also published in London, whose review of a recent report by the Organization of Economic Cooperation and Development (OECD) notes that the OECD's "conclusions for the majority of the African continent are far from reassuring" and that even the most favorable of the OECD's future scenarios for Africa "would still leave 25 percent of the continent's population starving."

Summer credit crunch

The credit crunch which is now so severely impacting the LDCs began during the past summer. During the three months of the third quarter, international credit issuances to the developing sector plunged from \$6.6 bn. in July, to \$4.6 bn. in August, to \$2.9 bn. in September. This is a drop of over 50 percent in the space of three months, according to the "World Financial Markets" publication of Morgan Guaranty Trust.

The severity of this plunge is even more severe than might appear at first glance, for two reasons:

(1) because the plunge occurs at a time when prices of key imports such as oil were (and are) heading in the opposite direction, requiring increases in credit to finance these increases;

(2) the restrictions occur following three years of continuous credit expansion to the LDC sector—which barely kept the levels of economic activity at constant levels.

In 1976 there was \$15 billion in credit issued to developing countries, in 1977, \$21 billion, and in 1978, \$37 billion. This is a 250 per-

cent increase over the three years preceding the present credit tightening.

To appreciate the effects of a 50 percent credit retrenchment in the face of a situation of worldwide double-digit inflation, one has merely to examine the fertilizer situation, which was severely impacted following the Ayatollah Khomeini destabilization of Iran. Naphtha increased 50 percent in price (from \$200 to \$300 a ton) between January and July 1979, while two other essential fertilizer products, urea and ammonium phosphate, increased in price 23 percent and 36 percent in price, respectively.

Such increases have forced the LDCs into an unacceptable choice. Either they reduce fertilizer consumption—in which case domestic caloric intake drops or food imports must be increased—or they maintain fertilizer imports, and thereby go deeper into debt. According to the ICR, "agricultural production costs in India and Pakistan have increased by 30 percent ... At the same time hundred of irrigation wells sunk in India and Pakistan with development loans are equipped with diesel pumps" which now will become prohibitively expensive to operate.

Bunching up

Further aggravating the situation caused by the present credit crunch is an already looming "bunching up" crisis. "Nearly 50 percent of the developing countries' total outstanding indebtedness, including undisbursed debt, at the end of 1977, was scheduled to be repaid during 1978-82. The share of private debt to be repaid by 1982 was higher—at about 70 percent," the ICR writes, referring to a situation two years ago which, according to bankers contacted, is now considerably worse.

The "bunching up" problem is a lawful result of a growing trend to shorter and shorter maturities in LDC loans—a tendency which

makes it impossible for the LDCs to launch viable development projects. Even the so-called 'Newly Industrialized Countries' (NICs) are being impacted by this situation. Argentina's Yacimientos Petroliferos, which formerly enjoyed fifteen-year credit lines, has now been reduced to ten years, while three formerly highly rated Brazilian states which enjoyed fifteen year loans have recently only been able to obtain twelve-year financing.

International interest rate hikes occasioned by Fed Chairman Volcker are making the LDC debt burden insupportable. Brazil's debt is already close to \$50 billion, and at the end of this year its debt servicing requirements will be "a whopping 80 percent of likely export earnings," according to *The Banker* (London).

Nor is it merely the underdeveloped sector which is menaced by this situation. According to a University of Surrey economist writing in the September issue of *The Banker*, "a relatively small decline in the availability of funds from the Eurocurrency market could, other things remaining constant, imply a significant percentage of reduction in net transfer" of funds to the LDCs. In short, they would be "crowded out" by advanced sector countries with better credit ratings, resulting in economic triage, starvation, LDC bankruptcy—and quite possibly that of their advanced sector creditors.

Admittedly, Paul Volcker did not invent the present Mafia loan-shark interest-rate levels. Since the Carter Administration seized Washington, Eurodollar interest rates (on 12 month funds) have increased from 5.56 percent (the rate in the month before Carter's inauguration) to well over double that just prior to Volcker's appointment. Volcker has merely been sent in to kill off a victim already weakened by his predecessors.

—Richard Schulman
and Alain Lemal

CORPORATE STRATEGY

New Hampshire paper company about to fall

When the James River Company of Richmond, Va. signed a principle of agreement to buy the Brown Paper Company of Berlin, N.H. in the fall of this year, one element of the purchase agreement stood out as extremely odd: James River is not putting up the full amount of cash it promised for the purchase. Instead, part of the \$130 million in cash, of the \$216 million agreement expected to be completed early next year, will come from James River's sale of part

of Brown Paper Company's timberland, which James River will acquire *only after the purchase is completed.*

In other words, James River will finance an undisclosed part of its purchase of Brown Paper Company through the sale of assets it does not yet own.

This is far from normal operating practice. Yet, the scandal-tainted proviso only points to a more serious problem. It appears that most of the forest land that James River acquires may never again be used for the paper industry. Instead, this timberland may be downgraded to provide a low-energy conservation program.

How to buy a company without paying much

The James River Company was started in 1969 as a one-mill company by two former officers of the Ethyl Corporation, a company that specializes in the production of tetraethyl lead for gasoline.

Over the next ten years, James River made the purchase of eight additional paper mills. Each of the acquisitions followed a pattern, as James River set its sights on specialty, as opposed to commodity, paper.

James River, by its process of acquisitions, of which Brown Paper Company, if completed, would be the tenth, is now the largest specialty paper company in the United States. This gives the company strategic control over one of the most important sectors of the U.S. paper market. If this control were to be put in service of the Canadian paper interests, which dominate a good part of the supply of the U.S. raw and pro-

BRITAIN

Tory budgeting: all is cut except NATO

With the publication of the innocuous-sounding "White Paper on Public Expenditure, 1980-81," the British Tory government took one step further in making Britain a model for the policies of economic contraction being imposed on the United States.

There is nothing vague about the British measures, neither about the harshness of the cuts—which will fall mainly on such sectors as education, public housing, health and transportation—nor about the time period involved. Announcing that the pro-

posals "took a realistic account of the poor prospects for growth in the domestic and world economy," Chief Treasury Secretary John Biffen declared: "We are set on a course which is going to last for four or five years." After that initially painful period, he said, the much-vaunted "economic resurgence" will occur.

The curious fact is that the Tories, whose promises to "revitalize" the British economy during their term of office are well-known, have deliberately chosen to cut back every sector of the civilian economy necessary to guarantee the conditions for growth. Declaring that high public spending was the main cause of Britain's economic problems, the

Thatcher government announced that its intention was to "stabilize" spending at current levels "for the time being" in order to bring borrowing and the money supply "under firm control." This will mean, in real terms, a reduction of \$7.3 billion in the proposed expenditure which the previous Labor government had planned for fiscal 1981. The only increases in spending under the Tories will be for defense—up 3 percent to \$16.7 billion—law enforcement, and social security pensions.

The detailed plans presented by the Chief Treasury Officer to Parliament this week indicate that expenditure on education, housing, roads and transport, and lending to the nationalized industries will decline next year. Hardest hit will be education, which is crucial in maintaining a skilled, literate, and scientifically trained workforce. Specifically, the number of teachers will drop to 505,000 next year from 526,000 last year, and savings of \$500 million are

cessed paper market, the U.S. could face induced paper shortages.

This appears to be one purpose motivating the purchase of Brown Paper Company by James River and its major stockholder, the giant Citicorp (Citibank).

In this case, the Brown Paper Company is being sold by its current owners, Gulf and Western Company, to the Citicorp-run James River on terms verging on swindle as an asset swap to facilitate James River's control over the U.S. specialty paper market. Behind that aim lies a larger plan for a "North American Common Market."

North American Common Market

A North American Common Market, a plan to link up the economies of Canada, the U.S. and Mexico, would effectively place the North American economy under the sway

of British financial interests.

The most vocal supporter of the North American Common Market idea in the United States is Felix Rohatyn, the Lazard Freres investment banker, who is also active in the plan for an Energy Corporation of the Northeast (Encono). Both plans are integrally linked—emphasizing a stripping down of high-technology investment in favor of labor-intensive production and backward energy sources, such as wood-burning.

This is where the James River purchase comes in. According to a paper analyst for the Smith Barney brokerage house, the average selling price of New Hampshire timberland is only \$200 per acre. This would be the sale price for Brown Company's 600,000 acres. But, the Smith, Barney analyst added, the two most likely purchasers of this timberland, with mills in the area, are Boise Cascade and Georgia Pacific paper companies, neither of which is interested.

So whom can James River sell the timberland to in order to raise the cash to complete its purchase of Brown Paper Company? The only likely source would be to someone willing to pay for this land at \$200 per acre or greater prices. This would be people proposing to use the timberland for purposes other than paper mill processing, specifically land for sale for firewood.

Many of the 1,250 workers at the Berlin, N.H. Brown Company mills are afraid that if the timberland goes for woodburning, instead of paper production, they will soon be out of jobs.

This proposed take-over must be approved by a vote of Brown Paper Company's stockholders early next year, but this would seem to be a mere formality in light of Gulf and Western's 80 percent ownership of the company.

—Richard Freeman

expected on school meals and transportation. Building programs for school and college improvements and "underfive" education will be cut in half. The government further intends to "step up the rate at which surplus school places are taken out of use." Provision for scientific education will also be reduced "slightly" from the 1979-80 period.

In other areas:

- Public expenditure on housing is to fall 5.6 percent and 75,000 publicly subsidized units are to be sold to the private sector. Such action will undoubtedly increase real estate speculation and price most existing housing out of the reach of the average working citizen.

- Local governments are mandated to spend 2.5 percent less this year than last.

- Lending to Britain's nationalized industries had been reduced from \$3.4 billion to \$1.8 billion. It is expected that large chunks of the public sector industries, such as Brit-

ish Airways, British Aerospace, and the National Freight Corporation, will be sold to private industry in order to reduce their cash drain on the government's budget even further. The "sale of the century" got underway this week when the government announced that 80 million shares to British Petroleum Corporation stock were put up for public sale. In addition to keeping their pledge to maintain NATO commitments, the Tories will also purchase Trident missiles from the United States in order to maintain Britain's "independent" nuclear deterrent at a cost of \$8.2 billion. Overall, money saved on public spending will be used to bolster military outlays.

The Tory philosophy, since they came to office in May, has been to turn around the sagging British economy—which now has a growth level of less than 1 percent and inflation levels running near 17 percent—by injecting a dose of "free enterprise" into the economy. This means

that businesses formerly subsidized by the government will not be entitled to further aid unless they become profitable. The state-owned British Leyland auto company has already announced plans to shut 13 plants and lay off 25,000 workers to conform with government requirements.

Treasury Secretary Biffen drew gasps from Parliament when he said matter-of-factly that under the government's broad economic assumptions, and with recession looming both in Britain and the United States, unemployment would rise next year by 300,000 to 1.65 million in 1980-81—22 percent!

Admitting that the British manufacturing industry was sliding into its worst recession for five years, the director of Britain's employers' federation, John Methven, said that there was nothing wrong with present government policies: "I believe we have to have a cold douche before we get things right in this country."

—Marla Minnicio



The secret behind the Ayatollah Khomeini



This report is the result of an investigation by a special Executive Intelligence Review task force headed by Robert Dreyfuss and Judith Wyer of EIR's Middle East Desk.

The events that shocked the world in Teheran, Iran last week were not the doing of an uncontrollable band of mullahs and their mob followers. The *Executive Intelligence Review* is in possession of indisputable evidence that the Muslim Brotherhood clique that controls Iran and runs the Ayatollah Khomeini and his Islamic Revolutionary Council, is a puppet of British, Israeli, and U.S. secret services. The eruption of mass violence outside the American Embassy in Teheran was ordered—and controlled down to the minutest detail—by Zbigniew Brzezinski's National Security Council and Cyrus Vance's State Department!

In previous months, the *Executive Intelligence Review* has printed detailed exposés of the nature of the

Muslim Brotherhood network. We have documented both the current command structure of the Brotherhood apparatus and its ideological roots in the antiscientific, mystical-cultist tradition that has plagued Islam since the rise of Asharism and Al-Ghazali and, more recently, since the deployment of Al-Afghani and Mohammed Abdu as British Secret Intelligence Service agents in the 19th century. We have traced the origins of the Brotherhood in the British Scottish Rite of Freemasonry and the Bahai, and we have identified its historic connection to the rise of Zionism.

Under Ayatollah Khomeini Iran does not have a government. Since the beginning of the post-Revolutionary Iranian period, Iran has been ruled as an outlaw entity by the apparatus of the Muslim Brotherhood. That, in turn, means that the real rulers of Iran are the British aristocratic controllers of the Muslim Brotherhood—men such as Lord Caradon, Sir John Bagot Glubb Pasha, Sir Albert Beeley, and the Royal Institute

of International Affairs (RIIA) along with the Middle East and Islamic departments of Oxford and Cambridge universities.

Together with Henry Kissinger, Cyrus Vance, Zbigniew Brzezinski, and Ramsey Clark, it is that oligarchical faction that created, and now deploys, the Muslim Brotherhood.

That is the "secret" behind the Ayatollah Khomeini.

Controlled disintegration

The deliberate engineering of the crisis in Iran that began with the Nov. 4 seizure of 60 American hostages at the U.S. Embassy in Teheran—and, in a larger sense, the entire history of the Anglo-American operation that installed Khomeini—can only be understood in the context of the battle being waged at the highest level of world finance and geopolitics.

Why would the United States and Great Britain consciously set into motion what could become an uncontrollable crisis leading to world economic breakdown and even World War III?

Let us consider that question on two levels.

First, in the short term, the Anglo-American faction of London and New York is fully committed to the destruction of the European Monetary System (EMS). The EMS was assembled in 1978 by the continental European powers, especially France and West Germany. In the view of its authors, the EMS is meant to become a replacement system that will eventually push aside the bankrupt International Monetary Fund. Such a fundamental transformation in the world financial balance, which would shift the post-World War II center of gravity from London and New York to Paris and Bonn, is a clear and present danger to the Anglo-Americans. For that reason, they believe that an oil crisis, a new shortage of supply and a hike in the price of oil to over \$30 per barrel, would weaken the industrial economies of France and Germany. It would also wreak havoc in the Third World, politically a key partner of the EMS bloc, and would disrupt the negotiations between the EMS and the Arabs concerning an integration of Arab financial power with the EMS. The intended crisis in the strategic keystone nation of Iran is designed to accomplish exactly that.

Second, in the somewhat longer run, the destruction of the Iranian nation is meant to contribute to the worldwide strategy identified in the Council on Foreign Relations "1980s Project" report, which was coordinated by Vance, Brzezinski, and Harold Brown. One of the leading contributors to that report, Princeton University's Richard Falk, was also one of the architects of the Khomeini regime. According to Brzezinski and Vance, the destruction of Iran will accelerate the world slowdown in industrial growth and hasten the tendency toward the creation of regional currency blocs and general fragmentation of world trade.

The regime of the Shah, despite its willingness to do what any American government would have told it, was constitutionally incapable of implementing a policy of self-destruction. Only a nation where a psychotic mob force can be manipulated at will is able to put itself through that process.

The Teheran hoax

Even cursory examination of the evidence reveals that the events that began in Iran on Nov. 4 were stage-managed:

1. The American charge d'affaires Bruce Laingen was conveniently not in the U.S. Embassy when it was seized, but instead ended up in the offices of Foreign Minister Ibrahim Yazdi.

2. The events followed immediately upon a meeting in Algiers between Brzezinski and Yazdi.

3. The State Department had already prepared two weeks in advance a special interagency task force with the Department of Energy to coordinate national security matters in the event of the loss of supply of foreign oil in a crisis! Then, the day after the Iran crisis erupted, the State Department advised Iran, according to the *New York Times*, that "to make an oil embargo credible" Iran would have to "also cut production, or else the world oil market would adjust to an embargo."

4. When the student mob entered by mistake the British Embassy, located near the U.S. Embassy, they suddenly decided to abandon the occupation on orders from the Ayatollah's secret police, and they filed out and closed the door! Even the *Washington Post* was forced to comment: "This is no mob on the loose. It is a force under tight control."

The *EIR* has also determined that the actual scenario that led to the terrorist action against the embassy was planned in detail in late September and early October:

1. The supposed pretext for the attack on the embassy—namely, to demand the return of the Shah to Iran from his hospital bed in New York—was, from the beginning, a hoax. Mexican sources report that according to Mexican doctors, the Shah could have been treated for his illness in Mexico, and that, furthermore, it was Henry Kissinger and David Rockefeller who insisted that the Carter administration give the Shah a visa for New York.

2. Immediately following the meeting of the IMF and World Bank in Belgrade, the Muslim Brotherhood carried out a virtual cold coup d'état against the Bazargan government by forcing the appointment of Mustafa Chamran as defense minister, who is the coordinator of Iranian intelligence services.

3. Several days later, the United States and Iran agreed on the appointment of Bruce Laingen, sent specially to Teheran as U.S. envoy on Oct. 3.

4. The following day, Oct. 4, Cyrus Vance met with Yazdi at the United Nations in New York.

That week Yazdi also addressed a closed meeting of the Council on Foreign Relations in New York, and he had private meetings with the inner circle of the CFR.

While such facts should shock Americans, who generally do not think that their government would involve itself with such fanatics as Yazdi and Chamran, the above information should convince most people of the "secret" behind the Ayatollah Khomeini. In the following, we have assembled more detailed and systematic evidence, and we present some of the latest news about the collapse of Iran and the strategic stakes presently in the Persian Gulf.

How Khomeini destroyed the government

The Iranians who made the revolution against the absolute rule of the Pahlavi monarchy earlier this year have found themselves under the Muslim Brotherhood forces standing behind a leader the world considers a madman, who is enforcing repressive measures as bad or worse than the Pahlavi dynasty.

Since Khomeini established his provisional government in February, a slow motion coup has unfolded in which the secular republican forces associated with the National Front that opportunistically backed Khomeini, have been eliminated by the secretive Revolutionary Council of fundamentalist Islamic mullahs.

The council is comprised of the corps of advisers that surrounded Khomeini during his exile in France, all of whom are members of the Muslim Brotherhood. As this publication has documented, the inner elite within the Council, notably, Ibrahim Yazdi, Said Ghotbzadeh, Abolhassan Banisadr, and Mustaffa Chamran are all associates of the Brotherhood.

NATO involvement

A prime target of Khomeini's purge of all secular forces has been the military apparatus built up by the Shah. The aim of the Revolutionary Council has been to destroy the top ranking officers which would be in any way sympathetic to the republican opposition to Khomeini's regime.

However, recently revealed information indicates that a clique of generals in the Shah's military was complicit in the conspiracy to install Khomeini and is

still operating to back him. The *Financial Times* reports that the Shah's chief of staff General Gharabaghi, along with the deputy director of the Iranian Secret Police, SAVAK, were on the inside of the Khomeini takeover, and to this day remain close advisers to the Ayatollah.

Exiled Iranian military figures confirm that NATO had a direct hand in ensuring the Khomeini takeover. These sources state that the special military emissary General Robert Huyser, NATO's deputy commander, was sent to Iran by the Carter administration to guarantee that Iran's military did not block the revolution. To this end Huyser worked closely with General Gharabaghi.

According to a prominent Washington-based journalist, Huyser duped many Iranian generals into backing Khomeini, notably the commander of the Iranian Air Force, General Rabii. Many of these generals were then later double-crossed, when the marauding gangs of the Islamic Guard rounded up civilian and military officials from the Pahlavi regime and executed them by firing squad.

According to a former Iranian diplomat, over 130 generals have been executed, over 200 retired and 100 exiled, leaving no command structure for the Iranian army.

Gharabaghi and Huyser also worked to block an alliance in early February between former premier Shahpour Bakhtiar and Khomeini's newly named provisional prime minister Bazargan. General Gharabaghi, who sat in on the series of negotiations between Bakhtiar and Bazargan—upon realizing that an agreement could be reached between the two National Front leaders—set into motion with General Rabii an insurrection at the Qasr-e Firuzeh Air Force base south of Teheran which triggered mass violence in Teheran, and the ousting of Bakhtiar.

As the pro-Khomeini armed youth began to take over the capital city, Gharabaghi in close consultation with Huyser, ordered the Iranian army back to the barracks—and the Khomeini takeover was complete. Iranian sources report that the moment the army's neutrality was announced by Gharabaghi, Huyser quietly left Iran for NATO headquarters in Brussels.

According to *Le Figaro*, March 5, Ibrahim Yazdi and the head of the Islamic Guard, Laghouti, began to integrate the Guard into a new intelligence and secret police agency, utilizing intact departments of the Shah's SAVAK apparatus. Yazdi himself occupied the SAVAK headquarters in Teheran along with Laghouti.

Throughout the last nine months, there have been numerous purges within the Khomeini-appointed command of the army and the air force, each time the purge has resulted from a fight on the part of nationalist military leaders to rebuild the powerful military along secular lines.

In late February, a military adviser to Khomeini,

The world has been apprised

Since the publication in May 1979 of the *Executive Intelligence Review's* "Muslim Brotherhood: London's Shock Troops for the New Dark Ages," the exposé of the Muslim Brotherhood cult and of Ibrahim Yazdi, Iran's foreign minister, has circulated at least several times around the world.

In Iran itself, the article was translated into Persian and circulated, in both languages, in thousands of photocopies across the country, where, Iranian sources report, it was a prized possession. Finally, the independent newspaper *Ayendegan* published on its front page excerpts of the exposé; within two days *Ayendegan* was closed down by the Ayatollah Khomeini and its assets seized. The next day, 100,000 people came out in support of *Ayendegan* in the only real mass demonstration against the Khomeini regime since it took power.

The article has since been translated into many languages and published around the world. In India, the *New Wave* newspaper published it in full. Several

Pakistani newspapers printed some major excerpts of the article. Thousands of reprints found their way into the Arab world, and a West German radio station broadcast an Arabic translation of the piece into the Middle East. In several Third World countries, the Soviet embassy has quietly distributed reprints of the article. More than anything else, the piece branded Yazdi as a foreign agent and for months forced him to adopt a low profile. It is now the standard understanding among Iranians that Yazdi is an Anglo-U.S. agent.

In France, several newspapers—including the *Minute* and *Le Figaro* magazine—printed excerpts of the Muslim Brotherhood exposé, charging, stupidly, that *EIR* is a front for "the CIA!" In the United States, virtually every Iranian of prominence has his own copy of the article, and according to very reliable sources even the Shah and Princess Ashraf, his sister, had read the piece.

Reprints of the entire article, together with other *EIR* material on Iran published during 1979, are available from *EIR* Middle East Desk, 304 West 58 Street, New York, N.Y. 10019 for \$50.00.

Colonel Tavokoli, was forced from his post for attempting to rebuild the military under his command, a move Khomeini perceived as a threat to his regime.

Ralph Schoenman, an Anglo-American intelligence agent, was sent to Iran at that time to ensure Tavokoli's ouster. Schoenman, a former personal secretary to Bertrand Russell, an associate of the Transnational Institute which aided in installing Khomeini, gave a press conference where he claimed that Tavokoli was preparing a military coup. Tavokoli was then ousted from Khomeini's inner circle. Deputy Prime Minister Abbas Amir Entezam responded by throwing Schoenman out of the country and calling him a CIA agent.

The murder of former chief of staff General Qurani in April followed Qurani's March resignation and his efforts, through secret messages to Khomeini, to convince the Ayatollah that both Yazdi and Ghotbzadeh were agents of Washington. The process of purges, executions, and political intimidation has left both the defense ministry and the chief of staff position today in the hands of Muslim Brotherhood insiders from Khomeini's Revolutionary Council.

Cleaning out the Front

In mid-August Khomeini issued a decree calling for the complete purge of all of Iran's universities, the closing of all press, the purge of all government ministries, and the closing of all offices of any political groups that

had voiced opposition to the Islamic regime.

This action came about as a result of street demonstrations led by a coalition of opposition groups to Khomeini, in which the powerful Ayatollah Taleghani, and the National Democratic Front leader Hedayatollah Matin-Daftari were the leaders. The demonstration was to protest the closing of the widely read *Ayandegan* daily which had that month printed exposés of Yazdi and Ghotbzadeh as foreign agents.

During August and September, a major shift occurred within the Revolutionary Council in which Defense Minister Chamran, economist Banisadr, and the radical Ayatollah Khalkhali succeeded in convincing Khomeini to proceed with an offensive against the restive Kurdish minority. (Trained at the Sorbonne in Paris, Banisadr has stated that his model for Iran is Pol Pot's Kampuchea.)

Khomeini was principally aiming to annihilate the Kurdish Democratic Party which had formed an alliance with opposition forces in Teheran. The assault on the Kurds was matched by an equally violent attack on the anti-Khomeini demonstrators. As a result, the leadership of the National Front went into exile in the northern part of Iran; the two guerrilla groups that backed the opposition to Khomeini, the Fedayeen and the Mujahedine, went underground and joined Kurdish mountain fighters in a guerrilla war against the Islamic Guard.

By the end of September, only one of the original National Front leaders remained an active member of the cabinet, Bazargan himself. Ayatollah Taleghani, considered by many to be the unifying force of the opposition movements, suddenly died, and many believed by poisoning.

Just prior to Bazargan's resignation, the National Iranian Oil Company, the last institution to escape the purges, was suddenly hit with purges.

The chairman of the company, Hassan Nazih, was suddenly requested to appear before an Islamic trial for embezzling funds from the oil company. Nazih, like Bazargan's first foreign minister Karim Sanjabi, had been an outspoken opponent of the Revolutionary Council. He and minister without portfolio Darius Farouhar were the last of the National Front leaders to be ousted by the Council.

Their departure followed by Bazargan's and the dissolution of the cabinet, signals the complete takeover by the extremists within the Council of all government bureaucracy. The question now is how long these fanatics can maintain control before even their base of power, the urban slum dwellers and the discontented peasants, begin to resist the economic collapse Khomeini's Islamic Republic has produced.

—Judith Wyer

Eyewitness report: 'Iran is living hell'

We present here excerpts taken from a series of interviews with Iranians who have recently returned to the United States from Iran. In each case the individuals interviewed agreed that conditions in Iran today are no better if not worse than under the regime of the Shah.

Q: *You were in Iran in August; at that time how were Iranians viewing the Khomeini government?*

A: I suppose you would have to ask yourself which Iranians. The people in my family are fairly well off; they own a factory. Like a lot of upper-middle-class and even upper-class Iranians, they supported Khomeini. There was such deep-seated hatred against the Shah. People were desperate for an alternative.

Now people like my family are disgusted. Nothing, not one thing has changed for the better. In fact last week, I talked to my family who told me that there are shortages of food turning up all over the country. The mullahs cannot run that country.

There were very high expectations on the part of all Iranians that things would get better with the Shah out. Now people are scared; they see Khomeini adopting the same tactics of repression that the Pahlavis used.

What worries me is that the middle-class Iranian businessmen, desperate for a return to normality, will accept any alternative if it is not Islamic. By that I am referring to the possibility of Admiral Madani taking over the country. He is very, very clever and calculating, but he would rule with an iron fist. I think it could be brutal.

Q: *What about the poorer classes in Iran—they are the real support for the mullahs—are they as disillusioned?*

A: That is a very different problem. You cannot imagine the control those mullahs have over the illiterate slumdwellers and peasants. They still support Khomeini. But unlike my family, they had nothing to lose. As long as they have their medicine man, their mullah, I think they will tolerate a lot.

When I was there I made a special trip to a terrible slum in north Teheran in the area not far from the estates where many wealthy Iranians live. I had not been back for eight years, but I remembered those slums. That's why I became a doctor. I was shocked when I returned. Nothing has changed. Khomeini has done nothing for those people. He has done nothing to resolve the crime and corruption that comes out of those slums. There are still the drugs—that is how they pay for their food, since they have no money. There is still the prostitution. I was enraged, and I asked myself what was this revolution for?

Q: *Did you talk with officers from the Iranian army while you were there?*

A: Oh sure, many of my relatives were officers. They will never obey Khomeini no matter who Khomeini appoints defense minister or chief of staff. They look at Chamran as a joke; he has no military experience.

The one thing all the remaining army officers know, and I heard this again and again, is that NATO had a hand in creating this mess. It had to have been General Huyser who aided Gharabaghi in restraining the Iranian military and allowing for the Khomeini takeover. At the time, some of the officers wanted to believe that Khomeini would give the National Front a chance. Now they see they were very stupid, and they are very bitter. They will never fight for the Islamic Republic.

Q: *If the military is out of the picture, what is the Islamic Guard and can they be trained to run the sophisticated equipment that the Iranian military operated?*

A: The Guard range in age from 15 to 25. Many of them are illiterate; they know how to operate a machine gun. They are not trained in anything beyond fighting in the streets. Khomeini pays these young guards very,

very well. He also still pays the military, hoping he can buy them off.

There are arms everywhere now. No one goes out at night in Teheran. The city is ruined. Khomeini pays off whoever he had around him.

It is one giant welfare state. With all that money from oil, there is no economy. The state hands out money to the unemployed, and there are a lot of unemployed. Everybody is talking about Madani. They think he will run the country.

Q: *What about the opposition to the Islamic regime, are they preparing for a fight?*

A: When I was there I went to a number of places where I thought I might find some of my friends in the leadership of the National Front. They were nowhere to be found. In a certain sense Teheran is like a ghost town. You don't see the Mujahedine or the Fedayeen, you don't see the Front. They have fled. I heard that Matin-Daftari fled the country. Nassan Nazih fled up into the north. That seems to be where a lot of the opposition is now, mainly in Azerbaijan. Shariatmadari will protect the opposition. If civil war breaks out, I think it will come from the northern provinces. If you take the Kurds, the Turkomans, the Azerbaijanis, plus the various guerrilla groups that have broken with Khomeini, that is a fairly big force. At some point I really believe that the simmering fighting going on against the Islamic Guard will blow up. The only thing that worries people over there is what will the United States do and what will the Soviets do? We remember 1946 when the United States and the Soviets divided the country ... it could be much more serious this time.

Q: *While you were there, did you see any renewed efforts to begin economic development?*

A: No, I saw one shutdown construction project after another. They are just as Banisadr (assistant economics minister—ed.) describes. They look like big carcasses looming over the horizon. Everyone is unemployed. The Revolutionary Council cannot decide what it wants. The only one who seems to know is Banisadr, who is working to turn Iran into the Kampuchean model, back to the land and breaking down the cities. Iran is not a small country. You can't do something like that. So all the literate people, professionals, we are now exiles, we have no country. I couldn't stay there. I have a vision of what I want my country to be. I want development, education. But never with this Khomeini in power. He will destroy Iran. I believe he will provoke a long and bloody war.

Khomeini's secret SAVAMA is the Shah's SAVAK

Like SAVAK, the feared secret service that ruled Iran under the regime of the deposed Shah, the secret police of the Ayatollah Khomeini have been given free rein to carry out their activities inside the borders of the United States. According to highly placed intelligence sources, exiles here, and law enforcement officials, the shadowy intelligence service of Khomeini—the SAVAMA, for “National Information and Security Organization of Iran”—has an extensive presence in North America among both students and businessmen. Many exiled opponents of the Khomeini regime are said to live in fear of harassment and even assassination by agents of the mullahs.

According to informed sources, the American operations of the SAVAMA are run directly out of the offices of the Iranian Embassy in Washington, D.C., and its consulates, particularly San Francisco. Coordinating directly with the Embassy and its officials is the U.S. Indianapolis-based Muslim Student Association, which includes among its membership many pro-Khomeini Iranian students.

Even more alarming is that hundreds of former officials of the SAVAK organization, which was supposedly dismantled after the Khomeini takeover in February, have simply blended into the structure of the new SAVAMA.

Several U.S. agencies, including the FBI, the Justice Department, the CIA, and the Immigration and Naturalization Service are reportedly collaborating, secretly, with the SAVAMA.

Call for investigation

At a Los Angeles press conference Oct. 26, the Fusion Energy Foundation, a private, nonprofit scientific institution, called for an investigation in California into the activities of the so-called Muslim Students Association (MSA). Nicholas Benton, Southwest coordinator for the FEF, called for the investigation after an attempted disruption of an Oct. 16 forum sponsored by the foundation at the University Hilton Hotel near the University of Southern California.

At that event, according to Benton, several hundred followers of Ayatollah Khomeini from the MSA, who were given "false rumors that an 'agent of the Shah' was scheduled to speak," converged on the forum and tried to prevent its taking place. In its publicity for the event, the FEF had issued leaflets comparing Khomeini to Kampuchea's Pol Pot, and they attacked the "anti-technology orientation of the Khomeini regime," charging that Khomeini was bringing about a dark age in Iran.

According to the FEF, the call for an investigation into the MSA originated from "reports of students that the Iranian consulate in San Francisco played a role in coordinating the southern California-wide mobilization."

"Cause for an investigation includes the fact that the new head of the Iranian secret service, the SAVAMA, Mustafa Chamran, was up until last year the leading organizer in California of Iranian student groups," said Mr. Benton. "We have been told that he worked under the direction of University of California at Berkeley Professor Hamid Algar, a British subject who uses an assumed Muslim name."

In fact, the events in California were only a dry run for a similar mobilization on the East Coast which brought hundreds of fanatic students into New York to shout "Death to the Shah!" outside the New York hospital where the Shah is supposedly undergoing medical treatment.

That mobilization led directly to the seizure of the U.S. Embassy in Teheran that was begun on Nov. 4.

According to Iranian sources in Washington, the student demonstration was organized and led by members of Ayatollah Khomeini's secret police. The Iranian Embassy in Washington quietly publicized and financed a telephone number which Iranian MSA members, who wanted to shout against the Shah, could call for information. That number, in turn, referred callers to the MSA offices at American University.

And in Iran, Ayatollah Khomeini, who is the head of the Muslim Brotherhood there, issued an official call for students to demonstrate in New York against the Shah.

Khomeini regime: a NATO puppet

Most Americans do not know that even during the terrorist occupation of the U.S. embassy in Teheran by Iranian secret police agents disguised as students beginning Nov. 4, the United States continued to send a steady stream of U.S. weapons, ammunition, and spare parts to the outlaw Iranian military! But this fact was admitted by the State Department and reported by the *Wall Street Journal*.

The facts behind this startling exposé, detailed in the following report, conclusively document that in fact the United States and Great Britain are fast building up a powerful armed force in Iran that, in the near future, will be linked to nearby Oman and other Arab states of the Persian Gulf in what the Anglo-Americans hope will be the kernel of a new "Middle East Treaty Organization." Among the various political figures of present Iran, two stand out as the chief actors in this drama: Defense Minister Mustafa Chamran, a secretive figure who is reputed to be an inner member of the hush-hush Islamic Revolutionary Council; and Admiral Ahmed Madani, the commander of the Iranian Navy and governor of Khuzestan, Iran's oil-rich southern province. Along with Foreign Minister Ibrahim Yazdi, these two military men are emerging as the strongman axis that, since September, has been the ruling force in Iran.

In 1978, Zbigniew Brzezinski and Cyrus Vance supported the British intelligence operation that toppled the Shah on the conviction that a strong Islamic fundamentalist regime, which would strengthen the forces of the Muslim Brotherhood throughout the region, might serve as a bulwark against the Soviet Union in the Middle East.

The London *Economist*, in its Oct. 20 issue, carried a quite revealing article called, "Forget the Propaganda," which had this to say:

Iranian left wingers have long predicted that Ayatollah Khomeini's regime, despite its anti-American propaganda, would eventually emerge as America's ally. Their predictions look like they're coming true. . . . The recent exercises of the Iranian Navy in the Gulf suggest that Khomeini's Iran could emerge once again as the self-styled policeman of the Gulf, keeping an eye on unreliable Arabs. The ayatollah's armed forces are still, bas-

ically, the Shah's armed forces, and their links with the Americans have never truly been cut. Shortly after the revolution, American technicians drifted back into Iran to help maintain the country's advanced weaponry. More recently, an agreement was reached on the supply of spare parts.

Several prominent members of the Iranian government, including the ministers of foreign affairs (Yazdi) and defence (Chamran), and the information chiefs, spent their long years of education and exile in the United States, and are now naturally drawn in that direction

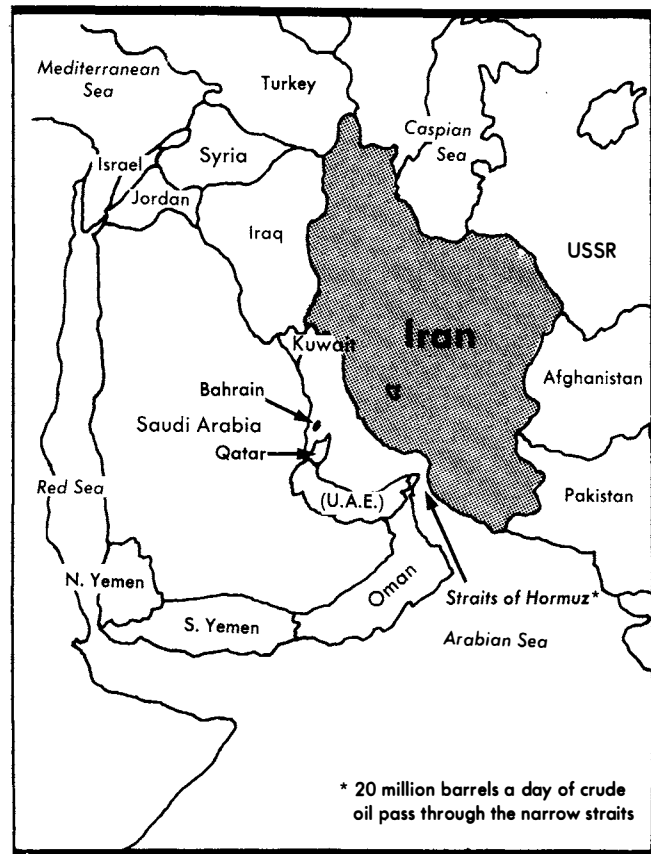
Immediately following the installation of Defense Minister Chamran on Sept. 28, the flow of American weapons into Iran was stepped up. According to an article in the London *Financial Times* of Oct. 5:

A large-scale airlift to resupply the Iranian armed forces with U.S. military equipment appears to be underway following the overcoming of financial obstacles outstanding since the change of regime in February Over the past ten days, Hercules and Boeing 747 transport aircraft of the Iranian air force have resumed their previous practice of breaking their long journey from the U.S. at Madrid's military airport. The aircraft, believed to be carrying badly needed spare parts for Iran's American-made helicopters and military aircraft, have been seen in Madrid almost daily.

According to reports from intelligence sources in Washington, the resupply effort included American personnel as advisers in sensitive intelligence posts. The delivery was speeded up to meet a growing threat of a military showdown in Kurdistan, where anti-Khomeini rebels were challenging the regime.

As the previous section of this special report reveals, the entire February revolution that toppled Shahpour Bakhtiar and brought in Khomeini was merely a revolution at the bottom. Behind the "Islamic" face of the revolt, at the top—in the closed offices of the SAVAK and the secret intelligence services—things did not change too much. Although the Shah left the country and the ayatollah entered, the same personnel remained in control of the state apparatus. In the *Financial Times* of Oct. 23, the extent of the SAVAK holdover was hinted at:

Ayatollah Khomeini's regime in Iran is being actively aided by a number of key military and security officers who were close to the Shah until he went into exile last January. Well-placed Iranians say that among those now holding official or unofficial positions are a number of boyhood friends of the former monarch and the Shah's last chief of staff of the armed forces. Senior figures in



SAVAK, the old secret police force, have also apparently switched sides without qualms.

The two most important men believed to have changed sides are Gen. Hossein Fardoust and Gen. Abbas Gharabaghi. They were closely involved in the military's negotiations with the Khomeini camp for a transfer of power during the crucial 48 hours leading up to the Teheran uprising of February.

The present government is meanwhile believed to have retained almost intact three departments of the old SAVAK. These departments include numbers two, six, and eight, dealing with the communists, tribes at home, and counter espionage.

All intelligence activity comes under Defence Minister Mustafa Chamran. Working under him, prominent Iranian exiles say, are two senior members of the old organization, Gen. Farazyan and Gen. Kaveh.

What in fact had happened is that, with the installation of the Khomeini regime, the Muslim Brotherhood apparatus in Teheran, which has always been within the SAVAK, just assumed direct power. From the start, Yazdi and Chamran took over the actual management of the day-to-day activities of the huge SAVAK bureaucracy, with the close assistance of the leaders of the Iranian military.

Upon assuming the official position of defense minister on Sept. 28, Chamran began to purge the Iranian army entirely of those officers, still a majority, who passively were resisting the Khomeini regime and to put the rest of the military command through an "Islamic purification." In an interview with Iranian radio on Sept. 30, Chamran declared: "As far as we are concerned, the existing order is an order created by the satanic regime (of the Shah). Our present revolutionary conditions warrant a change in this order so that the army may be brought into line with revolutionary requirements The purge will take place at the very top. At later stages it will embrace lower levels. The purge will be of an Islamic and revolutionary nature."

In a series of interviews in the weeks thereafter, Chamran continually emphasized the importance of building up what he called a "strong army." But a continuous theme of his remarks—though populist in tone, aiming at convincing the masses that Iran's "revolution" had swept away the vestiges of the Shah's apparatus—was that the "ideological and philosophical" purity of the armed forces must be ensured. In practice, what this meant was a commitment to forced conversion of the army command to support the Khomeini regime. A crucial part of this operation was the formal integration of the rag-tag Jacobin mob called the Islamic Revolutionary Guard into the state armed forces.

Hundreds of officers, not particularly loyal to the Shah but trained in the necessity for a technologically advancing nation, were ousted by Chamran. And the American supplies still flowed in. "Our objective is to effect structural and fundamental changes in the discipline of the army so as to harmonize it with the values of the Islamic revolution and monotheistic military discipline," said Chamran Oct. 11.

According to Iranian sources, the Islamic Revolutionary Guard was heavily funded and built up into a force of over 1 million men!

Despite the supposed xenophobia of the regime, Chamran at the same time began to hint that Iran might be willing to accept Western—that is, American and British—military advisers. Of course, behind the scenes, many such advisers were already present. But Chamran was preparing the ground for a shift in public position. Said Chamran in a radio interview on Oct. 8:

"We will purchase arms from all countries, but only under the name of trade and not by accepting imposed conditions. Efforts will be made, as far as possible, not to use foreign advisers within the army of the Islamic Republic of Iran. In certain limited circumstances foreign specialists will be used to train military personnel."

Only a few days before, Admiral Madani had similarly stated, "It is possible that we might take advantage of the greater degree of specialization of foreign experts, but there is a difference between specialists and military advisers."

And, on Oct. 20, the clandestine National Voice of Iran, a leftist radio, bitterly attacked Ibrahim Yazdi for his public statement that Iran might purchase U.S. weapons. Specifically, the NVOI declared that Yazdi had acted to annul the cancellation of the U.S.-Iran military agreement that occurred during the tenure of Prime Minister Shahpour Bakhtiar! In a press conference, Yazdi had announced that he was seeking to receive at least \$12 billion in American arms ordered by the Shah and not yet delivered.

Admiral Madani

While Chamran and Yazdi collaborated to put together the Iranian armed forces, the past several weeks also marked the rapid rise to prominence of Admiral Madani. According to high-level Iranian sources, Madani is the only commander of any branch of the Iranian armed forces who has maintained a well-trained and disciplined unit capable of action. In his base in Khuzestan, where all of Iran's enormous oil reserves are located, Admiral Madani has accumulated great power and is now reported to be making a power play within Iran in coordination with Chamran.

Madani, who is portrayed by acquaintances as a dedicated opportunist with pronounced fanatic "pan-Iranist" beliefs, has recently moved to establish close links with Ayatollah Khomeini in order to get into the inner councils of power. Madani is also believed to be very close to the British Petroleum top executive, and he has carved out a fiefdom for himself in the oil fields in part to protect the interests of BP in that area. Madani is fanatically anti-Arab, and it is he who provoked the bitter clashes in Khuzestan among the Arab minority residents in that province during the summer, which left many dead.

The Japanese Kyodo News Service says Madani has built a virtual feudal kingdom in Khuzestan:

Adm. Ahmed Madani, commander of the Iranian navy, has quarantined most of Iran's coast on the Persian Gulf since late last month, according to The Arab Press Service. It said that intelligence sources speculated that Madani was likely to revolt against the religious rule of Ayatollah Khomeini. It quoted Arab military sources in Dubai as saying that Madani's Navy command, unchanged since Iran's Islamic revolution, had sealed off the country's coastline from Kharg Island near the head of the Gulf, where oil is loaded onto tankers, to Bandar Abbas. It said warships and Iran's 15,000-strong marine corps controlled a 48-km-wide strip along the 700-km coast, and was preventing Islamic Guards of Ayatollah Khomeini from entering the area.

Key to the role of Madani is his sudden assertion of the role of Iran in protecting the oil routes through the

PLO role in Iran questioned

The offer by the Palestine Liberation Organization to mediate between the United States and Ayatollah Khomeini's hordes to rescue American hostages, while a useful action should it succeed in saving lives, brings into focus what has been until now a dangerous PLO flirtation with Iran's Muslim Brotherhood rulers. According to informed sources, the PLO contains within it elements which belong to the Muslim Brotherhood machine dating back to the founding of the PLO in 1964.

From the start of the Khomeini revolution, PLO Chairman Yasser Arafat established close and warm relations with the Khomeini dictatorship. Even before the revolution, the PLO worked closely with the Shi'ite movement in southern Lebanon, especially the fascist Al Amal group run by Imam Musa Sadr, whose military commander, Mustafa Chamran, is now the overall director of Iran's intelligence services and the defense minister.

Reportedly, Saudi Arabia and Iraq have recently grown increasingly concerned with the tight relation-

ship between the PLO and Khomeini's regime. *Le Figaro* reported that Saudi Arabia has even threatened to reduce its financial subsidies to the PLO unless the Palestinians halted their cooperation with Iran.

From Oct. 11 to Oct. 19, PLO leaders Khalil al-Wazir (Abu Jihad) and Hani al-Hassan brought a delegation of the PLO to Iran for a full-scale round of strategic coordination. While in Iran, Abu Jihad and Hassan met with Khomeini, Yazdi, Ayatollah Montazeri, and many other leaders of the Muslim Brotherhood elite there. Following the meetings, several wild claims were made, including the statement that the PLO had received offers of 70,000 volunteers from Iran to fight in southern Lebanon.

But most dangerous was the pattern of PLO activities in the Gulf. Immediately following the visit to Iran, Abu Jihad called a meeting with all of the PLO representatives in the Gulf countries. Ostensibly, the purpose of the meeting, in the PLO's own words, was an effort to smooth relations between Iran and the Arab Gulf countries. That, according to observers, can only be taken as an effort to isolate Iraq and, in effect, to win support in the Arab world for the Oman plan for a Gulf security pact.

Persian Gulf. In September, Madani ordered the start of large-scale naval maneuvers in the Gulf, which were taken with alarm by the Iraqis and the smaller Gulf states on the Arab side. The threatening maneuvers, which involved the entire Iranian Navy, were run directly by Madani. Said Madani:

"We shall not be the policemen of the Persian Gulf, but of the Iranian nation in safeguarding what belongs to her. It was to achieve this idea that maneuvers on a larger scale than in the past have been held We believe that countries with vested interests should act. We speak from a position of strength when we say that we shall crush any misdemeanor."

What made Madani's statement especially alarming was the fact that it followed by days a statement from Ayatollah Rouhani that Iran would soon reassert its long-abandoned claim to the island nation of Bahrain, and also statements from various Iranian Shiite religious leaders that Iran would seek to whip up Islamic fundamentalism among the population of the Arab Gulf countries.

It was at this time that the British and the British colony of Oman began launching their proposal for the creation of a Gulf Security Pact linking Oman, Saudi Arabia, the smaller Arab states, and, eventually, Iran!

According to European sources, the government of Oman has been organizing since September for a pact

to be created that would bring foreign (American and British) troops into the Gulf. The nation of Oman, perhaps the most British-dominated state in the entire world, announced at the end of October that it has received "financial and military" support from Iran for the establishment of a series of military installations in the Straits of Hormuz. At the same time, a top-level delegation from Oman visited Iran several times during the summer and fall to work out the details of the plan, which was kept secret. The United States announced last week, meanwhile, that it has begun the establishment of top-secret radar installations at the Hormuz Straits.

In an unusual interview, Yazdi himself hinted that Iran might well consider forming an alliance with Oman to protect the straits. Yazdi said that he "was not acquainted with" any plans by Oman to protect navigation in the straits, but that Iran does consider that it has a responsibility for the area. He said that the extent of Iran's "readiness to cooperate" with Oman in protecting the straits "depends on the circumstances," and he refused to comment any further. The Yazdi admission, which may have been inadvertent, is all the more unusual because Yazdi has been meeting recently with representatives of the terrorist PFLOAG, the "liberation" movement that is based in nearby South Yemen.

—Robert Dreyfuss

Iran's breakup: the trigger for Persian Gulf chaos

From its bureaus in Washington, New York, Bonn, Paris, and Mexico City, the *Executive Intelligence Review* has assembled the inside story of how the Anglo-American intelligence services prepared the present crisis in the Persian Gulf. What worries most responsible world leaders—the spectre of a conflagration in the area that produces two-thirds of the oil supply of the entire world—will be, should it occur, the result of strategic planning by London and Washington.

As pieced together by *EIR*, their strategy is roughly as follows:

First, in direct coordination with the National Security Council in Washington, the Iranian regime since late September has set into motion a two-fold policy:

(a) it has adopted a strategy of enforcing a brutal, Shi'ite-colored "pan-Iranism" which, unless checked, will splinter Iran into several mini-states along tribal and ethnic lines around a much-reduced Iran comprising the Teheran-Qom axis and, perhaps, the oil fields region, with this disintegration process spreading throughout the Arab world; and

(b) in its foreign policy Iran has set about encouraging the revolt of Shi'ite minorities in Iraq, Saudi Arabia, the Gulf state, and Lebanon.

Second, in tandem with the danger represented by the Iranian regime's policy, the United States, Britain, and NATO have begun collecting their assets in the area for the establishment of a Middle East Treaty Organization. The political basis for such an approach is the regional network of the Muslim Brotherhood. Already, Egypt, Israel, Oman, and Iran have formed a loosely coordinated machine. Its consolidation now depends, according to Washington sources, on the destruction of the Syrian and Iraqi regimes and the capture of Saudi Arabia by the Muslim Brotherhood forces.

In Saudi Arabia, those forces are led by Prince Abdullah, the commander of the Saudi National Guard, who is a known sympathizer of Ayatollah Khomeini and who is reputed to be the chief British intelligence

contact inside the Saudi royal family. Recently, Abdullah met with George Ball to discuss exactly this strategy. The perceived threat from Iran is meant, by London and Washington, to contribute to forcing Saudi Arabia and the Gulf states to join the pact proposed by Oman.

On Oct. 21, Sen. Henry Jackson said on NBC's *Meet the Press* that Iran was about to break up "into little pieces," and that this event would create a profound crisis which, he said, would necessitate the deployment of Egyptian and Israeli forces as "surrogates" to occupy the oil fields in Saudi Arabia and the Gulf. At a closed briefing that same week at the Georgetown Center for Strategic and International Studies, which is associated with Henry Kissinger and the Jesuit order, former U.S. Energy Secretary James Schlesinger and Princeton University Professor Bernard Lewis, who is the intellectual author of the plan named after him for balkanizing the Arab world and Iran, presented a similar scenario. Yesterday, in a telephone interview, Dr. Lewis said that the Saudis "would be crazy" not to go along with the proposed Oman plan for Gulf security.

Challenge to Gulf States

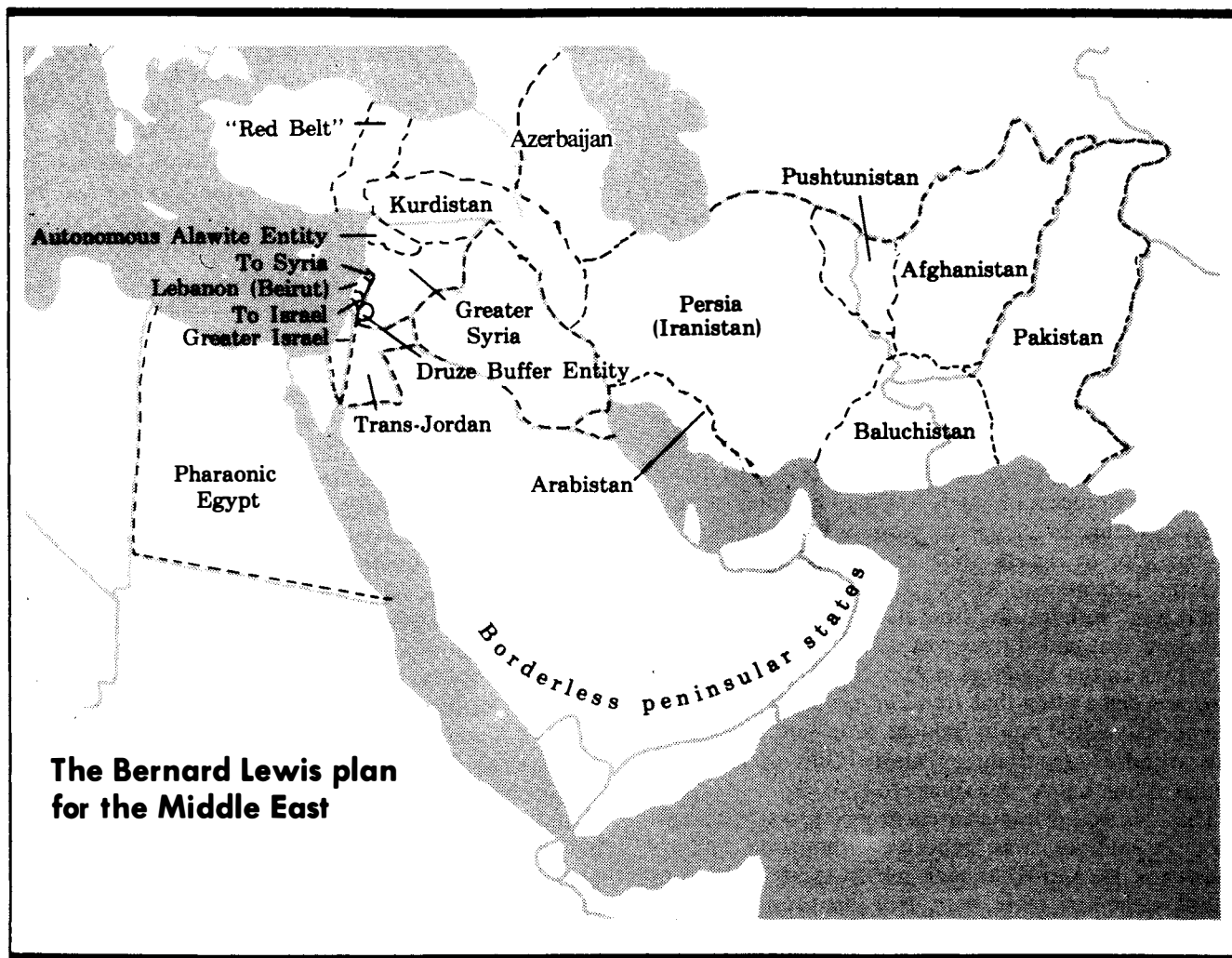
The threat from Iran to the Arabs has been repeatedly proclaimed by the entire religious leadership of the Iranian regime. This threat has intensified since the Sept. 28 Cabinet shakeup that saw Mustafa Chamran take over the post of defense minister.

On Oct. 1, Ayatollah Khomeini himself stated that Iran "cannot support these kinglets, sheikhs, and monarchies" in the Arab Gulf, and he warned that Iran would seek to impose its brand of Islamic fascism there. On the same day, Abu Sharif, the commander of the Islamic Revolutionary Guard, said that his forces would not rest "until the complete liberation of Palestine, Lebanon, Afghanistan, Eritrea, Philippines, and Iraq." And Ayatollah Montazeri asserted that Iran's neighbors would have to "learn their fate from the fall of the Shah."

For the next month, the chief preoccupation of the rulers of Saudi Arabia, Bahrain, Kuwait, the UAE, and Qatar was Gulf security.

On Oct. 16, a summit meeting occurred in Taif, Saudi Arabia, which brought together the foreign ministers of the above-named Gulf countries with Oman. Oman was represented by its foreign minister, Qais al-Zawawi, an agent of the British who sits on the Board of Advisers of Georgetown University's Center for Contemporary Arab Studies. It is that center, in collaboration with CSIS, which planned the American side of the Gulf Security Pact plan.

Iraq—which bitterly denounced the Oman plan—was not present at the meeting, deciding to boycott the event in protest against Oman's presence.



Iraq's challenge to Iran

For several months, the French Government has been involved in urgent diplomatic representations and military talks to ready the basis for a real security plan in the Persian Gulf, according to French and other European sources.

During the summer, France established a working relationship with Iraq and Saudi Arabia to support the stability of the Gulf. Subsequent to that, Iraq and Saudi Arabia announced the formation of a mutual security pact, which was formally signed at the start of October. Reportedly, France also drew up plans for a military intervention force that could enter the Gulf—at the invitation of Saudi Arabia or other states—in case of crisis. In Anglo-American circles, the French plan was taken, correctly, as a challenge to NATO's plans for Middle East intervention.

France's primary regional goal, for which it sought Arab support, is the immediate overthrow of Khomeini's theocracy. Prime Minister Shahpour Bakhtiar, who was exiled after Khomeini's takeover and sentenced

to death, is working closely with French intelligence and the continental European powers.

At the Oct. 16 Gulf meeting, the Iraqi-French policy was victorious. According to official reports from Taif, Saudi Arabia, along with the smaller Gulf sheikhdoms, decisively rejected the Oman plan. But more than that, according to many sources, the Gulf countries are working closely with Iraq on a plan for Arab security in the Gulf.

Reported *Le Figaro*, the French daily that often reflects government thinking:

The Gulf sheikhdoms don't believe in American power, so they are turning naturally to Iraq, the new protector of the Gulf. Based on its accord with Riyadh, Iraq is becoming the defender of the oil states.

According to the Nov. 5 *Financial Times*, the Iraqis began to take action to strengthen their Persian Gulf naval force almost immediately after Iran announced its naval maneuvers in September.

Iraq is planning to double the size of its navy as part of an ambition to assert itself as the dominant power in the Gulf, according to European diplomatic sources. The Iraqis are believed to have presented shopping lists for naval equipment to suppliers which range from the Soviet Union to France, Britain, and Spain. . . . Iraq's shopping list includes frigates, missile-equipped fast torpedo boats, tank landing craft speed boats, and a variety of electronic monitoring and guidance equipment

Meanwhile, Iraq offered to send its troops to defend any state in the Gulf that was threatened by any non-Arab power, which in particular referenced Iran.

But at the beginning of November, Iraq, reportedly backed by France and Saudi Arabia, launched its most direct challenge to Iranian pretensions in the Gulf. Iraqi Ambassador to Beirut Abdel Hussein Muslim Hassan told the Lebanese press that Iraq was serving notice that it was "withdrawing from its 1975 peace agreement with Iran that ended three years of border hostilities," according to the *Washington Post* Nov. 1. He said that Iraq was demanding that Iran "immediately grant self-rule to its volatile Arab, Baluchi, and Kurdish minorities, withdraw from three Persian Gulf islands, and return of Shatt al-Arab Estuary to Iraq."

The Iraqi action immediately provoked a storm inside Iran. In addition Iraq reportedly increased military assistance to anti-Khomeini rebels inside Iran. The Kurds—who for years were used against Iraq by the British and the CIA—are now rebelling in their area of Iran, and Iraq has provided sanctuary and support. Iraq may also be providing assistance to the Kurdish Democratic Party in Iranian Kurdistan, as well as to the so-called Arab Cultural Society of Khuzestan, which is dominated by Iranian ethnic Arabs.

Nightmare scenario

The process that has been unleashed by the action of the Ayatollah Khomeini and his Muslim Brotherhood controller cannot be certain of being contained. If the present Iranian regime now continues to press forward its perverted Shi'ite revolution, then the disintegration of Iran as a nation is a real possibility—with incalculable consequences.

The end result of the process, according to informed

sources, could be the division of Iran roughly into two distinct halves.

In the north, according to reports from Iranian sources, Khomeini's regime and the Islamic Revolutionary Guard have almost lost control of the population. From the northwest of Iran, in Kurdistan and Azerbaijan, to Tabriz and along the Caspian Sea into northeast Iran where the Turkomen people live, and even down into Baluchistan in southeastern Iran, Khomeini's authority is not all supreme.

In fact, it is believed that the Soviet Union, Iraq, and Afghanistan are gradually building up chips to play in those border areas. The Soviet Union, for instance, has long had supporters in Azerbaijan since the 1940s, and it now reportedly has at least 500,000 troops who speak fluently the various dialects of Iran's northern tribes. Iraq is already deeply involved with the Kurds, and, according to the *New York Times*, the U.S.S.R. is fast constructing two military bases in Afghanistan from which it could support a "middle class" revolt against the ayatollahs.

Should Iran begin to disintegrate, then those capabilities will mostly likely be activated at once. For now, the Soviet Union has no intention to act against Khomeini militarily, since such an action might start World War III. In addition, President Leonid Brezhnev has no intention to risk the Soviet Union's good relations with France and West Germany by allowing itself to be drawn into an adventurist confrontation in Iran or anywhere else in the Third World. Propaganda to the contrary, from sources like Henry Kissinger, is meant chiefly to deceive gullible Arabs and Iranians into adopting a fearful, anti-Soviet posture.

In the south of Iran, where Admiral Madani has established airtight control, one contingency plan of the NATO forces is to airlift the 82nd Airborne Division and the 101st Airborne Division, along with NATO units under the personal command of General Robert Huyser. Huyser, of course, was the NATO commander who was deployed into Iran during the February revolution to ensure that the army did not act against Khomeini.

The threat of an airlift of American and NATO forces into Iran, combined with the possibility of a Soviet intervention in Iran from the north with its allies, is a scenario that responsible leaders would move mountains to avoid. But it is exactly this scenario that the United States and the British are setting into motion in Iran.

Behind the Boulin 'suicide': An effort to topple France's Giscard

A major political battle, involving the government of Giscard d'Estaing, his ruling coalition, the opposition parties, the press, and different factions in the French intelligence community, has been sparked by the Oct. 30 "suicide" of Minister of Labor Robert Boulin. The stakes in this battle are questions of international strategic importance. Will France continue to press ahead with Phase Two of the European Monetary System?

Behind the "suicide," which occurred in the midst of an escalating press campaign of leaks and scandals thrown at Giscard and his cabinet, lies an attempt to "make Giscard docile to the Anglo-Americans," according to a source very close to the deceased Boulin. Moreover, "we are 99 percent sure it wasn't suicide," the friend added. Rather, the allegations of embezzlement, real estate fraud and accepting illegal gifts that have been levelled against Boulin, Prime Minister Barre and Giscard himself, are part of "the most massive European-wide campaign against Giscard ever."

But the British and their allies who launched this attack must be reeling with astonishment over the unprecedented cross-party alliance that has suddenly taken shape in defense of the government. Government ministers, members of the ruling coalition Gaullist Party (RPR) which Boulin belonged to, and the opposition French Communist Party (PCF), have all slammed the French press, particularly the Rothschild-controlled press, which has played the most prominent role in the scandal. The counterattack has isolated the scandalmongers in François Mitterrand's French Socialist Party, and threatened to bring out some very unsavory connections of their own.

The direction of French policy

What the City of London and its cothinkers in New York and Washington are thinking about is the direction taken in French policy. Giscard has engineered a series of strategic agreements with other European continental powers, including Helmut Schmidt's West Germany, the Soviet Union, and the Third World in

preparation for "Phase Two" of the EMS. This is evidenced by Giscard's cooperation with Cuba's Fidel Castro, in supporting the Havana declaration of the Nonaligned movement calling for an end to IMF austerity and the beginning of a new era of industrial and technological expansion. It is also evidenced in France's agreement with the Soviet Union on the need to guarantee detente in the military field by pursuing extended economic and political agreements; and by France's decision to abstain from seating the Chinese-backed Pol Pot clique of Kampuchea at the United Nations, France has also taken initiatives to send aid to the new government of Kampuchea. Giscard organized an even-handed, but tough reception for Chinese Premier Hua Guofeng, who recently toured Europe's capitals seeking to promote a political-military alliance against the Soviet Union.

To understand London's flights of fancy when faced with the prospect of Giscard's almost certain electoral victory in 1981, giving him another seven years in office, one need only consider the determination of the French President to shortcircuit London and Washington's constant crisis-mongering with the Soviet Union and its allies. State Secretary for Foreign Affairs Olivier Stirn brought the point home to both during his recent tour of former French colonies in the Caribbean.

In an address on the occasion of the independence of St. Vincent, Stirn declared: "We do not believe that Cuba foments revolutions, because that would not be in her interest ... It is not in the interests of the Soviets to create a new point of conflict in the Caribbean, nor of the U.S. to aggravate tensions with Cuba. We will try to play a moderating role in the region, carrying out dialogue with everyone, including the Cubans," according to the Mexican press.

During the first visit by a French head of state to West Berlin in 30 years, Giscard and Brezhnev chose to make public extremely warm telegrams they sent each other on the occasion of the 55th anniversary of the establishment of Franco-Soviet relations.

Battle for European Community

Another crucial element is the current fight taking place within the European Community (EC). While the ostensible reason for quarrels between France and Britain is mutton, butter and milk prices, Giscard has proposed to reorganize the EC's structures to give "more power to the European Council"—heads of government—and reduce the power of the traditionally British-controlled European Commission of technocrats. According to *The Guardian* Oct. 30, other aspects of the proposed reform "might allow France, for instance, to take charge of the sensitive negotiations with the Arab Gulf oil states on behalf of the Nine semi-permanently." French efforts in this area have consistently been sabotaged by the intervention of Energy Commissioner Guido Brunner. The Energy Commission is one institution whose power Giscard hopes to curtail.

British love a scandal

The following are a selection from the British press last week:

The Guardian, Oct. 31: "Boulin's suicide could not have occurred at a worse time for the government of President Giscard d'Estaing ... (it) deepens a crisis of confidence that was already beginning to destroy the government."

Financial Times, Nov. 3: "The suicide of Boulin ... has dealt a damaging blow to President Giscard's regime at a crucial moment in the government's life and the electoral calendar. The affair ... has raised political, legal, and moral issues which will no doubt be fully exploited by the left-wing opposition during the campaign leading up to the 1981 presidential elections."

Daily Telegraph, Nov. 3: "Scandal is endemic in French politics ... (But) the true French scandal is the extent to which nearly all channels of communication are under the control or influence of the Government, more particularly of President Giscard ... *Le Canard Enchaîné*, almost alone, thinks that the business of a free press is disclosure."

The Guardian, Nov. 6: "President Giscard could now be planning to replace Mr. Barre, the Prime Minister, or even resign as President to clear the air after recent political scandals. ..."

The truth about Boulin

Abundant evidence indicates that Giscard was planning to appoint Boulin prime minister within a matter of weeks, and have Boulin lead the government into the 1981 presidential elections. As Labor Minister, Boulin had developed an entente with the French Communist Party which exerts control over France's largest union, the CGT, on the basis of stepping up the industrial-technological growth of the country to generate more employment. An austerity policy has characterized the administration of Prime Minister Raymond Barre.

There is also evidence that the PCF has agreed not to reestablish the Union of the Left alliance with the Socialist Party for the 1981 elections, which would thus, albeit indirectly, assist Giscard's reelection to a second seven-year term.

The PCF was among those who reacted most vehemently to the announcement of Boulin's suicide. General Secretary Georges Marchais attacked the press for digging up scandals or inventing them, using "methods which degrade the political life of our country and threaten democracy." Marchais had met with Boulin only days before. The press, which is now under attack, includes the Rothschild-financed and Socialist Party-linked daily *Le Matin de Paris* and weekly *Le Nouvel Observateur*, the very Anglophile *Le Monde*, and the satirical weekly *Le Canard Enchaîné* which, along with *Le Monde*, has been singled out for high praise by the British press.

Now the leadership of the Gaullist Party (RPR) has jumped into the battle, announcing that it intends to sue radio journalist Philippe Alexandre who has alleged that the RPR and its leader Jacques Chirac, in particular, leaked information that contributed to the "suicide" of Boulin. His allegations, which were aimed in part at isolating the Gaullists within Giscard's coalition, were answered by a well-respected RPR member, not known for his particular loyalty to the person of Chirac, Jean de Lipkowski, who affirmed that three days before his death, Boulin told him that "neither Chirac, nor the general staff of the RPR, nor the President of the Republic and his entourage" were responsible. De Lipkowski promised that if the allegations continued, he would release the names of those responsible, given to him by Boulin.

The organized crime connections

Two events, which might appear unrelated, give additional clues as to the networks in organized crime that took part in this affair.

Surface Perminex

One longtime enemy of the Fifth Republic, Jacques Soustelle (see box) appeared on a radio program, ap-

What is Jacques Soustelle?

During World War II, Jacques Soustelle operated as a British intelligence agent. He was deployed into Charles De Gaulle's Free French apparatus in London, rising in its intelligence bureau (BCRA). Soustelle played a key role in the arrangements which gave Irgun terrorists from Palestine—including Menachem Begin—refuge in France after the war.

In the immediate post-war period, Soustelle stayed inside De Gaulle's political machine, and was elected to parliament; he focused his parliamentary activity on bringing De Gaulle's followers into alliance with right-wing socialists, exemplified by Francois Mitterrand, current head of the French Socialist Party. De Gaulle repeatedly vetoed these proposals.

In 1955, Soustelle was sent to Algeria as Governor General by Prime Minister Pierre Mendes-France; he developed a network of "colonialist" supporters independent of his government position, networks that were to become a leading part of the Algerian Secret Army Organization. His provocative behavior led to his removal from office. Returning to France, Soustelle was re-elected to parliament, and became President of the France-Israel Alliance caucus—on the eve of the French government's collaboration with Great Britain and Israel in the Suez invasion.

It was only after De Gaulle's return to power that Soustelle openly discarded his "Gaullist" clothing, and went into exile, taking leadership of the

OAS Algerian terrorists, and other parallel groups. Soustelle's terrorists had the active support of David Ben Gurion and Israeli intelligence. Financing for the OAS and other bands came from the Permindex Corporation. This assassination bureau was established by British Canadian Major-General Louis Mortimer Bloomfield, who channeled monies through the U.S. FBI-Division Five (which Bloomfield set up during World War II). Permindex engaged in over 30 attempts to assassinate President De Gaulle, notable among them the 1971 Petit Clamart incident to which Soustelle was directly linked.

Seeking refuge in Switzerland, Israel, Madrid and Rome, Soustelle in the following period obtained aid from sources in the United States associated with William F. Buckley and his National Review circle.

During the 1965 presidential elections, Soustelle, still abroad and a wanted man, called upon his supporters to vote for socialist Mitterrand in the second round of balloting against De Gaulle. Earlier, during the 1962 trial of OAS General Raoul Salan, a Soustelle associate, Mitterrand had testified as a defense witness.

Soustelle did not return to France to pursue his fascist politics openly until 1968, when a general amnesty was declared, largely due to political pressures exerted by Mitterrand.

parently out of a compelling need to explain why he broke with de Gaulle over the General's development policy for the Third World and the Algerian independence issue. *Le Figaro's* Alfred Fabre-Luce was quick to support Soustelle's reminiscing, insisting that France must deal with the Third World purely on the basis of anti-Sovietism. But Soustelle's sudden attempt to settle 20-year-old scores may turn out badly for him, since he is part of the very Permindex network Giscard is now pushing a crackdown against.

On Nov. 2, police ended their year and a half search for Jacques Mesrine, France's most wanted criminal, a former OAS member with active ties to the "anti-establishment" left: he was ambushed by Paris police

and his life ended in a hail of bullets. The closing in on Mesrine was coordinated by Inspector Maurice Bouvier, given the assignment only about a month ago. Bouvier is otherwise best known for leading the successful investigations into the assassination attempt against de Gaulle at Petit Clamart in 1962, leading to the arrest of the would-be assassins whose payoff has been traced to Major Louis Mortimer Bloomfield's Division Five of the FBI and the Permindex assassination bureau.

The successful closing of the Mesrine case, and what that may portend for Jacques Soustelle, is part of the necessary response to the Boulin affair.

—Dana Sloan and Garance Phau

Europe faces growth of Dope, Inc.

Drug traffic from the British Crown Colony of Hong Kong into Europe has not generally been at the same epidemic levels as into the U.S., but market analysts for "Dope, Incorporated," the network which runs the \$200 billion-a-year world drug business, are stepping it up. As a result, drug consumption and all that accompanies it, is on the rise across the Continent.

In Italy, more than 100 young people have died from heroin overdoses, impurities or dirty needles so far in 1979. This is up from the 43 deaths that occurred in all of 1978. Renalto Altissimo, the Liberal Health Minister in the national coalition government, has officially proposed a "humanitarian" solution: stopping accidental deaths by having the state administer the heroin business. He would have the national government deal out free heroin to certified addicts, whose fix would be paid for by the national treasury.

The heroin business is booming so fast that there is

now a mafia war for its control. Eight persons were shot to death in a Milan bar on the evening of Nov. 2 in a massacre whose main target was Antonio Prudente, a rising Milan mafia boss who specialized in drugs and kidnapping. The other victims were friends or business associates of Prudente, and the bar was a known mafia meeting place.

The Pot Party

The Radical Party, a collection of freaks who for years espoused the cause of every social deviation imaginable, have taken up the banner of marijuana decriminalization for "humanitarian" reasons similar to Altissimo's. They are outraged that Italian youth are jailed for smoking "harmless" marijuana and hashish, and are staging "smoke-ins" in the piazzas of every major city. In last summer's elections, after years of oblivion, the Radicals ran a well-funded media campaign and landed

'Society cannot compete with drugs'

The following is excerpted from the article, "No Society Can Compete With the Immediate Pleasure of Drugs," by Dr. Gabriel Nahas, which appeared in the Oct. 2 issue of the Italian newspaper, La Stampa.

Today the hypothesis is that narcotics, acting on the neuro-physiological mechanisms of the brain's rewards system, provoke bio-chemical alterations associated with sensations of pleasure which are transmitted to the central nervous system: the chronic use of a drug could thus compromise the free play of mental faculties and condition a behavior oriented to rewards and the attainment of "chemically provoked" pleasure.

The stimulation of the centers of pleasure and well-being is associated also with the creative force, to mystical experience, to discovery, to all the activ-

ities which ennoble man. One understands, therefore, what danger drugs represent: they permit man to obtain an internal satisfaction without the effort of conquest. The adolescent whose pleasure center is stimulated prematurely by drugs—before, that is, he has been able to discover other sources of pleasure—is particularly vulnerable.

A real trap, which the youth cannot comprehend and whose consequences he cannot foresee: the centers of well-being will be constantly less stimulated by the same doses of drugs; little by little a tolerance to narcotics is developed, leading to the use of stronger and stronger doses; the same mechanism leads toward heavier drugs. The brain centers, finally, saturated with drugs, can no longer respond to physical or intellectual excitement.

It is obvious that, under such conditions, only the prevention of drug addiction is an effective safeguard for society and the individual. No society can compete with the immediate satisfactions produced by narcotics. Here is the great danger of drugs: to remove man from the tasks that can give him a similar reward at the price of an effort.

5 percent of the vote and a few Parliamentary seats.

The response to these drug-glorification campaigns was launched Oct. 5 at the founding of the Italian Anti-Drug Coalition in Milan. There, 150 attendees of the founding conference signed a telegram to Minister Altissimo denouncing his free-heroin proposal and threatening to remove him from government.

The Italian Communist Party (PCI) has yet to make a serious and energetic commitment to ending the drug plague. While it has long maintained a policy of hostility to illegal drugs parallel to the party's collaboration against terrorism with the ruling Christian Democrats, this policy is based on the commitment to morality and progress dominating the party's trade-union base. The youth membership, in the absence of a conceptual battle by the PCI's leadership emphasizing the threat to the creative powers of the mind, is very vulnerable to the kind of campaign being fought by the Radicals.

This ambivalence showed in the Oct. 20 conference in Milan sponsored by the PCI on drug abuse. Keynote speaker Faustino Boioli, a PCI provincial councilman and health expert, called for an internationally coordinated campaign against both "controlled administration" of heroin and against marijuana and hashish decriminalization. His reasoning was that "drug multinationals," organized along the lines of "the most rational modern business methods," would not be hurt in the slightest if "liberalization" measures were passed.

On the other hand, a PCI faction which advocates promoting "humanitarian" conditions for narcotics consumption told the conference lurid stories about drug overdoses and insisted that "something must be done" along the lines prescribed by Health Minister Altissimo to prevent heroin overdosing.

This approach contrasts sharply with that of the European Labor Party. The ELP, which is at the center of the "Stop Dope, Inc." fight in Italy, provided the inspiration for the Anti-Drug Coalition and the methods it uses. Its International Bulletin, "Who Finances the Drug War," is in its second printing and has sold over 500 copies since early October.

The bulletin lays out in minute detail which banks, insurance companies, real estate firms, politicians and businessmen internationally sit on the board of directors of "Dope, Inc."

In West Germany

In the Federal Republic of Germany, the drug plague has reached proportions similar to those in Italy. Social Democratic and Free Democratic deputies in the national parliament, the Bundestag, have introduced measures calling for a crackdown of the type West Germany launched against terrorism. Meantime, Interior Minister Gerhard Baum is in Yugoslavia, discussing methods of stopping drug flows into the Federal Republic from that country.

America vs. Britain over the drug trade

In its Oct. 1-15 issue, the French journal Tendances et Conjoncture published this analysis of the fight in the United States over the attempt by British drug-linked banks to take over U.S. banks. The article, "English and American Banks Fight Over Narco-Dollars" by Jacques Houbart, uses as its major reference Dope, Inc., the bestselling book published by the New Benjamin Franklin Publishing House in 1978. Its publication at this time is significant; the bimonthly magazine is an economic analysis journal linked to the Gaullist faction in France.

The fight is not between American and English bankers. The economic retreat of Great Britain and the weakening of its industrial productivity have not cut into the imperial punch of the City, which up to the eleventh hour intends to use its monetarist trump card. Last May, the Joan of Arc of New York, Superintendent of the banking authority of the State of New York, raised the flag of the revolt, opposing the takeover of American banks by British establishments. The issue is all the more delicate in that the establishments in question are accused of practicing the laundering and recycling of "narco-dollars" on a large scale.

By opposing the British takeover of important sectors of their banking activity, the Americans are confronting fearsome adversaries. Not only does the City of London play a strategic role in the movement of Eurodollars ... but it is especially the world capital of "off-shore" financing, the mecca of "fiscal paradises," which under the control of the City, drains some rather unorthodox liquidities.

Among the 10 main "off-shore centers," Panama is the only one which is not under British control. Of the three banks which have made buying proposals—the Hongkong and Shanghai Banking Corp., which wants to take over Marine Midland Bank, the Standard Chartered Bank, which wants to control the Union Bank of California, and National Westminster which is also targeting the UBC—the first two dominate operations in Hong Kong, the Far East banking capital.

After the March 16 approval of the projected operation by the Board of Governors of the Federal Reserve, a lively polemic began between the President of the Fed and Superintendent Siebert, the latter stressing the danger represented by possible foreign pressure on the monetary policy of the United States. Certain American circles indicate in effect that the list of

directors of HongShang and Standard Chartered reads like a Who's Who of the Foreign Office and the British intelligence services.

Last May 11 a public declaration from the Association of Independent Bankers of the State of New York as well as the position taken by Attorney General Abrams came as encouragement to Muriel Siebert's attitude. In the weeks that followed, Muriel Siebert's popularity spread among the ranks of small American bankers, then in the Association of Bankers, especially when the pressures exerted in London to force the hand of the Americans were learned. Hadn't an official of Citibank in London declared in an interview in the *Executive Intelligence Review* March 27, 1979 that "not a single American bank wants to see its name in the press as having opposed the penetration of British banks in the United States ... at least no bank which does an important volume of its business abroad."

Banking mystery

When the Board of Governors of the Federal Reserve requested information on the "nonpublished" reserves system of HongShang before giving its agreement last summer, they were told, in a letter dated Aug. 29, that the information request could not be communicated because of "banking secrecy," and the Hong Kong authorities intervened with the same message.

For many observers if there is banking secrecy, there is no mystery: as the authors of the recently published *Dope, Inc.* wrote, after having noted that during 1978 exports from the English colony were in the order of \$8 billion, "one cannot add credibility to the myth according to which the economic boom in Hong Kong is due to cheap electronics and textiles."

The world's biggest business

The American circles which oppose the offensive from the offshore centers, insist that their intentions are not chauvinistic. They simply recall that, especially since the Vietnam war, their country has become the principal drug market.

World consumption of drugs represents a market of \$200 billion per year. According to sources in the Drug Enforcement Agency (DEA), about 700 tons of crude opium are produced annually and exported from the world's most important area for the cultivation of poppy, the Golden Triangle, a mountainous region whose limits are made up in the south by China's Hunnan, the northern provinces of Thailand, and Burma and Laos. This production means the refining of 70 tons of heroin ... but less than half is transformed, the rest being sold in the form of a morphine base or opium essentially to be smoked, particularly by oriental consumers.

Three tons of heroin suffice for annual American consumption, and another three for the heroin addicts of other countries in the OECD.

At street level resale value, heroin is worth 366 times its weight in gold, and the profits are enormous. In addition, one has to add the trade in illicit nonopiate products ... for example, the Colombian marijuana harvest....

In a word, the narcotics market is more important than the oil market and represents \$200 billion in world trade.

The mere presentation of the facts engenders the following conclusion: only an enormous consortium of financial and commercial institutions can manage such activity. We must also add that, the offer of opium being much greater than demand, only a strict regulation—thanks to important inventory, too infrequently unmasked—is capable of preventing brutal price fluctuations. There is no equal to this organization other than (De Beer's) Central Selling Organization, which controls 85 percent of the diamond market and rigorously controls prices.

The Americans who want to set up obstacles to the Hong Kong bankers are not afraid of politicizing the debate, at a time when the first skirmishes of the presidential electoral battles are being fought. They notably point out that most of the movement of funds from Communist China pass through Hong Kong, precisely thanks to the services of the two banks in question, the Hongkong Shanghai Bank and Standard Chartered. ...

The antimonetarist current

Does the big turn in Communist China indicate a closing of the "narco-dollars" spigot? It is difficult to say for sure, but what is certain is that the banking conflict between Anglo-Americans is a symptom of the highest interest, one which could be as heavy with consequences as the 1765 protests against the Navigation Act and the Stamp Act.

One of the most brilliant American economists, and leader of the Laborites of the other side of the Atlantic, Lyndon H. LaRouche, has seized the opportunity. In supporting Muriel Siebert, the author of *Dialectical Economics, The Case of Walter Lippmann*, and "Beyond Psychoanalysis" reiterates his criticism of monetarist manipulations and his conception of a capitalism which would essentially be indexed to creativity and technological progress. By the same token, he is opposed to Marx who, duped by the British monetarist model, attempted to apply linear mathematical systems to nonlinear social processes.

Supported by various unions, including the Teamsters union, and by black organizations, including the Muslims, LaRouche is presenting himself in the next presidential elections. Does he have a chance of disturbing the parade of the big two parties? What we can say for sure is that the present crisis, by unveiling the cracks in the world economic system, offers an historic chance to those who show a way out.

The facts of Carter's windfall profits tax

A deliberate game of making profits and not producing oil

U.S. Senate Finance Committee passage of a version of President Carter's two-part crude oil decontrol/"windfall profits" tax package marks one of the more significant economic developments to hit the energy industry since the National Environmental Protection Act was passed in 1969. It is, however, poorly understood and even misunderstood by those most immediately affected—the domestic oil producers.

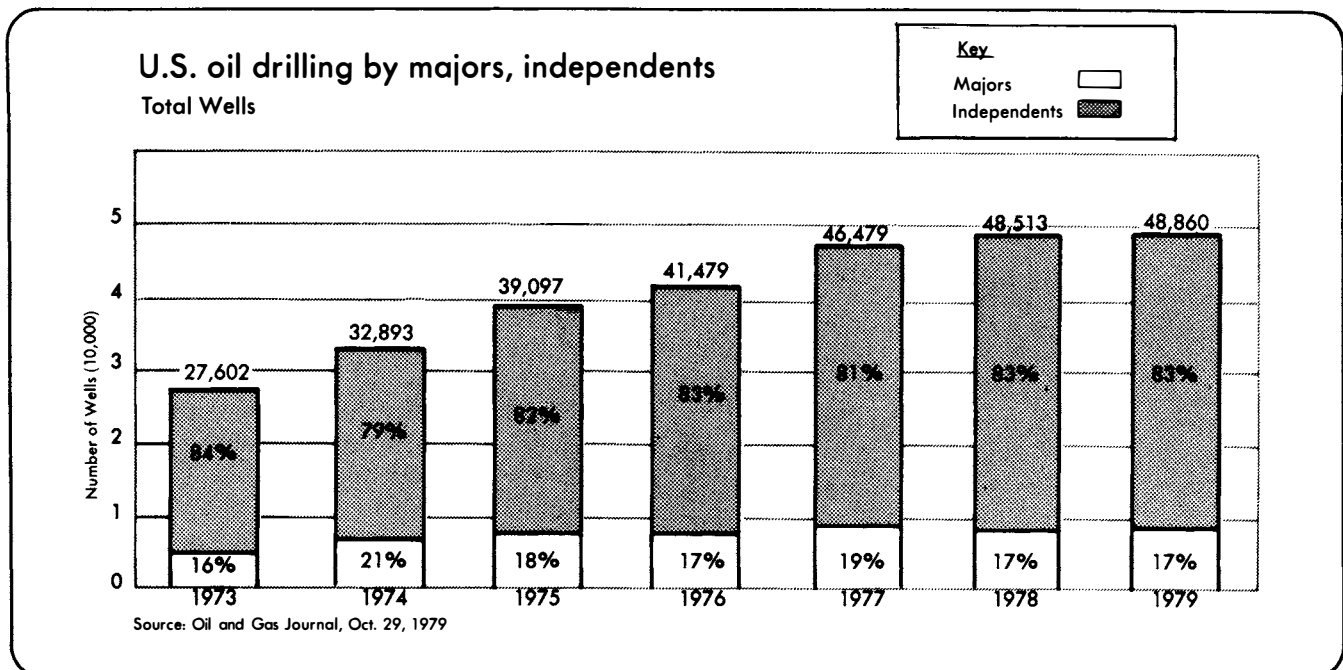
The bill, referred to as the Crude Oil Tax Bill (H.R. 3919), must now be taken up by the full Senate and then submitted to a joint House-Senate conference committee to reconcile the far stronger House version with the slightly watered-down Senate Finance Committee version. But passage of the largest single tax revenue bill ever is certain before the Christmas recess.

The press has created a climate of hysteria and confusion over the oil multitis' "windfall profits"—fed by sensational accounts of the Seven Sisters' third

quarter profits. In the case of Texaco, they were up by as much as 211 percent. Hysteria has never proved a good legislator. So here we examine some of the hidden aspects of the actual strategy being promoted by the architects of the so-called Windfall Profits Tax.

First the revenues from the tax, estimated for the first decade to 1990, are staggering. The smaller Senate Finance version calculates \$138 billion, while the House-Administration version estimates revenues of \$273 billion. Critics correctly point out that it is not a "profit tax," but an excise tax without regard for a producer's overall profit or loss.

Carter shrewdly tied the tax package to the carrot of a June 1979 Executive Order for phased decontrol of the price of domestic crude. We must decontrol domestic crude prices in order to encourage more domestic production, ran Carter's argument last summer, while gas lines got longer and longer. This way we can end



our dependence on OPEC. The oil industry took the bait.

But then under the rationale that we cannot let the oil companies reap excessive profits by this decontrol, Carter proposed to impose a wellhead tax of at least 60 percent of the price of decontrolled crude oil. The accepted industry standard for crude is also higher in Carter's tax legislation, thus making otherwise exempt grades of oil subject to the tax. The revenues from the Crude Oil Tax Bill are earmarked for rebates to welfare recipients, funds for mass transit, rebates for home insulation, and research and development of such environmentalist energy "alternatives" as solar, geothermal and gasohol.

Thus, the tax amounts to one of the most massive income transfer payments in legislative history, channeling funds away from investment in productive capital and toward service and nonproductive sectors.

The result, as *Executive Intelligence Review* has

documented before, is a feeding of inflation at a time when the nation's total energy bill is being pushed to double-digit levels.

The Carter package does not aim to guarantee adequate petroleum supplies for the future even though ample but as yet undeveloped supplies exist. The policy is James Schlesinger's, although he no longer heads the Department of Energy. With the complicity of the oil multinationals Schlesinger moved on a policy of choking off energy production while forcing industrial recession through higher basic energy costs. Carter, in a press conference following his Camp David energy emergency address, made this policy explicit: the proposed exemptions to his windfall profits tax would provide a "grant of \$54 billion to the oil companies ... and they'll be able to spend these new revenues which they have not earned in order to increase production of oil and gas in our country." In English, oil and gas production during this supposed energy crisis is not the intention of the Carter policy.

Gov. Edwards: 'abolish the Department of Energy'

Gov. Edwards: 'abolish the Department of Energy' Louisiana Gov. Edwin Edwards granted an interview to Executive Intelligence Review Energy Editor William Engdahl during the national convention of the Independent Petroleum Association of America (IPAA). The Governor delivered the keynote to the Oct. 28 meet. The following is a selection from the interview.

This country must abolish the Department of Energy. We must leave existing energy production to those who know best how to do it. We must reconstitute the Department of Energy to be a department of Energy Research and Development for development of new energy technologies. This must include research on fission, fusion, and fast breeder and other renewable resources. ... We must perfect a long-term oil and gas agreement with Mexico, complete a pipeline to deliver North Slope natural gas; a California-Texas gas pipeline and develop two more superports on the Atlantic Seaboard. ... Our problem is an uninformed public fed by the consuming Northeast and the national news media. ...

How the policy will work

This strategy is a continuation of a series of legislative actions undertaken over the last 10 years that have in fact discouraged and will rapidly eliminate production of economical crude oil in the U.S. at the same time that administration policies abroad are bringing about an almost certain disruption of oil supplies from the Organization of Petroleum Exporting Countries.

Beginning in 1969 with the reduction of the depletion allowance for oil and gas production, there were enacted restrictions on refinery construction, offshore drilling and pipeline construction under the provisions of the National Environmental Policy Act of 1970. Next was a little noticed provision in the 1975 Emergency Energy Production Act to phase out the oil depletion allowances all together by 1983. Then, in 1976, Congress retroactively taxed cash expenditures by producers for drilling costs. And in 1977, the Interior Department under Secretary Andrus, retroactively doubled rent fees on federal oil leases.

It is a little known fact that traditionally the exploration and development of domestic petroleum resources have not been undertaken by the major multinational producers such as Exxon, Shell and Mobil. The real risk-takers in domestic industry are generally the small to medium-size producers, commonly called "independent producers," distinguishing them from the Seven Sisters such as Exxon. There are currently 12,000 such independent operators in the country, often small

family-held partnerships. In 1960, before the wave of legislative restraints, the U.S. had 20,000 independent producers. Annually these independents drill a minimum 80 percent of the nation's oil wells and 90 percent of its wildcat wells. Independents find more than half of this nation's new oil and gas reserves.

In the post-1974 period, legislators have systematically reduced inexpensive oil production domestically. One qualified study estimates that in this country alone, there is fully again as much petroleum economically recoverable as has been lifted in the 120 years since the first commercial well in Titusville, Penna.

A spokesman for the refinery industry recently stated that the past years' governmental restrictions have accomplished "what Standard Oil has tried to accomplish for almost 80 years," namely to create a monopoly on the production and refining of crude oil in the United States. If the multinationals at this point can control the rate of production of world crude oil

and refining capacity and force higher and higher prices for less and less oil, their corporate profit picture will turn sharply upward. It is a strategy that the Seven Sisters formed in London in the 1920s: to create a market monopoly based on price not production. The corporate profile of the U.S.-based majors since the 1974 "Oil Embargo" has shifted toward this "downstream" marketing and pricing game at the expense of production. In this respect, the majors actually have been quite silent in opposing the oil windfall profits tax. Why? Because they have bought the London strategy of price-not-production of energy.

One prominent Louisiana independent has characterized the majors this way: "Geologists built the major oil companies and built them on the basis of production. Engineers and accountants now run those companies; and they are not risk oriented." What he is unaware of is the deliberateness of this policy.

—William Engdahl

Exploration hot spots: where the independents are looking for oil



Source: Oil and Gas Journal, Oct. 29, 1979.

“If our nation returns to the principles of the American System as laid down by Hamilton, our nation will rise from inflation and recession to resume the course which made us a great world power in former times. A depression is unnecessary.”

How to Stop Inflation and Unemployment

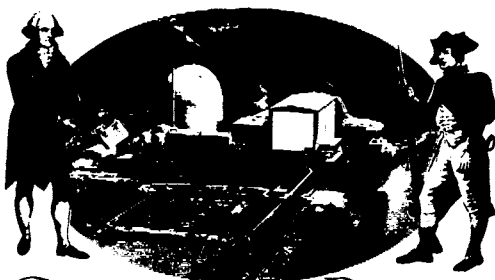
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- What causes inflation
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An epidemic of coups sweeps Third World

National Security Advisor Zbigniew Brzezinski gave a Halloween interview while visiting Algiers for the 25th anniversary celebration of the Algerian revolution, in which he announced a new focus to Washington's Third World policy. In the words of the *New York Times*, Brzezinski stated that "the United States will not let its friends be overrun and wants to make this clear to countries that may menace them. Mr. Brzezinski named Israel, Thailand and South Korea as examples of this determination, as well as Morocco. He said that the policy had world significance...."

As Mr. Brzezinski was speaking, three of the four mentioned nations were at that very moment being deliberately destabilized and prepared for coups d'etat by the U.S. State Department, working in collusion with sophisticated Jesuit-run networks operating in the respective countries. In fact, over the past weeks the entire Third World has been wracked by a new series of economic disasters, coups d'etat and assassinations of its political leadership. Continent by continent the reports are the same. Military junta takes over in El Salvador; coup attempt in Panama; murder and coup in South Korea; economic warfare in Zambia; assassination in Guyana; coup and threatened countercoup in Bolivia. As one Venezuelan daily aptly put it, there is an "epidemic of coups" sweeping the Third World.

Whodunit?

Although each of these cases has its own specific actors and "local conditions"—which the press invariably present as the determining factors—in point of fact,

there are multiple threads of policy and personnel which interconnect these events. Ultimately, the threads lead back to the central Malthusian policy-making centers under overall control of the British Monarchy, such as the Jesuit Georgetown University, the University of Louvain in Belgium, the St. James Society in London, and the notorious anglophilic Council on Foreign Relations in New York City.

The Jesuit connection is of particular relevance—the 40,000 members of this highly-trained, antihumanist international order which for centuries has self-consciously deployed to defend oligarchic interests worldwide are very active in the Third World, and are able to pass themselves off indifferently as "leftists" or "rightists."

Thus, in El Salvador, it has been learned, the programmatic "bible" for the current military junta was written by Jesuits from the Central American University. In Panama, the Jesuit Archbishop McGrath serves as a coordinator for antigovernment activities. In Korea, the same forces are at work, typified by the Georgetown-Jesuit trained Tong Sung Park's relationship to corrupted elements of the military and intelligence services.

The Kampuchea Model

The policy motivating this wave of coups and destabilizations is simple: at the top levels, the decision has been made to write off the Third World in its entirety. This fact should surprise no one who has read the series of studies published under the auspices of the CFR

"1980s Project." The volume of that study series on North-South relations hails the People's Republic of China and "a socialist nation of southeast Asia with which the PRC is allied" as models for the Third World as a whole. That "socialist nation" is Kampuchea (Cambodia), where fully half of the 7 million inhabitants of the country were massacred under Chinese direction during the period in which the Council on Foreign Relations study was being prepared.

The policy line is otherwise identified by the Council and the identified affiliated institutions, as "delinking" the economy of the Third World from the advanced sector, or promoting the "self-sufficiency" of Third World nations.

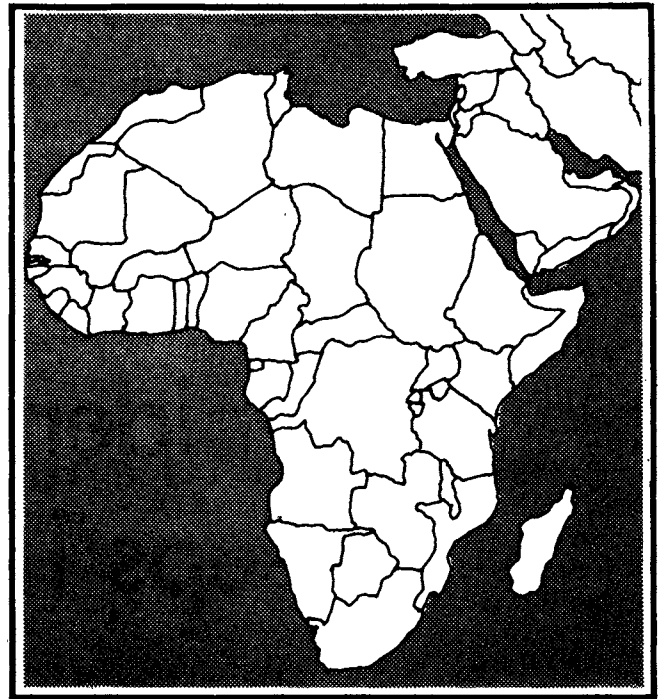
What is meant by "delinking" is most graphically seen in Rhodesia's decision this week to suspend all corn shipments into neighboring Zambia, until that Front Line state stops supporting the Patriotic Front guerrillas. In the preceding months, landlocked Zambia has had *every other* road, rail, or river route to the sea severed, thus making it impossible to import vitally needed grains for the impoverished population. Zambia has been "delinked;" it now will be allowed to starve to death.

The same fate awaits the rest of Africa, and the Third World, as per the CFR guidelines.

From the political-military side, the "epidemic of coups" in the Third World is designed to subject the entire developing sector to NATO or NATO-linked military dictatorships, to guarantee in that way that no nation dares to break away from the grip of the International Monetary Fund and the planned Kampuchea treatment.

Special attention is being paid to those countries, such as the supporters of the Havana Nonaligned resolution to create a new world monetary system, which might link up with forces around the European Monetary System. It is for this reason that the Caribbean is being particularly targeted for coups and assassinations, since a growing number of nations in that area are following Cuba's lead in linking up with the Europeans to map out a joint strategy to dismantle the IMF.

—D. Small and C. White



Africa: 'delinking' of a continent

In the Africa volume of the Council of Foreign Relations' Project 1980's, *Africa in the 1980s*, the continent's future is depicted as a series of regional, tribal, civil and even clan wars and economic decline, and a solution is offered in the "delinking" of Africa's below-subsistence economies. In the calculations of the CFR, a rash of coups d'etat may not be necessary: the economic and political situation in the continent is already so dismal that few African leaders will be able to resist the slide into chaos, provided they are kept isolated and dependent.

Zambia

On November 5, the Rhodesian government cut off all rail traffic into Zambia, declaring their intention to cut off Zambia's imports until President Kenneth Kaunda curtails the activities of Patriotic Front guerrillas operating out of his country. The cutoff halted desperately needed grain shipments to landlocked and foodshort Zambia.

The November 5 action completes a Rhodesian campaign to physically isolate Zambia by systematically chopping off all its routes to the sea: Rhodesian commandos last month dynamited Zambia's main road and rail bridges to Tanzania and blew up key points on the route through Malawi and Mozambique; last summer

Rhodesian artillery sank the Kazangulu ferry from Zambia across the Zambezi River into Botswana and threatened to do the same to any replacement, even when Zambia promised to moor it every night in Rhodesia. With the connivance of South African-backed guerrillas, the Benguela railroad from Angola through Zaire into Zambia has been inoperative since 1975.

This operation was carried out by the British-allied "Malaysia clique" in the Rhodesian military—officers who cut their spurs in British counterinsurgency efforts in Malaysia, Aden and elsewhere—led by Lt. Gen. Peter Walls. Lord Carrington proposes to leave this clique—the government de facto of Rhodesia—in power during the "transition to independence."

The Rhodesian cutoff is meant to be a final blow to Zambia, which desperately needs 200,000 tons of maize to stave off starvation until the next harvest. Zambia has arranged to import most of it through South Africa and Rhodesia.

The country has already collapsed economically, the result of bad harvests, low copper prices, and an IMF-dictated austerity program including a severe curtailment of capital investment. There is already considerable unrest in the country over commodity shortages and prices, and the Kaunda government is regularly reported to be in danger of falling. The replacement would be a right-wing clique ready to capitulate to the demands of Rhodesia, South Africa and the International Monetary Fund.

Variations of this destabilization-and-economic-collapse scenario appear throughout the continent, particularly in countries key to regional development:

Angola

On October 28, the South African Army launched the latest in a series of raids in southern Angola, with airborne infantry and fighter-bombers. The raiders destroyed a railroad tunnel and mined tracks on a southern line key to the exploitation of Angola's iron ore resources, and blew up four highway bridges. The campaign is aimed at preventing Angola from consolidating its hold on the southern region, keeping the government threatened with destabilization.

Sudan

The most immediate victim of Federal Reserve Chairman Volcker's credit crackdown will be the Sudan, which needs a constant flow of credit until its sizeable agricultural projects come on line. The country is entering negotiations with its commercial creditors—many of them American—in hopes of rescheduling its enormous arrears and *possibly* getting some new credit. Their credit rating has been virtually finished off by the IMF—and Volcker is taking care of the rest.

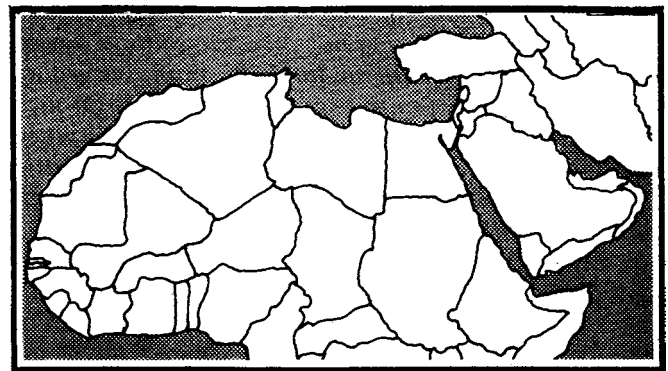
Sudanese President Jaafar al-Nimeiry, furthermore, has been forced to impose draconian austerity measures in the country, which led to several days of rioting in mid-August followed by a cold coup in which Nimeiry installed the head of the British-run Muslim Brotherhood as Attorney-General.

Uganda

This country has become the prime victim of the tribal warfare scenario. Tensions are running high between the dominant Baganda and other tribes, an alignment which overlaps the "leftist" and "rightist" struggle over the makeup of the government.

The result has been physical insecurity, chaos and shortages worse, if possible, than under the Amin regime. Both indigenous and expatriate professionals are fleeing the country, and potential aid donors are refusing to act until the security situation improves—which can't happen without that aid.

Britain's hand is evident: Ugandan officials in September accused Her Majesty's ambassador Richard Posnett of actively discouraging aid donors.



North Africa: war and a return to feudalism

A Carter administration decision to reverse policy and sell arms to Morocco, and to dispatch Undersecretary of State Warren Christopher to Morocco and National Security Council chief Zbigniew Brzezinski to Algeria, are the first steps of an Anglo-American initiative in North Africa. If successful, these maneuvers will eliminate Algeria as a key ally in the efforts of French President Giscard d'Estaing and West German Chancellor Helmut Schmidt to establish a new international monetary system.

Both Iran's Foreign Minister Ibrahim Yazdi and

Brzezinski were in Algeria for the 25th anniversary of the start of the Algerian fight for independence. The same feudalist Muslim Brotherhood networks of which Yazdi is a part and which are now in control of Iran are slated to play the central role in shifting North Africa away from any possibility of rapid industrialization. Algeria in particular with its strong proindustry policy is on the planning boards to adopt a World Bank-style self-sufficiency policy, so popular with the Muslim Brotherhood. Bernard Lewis, the British national who drew up the blueprints for the balkanization of the Middle East along religious and tribal lines, is now saying that "the Muslim Brotherhood is on the rise in Morocco and Algeria."

Morocco's King Hassan II, otherwise loyal to London-New York financial interests, will reportedly soon be dethroned in what American intelligence agencies are calling an "Iranianization" process. According to the *Baltimore Sun*, U.S. intelligence agencies advised Carter that Hassan II has less than a year to survive as King of Morocco.

The dispute between Morocco and Algeria was set up in 1975 by then U.S. Secretary of State Henry Kissinger. The issue between Morocco and Algeria is the former Spanish colony of the Spanish Sahara, which bordered on Morocco, Algeria and Mauritania. Kissinger convinced the Spanish government of Francisco Franco to give their mineral-rich colony to Morocco and Mauritania in return for U.S. arms, instead of permitting the colony to become independent through the normal U.N.-supervised process. Algeria opposed the move and threw its support behind the Polisario liberation front which had already been calling for the independence of the colony.

Earlier this year, Mauritania gave up its portion of the Sahara and sided with Algeria, calling for the territory to become independent under the auspices of the U.N. At that point, Morocco claimed all of the former Spanish colony.

Spain has since reversed its policy and, along with France, has called the Sahara question a decolonization question that must be resolved in the context of the U.N. Thirty-five African countries have recognized the provisional government established by the Polisario front.

The French government response to Carter's pledge of arms to Hassan II was to immediately answer a prior Mauritanian requisition for French troops.

Since Carter made his arms pledge, Hassan II has launched a large-scale military offensive against the Polisario in the Sahara. But military unrest over a war that can't be won, and an emerging popular discontent over the cost of the venture to the Moroccan economy has Hassan II boxed in. The *New York Times* reported recently that a faction of the Moroccan military favored a limited war with Algeria as the best way out of the

predicament. Such a limited war could kick off the process that would eliminate Hassan II and put Algeria under the thumb of the Muslim Brotherhood.

The death of Algeria's Houari Boumediene and the consequent weakening of the drive for industrialization has opened the door to the Muslim Brotherhood in Algeria. Boumediene was determined to use Algeria's oil wealth to industrialize. But the Algerian government is now turning to a self-sufficiency "small is beautiful" approach to economic organization and development.

Since Boumediene's death two key members of his economic development team have been dismissed: A. Ghazali, who was the director of the Algerian Oil Corporation, and at one time Minister of Energy and Petroleum as well as Minister of Hydraulic and Water Resources; and Ait Laoussine, his close associate.

The promotion of the Muslim Brotherhood in Algeria intersects a strong proenvironmentalist sentiment among the younger educated layers of the population. Organized from Switzerland and France, this movement views advanced technology as destroying fundamental human values and having no immediate visible benefit for the peasant not skilled to work in the plants.

—Douglas DeGroot



Latin coups compete with Cuban influence

The tiny island nation of Grenada last week accused NATO and yet unnamed "U.S. sources" of involvement in a foiled attempt to overthrow the country's pro-Cuban government. In a scenario reminiscent of the 1962 Bay of Pigs invasion of Cuba—albeit on a much smaller scale—the coup plan was based on a three-pronged invasion by mercenary forces based in Miami,

whose large anti-Castro Cuban community has long served as a recruiting ground for U.S. CIA "covert activities" in the hemisphere.

The coup plotting in Grenada fits into a pattern of real and potential military coup d'états sweeping the continent. The case of Grenada, and the "epidemic of coups" itself, would indicate that, behind a verbal commitment to defending "democracy" in the hemisphere, U.S. policymakers seek to establish top-down NATO military control over Latin America.

It is no secret that Washington views Latin America as a rich potential "strategic reserve" of energy and raw materials of strategic importance given the volatile Middle East situation. This is particularly true of the Caribbean basin area—including Mexico and Venezuela—which is a primary center of world oil production and refining. Control of the hemisphere's substantial oil reserves, some observers believe, would allow Washington to blow up the volatile Middle East crisis, provoking an oil cut off which would bring the economies of Europe and Japan to a halt and weaken European commitment to the EMS.

The U.S. policy—centered around combatting "subversion" and what was fast becoming an open rebellion against the rule of the IMF—is a replay of the 1960's Kennedy "Alliance for Progress." As the *New York Times* editorially commented on the military coup in Bolivia last week, creation of a credible "democratic option" is important, if Washington is to "compete" with Cuba for influence in Latin America.

But under the guise of a Kennedy-style "democratization" campaign, Washington is attempting to establish the precedent of limited national sovereignty and mechanisms for militarizing the continent. This was stated almost explicitly by a recent editorial in the *Baltimore Sun*, which denounced Col. Natusch—who staged the recent coup in Bolivia—for being a "brat," and called on President Carter to intervene to change the situation.

Such a supra-national, hemispheric approach to security questions was the subject of a top planning meeting this week in Bogota, Colombia of the continent's army chiefs (see box).

Meanwhile, Washington proceeds on its own, with "guidance" from a rump meeting of U.S. policymakers with British and Canadian NATO strategists in London. Those talks have resulted in the following.

Bolivia

The first civilian government in 15 years was ousted in a military putsch last week. While the State Department decried the "setback" to democratization, and refuses to recognize the new regime of Col. Natusch Busch, many observers believe that Washington allowed—if not encouraged—the coup in order to force through an austere and unpopular IMF "stabilization" program.

Reportedly Washington support for Natusch was channeled through the Brazilian, Argentine and Chilean military regimes.

President Guevara Arze's downfall was virtually assured by the refusal of international creditors to refinance the foreign debt, and Washington's refusal to provide increased aid, unless Bolivia accepted IMF surveillance. Guevara, though willing to comply, was unable to do so, paralyzed by popular opposition and a lack of support from Bolivia's two major political parties. Congressional passage of a bill to allow dumping of 35,000 tons of stockpiled tin—Bolivia's main source of revenues—was the final straw.

An estimated 350 people have been killed in mounting repression by the Natusch regime, and at least two countercoups are rumored in the works. State Department sources boast that the U.S.—"unable" to stop the Natusch putsch—has the ability to "call in the cards" from military officials to overthrow Natusch.

El Salvador:

The neanderthal rightwing dictatorship of Gen. Romero was overthrown three weeks ago in a coup by "moderate" younger officers, with active backing of the State Department and Christian Democratic networks around the Jesuit-run Central American University. Washington, publicly committed to preempting a Nicaraguan-style mass-based social revolution in El Salvador, hastily approved the new junta. While a 30-day truce has been negotiated with the left, there is little expectation that the junta will challenge the fundamental financial-political control of the "Group of 14" oligarchical families, rumored to be plotting a counter-coup.

Guatemala:

The news that the U.S. is excluding Guatemala from a new aid package, and has blocked an aid request made to the Interamerican Development Bank, "has been interpreted in the region as the prologue to a coup ... imitating what happened in El Salvador," said Venezuelan press commentaries. But this formula can't work in Guatemala, where the "moderate" opposition has been virtually eradicated by unchecked rightwing "death-squad" terrorism over the past decade.

Nicaragua:

Government leaders have warned that ex-dictator Anastasio Somoza is preparing a full-scale invasion from neighboring Honduras, where several thousand National Guard troops live in exile. Such an invasion, they charge, would be coordinated with internal destabilization by former Guardsmen waging "guerrilla war" against the new regime. The role of Washington in aiding Somoza is not doubted by any source.

Panama:

Two American mercenaries and five Panamanian nationals were arrested Oct. 15 for conspiring to overthrow the government of President Aristede Royo. Among those detained was a leader of the rightwing-Christian Democratic Panamenista Party led by former president Arnulfo Arias, who has lived in exile in Miami for years.

Grenada:

Prime Minister Maurice Bishop accused NATO and unnamed "American sources" of involvement in a plot to invade the tiny island nation and overthrow its pro-Cuban government. The plot, similar to the failed Bay of Pigs operation, was foiled and an estimated 100 persons arrested. (See LATIN Report)

Jamaica:

Prime Minister Michael Manley was targetted for overthrow in a top secret London conference on "Caribbean security" three weeks ago, because of his public support of Cuba and attacks on U.S.-IMF economic policies at the Havana Nonaligned Conference. The U.S. anti-Cuba offensive has bolstered Manley's opposition, the Jamaican Labor Party, in its rabble-rousing attacks on Manley's ties to Cuba and his "failure" to solve a serious economic crisis. U.S. and Canadian banks have refused to refinance the nation's foreign debt, despite a "green light" from the IMF, and as the Washington Post said in an editorial attack on Manley Oct. 26,

"Jamaica does not appear to be among those tippy countries to which Carter promised extra aid." The intensified wave of terrorism, run through known JLP networks, raises the real threat of an assassination attempt against Manley.

Venezuela:

There are mounting rumors of serious discontent within the Venezuelan military and the possibility of a right-wing coup d'etat. President Herrera Campins was forced to publicly respond to these rumors, substantiating the estimation of one expert that the current coup talk is the most serious in five years. The "climate" for nurturing coup tendencies in the military is being created around the "watergating" of former President Carlos Andres Perez for alleged corruption during his term of office by a faction of his AD party and the ruling Christian Democrats. An attempt to erase his still strong influence, the corruption investigation is also aimed at discrediting the intensive industrialization program associated with the Perez presidency.

Ecuador:

The new civilian government of President Jaime Roldos is already in political crisis, paralyzed by the political faction fight between Roldos and his former mentor and uncle Assad Bucaram over who runs the ruling party and the government itself. There is no telling how long the military, however reluctant to assume the institutional risks of political power, will stand by without interfering.

U.S. presses for Latin American NATO

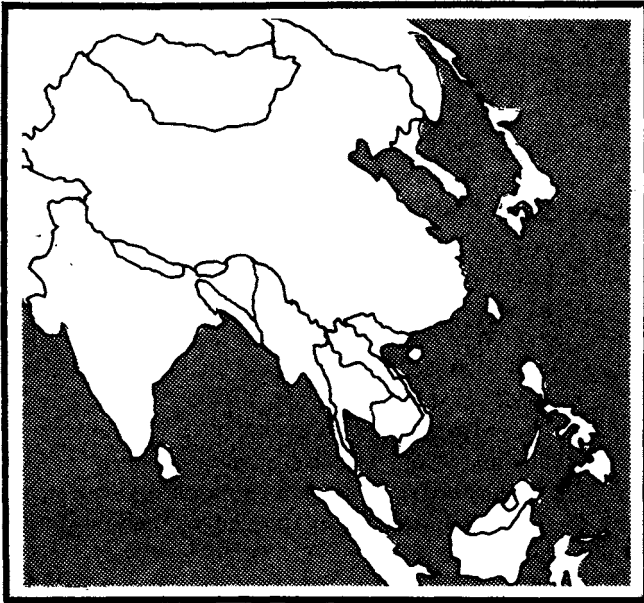
The heads of 16 Latin American Armed Forces are currently holding their annual policy-making summit in Bogotá, Colombia. As in previous sessions, the theme is "guaranteeing security on the continent, particularly in regard to communist subversion." Attending the summit are the armed forces commanders of Argentina, Brazil, Chile, Ecuador, Guatemala, Haiti, Honduras, Panama, Paraguay, Peru, the Dominican Republic, Surinam, Trinidad and Tobago, Uruguay, Venezuela and Colombia.

Cuba and Nicaragua were excluded from the summit and Mexico attended only with observer status, protesting that the meeting is solely for the United States "to issue directives on how to fight what they term subversion and communism." El Salvador and Bolivia cited "internal problems" as

their reasons for not attending, while both the United States and Canada sent delegations with observer status.

Colombia President Julio César Turbay Ayala set the tone for the meeting when he opened the sessions with the statement that "where ostensible political vacuums could necessarily lead to generalized anarchy, the armed forces are called upon to exercise power to reestablish the rule of authority." Colombian Army Commander Gen. José Gonzalo Forero Delgadillo nonetheless publicly asserted that the summit was only called to "exchange experiences" and would neither deal with the volatile Caribbean situation nor plan programs of joint military action for the continent.

Whether the United States or one of its allies will formally propose the creation of a Latin American standing army—an idea in which the U.S. has expressed special interest since the Nicaragua revolution—remains to be seen.



Did the 'China card' kill Korea's Park?

The assassination of Korean President Park has ended 19 years of relative stability and unprecedented economic growth in the southern half of the strategic Korean peninsula. Instability in Korea has an immediate impact on the strategic balance in the region, most directly on Japan which has always viewed Korea as the front line of Japanese security.

It is now clear that the Park murder was part of a coup plot, involving at least the KCIA chief Kim Jae Kyu, but it seems also, top officers in the Korean military. While the latest report of the army investigation absolves any military leaders of involvement, it is more likely that Kim acted precipitously on the basis of their perceived backing for his act.

The real question though, one asked directly at the press conference two days ago where the preliminary report was released, is U.S. involvement in the plot. Rumors abound, in Seoul and elsewhere, of U.S. contacts with Korean military men before the death of Park and of U.S. CIA "foreknowledge" of the event—at the least, it is believed in some circles that the U.S. gave its clear nod of approval to a circle of Korean leaders who were being told that Park's continued rule under conditions of rising opposition to the government was creating an "Iran-type situation" in the country.

The one key to the U.S. role is the fact that Park and his associates were an obstacle to the China Card strategy in Northeast Asia. With Peking sponsoring

Kim Il Sung in North Korea, and Japan and the U.S. backing Park in the south under conditions of continued deep hostility between north and south, Korea has been an obstacle to a Tokyo-Peking-Washington axis against the Soviet Union.

That this was the key consideration in removing Park was confirmed in an article in the *Baltimore Sun* on Nov. 4 which featured an interview with a top Korean oppositionist, unnamed. The dissident, the *Sun's* Bradley Martin reports, said that a new regime led by the opposition would bring benefits for the U.S. Martin reports that: "The benefit, he said, would come from reductions in tensions between North and South Korea, which he thinks would be the more or less automatic result of replacing the current extreme right-wing and stridently anti-communist regime with more flexible and liberal leaders ... the United States thus would have the prospect of removing the one situation that most gravely threatens to unglue its grand design of counterbalancing Soviet Far Eastern power with an American-Chinese-Japanese alignment, he said."

Backed by editorials and commentary in the major U.S. press, the State Department and Secretary Vance have moved rapidly to pressure the present military authorities to "liberalize" the political system. The aim is revision of the Yushin constitution which leaves selection of a successor President in the hands of a Park-selected electoral college, which would likely nominate someone who would continue the policies of his government. The Christian opposition, which is run through intelligence networks associated with the Jesuit order and its Protestant wing, the World Council of Churches, has added to the chorus with their calls for democratization. Opposition leader Kim Dae Jung, a favorite of Harvard intellectuals associated with Jesuit networks, and of the Kennedy family circles, issued a statement dutifully placed on the front page of the *New York Times* which called for direct U.S. pressure to this effect. Particularly, the statement asked the U.S. to ensure that the army remains "neutral" and stays out of politics.

The Jesuit political intelligence role is long known—not only its control of the opposition movement but also through "rightwing" circles associated with Georgetown University and other thinktanks which were the sponsors of "Koreagate" swindler Tong Sun Park, who, in retrospect, may have been involved in setting up the once powerful Korean Central Intelligence Agency for political attack. The KCIA chief who killed Park came in as a result of the shakeup forced through by the "Koreagate" scandal.

All of these facts are only the clues to the real plot—what some are calling "a Diem operation" in Korea. But one thing is certain right now: Korea is not what it was two weeks ago.

A coup in Thailand may trigger new war

The situation in Southeast Asia is now poised on the edge of war. The question now in Asian capitals is not *if* the People's Republic of China will invade Vietnam, but *when*.

The trigger for war is being set in Thailand where, according to French intelligence sources, a pro-Peking coup against the present government is "imminent." A Peking puppet regime installed in Bangkok could be counted on to escalate tensions on the Thai-Cambodian border, leading to clashes between Thai armed forces and the Vietnamese. In keeping with such a plan, Chinese Vice-Premier Teng Hsiao-ping stated that China will "respond" to any Vietnamese "attack" on a member of the Association of Southeast Asian Nations (ASEAN)—i.e., Thailand.

The coup plot

French sources report that the visit to Bangkok of U.S. Assistant Secretary of State Richard Holbrook two weeks ago is linked to preparations for a coup against the relatively pragmatic, military-backed government of Thai Premier Kriangsak. Holbrook, the sources report, "broke all the rules" in his meeting with Kriangsak and is encouraging the Bangkok rulers to take a tougher stand against Vietnam. Thailand has already drawn diplomatic fire for supporting the bands loyal to deposed Cambodian butcher Pol Pot, who receive not only sanctuary, but supplies on Thai territory.

U.S. pressure on the Thais is occurring in close coordination with the Chinese. The head of the Thai airforce received VIP treatment during a mid-October visit to Peking, including meetings with top Chinese officials. Reportedly, the Chinese gave secret assurances of military backing for Thailand in the event of war with Vietnam. The visit was followed with Chinese announcements this past week of oil shipments to that country. Within Thailand itself, the "expatriate" Chinese are notorious for controlling most business, including the lucrative drug traffic of the Golden Triangle.

The Kriangsak government, while welcoming the rush of U.S. arms to the country announced by Holbrook, has not been eager to provide the battlefield for Chinese and U.S. wargames against Vietnam. While Holbrook was in Bangkok, Vietnamese Foreign Secretary Nguyen Co Thach was also there, holding talks with Kriangsak. The Vietnamese offered assurances that they had no military designs on Thailand, but warned against Thai support for Pol Pot. Warnings

were also delivered by Defense Minister Giap, in an article published in the Czech party daily Rude Pravo, where he accused the United States and China of using Thailand to build up Pol Pot and other Cambodian armed bands for renewed attacks on Cambodia.

Question of timing

The timing for a Chinese attack on Vietnam, according to a dispatch last week in the Paris daily Le Matin, will probably be linked to the outcome of Chinese Premier Hua Guo-feng's visit to Europe last week, and the outcome of a United Nations General Assembly debate on Cambodia in mid-November. Vietnamese diplomatic sources have pinpointed November as the month in which they anticipate a Chinese military move.

The American people are not generally aware that the Carter administration has lined up behind China militarily—a feature of the much rumored "secret agreements" between the two nations. The agreements virtually grant Peking a "sphere of influence" throughout East Asia, and place a U.S. nuclear umbrella over China in the event of a strong Soviet response to China's planned attack on Vietnam.

The relief issue

More immediate is the propaganda storm raised in the United States following the State Department's recent, admittedly belated "discovery" of famine conditions inside Cambodia. Of course, the State Department has nothing to say about the role of the Chinese-created, backed, and controlled regime of Pol Pot in creating those conditions as a matter of Peking's policy.

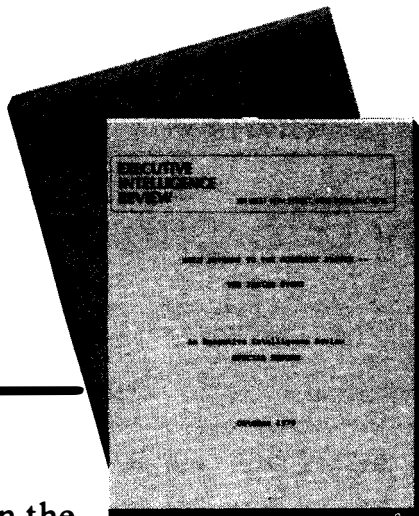
The United States and China are both now insisting that relief be "divided" between two "contesting authorities," the legitimate government and the Pol Pot murderers. The Heng Samrin government refuses such characterization and charges that supplies—under the cover of relief—are being funneled to Pol Pot soldiers. And in fact, Vietnam is giving tens of thousands of bushels of grain to the Cambodians, even as grain rationing is underway inside Vietnam itself. Meanwhile, reports abound that well-fed, well-armed Pol Pot troops are freely picking up UN supplies in Thailand.

That is the point of Phnom Penh's objection to the U.S. proposal of delivering relief supplies via a "land bridge" easily accessed by the Pol Pot marauders. The Heng Samrin government has opened airports, ports and waterways to relief agencies. The refusal of the United States to employ this route is sufficient demonstration that State Department policy is dictated by its alliance with Peking, not by humanitarian concerns.

The question remains: What will the United States do, if the Soviet union comes smashing down on China's dreams of Asian domination. Will Cyrus Vance honor the secret agreements, and go to war with the Soviets?

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Grenada government charges: NATO involved in coup d'etat plot

In the early morning hours of Nov. 3, the Prime Minister of Grenada, Maurice Bishop, telephoned a reporter in Barbados with the news that a coup plot against his government had just been uncovered and successfully foiled. Within the day, Bishop revealed that the government had found documents linking NATO to the planned invasion of Grenada, among the materials confiscated from the now-arrested instigators. Since NATO is an organization which supports the fight against communism, some of the documents reportedly said, its support can be counted on for the operation.

Continuing investigation into the origins and backers of the coup plot reveal a well-planned, large-scale operation: Set for the morning of the 3rd, three ships from Miami, Florida were to rendezvous off the coast of Grenada and land mercenaries who would then meet up with local forces who were to provide weapons, detailed maps of the island, and a hit list of who in the government was to be assassinated.

As we go to press, 16 arrests have been made, including the head of the police force, but another 100 have been identified as involved, including many supporters of former dictator Eric Gairy, whose notoriously corrupt government was overthrown last March by the present government. Caches of rifles, molotov cocktails, and sticks of dynamite have been uncovered, reportedly brought into Grenada through networks in neighboring Trinidad and Tobago.

Antigovernment slogans found among the documents indicated the bloody nature of the uprising that was planned, including one chilling reference to the capital of that island, St. George's, which stated: "In 1771 and 1775 St. George's was destroyed by fire. Why not again?"

Government spokesmen now say full details, including pictures and many of the documents, including

those referencing NATO will be made public by next week when the immediate investigations are completed.

'Strategic' confrontation....

On what basis did NATO get involved in the affairs of a small island of 100,000 people in the Caribbean, far afield from its supposed European field of operations? Also, striking to the more curious observer is the collaboration between forces of NATO, elements of the Carter administration, and the forces of Gairy, a deposed petty tyrant who had gained notoriety for his country through his international campaign on behalf of UFO's, "human rights" for animals, and the practicing of voodoo.

The planned overthrow of the Grenada government is one of the most serious in a series of destabilizations and assassinations in the Caribbean area after President Carter's Oct. 1 speech announcing increasing militarization of the area. Two weeks ago the Minister of Education in Guyana, Vincent Teekah, was assassinated by an as yet unidentified gunman. The murder of Teekah, the last prodevelopment leader in the Burnham cabinet, had been followed already by new political violence in the country, and knowledgeable observers are concerned about the possibility of race war between the Indian and black populations.

Both the attempt to invade the tiny island of Grenada and the murder of Teekah could most likely be traced to the secret London conference on Caribbean security convened Oct. 18-19. A sort of "rump caucus" of the "hawk" faction of NATO—Great Britain and the U.S.—conferred on how to "prevent the outflanking of NATO in the Caribbean and Latin America," with Cuban influence through the Nonaligned Movement cited as the primary "danger." Among the conclusions of that caucus, as *Executive Intelligence Review* reported two weeks ago, was that the current governments of

Jamaica, Guyana and Grenada should be undermined and/or removed to radically shift the political line-up in the Caribbean.

Another major flank in NATO's plans for the area was reflected in the visit by Admiral Harry Train, head of the U.S. Atlantic Fleet, to Venezuela during the same mid-Oct. period to discuss increasing U.S. military presence in the Caribbean to combat "Cuban influence." Train proposed that the Venezuelan Navy join in U.S. and British fleets in patrolling the Caribbean area.

Europe says no

But given the raging battles over the scope and direction of NATO that have been taking place within that body for well over a year, observers of the current dirty operations in the Caribbean are wondering just whether continental Europe, and particularly West Germany and France, were even informed of NATO's open involvement in the Caribbean.

Indications are that France is refusing the proffered "invitation" of Great Britain and the U.S. for all former colonial powers in the area to join forces. French Secretary of State for Foreign Affairs, Olivier Stirn, who attended the independence ceremonies of the island of St. Vincents at the end of October—an unusually high-level representative to a celebration of independence of an English-speaking colony—emphatically declared: "We do not believe that Cuba foments revolutions, because that would not be in her interest." Citing French willingness for dialogue with all parties, including Cuba, in the region, Stirn promised French cooperation so that this region, "which has great problems of development, can dedicate all its efforts to the solution of them and not fight among each other."

Maintain the Silver Triangle?

But the nagging question of just who Washington and London would prefer to see running the governments of Jamaica, Grenada and Guyana remains. The support for types like the deposed Gairy provides one striking lead in answering that question.

Gairy is known to have turned over the island to the international drug and arms running networks to be a major transshipment point as the condition for his assuming the trappings of power. Gairy only maintained that happy arrangement by the brutal suppression of his opposition.

The deal, however, was destroyed when forces of the opposition New Jewel Movement, led by Maurice Bishop, overthrew Gairy on March 13. Bishop's government, despite the limited resources available to it, came in with the commitment to develop the island through education and industrialization. That commitment alone has made Grenada and the Bishop government the target of a NATO coup plot.

—Gretchen Small

'Breaking 350 years of British exploitation'

Kendrick Radix, Grenada's Ambassador to the United States and the United Nations, described, in an exclusive interview, the efforts of his government to reverse centuries of British colonialism. Grenada he said would like to see the now strained relations with the U.S. develop more positively.

Grenada, a member of the Nonaligned Movement, has developed friendly relations with Cuba, a fact which has received much attention in the world press. Ambassador

EXCLUSIVE INTERVIEW

Radix explains the nature and the reasons behind Grenada's close ties to Cuba.

We present here excerpts from the interview granted to Executive Intelligence Review's Caribbean desk head, Gretchen Small, in mid-October—just two weeks before the recent coup attempt.

Q: *Ambassador, could you describe for us what the island of Grenada was like under the dictatorship of Gairy, and what the new government plans to do about this—what the plans are for economic development of your island?*

A: In 1973, when Grenada was to get its independence, we of the New Jewel Movement, held a convention of the people, saying that it was not good enough for Grenada to get a song and a new flag, but that some sort of economic direction was needed in which the people of our country, to the extent that that is possible, should own and control the resources of our country for the benefit of our country.

Historically, we have been a plantation fueling the metropolitan economies, producers of things like cocoa, nutmeg, and bananas. We just bag them and send them on a boat, send them away—and in return we import industrial goods, even the same agricultural goods we export we reimport, and of course have to pay six or seven or ten times the price at which we exported them. And therefore we were calling for the establishment of an economy which would have vertical and horizontal linkages to the extent that that is possible within a small country like ours of 100,000 people with 50 percent unemployment and a per capita income of about 270 U.S. dollars per year. . . .

We want to develop the country in a number of areas. First of all, we have to cope with a situation in

which we have had 50 percent unemployment in our country. Now in no country in the developed world would they contemplate or allow unemployment of this gross magnitude to continue. We have had 350 years of British exploitation and occupation. They left us with one secondary school which was built in 1898. Part of the reason for our poverty and backwardness is the total lack of respect which they had for the education of our people. We propose to use our resources to educate our people for our own society, to build our economy, and to build our national society. How are we going to do that?

We have the resources of our people. We have to educate our people. We have resources of agriculture. Instead of sending our principal exports to Europe and the metropolitan centers, we propose to build up an agroindustrial sector, for example. Within three months of the revolution, we have managed to begin that task. So at the moment, we have started things like canning nectars, juices and these sorts of things...

We also want to develop ... a fisheries sector and to that end we have asked, for example, the Cuban government which has tremendous experience in the fisheries sector (I think they are recognized internationally for the experience they have developed in that sector) to give us some assistance. We have tremendous resources of the sea, but the technology we apply is very little advanced over that employed in the Sea of Galilee! So we want to upgrade the technology. The Cuban government has just given us a 65 foot modern trawler. They have provided us with the technicians to train our people and our government has been very grateful for that. We have opened a fisheries training school on our island and every two months we will be training 25 fishermen. As we build up our manpower in this area, the Cubans have agreed to let us have six more of these modern trawlers.

... These are the primary areas in which we feel we can in fact begin the task. But looking at the economy in a broader way, we see being developed in our country a public sector. We don't have the philosophy of just waiting for entrepreneurs and businessmen to come out of the sky by chance. We identify what we need to do, and if it is not being done, then the government will get the work done. We will have a private sector ... and a corporative (public —ed.) sector also...

... I would like to tell you something about our relations with the U.S., because that must be of interest to the people of the United States. When our revolution took place, we invited the Canadians, British, and Americans, who have traditionally been in our area, to come over and see for themselves the nature of our revolution because Gairy, the ex-dictator, had gone to them asking for weapons and intervention into our country. We thought that a way of apprising these peoples of the realities was to come and see for them-

selves. We asked them if they were going to aid Gairy. It took the U.S. *10 days* to reply that they would not intervene militarily in our country! That was the first significant flag that we saw from Washington. When a few weeks later we had information that the ex-dictator was trying to recruit mercenaries in the United States, to invade our country to reinstate the dictator, ... we asked Cuba, Jamaica, Guyana, Trinidad and Tobago, Venezuela, the U.S. and Canada, as well as England to give us some equipment, military equipment, to face the invaders when they came. Cuba, Guyana and Jamaica responded to our request for military equipment. But up comes the U.S. Ambassador to Barbados with a diplomatic note from the State Department telling us that the U.S. would view with 'concern' any close ties between our government and the government of Cuba ... would view this with "displeasure." ...

We established relations with Cuba. The Cuban government responded not only to our call for military assistance, as other Caribbean countries have as well, but is also helping us in other areas. For example, our people used to die because they did not have doctors, and many cannot afford the cost of medicine. So they sent down 12 doctors, dentists, ophthalmologists, etc. In the four months they have been here, they have seen and treated over 7,000 people. Why not the Americans? ... The Cubans are helping us develop water systems in our country. You know, its normal for you to go in your house and turn on the water, and get it. Only 37 percent of the houses in our country have water. But now everybody in our country *must* have water. Every house in our country must have lights. And every village must have roads. These are the things that we will be doing...

Why has the United States not concerned itself in the past about the 50 percent unemployment that has existed in the Caribbean for over 300 years? Why is it that all of a sudden the Caribbean is so important—in the words of U.S. Secretary of State Vance, a "hot spot"? We believe that that speech (of President Carter's —ed.) is a Cold War speech. And we object to it. If you can have detente in Europe, there must be detente in the Caribbean. ... We see that of the measures announced by Mr. Carter, six of them are military measures, one is economic. Is the U.S. going to soil itself further in the world? Will it lose more credibility within the Americas merely for public expediency? It is not in the interest of the U.S. to be seen as reviving the Cold War anywhere in the world. ... We would like the best of relations with the United States, our most powerful neighbor. ... We have many visitors from the U.S. in our country, and many of our citizens live in the U.S. We don't want any confrontation, we want cooperation. But a cooperation, the nature of which will be decided in the Caribbean.

Presidency 1980

LaRouche addresses the National Economists Club

In last week's issue, EIR delivered excerpts to its readers of Republican John Connally's recent policy statement on economic and political questions. This week, we present the views of another presidential candidate, Lyndon LaRouche, who seeks the Democratic nomination.

On Nov. 5, Mr. LaRouche addressed the monthly meeting of the National Economics Club in Washington, D.C. The effect of Mr. LaRouche's presentation was characterized as "electric." His remarks centered upon the "Riemannian" computer model he and his associates have developed to accurately forecast the effects of different policy options on the national and world economy, in particular, forecasting the results of current Federal Reserve policy. Mr. LaRouche employed the aid of several charts to make his points; we have included some for the reader's clarity.

In as simplified a form as the subject itself admits, I will speak on our evaluations, and our opposition to the measures recently taken by the recently-appointed Federal Reserve Chairman, Paul Adolph Volcker.

Some time ago my staff, headed by Dr. Uwe Parpart who is here today, applied to economic analysis a method of forecasting which I have developed for computer application. This was a difficult job to do in one sense, because the Riemannian physics involved is little understood among most people, particularly computer specialists, and therefore, the task of putting my economic forecasting and analytical methods on a computer did require a very highly specialized type of team. Ordinary students couldn't have done it.

The first test of what we did was to build up the data base in the computer from 1966 to 1973 and to test the model by applying as factors the oil price increase of 1973-74, plus the actions taken by former Federal Reserve Chairman Burns. We obtained a fairly perfect correspondence, which is better than anything

we've been able to get with any type of input-output or forecasting tool.

We used the same method with some subsequent improvements to analyze the Volcker measures' effects. I requested and have received three specific analyses. Number one, we ran the Volcker effects—just the monetary aspect or the credit tightening aspects—for the economy as a whole. Next, we ran the combination of the Volcker measures plus the effects of a \$30 a barrel oil price—which is the price the City of London is now campaigning rather vigorously for. Thirdly, I requested what we call a "spectral" analysis of the economy, dividing the U.S. economy into 26 sectors and playing these effects against the economy in terms of the 26 sectors.

First run projections

Our first run projected—on the basis of the Volcker measures alone—a 15 percent recession in the meat and bone of the U.S. economy during early 1980.

The second factor, the \$30 a barrel oil price, also on the economy as a whole (not considering the division into 26 subsectors), indicated about a 30 percent recession for the economy as a whole in terms of meat and bone during 1980.

We then ran the 26-sector analysis and found that the most acute points were, of course, the automobile industry and construction. There are some others pretty badly hit but automobile and construction are the heaviest hit areas by both of these measures.

At the point we had completed this, we received information from all of the board rooms of the automobile companies and found that they, in terms of their bit-by-bit evaluation of the effects of this process, had come up in the auto sector with exactly the same results we had come up with in the computer run—which means 300,000 layoffs in the auto industry by the first

Composition of U.S. Labor Force

(in thousands)

	Total	Agric.*	Manuf.	Construc.	Mining	Trans.	Non-Prod.†
1944	50,814	8,950	17,328	1,108	892	3,829	18,707
1953	56,463	6,621	17,549	2,659	866	4,290	24,838
1965	65,125	4,361	18,062	3,232	632	4,036	34,803
1973	80,242	3,452	20,154	3,889	642	4,656	47,241
1979	91,859	3,857	20,757	4,371	913	4,918	57,043

* includes forestry and fishing

† wholesale, retail trade; all gov't., finance, insurance, real estate.

Source: Dept. of Labor, Agriculture

of the year. It means a similar catastrophe, of course, in construction.

Once the upstream effects are felt in the vendor industries such as steel, rubber, glass and so forth, we are into the kind of recession which takes us off the charts; that is, a shock in the order of magnitude of 30 percent of meat-and-bone, delivered to this highly unstable and vulnerable economy over a period of several months, producing incalculable results. No one knows or could possibly know what the bottom is. It might level off at 30, 35, or 40 percent. You can't be sure of that. But that is enough of a blow to send a shockwave through the economy and cause the whole thing to collapse.

Volcker measures unnecessary

This is a different method from the GNP method as such. We use the GNP statistic of course, with great regret but with little alternative; nonetheless, we do not accept the essential fictions of GNP as a measurement of national economic growth.

I'm opposed to Volcker's measures, not only because they're going to cause these awful things to happen to the economy, but because such measures are totally unnecessary. It represents an act of suicide, an economic suicide taken purely for ideological reasons, the ideological reasons being the refusal to accept the kind of alternatives I propose, that the government of France proposes, that the leading forces of the European Monetary System have proposed.

Two things are central. The ideologues in Volcker's group refuse to accept the return to a gold-based monetary system, that is, the remonetization of gold. This would not occur on the old Versailles-Bretton Woods basis, but would be a monetization of gold on the basis of its competitive market value as a monetary commodity, about \$375 an ounce, which is a fair market value for monetary gold right now—not to the credit

of Adam Smith, but it just happens to work out that way.

The second measure that has to be taken is what is called the "dirigist" approach nowadays, or what some of the British call a "neomercantilist" approach to organizing the world market and to shaping policies within nations. We must return in this country to a modern form or modern extension of the policies associated with the first George Washington administration, the policies of Alexander Hamilton, the policies of the French circle around Lazard Carnot, Dupin and so forth. We must return to the policies of Mathew Carey, Franklin's collaborator and the continuer of Hamiltonian economics, to the policies of his son, Henry C. Carey, Lincoln's economic advisor, and to the policies of that great American citizen and founder of the German Customs Union, Friedrich List....

Causes of inflation

There are two causes for inflation. One we can call structural or cost inflation. There are three things involved. Let us first analyze the labor force as a whole and abstract from the labor force as a whole that portion of the labor force which is employed as operatives in agriculture, manufacturing, mining, construction, and transportation. Now, while transportation doesn't produce tangible wealth, it does act as the conveyor belt for the economy taken as a whole. Therefore, we should consider the transportation operative as an operative in the same way that we consider the person that operates, constructs and mans conveyor belts and so forth in factories.

If we examine this percentile of the labor force we note an alarming decline in the percentile of such operatives as a proportion of the total labor force during the post-war period.

We remember the great days of the early 1960s when we began hearing about the great and glorious

wonder of a post-industrial society and a shift to services, away from manufacturing.

This is a problem not merely because the combination of waste, administration and services has increased in the economy, but because the increase in administration and services is not offset by a rise in the rate of productivity.

National income vs. national wealth

Here's the crucial point at which I differ in even the simplest terms from the GNP philosophy. The national income accounting does not represent national wealth, and I shall emphasize that with a few demonstrations today.

National wealth is represented by the output of operatives of agriculture, manufacturing, mining, construction, transportation and so forth. The rest of it, discarding waste, is overhead at best. It is the operating burden, the indirect cost of producing the wealth of society. But our present national income accounting, naively, or axiomatically, asserts that if we had gambling casinos, if we had legalization of prostitution, legalization of drug traffic—legalization of sin generally—as a source of value added, our GNP will be reported as increased. Our national product will be

recorded as increased even though our product is decreasing. That's the fallacy.

Therefore, our analysis starts first with the analysis of the composition of the labor force, treating waste and administration and services as indirect costs, or overhead burden, not as increments of value. These are indirect costs which are paid for out of the gross profit of the economy which is generated by the production associated with operatives.

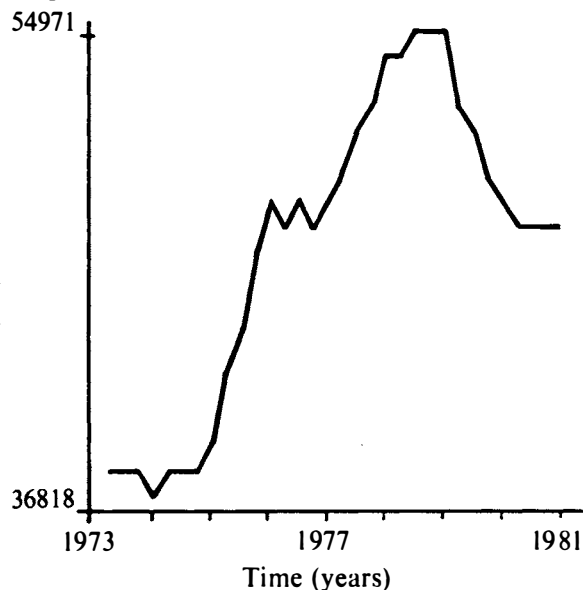
The second thing is the degree of capital intensity in employment of operatives. If capital intensity is sufficient, if we have mediated advanced technology into production, this advanced technology, mediated both through education and culture and capital equipment, becomes the means by which we increase the productive powers of labor. This results in an ability not only to increase the standard of living of labor but also, above that, to produce a higher rate of gross profit as well as an absolute gross profit.

Thus we can analyze these factors, capital intensity, obsolescence per productive operative, and compare the gross profit produced by this process with the overhead costs such as waste administration and services. The growth of deterioration, obsolescence, lack of technological mediation in the capital intensive investment per operative, lack of growth of the tangible good sector in

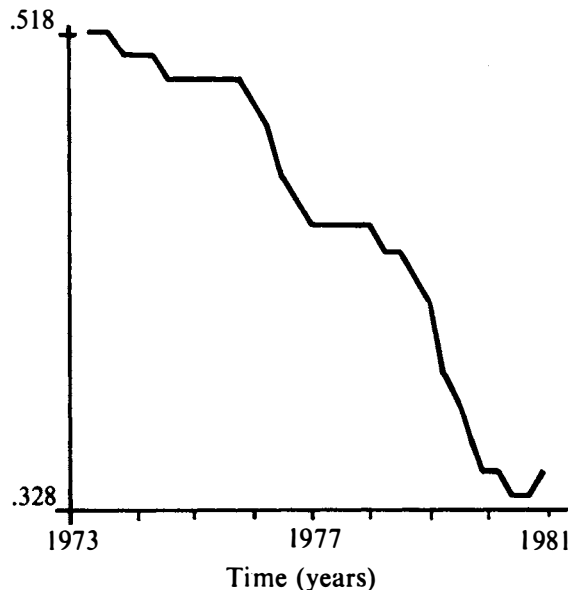
U.S. Economy: The Effects of Volcker's Credit Policy

Transportation

Surplus



Free-energy Index



these terms, and an excessive fostering of the proportion of the labor force represented by waste, including unemployment, and administration services, is the basic cause of long-term structural inflation.

This is not however the kind of inflation we deal with at this time. We are presently dealing with monetary inflation which in terms of its causal factors has nothing to do with the underlying structural inflation. We have to cure the structural inflation, but the monetary inflation is the problem that is hitting us first.

The principal factor in monetary inflation is debt. ... The rate of inflation is directly tied to the debt ratio and the liquidity problem in the economy. The monetary problem, of course, was set into motion in two steps by two presidents who refused to bite the bullet. One was President Johnson in November of 1967.

As you know, the British government undertook the long delayed and long overdue devaluation of the pound sterling. This was manipulated in effect to cause a chain reaction against the U.S. dollar. We had a run against the U.S. dollar in January and February of 1968 which sent Mr. McChesney Martin, then the Fed chairman, over to Switzerland to meet with Bank of International Settlements people. He came out on the steps and announced that the bankers had resolved that all was well. The following week, the dollar collapsed, the markets were shut down on Thursday, and there was a hasty meeting in Washington on the theme that all was not well. What followed was the first phase of the demonetization of the U.S. dollar.

Then after Mr. Nixon had gotten into bed, so to speak, with Milton Friedman at the start of his administration—the economy was put into a type of Schachtian-modeled disaster. The political effects of that disaster were typified by the Penn Central collapse; the Chrysler financial corporation collapse, and a few other warning signs in 1970. These caused Mr. Nixon to undergo a sudden abrupt change and become a born-again Keynesian.

This had predictable effects. In 1971, by March, the Federal Republic of Germany was obliged to upvalue the deutschemark. That didn't stop the rush. In the middle of August, John Connally went into the oval office and had a conversation with President Nixon which ran approximately thus: The British are trying to wreck the U.S. dollar. John Connally (being a great patriot, forgive me) said let's surrender. He said let us steal the program of Representative Henry Reuss. Reuss will have to support it. And so Paul Volcker (then in the Treasury), John Connally, and Henry Reuss effectively turned the U.S. dollar into Federal Reserve cigar-coupon money. We now have an accumulation of cigar-coupon money called dollars on the books overseas, Eurodollars, aggregating into the order of magnitude of one trillion dollars substantially controlled by the London and West Indies banks....

To get out of the mess, we must establish a low interest rate internationally. The way to do that is very simple. Our allies in the Dresdner Bank, acting on behalf of Arab as well as European principals, are engaged in financial warfare in the gold market against the City of London and Zurich. You saw recently a gigantic movement in gold prices because, like two poker players, the City of London forces on one side and the Dresdner Bank acting as the principal for a group of investors on the other side, were engaged in a struggle to see who had the power to seize control of the world's gold—and the Dresdner Bank won. It is now sitting on more than \$60 billion worth of the world's gold assets, either in its own account or as nominee for others whose interest is backing it.

This gold, according to my proposal, and I think with the agreement of many of my friends in France and some of them in West Germany, is to be used as a monetary reserve for the issuance of gold-denominated bonds at 2 to 3 percent coupon. These bonds must be rediscountable in a new monetary system and will be sold, in exchange, primarily for dollars and some other currency, to central banks, to large commercial banks, and to the portfolio accounts of certain manufacturing firms which have large dollar holdings. Thus, we soak up a large mass of these dollars, put them in a central repository and issue this credit reserve on a restricted basis, a "dirigist" basis for the sound development projects in the developing sector, agriculture, industry and infrastructure, and to promote exports and production-for-exports among the industrialized countries. In short, we could bring back money to the Export-Import Bank, bring it back to the country banks, back into the firm or farmer which is producing for export or for export-related activities for purposes of providing both operating capital and investment capital at rates of between five and six percent. This is what we must do.

If we take that course or we take a course of action in that direction, we end the monetary inflation. What we must do is dry out those markets—financial flows—which contribute the most to purely monetary activity and which contribute the most to inflation. We must not collapse these markets. We should not collapse the real estate market. I admit it's insane, it's much too high, you should never reach these values. But you cannot collapse it without wiping out thrift institutions, without destroying the structure of our banking system.

Therefore, we have to have a tight policy toward the secondary market in real estate, but we must not be so tight that we collapse it. We must instead channel the flow of credit, through national monetary policy and through changes in fiscal and tax policies, to insure that the flows are going into export-related areas primarily, and as a fall off, into the other tangible goods-producing sectors of our internal economy.

Bill against Volcker: it's going national

Illinois state legislator Larry Bullock, a Democrat from Chicago, is in Washington, D. C. this week to present Illinois congressmen and others with a demand for Paul Volcker's resignation. To back his argument, Bullock has in hand a resolution to that effect; he introduced it Oct. 29, and it was unanimously voted up by both houses of the Illinois legislature in unprecedented fashion Nov. 1-2. It is now Mr. Bullock's purpose to make the fight against the Federal Reserve chairman's tight-credit regime a national fight.

That is already beginning to happen—which also recommends what Rep. Bullock has to say to Washington lawmakers: A man whose policies would cause another Great Depression ought to be forced to change those policies. If not, the Illinois resolution reads, it is necessary “that President Carter and the U.S. Congress accept Mr. Volcker's resignation.”

One presidential candidate has demanded Volcker's impeachment. The Newark, N.J. City Council has already passed the Illinois resolution. Three other state legislatures, three other city councils, a cross-section of labor unions, business associations, political figures, and civic and minority organizations are all considering or under pressure to consider versions of the same resolutions. And behind them, without doubt, are the people of the United States.

Rep. Bullock has meetings scheduled with a half dozen Illinois Congressmen including Henry Nowak, chairman of the Access to Equity subcommittee of the House Small Business Committee. He will also meet with Sen. Adlai Stevenson of Illinois, who chairs the Senate Finance Committee's subcommittee on international trade.

Business, labor, farmers, minorities

The way the resolution came into being in Illinois is pregnant with national implications. Nonpartisan action by the Democratic and Republican leaderships there led to a suspension of the rules to permit the entire legislature to vote. Representatives of business, labor, farmers, and minorities, backers of at least three different presidential candidates—all united to denounce the Federal Reserve's “controlled disintegration” approach to American industry.

A version of the same resolution is anticipated soon in the Chicago City Council. In Baltimore, Ralph

Greene, head of the Federal Printers Union local, issued a statement condemning Volcker's policies in similar terms, which has since been delivered to the city council's finance committee to be put in the form of a memorialization bill, calling on the President and Congress to take action against Volcker. A similar resolution is under consideration by some councilmen in Buffalo. The state legislatures in both Pennsylvania and Michigan may soon entertain an anti-Volcker resolution.

The National Homebuilders Association, among business groups, was the first to attack Volcker last week. Besides the printers, carpenters unions in New Jersey and New York masontenders have all either endorsed the Illinois resolution or issued statements of their own. The head of the Maryland State AFL-CIO Council, Dominic Forlano, has sent a letter to the president demanding Volcker be asked to resign.

Ask NAACP action

Meanwhile, the Hartford branch of the National Association for the Advancement of Colored People has called upon the NAACP's National Board “to act on this question, set policy and inform local chapters,” leaving no doubt as to what policy they were demanding. The Hartford resolution reads in part:

“WHEREAS, Paul Volcker has initiated an unprecedented rise in interest rates;

“WHEREAS, tight money will not halt inflation but instead raise prices;

“WHEREAS, Paul Volcker has stated the standard of living must decline;

“WHEREAS, Paul Volcker has called for the elimination of the cost of living escalators for social security recipients;

“WHEREAS, Paul Volcker's policies will mean loss of thousands of jobs including an estimated 600,000 jobs in construction alone;

“WHEREAS, banks have already begun calling back credit cards, refusing to issue mortgages and cutting financing of homebuilding, already making it more difficult for Americans to find decent housing;

“WHEREAS, Volcker has stated his support for a policy known as ‘controlled disintegration’ for the U.S. and world economy;

“WHEREAS, this step may plunge the U.S. into another Great Depression where blacks will suffer most, losing any gains made over the past 25 years and setting back the cause of economic justice....”

Paul Volcker appears to be nowhere less popular than in the state of New Hampshire, where the first presidential primary will be held this coming February. The Manchester *Union Leader*, the state's leading newspaper, has reported a straw poll of New Hampshire residents. Sixty-eight percent opposed the Federal Reserve policy.

Rep. Bullock interviewed: 'Everyone supports it'

Larry S. Bullock, Illinois Representative for the 22nd District (Chicago), granted the following interview to EIR on Nov. 3.

Q: *Congratulations on the passage of the House Joint Resolution Bill 67 which denounced the Volcker high interest policy. What do you plan to do with this resolution now?*

Bullock: I intend to present this bill to the Illinois Congressional delegation and to Senator Stevenson and

EXCLUSIVE TO EIR

Senator Percy. It is the wish of the entire Illinois General Assembly, both houses, that the essence of this bill be considered by the banking committees of Congressmen Reuss and Senator Proxmire.

On Monday I will meet with Senator Stevenson and Congressman Rostenkowski and Congressman Michel who heads up the Illinois Republicans in Congress. Thursday of this week I will go to Washington to meet with the rest of the Illinois delegation.

Q: *Who supported the bill?*

Bullock: As you know, the bill was a joint resolution which got the unanimous endorsement of 177 members of the House and 59 members of the Senate. Illinois is a state which represents a whole spectrum of interests from farmers and small businessmen to trade unionists and minority groups. The bill expresses the will of the House and the Senate of Illinois to lower interest rates, loosen tight credit, prevent unemployment, and issue credit to production. As you know, the bill was introduced during hearings in our banking committee to remove the ceiling on the mortgage usury rate. Volcker's interest rate policy has served to strongarm many sectors of the Illinois economy, especially construction and homebuilders who are prevented by this high interest policy from conducting any kind of business whatsoever. We had a good deal of trade union support. Tom Hanahan, state representative, and State Senator Terry Bruce both played a major role in getting the bill through. Hanahan is the only elected union official in the Illinois General Assembly. He's a union official with the Chicago District Council of Carpenters. As a matter of fact he intends to run for secretary-treasurer of the Illinois Federation of Labor. Terry Bruce is the

Assistant Majority Leader in the Senate and also is very close to labor. So there was a lot of support from labor. Also I intend to send this resolution with a cover letter to all of the unions.

Q: *Do you see the unanimous endorsement of your bill as any kind of statement against Chicago Mayor Jane Byrne or Edward Kennedy?*

Bullock: First of all, I do not read support of Volcker's policies into Kennedy's remarks, at least what I have heard and read. I also doubt that Byrne would be at variance with the resolution we just passed since it was premised on the Democratic Platform of 1976. The resolution not only reflects the views in that Platform but based on the support we received in Illinois reflects the views of the Midwest. We have some people in Pennsylvania and Michigan that will introduce the resolution in their legislatures and we are looking for people in Indiana and Ohio.

Q: *Do you think this kind of resolution which has such bearing on Federal policy is appropriate for state legislatures and city councils?*

Bullock: When the usury rates and mortgage interest rates start to soar and unemployment tops 6 percent, hitting the minority groups the hardest, then it does become a problem which every state legislator and city councilman has to consider.

Q: *What does your constituency think about it?*

Bullock: There is no way around the fact that economic austerity hits hardest at the minorities and the poor. Also, tight money leads to austerity, no ifs, ands or buts. I have said before that economic austerity is racism and we have unanimous support for the way we are approaching this thing, which the passage of my bill indicates. I agree with the NAACP's support of nuclear energy.

Q: *Lyndon LaRouche, a Democratic presidential candidate, has called for the impeachment of Federal Reserve Chairman Volcker. What's your sense of the presidential race and any particular candidate?*

Bullock: As to President Carter, I think his administration has to reverse the Volcker high interest policy. That's the purpose of my resolution. Kennedy's historical position on civil rights is good and I intend to read more about his position on Volcker's high interest rate policy. As to Mr. LaRouche, I must say that I was delighted to get to know his policies on energy, inflation, job creation, and credits for industry. I think the fact that the entire Illinois State Legislature unanimously endorsed a bill which is tangential to his efforts and his 6-point program speaks well for the wisdom of that program. America should get to know more about Mr. LaRouche and his 6-point program.

Carter-Kennedy battle threatening party

Political observers are predicting that the Carter-Kennedy battle for the Democratic nomination will be more than a "bruising battle."

Serious fissures and factionalizations similar to those that tore the Democratic party apart in 1968 and 1972 are already emerging on both the national and local levels under the impact of the Carter-Kennedy fight.

* In Chicago, old-line "Daley machine" Democrats are fuming at Mayor Jane Byrne for ramming through a resolution committing the Cook County delegation to the party's national convention to Kennedy. Said one following the Nov. 5 meeting—which Byrne and Cook County Democratic party chairman George Dunne had packed with pro-Kennedy newcomers: "This means the party will be ripped to shreds."

* While some liberal union leaders like the United Rubber Workers Peter Bonmarito have encouraged Kennedy's presidential bid, strong opposition to the Massachusetts senator's candidacy has developed among the AFL-CIO bureaucracy. The building trades, in particular, are not taking too kindly to the fact that certain Kennedy economic advisers, including George Perry of the Brookings Institution, support repeal of the Davis-Bacon act, which guarantees wage levels in the construction industry.

* Within the so-called Jackson-Moynihan wing of the Democratic party, there is much talk of crossovers to the Republican presidential candidate, whoever that may be. Syndicated columnists Evans and Novak, writ-

ing in the Nov. 7 *Washington Post*, reported that the Coalition for a Democratic Majority (CDM), a group formed by Democratic party centrists, including Senators Henry Jackson and Hubert Humphrey in response to the McGovern takeover of the party in 1972, are worried that Kennedy will not abandon the "left wing" of the party. They are therefore looking to desert.

Midge Decter, a contributing editor of the American Jewish Committee's *Commentary* magazine and a power in the CDM, confirmed the Evans and Novak report. "Nobody in the party believes anything Carter says anymore, and I've given up hope that Kennedy will move toward a stronger prodefense posture. If either is nominated, there'll be a lot of homeless Democrats looking for a Republican to support. Most of us in the CDM are resigned to voting Republican. My own personal preference is either (George) Bush or (Howard) Baker."

Hoyt Ammidon, chairman of the board of the United States Trust Company said in an interview this week: "It's perfectly possible that the Democrats will rip themselves to shreds during the primaries. We're rather counting on it..." The "we" Ammidon was referring to is the British-based Ditchley Foundation, for which Ammidon is the president of the American branch.

Ammidon predicted that "if Kennedy loses to Carter, there's a good chance he will not support Carter for re-election." Describing himself as a "closer, personal friend of John Connally," Ammidon said he favored either Bush or Connally for the GOP nomination. "It's too bad we can't nominate our presidents instead of electing them," he said. "I would much prefer Bush, but I don't know if he can develop the charisma necessary to carry an election. If not, we'll have to go with John (Connally)."

—Kathy Murphy

Congressional Calendar

Reuss, Proxmire steering Fed membership steamroller

House Banking Committee chairman Henry Reuss is attempting to railroad controversial banking reform legislation through both the House and the Senate. One Capitol Hill source described the action as "impossible by parliamentary standards—but they're doing it anyway."

Reuss on the House side, and Senate Banking Committee chairman William Proxmire, both of Wisconsin, strongly support the Federal Reserve Board's request for legislation giving the Fed the power to mandatorily force banks to join the Federal Reserve System through a series of enforced reserve requirements on all banks. Despite strong opposition from the regional banking community, Reuss finally forced passage of H.R. 7—the Fed membership bill—through the House of Representatives, mandating reserve requirements and de facto Fed membership on all banks. However, opposition to mandatory membership remains strong in the Senate where the Banking Committee on Nov. 7 refused to accept the mandatory provisions.

Reuss and Proxmire are now trying to slip the Fed membership provisions in through the back door. During the last week in October, Proxmire attempted to pass legislation mandating reserve requirements on all banks establishing "Now" checking accounts. The provision, Title II, was knocked out of the Depository Institutions Deregulation Act (a bill regulating savings and loan banks), on the floor of the Senate. (Reuss and Proxmire had hoped to use Title II

as an excuse to consider both the Depository Institutions Deregulation Act and the Federal Membership bill together in a joint House-Senate conference called on to work out differences between the two bills.) Now, despite the fact that Title II has been defeated, Reuss and Proxmire will be combining the two bills anyway! If they cannot force mandatory membership through the conference in its own right, they are expected to tack it onto the Depository Institutions Deregulation Act—even though there is no parliamentary basis for doing so.

Chrysler aid tied to Big MAC blackmail

The administration introduced legislation into Congress Nov. 1 proposing a \$1.5 billion loan guarantee program for the Chrysler Corporation. But a condition set by the administration for the guarantees is that Chrysler raise an equal amount of money under a plan to be overseen by the Treasury Department—in effect, putting Chrysler Corporation under control of the U.S. government. Treasury reorganization intentions were laid out in testimony by Treasury Secretary Miller Nov. 7 before the House Banking Committee. Miller declared that Chrysler could raise its \$1.5 billion in part from "asset dispositions" (i.e. asset stripping) while he also suggested that workers' funds be looted for Chrysler's survival. At the same hearings, Banking Committee chairman Reuss (D-Wisc.) committed himself to supporting a loan-guarantee program if Chrysler production is turned away from high technology production to pro-

duction that both implements energy austerity and provides goods to aid cutbacks in U.S. energy consumption. Reuss declared that Chrysler must "produce goods meeting national transportation and energy goals ... namely that lessen our dependence on OPEC oil." Reuss suggested that the Treasury Secretary determine if Chrysler or an outside body should oversee this production policy.

The House Banking Subcommittee handling the bill will begin mark-up on it before Nov. 9 and it is expected out of the Banking Committee sometime during the week of Nov. 11. The Senate Banking Committee will be holding hearings on the measure Nov. 14-16, and Nov. 19-21. Floor action in both the Senate and House is expected about Nov. 29.

GOP filibusters to stall PAC legislation

New Hampshire Republican Senator Gordon Humphrey announced Nov. 6 that he has enough votes on hand to prevent action on a House-passed bill aimed at curbing the influence of corporate political action committees (PAC) in House campaigns. Humphrey's office reports that they have 42-44 votes lined up to filibuster the legislation if it comes to the Senate floor. The threat of a filibuster—which must be sustained with 41 votes—will be enough to prevent the bill from even coming to the floor, according to a Humphrey spokesman, since Senate majority leader Robert Byrd is busy trying to get through the SALT II treaty and the windfall profits tax.

The House bill would limit PAC money available to any House candidate to \$70,000 over two years and reduce the limit on individual PAC contributions to one candidate from \$10,000 to \$6,000. The bill has been called severely restrictive on corporate PACs, while leaving power in the hands of union PACs untouched. Each local can make individual contributions.

Kennedy support from World Bank chief denounced

World Bank President Robert McNamara came under attack on the House floor Oct. 30 when Congressmen C. W. Bill Young (D-Fla.) and Robert Dornan (R-Cal.) demanded his resignation for his active involvement in U.S. presidential politics.

Citing, for example, McNamara's presence at a private luncheon of Kennedy's campaign advisors recently, Cong. Young said, "Mr. McNamara repeatedly has said the World Bank should not be politicized. He has refused to testify before congressional committees to explain World Bank policies. He does not have time to respond to questions about the World Bank's \$60 million loan to Vietnam. Yet he does have time to return to the political arena for a gathering of the 'best and the brightest' to help organize a campaign for President. No matter how informal Mr. McNamara's relationship is to this campaign," he insisted, "it is clearly improper for him to retain his position as head of the World Bank while advising and supporting any political effort. ... Clearly he should resign as president of the World Bank before he

continues any further participation in any presidential campaign."

Not sidestepping McNamara's involvement in the events immediately following the Chappaquidick incident, Dornan said, "The foreign policy architects who gave us Vietnam, rallied in Massachusetts that tragic July 1969 weekend and controlled all subsequent press releases. McNamara was very much an integral part of that fictitious series of statements that successfully, to date, perpetrated a hoax upon a naive American public. This coverup must end before there is any credibility to this current (Kennedy) campaign for the Presidency."

Committee readies Kennedy's Anti-oil merger bill

The Senate Judiciary Committee will begin mark-up on the Oil Windfall Acquisition Act—previously known as the Energy Anti-Monopoly Act—Nov. 20, and it is expected on the Senate floor shortly thereafter. The bill, sponsored by Senators Kennedy (D-Mass.) and Metzenbaum (D-Ohio) would prohibit the 18 major oil companies from acquiring other companies with assets over \$100 million. The 18 companies were chosen on the basis of those who produce over 150,000 barrels of oil daily. The only companies exempt from the merger conditions would be those who can show such a merger increases production or competition or expands new energy ventures.

Senate debates synthetic fuels program

The Senate began debate last week

on the administration's synthetic fuels corporation proposal. In the form which reached the full Senate, the plan calls for an expenditure of \$88 billion over ten years to establish synthetic fuels production. Senators Kennedy (D-Mass.) and Durkin (D-N.H.) amended the conservation title of the bill to include a series of rebates to home owners for energy austerity programs.

Strong opposition to the proposal by liberals and conservatives is now surfacing on the Senate floor and it is as yet uncertain exactly how much money will actually be allocated for synthetic fuels production.

Energy dictatorship handed to Carter

The U.S. Congress voted this week to give the Carter Administration emergency dictatorial powers over the U.S. economy. Invoking an "energy shortage" that is otherwise widely acknowledged to be a hoax, the House voted 301 to 112 on Oct. 24 to give the administration standby authority to ration gasoline. Then on Nov. 1, the legislators voted 299 to 107 to allow creation of an Energy Mobilization Board (EMB) with special powers to be used in enforcing the administration's "energy conservation" austerity against the U.S. population.

The House also passed a bill giving the EMB considerably more powers than the administration had demanded, including the power to waive contracts and laws which contradict the board's dictates.

—Barbara Dreyfuss and Susan Kokinda

FACTS BEHIND TERRORISM

Greensboro and a man named Rosenberg

Last week, this column exposed a network of "underground" cultists who hold membership in such seemingly divergent groups as the Nazi Party and the Jewish Defense League. This network is one of the most dangerous terrorist threats in the United States at present.

Last Saturday, barely 48 hours after this warning was written, close associates of this cult network, from an "ultra-right" group known as the White Alliance, struck in Greensboro, N.C.—murdering four leaders of a "Death to the Klan" rally and wounding ten others.

Current evidence implicates the Anti-Defamation League of B'nai B'rith and the "kook" faction of Israeli intelligence as being the ultimate controllers of the 14 klansmen and Nazis arrested so far for the Greensboro murders. As this publication stated in a two-part series last May, this faction and its equally "kooky" allies within the British and Hapsburg/Jesuit oligarchy were prepared to conduct an operation to plunge the U.S. into chaos beginning with 1960s-style "racial" clashes.

The facts behind Greensboro
Israeli intelligence and the ADL appear to have exercised control over the event in Greensboro through a number of "cutouts" or intermediaries. One suspect is

James Rosenberg, a known agent of both agencies. Shortly before the murders, Rosenberg returned from Israel to the U.S. where he took up residence with Ray Doerfler, Pennsylvania Grand Dragon of a nationwide Klan group.

Sources report that Doerfler was in frequent contact with the White Alliance before and after the incident. Contacted for an interview by EIR yesterday, Doerfler stated that Greensboro was merely the beginning and that if he had been present at the shoot-out "there would have been a lot more dead."

The Greensboro murders bear all the earmarks of Rosenberg's modus operandi. Doerfler once described Rosenberg as "the brains" behind his Klan. Rosenberg was forced to flee for Israel a year ago when the EIR exposed his activities on behalf of the ADL, which included organizing several similar "racial" clashes in which he acted on both sides—not only as an agent-provocateur within Klan and Nazi layers, but as a member of the Maoist Progressive Labor Party and Jewish Defense League, whom he mobilized against the rightwingers.

The occult

While Rosenberg appears to have exercised operational control over the incident, the glue holding the bizarre White Alliance of individ-

uals together was an insane belief in occultism. Another individual reportedly in frequent contact with the White Alliance was Phyllis Rose, named in last week's column as a follower of Madame Blavatsky and other occult ideologues. Rose has been described as a virtual "high priestess" to certain members of the Hitlerian National Renaissance Party, who first introduced ADL/Israeli intelligence agent Rosenberg into the far right.

Apart from this common cult identity, the footsoldiers used in incidents like Greensboro are totally interchangeable. Illustrating this is the case of four of those shot at Greensboro who were former employees at Lincoln Detox Center in N.Y. exposed in 1974 as the center for the cop-killing Black Liberation Army. One of their colleagues, Dr. Stephen Levin, was traced by EIR investigators in 1975 to an operation in Reading, Pa., that was running guns both to the Puerto Rican FALN and to KKK terrorists. Among Levin's co-conspirators was William Sickles, a suspected ADL agent, who publicly brags about a corps of murderers he has recruited from prison into his Adamic Knights KKK. Today, Sickles works closely with Doerfler and the White Alliance.

—Scott Thompson

Study shows U.S. can produce oil at \$8 a barrel

The United States could be producing cheap, abundant oil at a selling price of \$8.00 (in 1978 dollars) per barrel. Oil reserves are now abundant enough in the United States to increase oil production by an average of 7 percent per year, providing an ample base of oil supplies for U.S. industrial growth.

This is the conclusion of a special study prepared jointly by the *Executive Intelligence Review* and the Fusion Energy Foundation, a New York based nonprofit organization committed to the research and development of advanced forms of energy production, like nuclear fission and fusion. Called "A Positive Energy Program for America," the report was released at the end of October.

The findings of the report challenge the oil multinationals, who are now claiming \$30 or more for a barrel of oil.

What the report shows is that energy starvation is unnecessary and outlines an integrated energy program for the United States, combining nuclear fission and fusion, hydrogen gas, oil and natural gas production and magneto-hydrodynamics to give a balanced expanding, inexpensive base for U.S. high-technology industry and agriculture.

The report also shows how the U.S. multinationals—which are hoarding 65 percent of the country's oil reserves—are planning to put the United States through a rigged shortage crisis this winter

that will bring the economy to a halt.

There is in fact no shortage of oil. The oft-quoted U.S. reserve figure is that from former Shell employee H. King Hubbert: 43 billion barrels of oil. That's it. At U.S. production rates of 3.7 billion barrels per year, the U.S. would be out of oil by 1991.

But geologist A.D. Zapp has shown that U.S. reserves—proven and unproven but potentially recoverable—are over 400 billion barrels. Others have put the figure at over 300 billion. Estimating that about a third is too expensive to develop (like oil shale) the U.S. reserve figure is closer to 200 to 270 billion barrels.

This means the United States has enough reserves to expand production by 7 percent yearly, taking production from a 1979 level of 10 million barrels per day to a level of over 30 million barrels per day by the year 2000. In the interim, the U.S. would produce, cumulatively, 130 billion barrels, leaving between 60 and 130 billion barrels more reserves in the ground.

By the year 2000 at the very latest, the United States will need oil only for feedstocks, lubricants, and petrochemicals as it moves toward the more advanced technologies of fusion power and hydrogen fuel.

The cost of current oil production can also be reduced by 50 to 65 percent, the report shows, if accelerated depreciation, 3 percent credit, depressed royalty fees,

and new technologies are applied and environmentalist restrictions are removed. American oil can be produced at the price of \$8 a barrel.

This report is available through New Solidarity International Press Service at the price of \$50 per copy.

Making fusion a priority

In the next issue of the monthly magazine *Fusion*, the Fusion Energy Foundation will kick off a nationwide campaign urging the U.S. Congress to gear up the current fusion effort for a crash program in the 1980s. A team of specialists, including FEF staff members has drafted a bill, titled the "Fusion Energy Act," mandating the development and construction of an electric power demonstration fusion reactor by 1995.

A brute-force effort to solve the remaining technological problems of harnessing nuclear fusion, the FEF says, is the only way to bring this virtually limitless source of energy on line in the next decades.

The proposed fusion bill's funding timetable coheres with an advisory panel study on fusion development under the direction of Robert Hirsch, which insists that 20 years could be shaved off the current Department of Energy timetable. Hirsch, who left his post as fusion director in the Energy Research and Development Administration following James Schlesinger's assumption of power as Secretary of Energy, has been advising the House Science and Technology Committee's Subcommittee on Energy Research and Production. Under the leadership of Rep. Mike McCormack (D-Wash.), the subcommittee has been pressuring the DOE to accelerate the current timetable.

WORLD TRADE REVIEW

New trade deals

COST	PRINCIPALS	PROJECT / NATURE OF DEAL	FINANCING	STATUS
\$1.5 bn	Soviet Union from Italy	A new medium-to-long-term cooperation deal between the Soviet Foreign Trade Ministry and Italy's Montedison is being finalized. Involved is the construction of chemical plants in the Soviet Union by Montedison.	NAv.	III
\$1 to 1.5 bn	China from U.S., France and Canada	Alcan Aluminium, Aluminium of America and Pedincy bid for the construction of a 600,000 ton smelter in China	NAv.	IV
\$600mn	China from Italy	Fiat is negotiating with China for the supply of tractors and the modernization of existing Chinese agricultural machinery plants.	NAv.	III
\$219mn.	Hong Kong from Britain	GEC (Britain) sold two 350-MW turbine generators to Hong Kong's China Light and Power Company	NAv.	II
\$156mn	The Netherlands from France	The Dutch Air charter company Martinair ordered 4 A-310 planes (3 firm orders, 1 option) from Airbus Industries	NAv.	II
\$150mn	Belgium from France	Purchase of 3 A-310 planes (plus 3 in option) by Sabena from Airbus Industries.	NAv.	II
\$119mn	Soviet Union from Italy	A \$119 million deal was signed between the Soviet Ministry of Automation and Olivetti, involving the production of Olivetti machinery in the USSR for both Soviet and Eastern European consumption.	NAv.	II
\$70mn.	Indonesia/Spain	A turboprop aircraft is to be built by a joint corporation based in Madrid, Spain	NAv.	II
\$55mn	Britain from U.S.A.	Bristow Helicopters Ltd. ordered 5 Chinook helicopters from Boeing	NAv.	I
\$47mn	U.S.A. from France	Alstom Atlantique to supply Vanceburg, KY, with a 72-MW hydroelectric plant.	NAv.	I

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

***Status:**

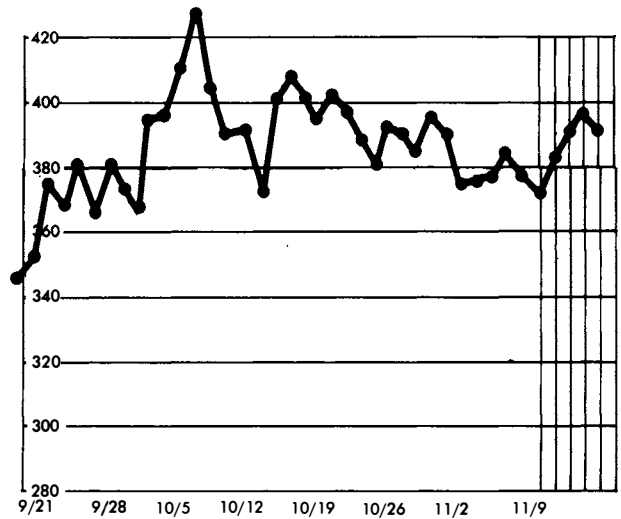
I = signed, work in progress
 II = signed, contracts issued
 III = deal signed
 IV = in negotiation
 V = preliminary talks

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Gold

London afternoon fixing

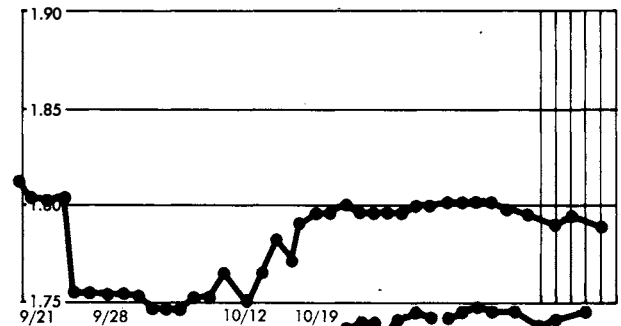
November 2	372.80
5	381.00
6	384.30
7	395.00
8	389.50



The dollar in deuschemarks

New York late afternoon

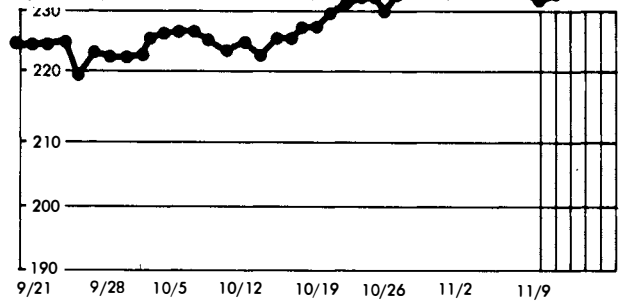
November 1	1.7973
2	1.7875
5	1.7937
6	—
7	1.7868



The dollar in yen

New York late afternoon

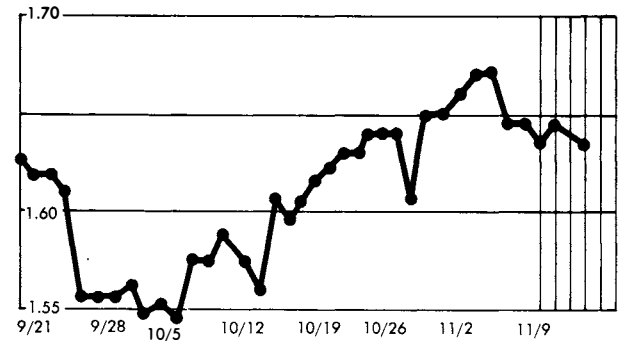
November 1	238.15
2	234.40
5	237.10
6	—
7	240.00



The dollar in Swiss francs

New York late afternoon

November 1	1.6495
2	1.6320
5	1.6490
6	—
7	1.6360



The British pound in dollars

New York late afternoon

November 1	2.0732
2	2.0690
5	2.0690
6	—
7	2.0920

