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ENERGY
SHUT
DOWN

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EXECUTIVE INTELLIGENCE REVIEW

glas DeGroot

ENERGY SHUT- DOWN

Our ENERGY cover story this week gives you a chilling look at where the crisis in Iran is taking us—straight into a prepared oil crisis, energy shutdown, credit and monetary crisis, and strategic-military confrontation. Is this the fabled “Crash of '79?” Our Contributing Editor Criton Zoakos suggests not only “yes” but why and who is behind it. We have added a detailed picture of the oil crisis and its deliberate promotion by the multinational oil companies, prepared by our oil expert, Judy Wyer. Finally, the story of the accompanying shutdown of nuclear energy in the U.S. by this nation’s own “Khomeini,” the Three Mile Island Kemeny Commission. The financial end of this crisis—the internationalization of Volcker’s credit shutdown—is featured in our Economics section rounding out the Energy Shutdown picture.

The lights have not been turned out but they are flickering in the shadows of the crisis now unfolding on a global scale.

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International terrorism hits the U.S.

What do the men down at the National Security Council mean by a "playback effect?" A crisis provoked abroad—Iran—is being used to provoke a crisis at home—"International terrorism hits the United States of America." This week's COUNTER-INTELLIGENCE report blows the scenario that started with the Greensboro massacre, continued with prison escapes by convicted terrorists, and now has "Iranian students" entering the U.S. underground. Included: "Greensboro: job by the Anti-Defamation League," plus "A terrorist accomplice named Benjamin Civiletti." And if you won't take our word for it: "The controllers of terrorism speak out" for themselves. **Page 41**

Will Democrats take winning road?

Can the Democrats win the presidency again? There is a way, answers our U.S. REPORT, but not if the party is "ripped to shreds" in a Carter-Kennedy battle, as some New York circles intend through the Kennedy candidacy. In fact, not if the party nominates either one. Included is the story of a solid new kind of Democratic alliance that carried elections in Cleveland—and isn't inclined to Carter, to Kennedy or to the Republicans. There is still a strong Democratic majority. Is there a strong Democratic candidate? Also: "Chicago Democrats badly Byrned."

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*Lyndon LaRouche on the 'kooks' and the 'realists'
of strategic policymaking*

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**"Dracula had blue
blood..."**

Who's selling the U.S. down the river? asks presidential candidate Lyndon LaRouche, an EIR Contributing Editor. His answer: "Dracula had blue blood..." the featured item in this week's SPECIAL REPORT. Not every strategic policy maker in Washington and London who has sworn fealty to the English queen is quite so kooky as Dracula. Some are "realists"—evil, but not suicidal. Yet, there are just enough "kooks" in hooded capes and high positions to threaten human survival. Included: Lord Mountbatten and McGeorge Bundy vs. Henry Kissinger and Alexander Haig. **Page 55**

**Europe moves against
terrorism**

Terrorism may still be a mysterious thing to many Americans, but not so in Europe. They know who's really behind terrorism; their news media have increasingly "named the names"—of persons like Giacomo Mancini, of governments like Great Britain and Israel—and Europe is cracking down. This week's EUROPE report gives you the details of how the continent's governments and law enforcement agencies have begun to get beyond the gunmen to the real controllers. Included: an excerpt from a new book published in Italy, quoting a mysterious "Col. Harris" on the political method required. **Page 35**

ENERGY SHUT- DOWN

The events surrounding the American hostages in Teheran have triggered a kaleidoscopic torrent of diplomatic and strategic reactions spanning the entire globe. Though not yet known to the sixty or so hostages themselves, their capture was the result of a deliberate prearrangement involving, among others, Zbigniew Brzezinski, Henry Kissinger, Ibrahim Yazdi and Ayatollah Kalkali, the latter representing the Muslim Brotherhood—the entity in real, behind the scenes, control of everything of significance that occurs in Iran.

The purpose of this deliberately prearranged international provocation was to trigger a series of international shifts in the key areas of world energy policy, world credit and financial policy and, most importantly, in the area of East-West relations. In summary, the sponsors of the sordid event, among whom are top ranking U.S. government officials, were aiming at a result publicly stated in the current issue of *Business Week*:

“It may be that an Arab banking system funneling petrodollars through the European Monetary System will replace the current domination of the world’s financial system by U.S. banks and the IMF. This depends, of course, on OPEC’s willingness to play the power broker part. If it refuses, there is another scenario that many still think unthinkable: *open warfare, in which either the industrial West as a group, or the U.S. going it alone, gives up trying to work with OPEC and instead invades the oil fields.*”

The authors of the provocation at Teheran in fact

aim at destroying, by a single stroke, the possibility of the European Monetary System capturing the prize of petrodollars for intended use for generalized Third World development policies. This by itself would, as Brzezinski, Kissinger and their patrons calculate, destroy the European Monetary System. The deadline for destroying the EMS is some time before the December 13, 1979 ministerial level meeting of NATO in Brussels. If the EMS is crushed by then, then the current Brezhnev leadership in the Soviet Union is expected to be defeated on grounds that its officially stated “war-avoidance” strategy, i.e., long-term cooperation with the European Monetary System, will have been crushed. Then the hour of the straightforward military hardliners will have struck in Moscow—which by itself will ensure that the NATO summit will finally overcome the continental European opposition to a renewed arms race under the guise of “weapons modernization.”

President Giscard of France and Chancellor Schmidt of the Federal Republic of Germany will see all their foreign and domestic policies crushed and they will soon be expected to face personal political demise in the early months of 1980. What is supposed to ensue is a period of military flare-ups throughout the globe, an international depression which the Council on Foreign Relations has happily dubbed “controlled disintegration,” and the beginning of a drive to “restructure” the shambles along what is known among the “old boys” as the “*synarchist*” scheme of things: global reorganization of the world energy markets under the auspices

of a U.N.-driven "international institute of energy" which will have authority to allocate the production, distribution and consumption of every last ounce of energy, exactly in the way the IMF controls credit flows; global reorganization of all raw materials by means of similar "supranational" agencies; reorganization of the IMF by means of a weakened dollar, regional currency zones and a dramatically augmented role for Special Drawing Rights.

These were the stakes in mind when the Teheran Embassy caper was launched by Brzezinski and Ibrahim Yazdi. The operation had been arranged initially in New York City, at the CFR's Pratt House where Yazdi met with Brzezinski's representatives on October 5, and later again when the two men met with Arafat in Algiers during the festivities of the Algerian Revolution Anniversary. The scheme provided for slow-tempo implementation, resulting in a successful PLO negotiation on behalf of the hostages, and U.S.A diplomatic recognition of the PLO. The whole operation went out of control when Ibrahim Yazdi disappeared and Abolhasan Bani-Sadr (known to insiders as Bani SDR) surfaced to prominence.

By Monday, Nov. 11, Brzezinski, Vance and their Interagency Task Force were boxed in to desperate improvisations, not with respect to the fate of the hostages, but with respect to Western Europe, the Arabs and the Soviets. The Arabs are overtly and covertly threatened with financial warfare, freezing of assets, etc., if they dare shift into the European Monetary System. The Europeans, especially the Defense Ministers assembled at the Nuclear Planning Group meeting on Tuesday and Wednesday, are told that they either go immediately for nuclear rearmament through "weapons modernization," or their energy supplies will be cut off. An intensive propaganda campaign is launched in the mass media to create the impression that "heavy in-fighting in Moscow has resulted in President Brezhnev's defeat." On Wednesday, after coordinated consultations, the West German government adopts a "low profile" and the French government announces that it opposes Washington's policy. The Soviet government issues a stern clarification to Washington, warning that it has never supported Khomeini's regime and that it will not suffer to be misrepresented in this matter. On the same day, with only the Libyans abstaining, all the Arab League Foreign Ministers assembled in Tunis, launch, finally, coordinated and vituperative attacks against Khomeini as a "sacrilegious person." Now, only Brzezinski and Vance in all the world appear as sympathizers of the Ayatollah. On that day, White House spokesman Jody Powell startles the press corps by announcing at the press conference that "Mr. Brzezinski finds a useful role for Ayatollah Khomeini and for Islamic fundamentalism."

Meantime, toward the evening, Radio Moscow in

its evening commentary on the Nuclear Planning Group/NATO meeting ruefully remarks "according to yesterday's *Financial Times*, this may result in a rift within the Atlantic Alliance." This is a signal to France and the Federal Republic of Germany that the Brezhnev faction is firmly in the saddle. Within hours, French Foreign Minister Jean François-Poncet is in Bonn to meet with Chancellor Helmut Schmidt. Almost at the same time, the announcement comes from Teheran that Ayatollah Khomeini has been placed "incommunicado and in seclusion until December 5 'by his doctors' for reasons of health."

This is a slice of the situation as it was frozen at the moment of the writing of this report. The stakes that are in the balance are staggering in their enormity. The maneuvers that will unfold in the hours and days ahead will decide between two alternative paths for subsequent world events: Either European-Arab cooperation will collapse bringing the EMS under and launching a crisis worse than the Cuba Missile Crisis of 1962, or the Washington-London axis will suffer a devastating defeat which will alter the Atlantic Alliance beyond recognition, launch a world-wide role for the EMS and bankrupt the IMF

—Criton Zoakos

Chirac: 'France's voice for human progress'

The following is the central portion of RPR General Secretary Jacques Chirac's Oct. 17 speech before the French National Assembly. Central to Chirac's call for a "grand alliance for progress" is his demand for "a dialogue with oil producers," by France alone if necessary, the opposite of "invade the oil fields" scenarios promoted in this week's Business Week.

The Western economies have been sick for ten years. They suffer in reality from two ills, whose effects are intermixed and cumulative: monetary disorder on the one hand, and the oil war on the other.

But as to the real responsibilities, the greatest confusion reigns in most minds. Some take pleasure in entertaining this confusion, since it is so convenient to deflect one's own errors on to that somewhat mysterious institution that OPEC constitutes.

In 1973-74, the oil shock acted abruptly as a revealer: in several months, the price of oil quadrupled, then quintupled and all the cards in the international economic game were thrown into disarray. If I say that it was revealing, it is because in reality the upheaval which we were suddenly made conscious of had other, more far-reaching and more profound causes. First, the international monetary disorder which had set in several years earlier could not fail but to entertain—as Jacques

Rueff repeated with obstinacy—the rise of inflation. And inflation in the West meant a constant drop in the buying power of the oil and raw materials producing countries ...

Today, the international situation has become explosive: the enormous mass of dollars put out by the United States, to finance the permanent deficit in their balance of trade, are floating around the world, on the lookout for any speculative opportunity, sometimes on gold or this or the other raw material, sometimes on one or another reputedly strong currency. The hundreds of billions of dollars held by persons residing outside the U.S. escape from any controls, including from the Ministers of Finance from the richest countries of the world who get together periodically to talk about it ... with the results that we all know.

The proliferation of Eurodollars and other Euro-currencies creates a climate of permanent instability. It is fundamentally at the roots of the inflation which has been disrupting the Western economies for years. . .

The voice of France must be raised to vigorously denounce the situation.

It is not enough to create in Europe a mini-zone of stability under the domination of the Deutschemark to shelter France from international monetary turbulence.

... We must institute means of payment whose emission would be controlled and limited by a common accord, and in the definition of which, gold, whether one likes it or not, would have to play an important role.

For Third World development

During the 1960s, France did not hesitate to be, on international monetary questions, the bad conscience of the dominating Western powers. France must once again find the courage to proclaim out loud the truths which have, alas, not made many inroads since.

It should in fact not come as any surprise to you that the institution of a new international monetary order and the ordering of relations between the oil producers and consumers are two questions that are intimately linked....

French diplomacy must simultaneously assign itself the objective of creating the mechanisms for the transformation of Eurodollars, in order to make the oil surplus values contribute to the development of the poorest or most indebted countries.

As I have several times proposed, France must be the messenger of a *grand alliance for development*, the only means of solving the immense needs which subsist on all four corners of the planet, and to thus relaunch world economic growth, growth which is indispensable for the developing sector countries as well as for ourselves.

It will be a long and difficult battle.

If our Western partners delay in opening the dia-

Thinking the unthinkable

The Nov. 19 issue of Business Week featured "The Petro-Crash of the '80s," promoting the option of a Western military invasion of the oilfields in order to halt what Business Week claims is OPEC's threat to link up with the European Monetary System. We quote from the article.

The world was in trouble with OPEC before—in 1974 after the first big increase. Then, too, petrodollars flowed from the consuming nations to OPEC in the greatest transfer of wealth ever seen ... The most immediate peril of the soaring price of oil is that the industrial world and the majority of developing countries are confronted with the spectre of chronic, global stagflation. Money sent overseas to pay for oil cannot be spent or invested at home, and this forces national monetary authorities to create more money to make up for what is being lost....

logue with the oil producers, France must show the example and, if necessary, take the initiative for bilateral negotiations.

The success of this enterprise will determine, in the long run, the success of our internal policy....

Must invest

France first needs to invest. France needs to export....

We must invest for today and for tomorrow. Investment would permit, right away, directly or indirectly, the creation of new jobs. We could, in exchange, distribute an increased buying power, which would not be a liberal act on the part of the welfare state ["Etat-providence"] but the wages for effective labor. This supplement of buying power favors consumption, by which general activity would find itself stimulated.

But investment is also the jobs of tomorrow. To invest means to set up more modern and better performing machinery, to develop more elaborate products, to penetrate high technology areas; in a word, it means to give life to this imagination, creation, research, and progress without which a nation shrivels up and little by little loses its footing in the competition being played out between great countries....

For our part, we would like to see a vigorous impulse given in this area. To do this, we call for measures of great scope, notably a progressive revaluation of balance sheets, accelerated amortizations, and interest abatements, with an action on interest rates

The capturing of both the world's supply of capital and its energy may prove to make OPEC so powerful in the decade ahead that the Western alliance will crack apart as nation after nation moves to align itself economically, politically, and perhaps militarily with OPEC. It may be that an Arab banking system funneling petrodollars through the European Monetary System will replace the current domination of the world's financial system by U.S. banks and the IMF.

This depends, of course, on OPEC's willingness to play the power-broker part. If it refuses, there is another scenario that many still think unthinkable: open warfare, in which either the industrial West as a group, or the U.S. going it alone, gives up trying to work with OPEC and instead invades the oilfields....

Europe and Japan have been moving away from the U.S. in recent years to make their own arrangements with OPEC, just in search of securing their energy lines. If OPEC controls not only energy, but also capital and real wealth, the breakdown of the Western alliance and a restructuring of the Western

economy is clearly only years away. Only energy-efficient, export-oriented countries with access to OPEC's oil and capital will be able to survive and prosper, and then only if OPEC proves willing to provide enough energy and capital to keep the world growing....

Again and again, as OPEC pushes the West toward the edge of economic survival, the option of a military response becomes more and more reasonable. As one monetary official put it recently: "OPEC price actions are really getting out of hand. If they don't call for a military response, I wonder what would. I don't know what would happen if we intervened militarily. I hope some intelligent people are discussing this seriously, so that if we have to act we won't go off half-cocked. I don't see much danger of crippling damage to the oilfields. Even if there were sabotage, it would have very temporary effects in the Arabian peninsula, where you can strike oil with a hatpin. I don't think many other OPEC countries would dare to shut down for very long, if at all, in the face of a determined, united NATO military action."

whose present explosion, exclusively based on concerns of a monetarist order, threatens to set off a terrible depression in the Western world....

We reject any deflationary economic choice which would come down to slowing down our national economic activity in order to establish equilibrium in our commercial balance. The alternative is to export more.

... Among the measures or actions which could be conceived to do so, I will cite only two: first, the necessity of encouraging the creation of real channels between different economic sectors, starting from the top—that is to say, production—down to the level of marketing, not only within the country but also abroad. The instruments of these professional channels should be, outside of France, international trading companies, of the type which are making Japanese trading such a success on the world markets. I propose that a juridical and financial mechanism be set up to encourage the creation of such companies, to be put together with the partners of the big French industrial branches ...

If we really want to get to the bottom of things, we must absolutely master the unproductive expenses which artificially inflate global demand while supply is depressed by general economic stagnation. I am certainly not making balanced budgets an intangible dogma. I would not be at all shocked if a deficit permitted the financing of an ambitious plan for the encouragement of productive investments ...

The problem of jobs must be tackled through eco-

nomie investment. As long as we are resigned to the 2.5 percent growth rate which is being announced for 1980, it is illusory to think that we can stop the increase in the number of unemployed.

Only progress

An efficient employment/job policy must be based on ... an offensive action favoring job-creating productive investments and eliminating the unproductive expenses that come from a system of generalized assistance.

... We will only succeed if we manage to wipe out of the minds of our fellow citizens this idea that they are condemned to some kind of regression ... It is no longer the time to relish in morose dissertations on the misfortunes of this century. We must not cultivate man's irrational penchant for paradise lost. Soft growth is only soft for those who have a lot already.

Only progress, as long as it is mastered and firmly led, can give us the means to struggle against the ugliness of things and the unhappiness of men. Only progress, mastered and led, can permit us to give back to the water, the air and the land their purity, once destroyed. Only progress, mastered and led, based on uncompromised moral requirements, can reinforce the chances of justice over violence.

This is the ambition that we must give back to the French. It is not a selfish and comfortable dream. It is a cause to serve for France, and it is what the world, and the poor of the world, expect from France.

OIL SHUTDOWN

Creating an energy IMF

Since about 1971, world energy policy and developments have been modeled around scenarios for a "controlled economic disintegration" on a global scale as put forth in the Council on Foreign Relations Project 1980s" series of studies on U.S. foreign and economic policy.

Their volume on oil entitled *Oil Politics in the 1980s: Patterns of International Cooperation*, asserts that the energy crisis of 1973 and the accompanying four-fold increase in OPEC oil prices was the beginning of an "oil revolution." During this period a "new era" in world oil began which the report calls the "second oil regime."

The report was authored by Norwegian Statoil Company executive, Oystein Noreng, and has a remarkable predictive accuracy concerning the current oil crisis. The second oil regime, which will persist through the next decade, says Noreng, will be a period of "disintegration" of the traditional integrated oil markets which have been under the control of the Seven Sisters cartel of multinational oil companies. This dis-

integrative process will produce a dramatic upturn in petroleum prices and will be plagued by frequent disruptions of world oil flows.

In fact, the dramatic rise in the price of oil over the course of 1979, following the shutdown of Iranian crude exports earlier this year, is a symptom of the CFR's second oil regime.

Underlying this scenario for a "second oil regime" is the calculated effort on the part of the CFR's elite membership and their British allies to use energy crises (which they calculate will persist throughout the 1980s) to bludgeon Europe, Japan and the oil producing nations into a multinational energy cartel. This cartel, to be under the supervision of the multinational oil companies, will control all forms of energy: oil, coal, nuclear and such exotic forms as synthetic fuels.

Such a cartel will become the energy correlate of the International Monetary Fund (IMF) and the World Bank monetary institutions. As the report concludes, the success of this scenario depends upon the preservation of the troubled Bretton Woods monetary system,

The CFR's scheme: disintegrate oil markets

Following are excerpts from the New York Council on Foreign Relations volume entitled Oil Politics in the 1980s. As part of the Council's 1980s Project series, the volume lays out a scenario whereby the international integrated oil marketing system will "disintegrate." This process will be accompanied by a reintegration process to create an international energy cartel dominated by the multinational oil companies.

The First Oil Regime was characterized by an integrated pattern of organization, based in the major consuming countries, and a low price for oil. During the First Oil Regime the center of the world's oil production gradually shifted from North America to

the Middle East ... The industrialized consuming countries became increasingly dependent on a limited number of developing countries for their oil...

The combination of rapidly growing demand and rising exploitation costs (shown by the investments in areas like Alaska and the North Sea) proved fatal to the First Oil Regime because it opened the way for a price increase and institutional change through OPEC control of production....

The Second Oil Regime is characterized by a fragmented pattern of organization and a much higher price for oil. The center of world oil production is the Middle East, but for physical and political reasons it is not clear if growing demand can be met by supplies from this area. ... The Second Oil Regime, like the first, erodes the basis of its own existence through its inability—for physical and political reasons—to guarantee sufficient supplies of oil....

the City of London and allied Wall Street financial centers, and the IMF itself.

The subject of this report is to take a critical look at the tumultuous oil markets over the last year in light of the CFR's published plans. Evidence cited here will prove that London has been a prime mover in rigging the oil crises this year, just as elements within the City of London have been the advocates of using rising energy costs to destroy the dollar and impose in its stead the IMF's Special Drawing Right, based on a basket of currencies, as the world's reserve currency.

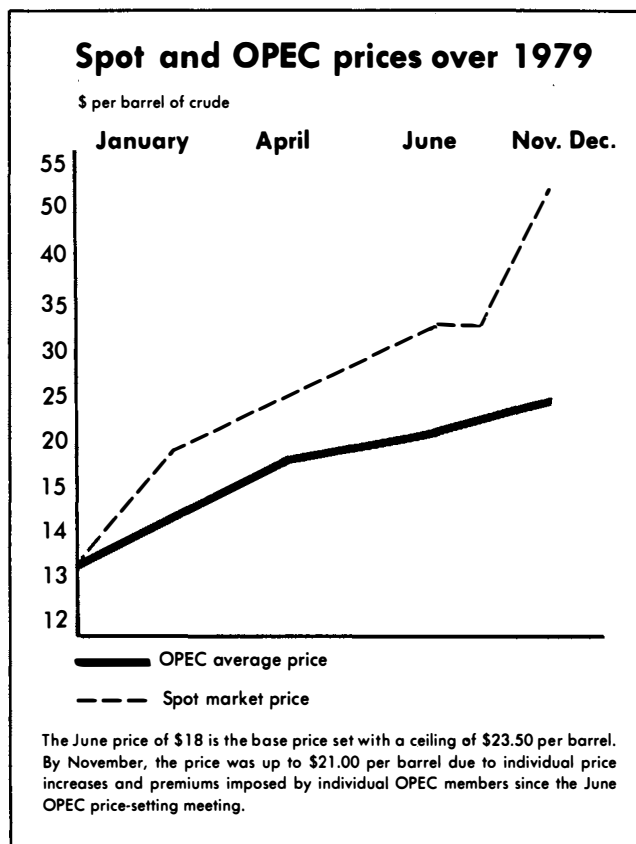
The year 1971 marks the beginning of a series of OPEC oil price rises beginning with the Teheran agreements and campaigns on the part of London to induce the cartel to break with the dollar. According to noted Washington oil analyst, Melvin Conant, just after President Richard Nixon broke the gold/dollar link and imposed wage and price controls in the U.S., "London proposed to OPEC that it adopt a basket of currencies as a means of pricing its crude." On numerous occasions since then, the OPEC cartel has considered the policy as the value of the dollar continues to slide.

Even before the dramatic 1974 four-fold increase in OPEC oil prices, the cartel had begun to demonstrate its militancy on the pricing front primarily as the result of the takeover of Libya in 1969 by Muammar Qadaffi. But OPEC's zeal for higher prices changed following the four-fold price increase as the Saudis began to recognize that radical price increases or breaking with the dollar as the pricing currency for OPEC oil would only devalue their growing dollar-denominated reserves.

Throughout the period up to the end of 1978, the

The best allocation of resources in the energy sector can be ensured by cooperation and, to a certain extent, through reintegrating the international oil companies. They are vital not only because of their technical, organizational, and financial resources; they are also valuable intermediaries in the international economy.

The break up of the integrated structure of the oil markets in the oil revolution (prompted by the Second Regime which, the report states, began following the 1974 four-fold price hike for OPEC oil—ed.) created serious problems for both sides. The international oil companies and several national oil companies of the consuming countries lost many of their sources of oil. Even though several companies made large profits on inventories during the oil crisis, many are now in an extremely tight financial situation. This is especially so for the Western European national oil companies.



Saudis enforced pricing moderation over the cartel. The Saudi effort to hold the line on prices was given strong backing by the Shah of Iran in 1976. The crude producing volume of Saudi Arabia and Iran comprised over half of OPEC's total output and served as a

In recent years, oil companies have increasingly moved into other sources of energy, such as coal, oilshale, and uranium. This type of diversification, called horizontal integration, has been defended because it centralizes capital and expertise, thus furthering the development of new sources of energy... Restricting horizontal integration would reduce the risk of an international energy cartel, but at the cost of slowing down the development of new sources of energy, and thus also create pressure for new price increases. Thus the resources for the oil companies are needed for expanding energy production, but there is also a good case for stronger political control over them....

The solution envisaged here is the use of the international oil companies as the cornerstone of a new oil regime. Their expansion and involvement in other types of energy should be encouraged under closer public control.

weapon to dissuade any price hawk from raising prices lest he be flooded out of the market.

The Islamic Revolution which swept the Shah off the throne, turned the tide within OPEC and opened the door to a nightmare of oil price hikes, against which the Saudis singlehandedly could not do combat.

Abundant evidence exists within the public domain to prove that British Petroleum and its sister multinational Royal Dutch Shell were the instigators of a stark speculative price increase emanating from the oil spot market (where noncontractual across the counter oil transactions are made). According to an oil analyst now with Merrill Lynch, as early as October 1978, during the heat of the Iranian Revolution, Royal Dutch Shell had conducted a detailed profile of world oil stocks, in particular, the stocks of the U.S.

Because there had been an oversupply of oil on world markets during the period leading up to the Iranian revolution in late 1978, stocks were not adequately built up to meet the needs of the winter and the crisis which ensued because of the Iranian oil export shutdown in December 1978. Shell knew that the shutdown would prompt a rush into the spot markets and trigger a serious spiraling in world oil prices. Shell's own stock supplies, insiders say, were more than adequate to meet the demands of the crisis London knew was coming.

Force majeure and market 'disintegration'

Shortly after the Iranian oil shutdown the multinational oil companies began to impose force majeure (notice of cutback in supply) on all third party contracts. These cutbacks to other oil companies not affiliated with the

system of the majors began a process whereby companies and refiners were forced onto the spot markets to competitively bid for badly needed margins of oil.

It was Shell and British Petroleum who were the first multinationals to impose the force majeure. In January 1979, *Petroleum Intelligence Weekly* reported that the North Sea producers triggered a spiral in spot market prices. Shell and BP control a major portion of North Sea oil. Within a matter of weeks, other majors began to impose force majeure on third party contracts, and the spot market soared.

This process of undoing the integrated market is precisely what the CFR termed the disintegration of the oil markets. Throughout the course of the year the volume of oil trade on the speculative spot markets has grown from 5 percent of total world oil trade to 25 percent thanks to the imposition of force majeure on intercompany trade.

Because of the increasing volume of spot transactions, the average pricing level for crude oil purchases has not dropped below \$30 a barrel. It was the momentum and volume of spot trade which triggered numerous OPEC price hikes over the course of the year.

Coinciding with the Iranian revolution, OPEC took a series of unprecedented decisions at its December 1978 price-setting meeting, aimed at stopping oil speculation, particularly on the so-called Rotterdam spot market. The move, which was led by the Saudis, was meant to take the pressure off continental Europe which had been subject to pricing manipulations on oil through the massive Amsterdam-Rotterdam-Antwerp oil terminal and refining nexus.

OPEC announced that it would impose a net 10

Predicting the chaos of the 1980s in 1973

In March 1973, prominent international oil consultant Walter J. Levy released a report titled New Roles and Relationships in the Next Decade. Levy's almost prophetic anticipation of future economic chaos due to OPEC policies on oil and petrodollars is no coincidence. Levy was one of the directors of the New York Council on Foreign Relations Project 80s study which concluded its basic findings in 1976. We quote from the 1973 report.

On OPEC

Culminating with the conclusion of the participation negotiations in 1972—which may still turn out to be not the final round of negotiations—there is little doubt that the major oil producing countries, espe-

cially of the Middle East, have acquired an immense potential for power—as long as at least two of the more important producers are able to maintain a reasonably united front. In the case of Saudi Arabia alone, we face a situation which, within a few years, gives that country, with its overwhelming lead in reserves and production, a pivotal role in supply.

As discussed, their power is based not only on their effective control over immense oil resources on which the security and prosperity of the Free World have become dependent, but will in due course derive also from their control over unprecedented financial resources which they will be able to extract from the oil purchasers. Moreover, large monetary reserves will give them the freedom to restrict their oil production for political or any other reasons, even though they would thereby forego current income....

The dilemma confronting us is acutely disturbing as any proliferation of international restrictions on

percent price hike for 1979 to be instituted in small quarterly steps to forestall crude stock build up and hedging. by the multitis.

Between January and June, the momentum of oil speculation drove the price of spot crude to over \$30 a barrel. The "price hawk" North African producers responded to "the profiteering of the multinationals" by imposing premiums on their high demand light crude which created such a massive spread in OPEC prices that the traditional price differentials between the various grades of crude were destroyed.

Even after Iran renewed efforts in March, adding a margin of crude into the markets, and even with major production increases by Saudi Arabia, Kuwait and Iraq, the speculative spot price rises continued. This momentum was fed primarily by the continued imposition of force majeure by the majors, which forced crude short European state companies and Japanese trading companies reluctantly into spot trade.

As early as August, Shell initiated a program of tacking additional costs (premiums) on remaining third party contracts. According to *Petroleum Intelligence Weekly*, Oct. 10, shortly after the Shell move to impose the premiums, other majors followed suit, imposing premiums of as high as \$8 a barrel over contract price.

Le Monde, Oct. 11, reported that not only was this practice of imposing premiums on third party contracts exacerbating an oil pricing spiral, but that many of the majors were competitively bidding for spot purchases of crude directly from the Middle East producers. *Le Monde* named Shell, Esso (Exxon foreign affiliate), and Gulf as the most aggressive bidders. At that time United Arab Emirates Oil Minister Mana Saeed Oteiba

publicly urged on the companies not to bid so high for OPEC spot crude.

By the June meeting of OPEC, the Saudis conceded a major defeat to the price hawks by agreeing to a ceiling up to \$23.50 a barrel, while the Saudis kept their oil at a base price of \$18.00. A relative amount of discipline was maintained in the cartel until last month.

Again the British triggered another round of price hikes on contracted oil at the same time that spot prices for crude and petroleum products reached record highs.

The British National Oil Company announced it would raise its prices beyond the \$23.50 OPEC ceiling. Immediately thereafter Mexico announced a jump to \$24.60 a barrel, and Kuwait followed suit. By the end of the month, Libya, Nigeria and Algeria had all broken the \$23.50 OPEC ceiling with numerous other producers in the cartel making price increases just to the ceiling. As French press sources pointed out, this recent spiral in both contracted and spot prices was the result of BNOC's move. With North African crude now selling at between \$26 and \$27 a barrel, BNOC again raised its prices last week to match.

Two weeks ago London made yet another move which added to the speculative pricing spiral on the spot market. The Thatcher government announced that 10 percent of the oil output of the North Sea's largest field would be cut, in order to reduce the flaring off of gas which accompanies the pumping of oil. At that time both Esso and Shell, the field's two prime producers, warned that the effect of the poorly timed move would be to drive the price of petroleum products further up and would only force these companies to make more speculative purchases on the spot market.

capital or short-term movements of funds would, in and by themselves, be most harmful to our financial markets and monetary system. In the affected Middle East oil and capital-surplus countries, any restriction on their investments abroad would probably be accompanied by restriction on their output of oil.

On the need for an international oil alliance

Individual European countries and Japan ... might be tempted to outbid each other in an effort to curry thereby special favors with the Middle East oil producing countries and to secure a privileged position for themselves.

But whatever their motivation, the national companies of importing countries will, in any case, greatly expand their foreign supply operations. While such diversification might or might not provide a modicum of some added supply security, it should be noted that any new ventures would be subject to

fundamentally the same kind of political and economic risks as those of the international oil companies. Only a coordinated approach to energy policy by the relevant importing countries could really prevent such harmful consequences.

Beyond a doubt, U.S. relations with Europe and Japan are in disarray. There are many outstanding unresolved problems on defense, burden sharing, trade policy, the whole range of monetary issues including currency realignments, capital flows, and so on.

Perhaps instead of establishing a grand design which would encompass a resolution of all major contentions and areas of conflicts, it might prove to be more fruitful to proceed pragmatically on an issue-by-issue basis and try to tackle first those problems where the chances of an Atlantic-Japanese policy, or at least of an agreed upon coordinated approach, would seem to be most promising.

According to a source with a Swiss-based spot trading company, the majors themselves have become a strong market force in spot trade. The source named Mobil Oil as one "particularly hawkish force" in the market which has contributed to the pricing spiral.

Following the announcement of a rumored Iranian oil embargo last week, the prices of crude on the spot markets shot up to over \$50 a barrel. The chaos in Iran and the embargo imposed on all U.S. tankers is expected to yield even more oil price jumps between now and the mid-December OPEC price setting meeting.

Cartelizing energy

The U.S. oil companies that have been embargoed by Iran this week will now be forced to buy the necessary margin of oil on the spot market. Industry sources agree that OPEC will impose a base price of \$30 a barrel next month if this spot market price momentum continues. For the first time last week, an official with an OPEC country has also predicted that the cartel would go for the \$30 a barrel price tag as the cartel's ceiling price. Kuwaiti Finance Minister Abdul-Rahman al-Attiqi stated that the \$23.50 OPEC ceiling has already been breached. Similarly, the *Middle East Economic Survey*, a journal known for its close ties to the Saudis predicts that Riyadh will raise its prices from \$18 a barrel to the \$23.50 a barrel level even before the Dec. 17 OPEC parley. Last week, UAE Oil Minister, Mana Saeed Oteiba, during a trip to Jeddah Saudi Arabia, told the press that his country would advocate a price rise since all pricing discipline within the cartel had broken down. Oteiba is known to be a close ally of Saudi Oil Minister Zaki Yamani.

Numerous prominent American bankers, notably H. Thornburg of Security Pacific bank see a major shake out of the oil industry as a result of skyrocketing prices and accompanying tight credit policies. Thornburg predicts that a pattern of acquisitions will begin to occur in which the independents will be bought up by the multinational oil companies.

Within Europe, a similar process will occur whereby smaller state-owned oil firms will be forced out of the spot market unable to competitively bid against the multitis. It is under these conditions that a reintegration process of international energy firms will occur in what the CFR calls the formation of a "multinational oil regime." The horizontal diversification of the multitis to include control over all branches of energy production will become the base of such a regime. The smaller companies both in Europe and the U.S. will be bludgeoned through market chaos into either accepting such a "new reality" or will be bankrupted and bought up.

A speech delivered by the prominent international oil consultant Walter J. Levy, a leading member of the CFR, in March of 1973 foretells the current chaos. At that time, Mr. Levy was preparing Europe and Japan for the 1974 energy crisis and giving the allied nations the critical choice of joining the International Energy Agency. The creation of the IEA in 1974 was a prelude to the current CFR plan to establish the multinational regime.

The economic reality of such a scheme is harsh energy conservation, economic austerity for the industrial nations and the ever-present danger that war may erupt over the oil-rich Persian Gulf.

—Judith Wyer

World economy in for energy shocks

A Ford Foundation sponsored report, titled "Energy: the Next Twenty Years," describes the next two decades of economic chaos that will be caused by repeated energy crises. The following are excerpts.

As we note elsewhere, the most serious and likely energy shocks over the next 20 years will be associated with the world oil market and particularly with the oil-exporting countries in the Middle East. The probability and effects of disruptions in the world market might be reduced in various wars, perhaps including reducing oil imports below what they otherwise would be. But whatever is done, the United States and others will import a large share of their oil for most or all of our 20 year period and will be affected by shock anywhere in the world oil market.

The importing countries must work together to prepare for the kinds of interruptions in supply that are certain to occur—but at times, in places, and for reasons that are unpredictable.

A reduction in the volume of oil flowing into the world market will cause prices on the spot market to leap upward; even if long-term contract prices are honored for the oil exports that continue. By the time the oil makes its way through the system to consumers, it will tend to be priced at this spot scarcity value. Conversely, a sudden increase in the price at which oil is available, even if unaccompanied by explicit limitations on quantity, will result in less oil being purchased. In principle, there is little difference between a reduction in quantity supplied and an increase in price—although given the difficulty of reducing oil use quickly, a small reduction in quantity supplied can be equivalent to a large increase in price.

The North American Common Market bid

Announcing his bid for the presidency on Nov. 13, Republican hopeful Ronald Reagan called for a "North American accord" using language very close to that of a report issued early this year by the New York investment firm of Blythe Eastman Dillon. That report proposed a North American common market for energy. "If I am elected President," said Reagan, "I would invite each of our neighbors to send a special representative to our government to sit in on high-level planning sessions with us, as partners, mutually concerned about the future of our continent."

The Blythe Eastman Dillon report, authored by Standard Oil of California's Kenneth Hill, called for a combined economic, trade and military alliance of the U.S., Canada and Mexico into a single geopolitical "bloc" whose central feature would be the pooling of continental energy reserves between the three nations. Such a common market, or "alliance," corresponds to Britain's strategic goal for the North American continent, a goal which Britain has pursued under various guises since the turn of the present century and which is a major feature of the New York Council on Foreign Relations' "Project 1980s" perspective.

Reagan has joined a long list of presidential contenders who have endorsed this scheme which includes Republican contenders John Connally, Robert Dole, and Howard Baker, and Democrats Edward Kennedy and Jerry Brown. Dissenting Democratic candidate Lyndon LaRouche has called for a full expansion of the U.S. nuclear program and development of controlled fusion for commercial use before the end of the century, a program diametrically at odds with the Common Market plan.

The rapid spiraling of both OPEC contract prices and domestic oil prices in the U.S. and Canada is the cornerstone of the "North American common market" scheme in all its variants. Such price hikes are the primary means of enforcing austerity and "conservation" on both heavy industry and the consumer.

A U.N. sponsored conference on heavy oil held this past August in Calgary, Alberta (the prospective heavy oil capital of North America) was told that a conventional oil price of close to \$70 per barrel may be required for heavy oil to become a profitable investment.

Tar sands and other heavy oil development is one of a diversified "mix" of energy modes in the common market scheme. The billions of dollars of investment

spent in expensive extraction and refining procedures in Alberta's Athabaska fields and elsewhere will guarantee that nuclear development is contained on an equal footing with solar, wind and other low-energy modes.

Other features of the CFR's continental energy policy include emphasis upon a shift from oil to natural gas dependency and development of expensive offshore oil pools in the Canadian Arctic and in the icy waters off the coast of the Canadian maritime provinces. The proposed \$15 billion Alaska natural gas pipeline agreed on last year between the U.S. and Canada as well as an array of other continental natural gas pipelines constitute a major aspect of this perspective.

Senator Kennedy called for a North American natural gas common market in January of this year with "minimum government interference." At the same time, Lazard Freres' Frank Zarb, the energy adviser to most of the Republican Party presidential contenders, cited the recently concluded U.S.-Mexican natural gas deal at the record price of \$3.65 per thousand cubic feet, as a major opening to a natural gas price spiral in the 1980s.

The three routes to the Common Market

Britain's approach to achieving a North American energy and trade bloc by the mid-1990s is currently being pursued via three seemingly contrasting approaches. The "hard-line" approach typified by Reagan and the original Blythe Eastman Dillon proposal calls for a political union between Canada, the United States and Mexico with emphasis upon militarizing the entire zone under NATO dominion. Northern Telecom's Robert Scrivener exemplifies this approach on the Canadian side. Scrivener is linked to the circles behind both the Connally and Haig candidacies in the U.S. through his position on the board of U.S. Steel.

The softer approach, typified by Kennedy and his chief energy advisor Arnold Safer, proposes that the same policy objective be pursued by means of "case-by-case" energy cooperation agreements between the U.S. and its neighbors, rather than a formal treaty between those governments. For different reasons, both the Joe Clark government in Canada and the Lopez Portillo government in Mexico are opposed to any form of blanket continental energy pact. Soft-liners such as Safer are confident that a "case-by-case" approach based upon reciprocal benefits to both Mexico and Canada can dupe the Mexicans and at the same time allow Clark to save face before Canadian independent conservative layers while he "sells out" Canadian energy reserves to the U.S.

A third approach, regional energy planning, is perhaps the most in keeping with Britain's ultimate policy aim and is in the most advanced stage of implementation. This is typified by the Energy Corporation of the Northeast (ENCONO), endorsed in August by incom-

ing Department of Energy Secretary Charles Duncan and heavily promoted by New York State Governor Carey, the Conference of New England Governors and Canada's Hydro-Quebec.

The ENCONO perspective of a Northeastern "nuclear free zone" was given a boost by the opening of the massive James Bay hydroelectric project in Quebec. Electrical imports from Quebec to the Northeastern U.S. are hailed by "common market" advocates as a substitute for dependence upon foreign oil imports.

The recent appointment of former Maine Governor Kenneth Curtis as U.S. Ambassador to Canada is geared to consolidating a trade and energy "free zone" between the U.S. and Canada on a Northeast regional basis. Curtis was a staunch proponent of such a perspective during his chairmanship of the New England Governor's Conference in the 1960s and early 1970s.

—Peter Wyer

Legislating war on energy development

Beginning in the late 1960s, the New York Council on Foreign Relations launched an assault on industrial growth in the United States using energy as the weapon. The core of the strategy has been to pass environmental, and non-proliferation legislation. These bills have in fact choked industrial expansion by forcing grossly higher energy prices and lower production of fossil fuel and nuclear resources. The following are highlights from this legislative warfare.

1970

The National Environmental Policy Act set up the Environmental Protection Agency which, with its restrictions, regulations, and demands for "impact statements," has done more to cause the current world industrial recession and monetary inflation than probably any other single government agency except the U.S. Federal Reserve. Coming under the agency's auspices is offshore oil drilling, refinery construction, and nuclear plant siting and construction.

1978

The Nuclear Nonproliferation Act of 1978 (the Percy-Glenn Bill) as passed by Congress, imposes a ban on nuclear technology export under the rubric of controlling weapon proliferation. The bill was based on a study released by the Ford Foundation titled "Nuclear Policy: Issues and Choices." Under this bill, the link between the fast breeder, reprocessing and nuclear plant technology, and weapons was legislatively accepted,

forcing conventional nuclear reactor costs skyward because of the choke on uranium-plutonium fuel availability.

The National Energy Program was announced by the Carter administration as the "moral equivalent to war." While the key tax provision, the Crude Oil Equalization Tax, has been blocked in the Senate, portions of this forced conservation, antiproduction strategy, notably the Natural Gas Policy Act have passed and Energy Secretary Schlesinger's scuttling of the Clinch River Breeder Reactor went unchallenged. The Natural Gas Policy Act created a maze of regulatory restrictions, defining no less than 18 categories of natural gas and placing federal price controls on interstate natural gas.

1979

The Camp David Energy Program was announced by Carter. Its central assumption is that the world has reached a limit in energy growth, that nuclear is "scarcely viable" and that we must "bite the bullet" of forced energy austerity. The centerpiece of this package is a reworked version of the Crude Oil Equalization Tax, now called the Crude Oil Windfall Profits Tax which has passed the House and is likely to pass the Senate in a modified form by December.

It imposes a tax on new oil production which will generate between \$142 and \$300 billion over the next decade. Funds for energy production will be conduited instead to various welfare subsidies, social programs and conservation incentives, as well exorbitant conventional and synthetic fuels programs. The bill is tantamount to a subsidy to the major multinational oil companies which have shifted their corporate profiles to high cost categories of fuel production. The multinationals have made huge third quarter profits off their foreign marketing operations and spot market speculation. As Jack Allen, head of the Independent Petroleum Association of America (representing the smaller oil producers who do the bulk of domestic drilling) stated, the Windfall Profits Tax "will not lay a glove on international oil profits."

The Energy Security Reserve Act, known as the Jackson bill, passed the Senate this past week. It calls for a government-private sector Synthetic Fuels Corp. and would set up a synthetic fuels boondoggle funded at \$19 billion until 1985 and \$68 billion afterwards to create a synfuel industry that will produce no more than 1.5 million barrels a day of domestic sludge from coal or oil shale. The bill must now be reconciled to a different House version of the bill. As unpublicized Department of Energy Studies show, this synthetic fuel may be worthless after all. Synfuel from coal forms corrosive gum and thickens with age making it useless as a high-grade transportation fuel.

—Bill Engdahl

NUCLEAR SHUTDOWN

Gutting high technology

The men who run the Carter administration have embarked on a plan to shut down nuclear power in the United States for good. With it goes any potential for the U.S. to participate in the development of the Third World through nuclear and other high-technology exports. This plan is not the outcome of the so-called accident at the Three Mile Island nuclear power plant in Harrisburg, Pa. It is not the implementation of recent recommendations concerning "nuclear safety." This plan has been on the drawing boards at the New York Council on Foreign Relations for at least five years.

It is the Council's strategy which informed the official and unofficial conclusions of the recently released report of the President's Commission on Three Mile Island. Using that report as their pretext, the Nuclear Regulatory Commission has already declared a "temporary" moratorium on the licensing of seven nuclear plants about to come into operation. Bolstered by a study commissioned by the National Security Council, the NRC is also seriously considering a President's Commission recommendation that all nuclear plants located within 10 miles of a major urban center be shut down. The NRC has also 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 a vital cancer, medical diagnostics and treatment program associated with waste disposal facilities.

On top of the NRC's target list are the nation's flagship utilities like Con Edison in greater New York and Commonwealth Edison in Chicago, both of which rely heavily on nuclear power plants close to city limits. Con Ed's Indian Point plants now provide over 25 percent of the electricity used in New York City and suburban Westchester County. Commonwealth Edison's two Zion plants now produce 15-20 percent of all electricity for Chicago and northern Illinois. If it *could* be replaced by oil-produced electricity, the cost to customers would be in the hundreds of millions of dollars.

It is no mere coincidence that the NRC's plans to shut down nuclear facilities converge with the policies of Federal Reserve Chairman Paul Volcker, high-inter-

est policies which are gutting the auto industry, construction, savings banks, and the municipal bond markets. It is also consistent with such plans as ENCONO which call for "regional energy self-sufficiency" based on a transfer of masses of the population out of the cities and replacement of high-technology industry and energy resources with biomass, wood chips, and other labor-intensive sources. The cities are to be gutted.

As with the oil hoax, described earlier in this energy report, the Nuclear Regulatory Commission is operating according to plans outlined by the New York Council on Foreign Relations in its "Project on the 1980s." One of the members of the President's Commission, Princeton professor Ted Taylor, was an author of the volume on nuclear proliferation in the "Project 1980s" series. According to that project, the United States and the entire world are to be subjected to "controlled disintegration." Modern urban centers, nuclear power, and high technology economic growth are all inconsistent with the CFR's blueprint for the future.

An international shutdown

The center of the current campaign against nuclear power is the report of the President's Commission which was appointed to evaluate the results of the Three Mile Island accident. The details of that report are presented below. Here we emphasize two points. First is the makeup of this so-called unbiased commission.

The President's Commission was comprised of Chairman Kemeny from Dartmouth College, Texas Instruments President Patrick Haggerty, Arizona Governor Bruce Babbitt, and Princeton professor Ted Taylor. Along with Taylor, Haggerty also has CFR connections as a member of the board of the Trilateral Commission, a CFR subcommittee.

Second is the Kemeny Commission's recommendations: that no utility can be expected to properly run nuclear plants and that no plant should be licensed in a region until a thorough evacuation plan has been worked out for the population.

As *Executive Intelligence Review* documented at the time of the Three Mile Island accident, such plans for evacuation are the touchstone of the National Security Council's plans for setting up emergency dictatorial

control over the U.S. economy through "crisis management." The Federal Emergency Management Agency went into operation at the time of the Three Mile Island "accident" to begin implementing these plans under NSC supervision.

One week before the Kemeny commission released its report, the National Security Council came out with the results of its major study on nuclear energy. Headed by former Rand Corp. President Henry S. Rowan and "nuclear terrorism" expert Albert Wohlstetter, the report concluded that the Carter administration should continue to stall the development of the breeder reactor in the interest of stopping nuclear proliferation. This study was then echoed by NRC Commissioner Victor Gilinsky, another former Rand "expert," who claimed that all nuclear reactors pose the threat of nuclear terrorism because they all breed plutonium.

Implementation

No time has been wasted by the administration in implementing the recommendations of the Kemeny Commission report.

NRC official Harold Denton has announced that

the commission will not grant any new operating or construction licenses until after a "pause" for adopting a new, tougher set of siting, safety, and emergency standards for plants. Morris Udall of Arizona, Gary Hart of Colorado, and Sen. Edward Kennedy have all supported this action.

The NRC has told the *Washington Post* that it will either shut down or severely restrict licensing at Con Edison's Indian Point plant in New York and Commonwealth Edison's nuclear facilities in Chicago.

And on Nov. 5, NRC Chairman Joseph Hendrie confirmed in congressional hearings that plans were indeed formulated to shut down plants near populous areas.

On the nuclear waste front, U.S. Energy Secretary Duncan has set up an interagency study group to consider reopening government controlled sites—but only for low-level medical wastes. Appointed to head the Justice Department's hazardous waste unit is Anthony Roisman, who formerly headed the legal staff of the Natural Resources Defense Council, a leader in the effort to sabotage the completion of the Seabrook nuclear power facility in New Hampshire and other nuclear plants.

A planned phase-out of nuclear power

The ongoing shutdown of the U.S. nuclear power industry has nothing to do with a desire for nuclear safety stemming from the so-called accident at Three Mile Island near Harrisburg, Pa. The New York Council on Foreign Relations planned the shutdown before Jimmy Carter was installed in the White House.

Theodore Taylor, a member of Carter's presidential commission on Three Mile Island, spelled out the plan in black and white as part of the CFR's "1980s Project" series advocating "the controlled disintegration of the world economy." Stating that many more nations would inevitably develop nuclear weapons if nuclear fission plants and plutonium reprocessing were developed as peaceful energy sources, and that solar power could meet energy demand. Taylor announced the CFR's intention to give "One World" supranational agencies the power to prevent any nation from maintaining a nuclear power industry.

In the "1980s Project" volume, titled "Nuclear Proliferation: Motivations Capabilities and Strate-

gies for Control" and published as Carter took office in 1977, Taylor wrote the following:

"In the context of a *planned phaseout of nuclear power*, in which the use of recycled plutonium is rendered unnecessary, a safeguards strategy compatible with our principles can most practically be founded on a simple international convention that spent fuel not be reprocessed *anywhere* for plutonium recovery, except possibly at a few international centers under international control. *Such a scheme has an attractive simplicity...*

"On balance, we believe that a once-through system evolving into a *planned phase-out of fission power* could be effectively safeguarded with an international will to do so...

"The prospects are excellent that *solar energy* can be developed and implemented on a large scale in a period of time comparable to that required to develop fully safeguarded breeder systems.

"... The system we have outlined resembles the modified version of the Baruch plan for the international control of nuclear energy that the United States submitted to the United Nations in 1946...

"As we have insisted in this study, *any energy future that we choose will be difficult and painful*" (emphasis added).

The report of the President's Commission

While the Carter administration has consistently pursued a policy of sabotage of nuclear power, the centerpiece of this more recent campaign is the President's Commission to Investigate the Three Mile Island Accident and the report it released on Oct. 30.

There should be a moratorium on nuclear plant construction was the all but stated conclusion of the report. The week before, commission members voted at least twice on whether to officially recommend a nuclear moratorium. It passed both times with a 6-4-2 and 6-3-3 margin, but was not included as a recommendation in the report (seven "yes" votes were needed). The "secret vote" translated into front-page headlines: "Kemeny Commission Backs Nuclear Moratorium." Within the week, the NRC was acting on the official—unofficial—recommendations of the commission.

Nuclear moratorium and the gutting of nuclear and

other high-technology industries are what informs the Kemeny Commission's major conclusions and criticisms concerning the Three Mile Island incident. The facts of the matter are applied only if appropriate.

The Nuclear Regulatory Commission, an independent agency headed by five commissioners, should be abolished and replaced by an executive branch agency with a single executive. This is based on what the commission calls "evidence that some of the old promotional (nuclear) philosophy still influences the regulatory practices of the NRC." They raked the NRC over the coals, concluding "that there is no well thought out integrated system for assurance of nuclear safety within the NRC."

A permanent presidential oversight committee should be established to continuously monitor the performance of both the new federal agency and the private companies that design, construct, and operate nuclear reactors. The Kemeny Commission blamed the Three Mile Island incident on the incompetence and/or bad organizational practices of the utility, the reactor manufacturer, equipment suppliers and others. "Our investigation has revealed problems with the 'system' that manufactures, operates, and regulates nuclear power plants. There are structural problems in the various organizations, there

The Kemeny Commission

The Presidential Commission on Three Mile Island—the Kemeny Commission—has been presented by the Carter administration as an unbiased, objective panel well-qualified to evaluate the strengths and weaknesses of the U.S. nuclear energy industry. But at least three members of the commission are avowedly anti-technology, unqualified to deal with any scientific issue. Here are their backgrounds.

John Kemeny, chairman, is currently president of Dartmouth College and has a reputation as a mathematician based on the fact that he was once a research assistant to Albert Einstein. For 17 years, from 1953-70, he served as a consultant to the Rand Corp. These latter two aspects of Kemeny's intellectual background suggest he has been influenced by the tradition of philosophical fraud Bertrand Russell, who systematically denied that man possesses creative mental capabilities.

Theodore B. Taylor, currently works at Princeton University's Center for Environmental Studies, which has produced studies for Congress "proving" that economic growth is possible without increasing energy supplies. Taylor is a publicist for nuclear

terrorism scenarios, spreading the false notion that any bright physics student can build an atom bomb in his basement. Taylor has worked on the Ford Foundation's Energy Policy Project and authored one of the Council on Foreign Relations "Project 1980s" series, both of which advocate a phaseout of nuclear in favor of low-energy economic models.

Patrick Haggerty, general director of Texas Instruments along with Gen. Alexander Haig, was, from 1973-76, a member of the Trilateral Commission subcommittee of the Council on Foreign Relations, which put Carter in the White House. Haggerty's fellow Texas Instrument executive Fred Bucy has served on National Security Advisor Zbigniew Brzezinski's panel restricting exports of "sensitive" U.S. industrial technology. Haggerty himself has served on the Defense Science Board, which performs a similar function.

Victor Gilinsky, appointed to the Nuclear Regulatory Commission in 1974, is a member of the London-based International Institute of Strategic Studies. A ten-year man at Rand Corp., he subsequently assisted James Schlesinger in his 1971 reorganization of the Atomic Energy Commission, focusing on its regulatory staff. Gilinsky is known as the most anti-nuclear member of the NRC.

are deficiencies in various processes, and there is a lack of communication among key individuals and groups.”

“The most serious ‘mindset’ is the preoccupation of everyone with safety of equipment, resulting in the downplaying of the importance of the human element. The NRC and the industry have failed to recognize sufficiently that the human beings who manage and operate the plants constitute an important safety system.”

Before any utility is granted an operating license for a new nuclear power plant, state and local emergency plans should be reviewed and approved by the federal government. States the Kemeny report: “We are disturbed both by the highly uneven quality of emergency plans and by the problems created by multiple jurisdictions in the case of a radiation emergency. We found an almost total lack of detailed plans in the local communities around Three Mile Island.

“We favor the centralization of emergency planning and response in a single agency at the federal level with close coordination between it and state and local agencies”—a recommendation to put the Federal Emergency Management Agency in charge.

A variety of changes should be made in the recruiting and training of reactor operating personnel, in the instruments available to help operators understand the condition of reactors and the availability of equipment to measure the accidental releases of radiation. It was the commission’s view that it was the operator error, confusion and misjudgment that were primarily responsible for the nuclear incident. “These shortcomings are attributable to the utility, to suppliers of equipment, and the federal commission (NRC) that regulates nuclear power.”

The entirety of the conclusions are a call to dismantle the nuclear industry. Such findings in fact ignore the evidence of sabotage baldly evident in the text of the report: there is a “remote possibility” that the emergency feedwater valves that failed to deliver water to lower the reactor core temperatures “were closed by an overt act,” states the report. The commission, however, made no effort to investigate.

The importance of these closed valves during the initial phase of the accident was presented in an earlier report in *Executive Intelligence Review*, which reviewed the Nuclear Regulatory Commission’s report on its investigation of Three Mile Island. That investigation showed that the closure of these valves caused particular pressure, temperature, and pressurizer level conditions in the reactor that led the plant operators to act essentially opposite to how they should have acted.

In a recently released report on the same incident, published in the November 1979 issue of the IEEE magazine *Spectrum*, Babcock and Wilcox, builder of the reactor, agreed, adding that the loss of emergency feedwater flow was important. “Had there been auxiliary (emergency) feedwater in the system, the tempera-

ture of the reactor coolant might have remained relatively stable until the problem of the condensate pumps was corrected and the normal feedwater reinstated.”

Both the NRC and the Kemeny Commission knew of this situation. Three different investigations have concluded that the emergency feedwater valves were closed by someone. But this is the line of investigation both have chosen not to pursue.

Instead, the Kemeny commission investigation focuses on what went wrong after the incident started, and why they think the operators, the owners, the manufacturer, and the NRC had “so much trouble” dealing with the “accident” once it started.

So the Kemeny commission concludes that the nuclear industry is a mess. Because of the conditions created by the mess, commission members, no friends of nuclear, were “convinced that an accident like Three Mile Island was eventually inevitable.”

The Kemeny commission had to admit that the Three Mile Island incident posed no danger to the public. Yet they recommended evacuation plans—a recommendation picked up by NRC Chairman Hendries when he informed a congressional committee of plans to shut down two Indian Point nuclear plants near New York City and two Zion units near Chicago.

After asking themselves just how serious was the accident, the commissioners answered: “Based on our investigation of the health effects of the accident, we conclude that in spite of serious damage to the plant, most of the radiation was contained and the actual release will have a negligible effect on the physical health of individuals. The major health effect of the accident was found to be mental stress”—for which the residents of the area around Three Mile Island have the nation’s press to thank. So why the evacuation plan if there is no physical danger?

Then there is the recommendation of a presidential oversight committee to monitor the nuclear industry. Is the nuclear industry not capable of understanding the science and technology of nuclear? “The analysis of this particular accident,” states the Kemeny report, “raises the serious question of whether all electric utilities automatically have the necessary technical expertise and managerial capabilities for administering such a dangerous high-technology plant.”

Therein lies the basis upon which the commissioners, two of whom are associated with the New York Council on Foreign Relations, determined what they would investigate and, in fact, what they would recommend. Nuclear and other high technologies are “dangerous.”

The Kemeny Commission has not determined Carter administration policy toward nuclear. Rather, the commissioners are carrying out a policy formulated some years ago to destroy the high technology base of industry in the U.S. and the world.

—Jon Gilbertson

Freeze of Iranian assets starts Eurodollar market crash

The gross error in the prevailing view in American financial circles that the U.S. freeze on Iranian assets will not lead to wider disruption of the international markets may be summed up this way: the threat of a Eurodollar market crash is not the necessary outcome of last week's actions, but the same forces who promoted those actions are also promoting a Eurodollar crash.

What should have tipped Wall Street off to the nature of these events is the British government's first public commitment to launching a "petro-pound." That means returning the pound sterling to major reserve status by diverting OPEC oil revenues away from both the dollar and Western European currency alternatives.

This commitment was made, among other ways, in the form of a Nov. 14 briefing by the British Treasury to the *International Herald Tribune*. The Treasury reported that the Thatcher government would reject any possibility of a link between sterling and the European Monetary System, the gold-backed currency alliance of the other eight European Community members, because sterling's prospect as a "petro-currency" put it in a "different race."

Previously, the "petro-pound" project had been the scheme of Britain's Mont Pelerin Society delegation, represented by the *Financial Times'* Samuel Brittan in public print. Such an extraordinary development could only take place under conditions of politically motivated market disruption, in which British influence among "radical" OPEC nations led to a significant flow of fugitive reserve assets into the world's most bankrupt currency.

The British commitment is now a matter of record. In interviews appended to this report, two officials of the International Monetary Fund's semi-official "consultative group," the so-called Group of 30, lay the matter out in sufficiently stark terms. The officials are Schroeders Bank director Geoffrey Bell, the group's founder and Executive Director, and former *London Banker* editor Robin Pringle, the head of its New York office. Bell and Pringle support the "petro-pound"

scheme, and assert that there can be no progress in monetary reform without a crash first.

It is important, when examining these documents, to remember who the speakers are. Bell is the inventor of "currency reserve diversification," as the financial adviser to a large number of central banks, including Venezuela's. The reduction in the dollar share of OPEC deposits from over 85 percent to about 75 percent over the past year is in large measure Bell's work.

The Group of 30 itself is now the policy control center for the Bank for International Settlements (through BIS official Alexandre de Lamfalussy) and the reigning influence over most of the leading countries' central banks. They are pushing for a crash.

The Bank of England began an overt power grab today by raising its Minimum Lending Rate from 14 to 17 percent, and extending for six months the "Corset," or credit restrictions on banks, that was to have expired in December. British bankers point out that these controls apply only to domestic lending, and will actually encourage lending of sterling abroad—sterling's first use in years as a reserve currency.

Among other side effects, the British interest rate squeeze virtually ensures that the United States will go through another round of credit-tightening, and probably within the next week. All statements to the contrary, including Volcker's suggestion Nov. 13 that the Fed might mitigate its constrictions on money supply growth in order to take into account the rise in oil prices, should be read as deception.

The likely course of action by the Fed—and by far the worst for the United States economy—is a plan floated in the November issue of the *Morgan Guaranty Survey* and other locations for a "floating discount rate." Under this plan, the discount rate would be pegged one half of one percent below the highly volatile Federal Funds rate, the rate at which banks lend each other excess reserves overnight. That would do more, through uncertainty, to choke off bank lending than a considerably larger interest rate increase.

Elsewhere in this issue of *EIR*, it is documented that

Iranian "foreign minister" Bani-Sadr is a British intelligence operative, and that his stated intention is to provoke a world economic crisis. However, Bani-Sadr's actions have been much less effective in reaching that goal than those of the White House and the Treasury. By themselves, the \$6 billion or less of Iranian official holdings in the United States (and at foreign branches of American banks) are not much bigger than the \$4 billion money supply gaff caused by Manufacturers Hanover Trust's October reporting to the Federal Reserve. Numerous banking sources point out that if the Iranians had merely withdrawn their deposits and placed them in European banks, the dollars would have flowed back into the general Eurocurrency deposit pool, and would have been accessible to the American banks.

Now the Treasury has set off a chain reaction of defaults which form a model for a potential shutdown of the Eurodollar market. One major declaration of

bankruptcy by a developing country debtor could provoke a general seizure of national accounts.

The prime candidate for such a declaration is Zaire, now the subject of several sets of loan negotiations. The Zaire case parallels the circumstances of the Treasury's move. Some of its creditors, the Belgian monarchy in particular, have more interest in dissolving that country than in reclaiming their loans (see below).

Because of the seizure of their American assets, the Iranians had already begun to default on payments to European banks as of Nov. 15, according to well-placed European official monetary sources. Iran has between \$3 and \$5 billion in loans from European banks. Even though European governments have no intention of acting in accord with the American Treasury—a point emphasized by Chancellor spokesman Armin Gruenewald in Bonn today—European banks are being forced to freeze Iranian deposits in order to cover outstanding

Schröder Bank: The purpose is to slow lending

In a November 14 interview with Executive Intelligence Review, Schroeder Bank director Geoffrey Bell effectively admitted that his bank's strategy is to use the Iranian crisis to promote the downfall of the dollar as the world's primary reserve currency. Bell is also executive director of the "Committee of Thirty," an elite group which is planning the reorganization of the world monetary system.

EIR: *What do you think about the reports that the U.S. seizure of Iranian assets in U.S. banks may force the Iranians to default on their debts to European banks, which in turn may force the Europeans to freeze Iranian assets in their banks as well?*

Bell: I think the Iranians probably will default. However, they may decide to default on their debts to the U.S. banks alone. Should they default on others, then every bank could seize Iranian assets. What does this lead to in international markets? It certainly won't make investors any more confident.

EIR: *Isn't there a possibility that other OPEC countries, say Kuwait or Venezuela, might be afraid the U.S. could seize their assets, too, and start transferring their funds out of U.S. banks in the Euromarket?*

Bell: That's possible but it won't necessarily lead to a major crisis. Suppose Kuwait were to transfer Eurodollars from a U.S. to a German bank. The German bank will deposit the funds back on the Euromarket

where the American bank can borrow them back on the inter-bank market. Nothing really changes. But if Kuwait decides to sell its dollars for other currencies, well, that's a problem.

EIR: *Isn't conversion into other currencies the most likely scenario should other OPEC countries decide to transfer their funds out of U.S. banks?*

Bell: Yes, but I advise a lot of governments, and it's not at all obvious that they would get out. ... If countries like Kuwait started shifting even a relatively small portion of their holdings out of dollars, they would risk a collapse of the dollar which would destroy the value of their holdings.

EIR: *The International Herald Tribune reported today that the British government has decided not to join the European Monetary System because it believes the pound sterling should develop along other lines as a "petro-currency." Do you think the pound is once again emerging as a reserve currency?*

Bell: I think it's already becoming a reserve currency as the lifting of exchange controls shows. I welcome that decision by the British government not to join the EMS and make the pound a "petro-currency." I've supported this for some time.

EIR: *I think you've been on record as supporting an "orderly" diversification out of the dollar.*

Bell: That's right. The quicker we get through this transitional period and make the dollar a *primus inter pares*, alongside the pound, the deutschemark, the yen, and the Swiss franc, the better. The Japanese are now for this. The Germans are not. I would like to see the Germans and everyone else offer facilities outside the

loans that the Iranians will repudiate, *de facto* or *de jure*.

The automatic default of the Iranian government to American banks also activates "cross-default" clauses under which European banks who participated in syndicated loans to Iran along with American banks are compelled to declare Iranian credits in default if their American co-lenders do.

The legal status of Iranian deposits in the foreign branches of American banks is also unclear, and bank legal officers were working out opinions furiously after the White House announced the assets freeze. The fact is that the assets have been frozen, whether it is legally acceptable or not. American bankers report that the Bank of England has given assurances to the Treasury before the White House acted that it would go along with a freeze on Iranian official assets by American banks in London.

Although the freeze came under a 1976 update of the old Trading With the Enemy Act, the Treasury is prepared to use the Sovereign Immunity Limitation Act of 1976 if necessary—a measure shoved through Congress at the close of the Ford Administration enabling American banks to seize the foreign assets of their debtors on the authority of American courts.

According to Treasury General Counsel Sentos in an interview with *EIR*, the Treasury is continuously monitoring the placement of assets of foreign governments, in cooperation with the World Bank and IMF, and is prepared to employ the sovereign immunities legislation should conditions demand it. This identifies the Iranian asset seizure as less of an operation against the Teheran regime than a preparation for a much more general takeover of the resources of Third World countries.

The New York banks played right along. Their

foreign exchange markets so that investors can diversify out of dollars without disrupting the markets.

EIR: *Isn't there another possibility—that OPEC and EMS countries might get together to establish a gold-backed system, in which the European Monetary Fund would recycle the petrodollars into Third World projects to create export orders for European industry?*

Bell: Oh no. I can't see anyone seriously contemplating that. As for gold, the one thing asset holders have learned is it's risky to have assets in any one unit or currency. The Iranian situation proved this.

EIR: *I understand the central banks are working with the Bank for International Settlements (BIS) to set up capital ratios and limit Euromarket lending and that private banks will be told they can only lend "X" percent of their capital to a given country.*

Bell: This is true in part but there is no intention to limit lending by country. I happen to be a close friend of the head of the BIS committee running this—Lamfalussy (an economist who is also associated with the Banque Bruxelles Lambert—AR), and I just talked to him. The whole purpose is to slow down lending but no one dares to say which country will be cut back how much. The BIS merely sets general policy and it is up to the banks how much individual countries are affected.

EIR: *But the U.S. Controller of the Currency Heymann was quoted in Business Week as saying that individual countries were being singled out . . .*

Bell: I just talked to Heymann yesterday. That's not exactly true. You've got to be very careful about how you phrase this.

Group of 30: need a crisis to get action

The following excerpts are taken from a Nov. 9 interview with Robin Pringle, director of the "Group of 30" and former editor of the London Banker.

Pringle: You have these oil prices coming along now and people are looking at it in different ways. Some people say this is the last time that you would want to put controls on—that's just because the Eurocurrency market is expanding too rapidly, it doesn't mean these countries won't need these funds.

Q: *What is your timing on elaborating such measures before we get into real trouble?*

Pringle: Oh, I'm not at all sure they can be prevented from getting into real trouble. The last time around there were tremendous worries about the developing countries' debts. Of course it's much different now. The banks are much more lent up. The substitution account would take at least two or three years to put into place. We need to get a crisis first to get people to act later. The central banks cannot get together and do all that is necessary despite their divisions before a crisis. We must see what their reaction is to what Charles Kindleberger called "panic or crisis." They have not used preventive medicine in the past and that hasn't changed yet. The commercial banks, for example, they are acting on the basis of experience not on the basis of fear and concern. If they act on the basis of fear and concern they might act differently.

Iranian deposits are slightly larger than their loans to Iran. Chase Manhattan Bank has precisely \$500 million in Iranian deposits—slightly more than most press accounts estimate—and \$340 million in loans to Iran. The deposits are mainly concentrated in New York City, with a portion in London, Paris, and Nassau. Reportedly, Citibank's position is roughly the same. Immediately upon the Treasury's announcement, the banks simply took over Iran's deposits, covering themselves financially, but setting up conditions that could bring them down flat later.

Europe's view

If Walter Wriston had given his Nov. 14 press conference in any Western European city, and insisted that there would be no spinoff effects of the Treasury action, he would have been laughed away from the microphone. Europe is preparing for a crunch.

The Nov. 15 editorial of the *Frankfurter Allgemeine Zeitung* reflected West German banking estimates; it predicts a real estate market crash and a wave of third world defaults:

"Can there be any doubt (*FAZ* writes of the American economy) that there will be distress sales and bankruptcies? The pinch of high-cost money can be found not only in America, but out in the world, and above all in the Eurodollar market. A large part of the gigantic credit pyramid of almost \$500 billion is running on a roll-over basis. Lenders are beginning to ask themselves anxiously how long a series of heavily indebted countries, for example in South America, Africa, and Asia, will be able to bear such a heavy interest burden."

FAZ continued:

"Indeed, these difficulties will grow with every month. First off it must be decided whether new credits will be given to developing countries which are heavily in debt. But many debtor countries have already made clear that if they are denied credits, they will very likely be unable to meet their interest payments."

All the rest is rumor. Two Kuwait newspapers reported Nov. 15 that it was likely that some of the radical Arab states might take action in imitation of Iran, and pull their assets out of U.S. or even Western European banks. Whether this happens, or whether Iran demands foreign currency payments for oil immediately, or any number of similar rumors bears out is not of special interest at this time. The great danger is that the Group of 30 and similar institutions are pushing the world financial system rapidly into a state where any of these options are possible, under the general rubric of "controlled disintegration."

—David Goldman

Zaire: a case study in credit shutdown

The people who are running the Iran crisis to destroy any linkup between the European Monetary System and OPEC are preparing a sequel: a southern Africa crisis. A London-Johannesburg-Brussels axis is now in the process of provoking this follow-up. One of the principals, Bank of England advisor Sir George Bolton, expressed his objective for Africa's future in a January, 1979 speech to the Institute of Bankers in London: "As the veneer of the educated elite wears off," he said, "there seems little hope for Africa south of the Sahara but to return to tribal anarchy."

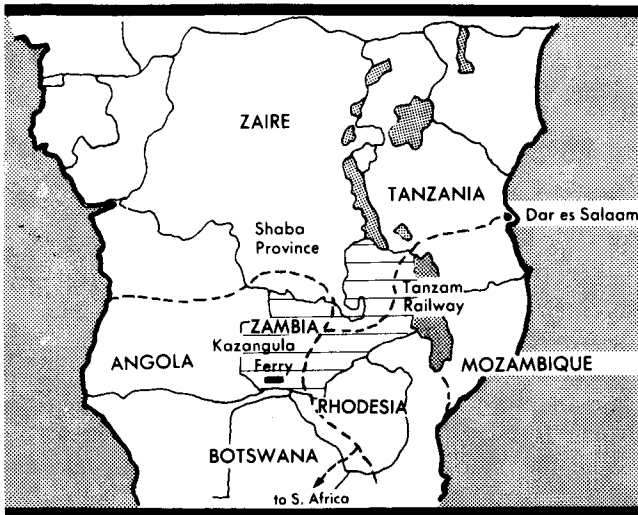
Bolton, also a director of the London and Rhodesia Mining Corporation (LonRho), is allied with the houses of Hapsburg, Rothschild, and Oppenheimer, which dominate mining and finance in southern Africa, in a coordinated campaign to isolate and economically "flatten" every country in the region. Zambia, landlocked, facing famine, and in economic chaos, has been physically isolated from the rest of the world by Rhodesian bombing of its infrastructure; Tanzania, facing bankruptcy, is the victim of an international campaign—directed by Bolton—to cut off all credit lines, and has reportedly already been cut off by the International Monetary Fund; Angola is the target of regular and heavy South African raids against its infrastructure and industry.

A statement on the South African raids by Angolan Ambassador to the EEC Luis de Almeida actually summed up the purpose of the regional campaign: South Africa aims, he said, "to create instability and keep us poor and isolated..." Their main fear, he added, is Western rapprochement with, and investment in, Angola.

But above all, it is Zaire whose utter destruction as a nation exemplifies the deliberate evil now being organized out of London, Brussels and Johannesburg.

Zaire:

The current round of financial negotiations between Zaire and its public and private creditors—the latest in a series which have gone on since 1976—is a hoax. The creditors have no intention of refinancing the chronically ailing country. These charades included a meeting last week of the "London Club" of commercial creditors, a tentatively scheduled meeting of the "Paris Club" of public sector creditors, and a Nov. 28 meeting of the



“Brussels Three”—Société Generale (Hapsburg), Banque Bruxelles Lambert (Rothschild) and Kredietbank. The latter meeting will hear a report from Lazard Freres, Kuhn Loeb and S.G. Warburg on Zaire’s overdue debt service.

Zairean President Mobutu Sese Seko is hoping to get a rescheduling of Zaire’s estimated \$1.7 billion in arrears and some new credit out of these meetings. His counterparts, however, have no intention of granting anything, either because the U.S. tight-money policy makes it impossible; because they have despaired of getting it back; or because they have decided that Zaire should have no future.

The immediate result will be a reign of disease, starvation, and disintegration far worse than even the current hellish conditions, making the bloody anarchy of the 1960’s Belgian Congo look mild in comparison.

Preempting France

The timing for this disintegration is precise: There are already rumors that the French government of President Valery Giscard d’Estaing, which has attempted to keep Zaire stable and whole for the past four years, is ready to back the imposition of serious and constructive reforms in the country. This would involve, in particular, the cleaning out of the corrupt ruling clique which gravitates around President Mobutu, other changes in the government and the return of the sizeable number of educated—and honest—Zaireans now overseas.

The difference between the mooted French moves and the IMF and Belgian moaning about Zairean corruption is that the French backed reforms would not involve starving the Zairean population—they would involve a cleanup and new credit for development. Another difference is that Count Otto von Hapsburg’s Union Minière, which moans about the corruption in Zaire, is responsible for a large part of the corrupt payoffs, in order to retain Union Minière’s marketing

rights for Zaire’s copper production. This was pointed out in the March 16 edition of *Le Figaro*, by correspondent Jean-Marc Kalfleche, who often reflects the views and policy ideas of the Elysée Palace.

Von Hapsburg has ensured that Zaire has not gotten any credit since it first got into trouble in 1975. In 1976, Irving Friedman, Senior Vice President of Citibank, a major private creditor, tried to put together a \$250 million credit package. This would have effectively rolled over Zaire’s arrears while retaining their credit rating for new money. As the package was taking shape in late 1976 and early 1977, Zaire was hit with the first invasion of Shaba province—the copper mining center—by the “National Front for the Liberation of the Congo.” The guerillas were exiles, or the children of exiles, who had formed the gendarmes of Shaba (then called Katanga) which seceded from Zaire (then called the Congo) under the sponsorship of von Hapsburg’s Union Minière in 1961. When the secession was put down, the gendarmes fled to then-Portuguese Angola where many of them worked in the private army maintained by Harry Oppenheimer’s Anglo-American Corporation, guarding the corporation’s diamond mines.

Undaunted after the first Shaba invasion in 1977, Friedman tried to put together the loan for Zaire. Just before the signing of the loan, the Katanga gendarmes struck again, in May 1978. This time they took over the copper mining center of Kolwezi, holding hostage the expatriate technician population of the city. France prepared a secret military operation to save the hostages and might have succeeded if Belgian radio had not “leaked” details of the operation. The rebels, alerted, started a bloodbath, and between them and the ill-disciplined Zairean army, killed several thousand Zaireans and over a hundred hostages before the French troops arrived. Belgium tried to cover this by sending their own troops, but their stated desire was always to “negotiate” with the gendarmes—like Ramsey Clark and the Ayatollah Khomeini—drawing the crisis out as far as possible.

As a result of this raid, copper production collapsed and the mines, short of supplies, spare parts, and technicians, have never returned to full capacity.

In 1979, von Hapsburg and Oppenheimer could not send the gendarmes in, because the government of neighboring Angola had either thrown them in jail or out of the country, part of a rapprochement between Angola and Zaire that caused much gnashing of teeth from Brussels to Johannesburg. Instead, a group of Belgian and other European mercenaries mysteriously appeared in February in Rwanda, Zaire’s neighbor to the east. They were arrested before they could execute their new plan to invade Zaire. It was subsequently discovered that the travel arrangements for the group had been made by a travel-agent subsidiary of the Rothschild’s Banque Bruxelles.

Enter the IMF

In 1978, with the Citibank project shelved and no other sources of credit, Mobutu was forced to accede to the installation of Erwin Blumenthal, an IMF representative, as director of the Central Bank of Zaire. Blumenthal tried his best to ram an austerity program down Zaire's throat, including an allocation of the country's foreign exchange earnings: 30 percent to debt service; 30 percent to food imports and other vital consumer goods; 33 percent to raw materials and spares; 2 percent to fuel. At the same time, Zaire's currency was devalued by nearly 50 percent.

Blumenthal imposed these strictures in a country where half the children die of malnutrition before the age of 5; where food-price inflation in the cities runs 200-300 percent a year; where a low-income urban dweller must spend a month's wages for a week's food; and where agricultural production in the countryside has collapsed to bare subsistence at best. The cities of Zaire must import from overseas nearly all their food. Through a combination of the 1960s anarchy, the 1970s incompetence and corruption, and the IMF austerity measures, most of the country's roads no longer exist, and most of its truck fleet is idle through lack of spares and fuel.

On July 18 of this year, the IMF extracted from President Mobutu a letter of intent, binding his country to a "stabilization" plan, in return for which Zaire gets \$150 million—in \$20 million increments as long as he sticks to the plan. The plan includes: the slashing of any remaining social services, further devaluations, a domestic credit cutoff, IMF control over foreign exchange, a wage freeze, and the elimination of any cost-of-living rider in current wage agreements.

Mobutu did not negotiate this plan for the paltry \$150 million—less than 10 percent of current arrears—but for the IMF seal of creditworthiness with which he hopes to negotiate further credit agreements with other government and commercial sources. He thus finds himself trotting the globe to negotiate with the "London," "Paris" and "Brussels" clubs. He has so far had no success in raising any further money, and numerous reports in banking and African-centered journals agree that he is not likely to have any. These predictions were made before Fed Chairman Volcker's credit clamp-down.

Angola:

The disintegration of Zaire would particularly destabilize Angola, since it would lead to a resurgence of the tribalist National Front for the Liberation of Angola (FNLA), a cannibal gang which would like to incorporate northern Angola as part of the pre-colonial Bakongo kingdom. The FNLA used to operate against

Angola out of Zaire until its activities were curtailed last year by Mobutu. Last month, Mobutu went further, giving FNLA leader Holden Roberto 15 days to get out of Zaire.

FNLA action would complement South Africa's regular raids against southern Angola. The South Africans no longer make any pretense of chasing nationalist guerillas from their illegally-held colony of Namibia: On Oct. 28, South African jets and heliborne infantry destroyed a railway tunnel, mined the line and destroyed 4 highway bridges 100 miles inside Angola—nowhere near any guerilla camps. The rail line is essential to the Cassinga iron mine in the region—which is owned by a West German firm. In a late September raid, the South Africans attacked housing and industrial buildings in the same area.

Zambia:

This coincides with the completion of a systematic Rhodesian campaign to isolate Zambia from the rest of the world: on November 6th, the Anglophile military clique which runs Rhodesia cut off all maize shipments to Zambia—which, due to a bad harvest last year requires 275,000 tons of maize by February to avert widespread starvation. The Rhodesians had already bombed the ferry between Zambia and Botswana and dynamited the rail and road routes from Zambia through Tanzania, Mozambique and Malawi to the sea. The rail route through Zaire to Angola has been kept out of commission since 1975 by the South African-supported anti-Angola guerillas of UNITA.

Zambia is already in dismal economic shape due to the collapse of the world copper price in 1975 and four years of IMF-imposed austerity.

Tanzania:

The World Bank showpiece economy of Tanzania—labor-intensive and unproductive—has been driven to bankruptcy by the economic disruption of the Uganda war, and was cut off by the IMF when President Julius Nyerere refused last month to accede to the Fund's austerity demands.

On top of this, Sir George Bolton is leading a campaign to stop Tanzania's other aid donors and commercial creditors from extending any more credit to the country. Bolton is demanding \$40 million in compensation for LonRho assets nationalized last year—retaliation by Tanzania for LonRho's espionage activities in southern Africa. In a letter this month to the World Bank and other creditors, Bolton demanded "full cooperation in denying Tanzania any further aid" until LonRho is paid off.

Collapse in the consumer sector

With the onset of the Volcker credit crunch last month, the Chairman of the Federal Reserve told the U.S. Congress: "The standard of living of the average American has to decline." If his policy isn't quickly reversed, this statement may prove to be one of the few economic predictions by a Federal Reserve Chairman ever to be vindicated.

While economists have discussed the supposed impact of the Volcker Oct. 6 measures ad infinitum over the last month, the feature that emerges unmistakably is the attack on American living standards.

The first sectors of the credit market to be impacted by the Oct. 6 measures were, as planned, consumer installment and home mortgages. Credit-dependent, consumer-oriented industrial sectors like auto and housing are now reeling from the effects. (The Fed has continued to pump out banking reserves to selected banks via its discount window, and those banks in turn have continued to make credit available to their "best corporate customers.")

The attack on the consumer sector of the economy has operated as follows: personal income, adjusted for inflation, dropped at a 10 percent annual rate in September. However, the full effects of that drop, were postponed by a record 7.6 percent expansion in consumer installment credit outstanding during the month. Then the Volcker crunch hit, and banks began "reviewing" their policies on consumer lending. The rapid expansion of *new* consumer installment loans undoubtedly slowed in October—in tandem with the 1.7 percent nominal drop in retail sales over the month from September levels. The volume of consumer credit outstanding may have continued to grow in light of the growing delinquency rate on loan repayments by illiquid consumers.

Volcker's high interest rate policy has been simultaneously undermining the savings banks, the traditional depository of consumer savings and the mainstay of the American homebuilding industry. Caught in the squeeze between the rising cost of money and their fixed-rate mortgage assets, a significant number of veteran savings banks and savings and loan institutions are operating at a loss for the first time in their history. In states where usury laws are still in force, mortgage activity has almost ceased because of the widening spread between the banks' cost of funds and the statutory ceiling on mortgage loans. In states where usury laws don't exist, mortgage rates have soared out of reach of Mr. Volcker's "average American."

Statistics disseminated by the National Association

of Home Builders show that if mortgage rates rise to 14 percent—where they are presently headed, then only 8 percent of all American households will be able to purchase an average priced home. With rates currently in the 12 to 13 percent range, less than 13 percent of the nation's households can afford to carry a mortgage on an averaged priced \$65,000 home. The era of the single-family home—once considered the "American Dream"—is ending abruptly.

The November issue of the "Morgan Guaranty Survey" takes this scenario one step further, recommending a sweeping change in policy direction for housing in the 1980s: the federal housing agencies such as the FHA and VA—which have been the backbone of the U.S. homebuilding industry since they were created in the 1930s—should leave the financing of single family homes to the private mortgage market (which has shown a distinct preference for shopping malls) and concentrate instead on rehabilitating the nation's aging urban housing stock.

And what will become of consumer savings in this overhaul of the nation's credit markets and institutions?

The deficit economy

The on-going unravelling of the U.S. economy—starting with the consumer-oriented sectors—is the predictable result of cutting off credit to an economy which has become hooked on short-term debt. As noted above, in September, prior to Volcker's Oct. 6 credit-tightening announcement, consumer installment credit soared by 7.6 percent, reflecting both a hefty extension of new loans and a drop-off in loan repayments by illiquid consumers. During the same period, short-term bank loans to commerce and industry were expanding at a near-record 32.9 percent annual rate.

These figures indicate the rate of credit expansion required to barely sustain consumer purchasing power and business operating rates. But the stated intention of the Oct. 6 package, of course, was to slow the rate of credit expansion and puncture the economy. At the time, a source close to Volcker hypothesized that the Fed's goal was to knock the growth of the monetary base (banking reserves and cash in circulation) down to zero for the rest of the year and reduce short-term loan growth to a 5 percent annual rate.

Indications are that Volcker has been "successful" in slowing the rate of consumer borrowing—witness the 1.7 percent slump in current dollar retail sales in October—and the reported slowing of corporate borrowing. The growth of C&I loans on the books of the

nation's major commercial banks dipped to a 7.1 percent annual rate during October, which led money market analysts to proclaim last week that "interest rates have peaked."

However, all of the arguments to the effect that 1) interest rates have now peaked, and 2) partially as a result of this peaking of rates, the current recession will be a mild and manageable one, simply ignore the most fundamental point about the U.S. economy: its underlying illiquidity. Both households and the corporate sector have been running at a severe deficit since 1971 and have increasingly relied on short-term debt to make up the deficit.

It may not be so easy to stop the expansion of consumer credit at present, for example. As Chase Manhattan bank argues in the Nov. 12 issue of its "International Finance" publication, no matter how hard the banks come down on issuing new consumer loans, the growth of consumer credit may continue due to an uncontrollable drop-off in loan repayments. In September, in fact, half the growth of consumer credit was attributed to a decline in debt repayments by illiquid consumers.

General credit conditions over the decade—i.e., historically high U.S. interest rates—have impeded capital formation and investment in new productivity-increasing technologies to the point where industry and agriculture cannot generate sufficient real profits to finance even operating costs and barebones capital expenditures and are increasingly dependent on borrowed funds. Hence the folly of the "interest rates have peaked" theorists.

The last several weeks' experience has shown that credit demand which is suppressed in one market is popping up in another. The drop off in corporate loan demand in October—more accurately, the selective denial of corporate loan requests by lenders—was accompanied by a marked take-off in commercial paper issuance by finance companies. Commercial paper is the designation for short-term unsecured IOUs issued by corporations and sold to investors, usually other corporations. In the four weeks ending Oct. 31, commercial paper issued by nonfinancial corporations grew at a 55 percent annual rate. Commercial paper issued by finance companies—including the finance subsidiaries of the auto companies—rose at a 26 percent annual rate, up from 4.9 percent in the previous four weeks. The increase mostly reflected the issuing of new debt by the auto companies' subsidiaries to finance inventories of cars which could not be sold because of the shut-off of consumer credit.

This development is a strong indication that credit demand will not drop off "naturally" in response to the new stratospheric interest rates, because the requirements of inventory financing under conditions of collapsing sales will actually intensify credit demand. Var-

ious sources in Washington and at the New York investment banks have drawn the conclusion that *de jure* credit controls—including the activation of the Credit Control Act of 1969—are therefore inevitable before long.

Contrary to what the "mild recession" prognosticators are still forecasting, the fast eroding liquidity positions of certain sectors of the economy are making those sectors especially vulnerable. A recent run of the *Executive Intelligence Review's* computerized Riemannian econometric model showed that the total economy will drop about 15 percent into the negative by the end of 1980 with the most illiquid sectors—auto, construction, and agriculture—going first (see Vol. VI, No. 43, Nov. 6-12).

November auto production schedules have already been cut by 22 percent from November 1978. And a troublesome inventory built up from year-ago levels in auto and other durable goods industries portends further major production cuts and layoffs by the first quarter of 1980.

The relatively low inventory-to-sales ratio for all business is deceptive and hides a very differentiated inventory picture for the various industrial sectors, according to a recent analysis by Manufacturers Hanover Trust's economics department. Over the last year, both employment and inventories have increased much faster in the durable goods group (transportation equipment, machinery, "big ticket" consumer items like refrigerators) than in the nondurables group (apparel, food, other consumer software). At the beginning of October, the I-S ratio in durable goods was 1.97 compared with 1.84 a year earlier, with the rise concentrated in transportation equipment where the I-S ratio shot up from 1.46 last year to a current 1.85. Also up are inventories of stone, clay and glass, fabricated metals, machinery and instruments. By contrast, nondurable goods producers reported an I-S ratio of 1.09 down from 1.19 a year ago.

These inventory-to-sales ratios correlate with the relative liquidity ratios—as is to be expected—and confirm our model's projections of a sharp downturn in durable goods industries such as auto and its feeder industries and construction.

Faced with growing inventories, worsening liquidity, and Mr. Volcker's "anti-inflationary" high interest policy, the nonfinancial corporate sector has been at pains to raise prices where possible. This tendency is evident in the breakdown of the producer price index for October: while the rise in the overall index moderated, in line with a slowing in the rate of increase of energy prices and a slight decline in food prices, the cost of finished goods increased significantly—1.0 percent on top of a 1.4 percent increase in September. Needless to say, it is the consumer who foots the bill for these price increases.

Interest rates have not peaked

In a Nov. 7 speech before the Money Marketeers meeting, Alan Lerner, senior vice president of Bankers Trust told the assembled bankers that "U.S. interest rates will reach their peak within the next four to eight weeks."

Lerner's predictions were seconded by the Morgan Guaranty Trust Weekly Money Market Bulletin, which stated it did "not foresee any further credit tightening by the monetary authorities in the near future."

By these assertions, Bankers Trust and Morgan Guaranty intend to assure an extremely jittery market that Fed Chairman Paul Volcker will ease the monetary restraints he had imposed. These restraints, which have pushed the prime interest rate to its current level of 15.5 percent, have produced signs of economic collapse throughout the economy which is becoming very worrisome to most.

Anyone falsely assured by the Bankers Trust and Morgan predictions had better look more deeply at the credit system. The U.S. economy shows no sign of letting off on its need for credit by which it staves off collapse and Volcker shows no indication of easing off on credit tightening.

The first tip-off came in the October figures for issuance of new commercial paper, which were released on Nov. 12, showing that in October issuance of new commercial paper shot up at a rate of 25 percent per annum against a 5 percent per

annum rate the previous month. This heavy borrowing reflected mostly auto companies' "finance company" arms which were desperately issuing new debt to car dealerships to finance cars that could not be sold because of the cut-off of consumer credit!

While steel and a few other industries have purposely kept inventories very low, in expectation of a sharp economic slow-down, other sectors of the economy, such as retail trade are not so fortunate requiring a high level of inventory financing. Furthermore, while inventory-to-sales ratios for the whole economy are lower now than in the period immediately preceding the 1973-'74 depression, the absolute volume of inventories is higher and must be financed at higher interest rates or be totally liquidated at which point a full-fledged crash is on.

Not if, but when

News emerging from the tickertapes Nov. 15 further indicated that the primary question concerning Paul Volcker's policy is not if he will raise interest rates further, but when.

On Nov. 15, the Bank of England suddenly raised its Minimum Lending Rate (at which the BOE lends to the clearing house banks) by a full 3 percentage points to 17 percent. Since Volcker has been determining U.S. credit policy as a predicate of British policy, this will almost certainly be followed by an increase in the Fed's discount rate from its 12 percent level, which will kick off a ratchet-increase of interest rates throughout the economy. Adding fuel for a credit tightening,

the Nov. 15 *Journal of Commerce*, in its lead editorial, "Lowering the Discount Windows," repeats the call last week of House Banking Committee Chairman Henry Reuss (D-Wis.) for shutting down the discount window. This would mean that the source of funds of last resort of the banking system would be shut off.

The same day, the Fed announced the monetary figures for the latest reporting week, which conveniently will provide the pretext for further tightening and make a mockery out of the famous "reporting error" of two weeks back. M1 shot up by \$3.1 billion while M2 increased by \$4 billion.

The monetary figures knocked the wind out of the sails of a mild stock market rally.

Ultimately, the report of credit easing is a myth created for the unsophisticated on and off Wall Street. In less kind words, the First Pennsylvania Bank labeled this myth, "the Greater Fool's Theory." In its latest weekly market newsletter, the First Pennsylvania wrote:

"Bond prices have moved up sharply on at least four occasions as the 'street' (a pseudonym for brokers and dealers) tried to scare retail institutional investors into buying for fear of missing the interest rate peak. Each rally seems to sputter and die whenever speculators finish covering their short sales, as retail investors refuse to play the 'greater fool' role."

The only ones deceived by the report that interest rates will peak are those who would believe a bright, rosy future for the U.S. economy. The announcement that Ford Motor Company will lose \$1 billion on their North American operations, made Nov. 12, puts that company in the same league as Chrysler Corporation. The only valid reason that interest rates would have peaked is that the bottom fell out of the U.S. economy and nobody noticed.

—Richard Freeman

FOREIGN EXCHANGE

Ohira shuts off Japan's international lending

Following the Volcker shock to the dollar credit system on Oct. 6, Japan's finance ministry (MOF) issued a number of "window guidance" directives to Japanese banks and securities houses aimed at drastically reducing Japan's overseas lending. According to Japanese bankers reached in New York, the intent of

the unofficial but quite mandatory "guidelines" is to reduce Japan's overseas lending to no more than its overseas borrowing.

The MOF insists that this action is necessary to defend the yen. It argues that Japan's trade deficit, caused by high oil prices, has already sent the yen plummeting from 222 to 243 per dollar in the last 30 days alone, and the currency could go as low as 270 by the end of the year. If Japan cuts back on lending overseas, the MOF reasons, then it will not

lose dollars so quickly and the yen will not fall as fast or as far.

Until very recently Japan had been functioning as a preeminent international capital source. From January 1978 through June 1979 it ran a net long-term capital outflow of \$15 billion per annum. Much of this credit went to finance capital goods exports to the developing countries. The latest finance ministry guidelines will shut down this "transfer of technology."

The unpublished Finance Ministry directives include the following measures, Japanese bankers report:

1) New, tighter lending quotas on a country-by-country basis. The MOF will examine each loan before approval to rule out loans to "uncreditworthy borrowers."

2) An increase in the ratio of medium to long-term funds required to back up long-term lending from the current 40 percent to 60 percent. Given the exorbitant rates and scarcity of long-term Eurodollar

TRANSPORTATION

Why the railroads want deregulation

As the Executive Intelligence Review has documented during the past year, deregulation of transportation means higher prices and drastically reduced service. In the deregulated airline industry, sharply declining profits are triggering fare rises and the vanishing of "bargain" specials, while also accelerating route abandonments.

One grouping that wants deregulation is the railroad industry. The majority of the rail companies are controlled by financial interests who have no real interest in providing rail service (see "Dismantling the Railroads", Oct. 9-15 issue). The aim of the railroads in promoting deregulation—including their goal of weakening both the trucking industry and the Teamsters Union—is pinpointed in these excerpts from a series of public letters and speeches by Duncan McRae. Mr. McRae is President of the Melton

Truck Lines, Inc. in Shreveport, La. and has been involved in the transportation business for 52 years.

You have all been hearing the word deregulation. There has been a masterful public relations program put on throughout the nation lasting several years aimed at softening up everybody about the matter of deregulation. In the opinion of some people, this plan has been a carefully drawn plan aimed at the natural antagonism that the American people have to the tremendous amount of regulation that the federal government has been imposing on the people over a long period of time.

In our opinion, the railroads in this country have taken advantage of this situation and they have mounted a tremendous undercover campaign aimed at having transportation deregulated. The railroad people want deregulation for the rails so they are not obligated to serve many places

funds these days, enforcement of this directive will necessarily cut lending.

3) Nearly total prohibition of yen-denominated bonds issued by foreigners in Japan. From a \$700 million level in the April-September period, the issuance of these bonds fell to almost nothing in October. Japanese bankers say that approval for future issuances will be well nigh impossible to get.

4) Prohibition of new lending sources and institutions. Last April, for example, the finance ministry approved overseas lending by Japanese insurance companies and trust banks, using pension funds as sources of capital. This approval has now been rescinded.

5) Easing of rules allowing corporations to borrow dollars abroad. This will hurt the firms, since interest rates are higher overseas.

One Japanese securities firm has proposed that the government, which borrows tens of billions of dollars a year, shift a portion of its bor-

rowing abroad. This would certainly raise the amount Japanese banks could lend overseas, if the purpose of the MOF measures were simply to keep lending and borrowing in balance. The government is hardly likely to borrow abroad at rates much higher than at home, however. More importantly, the purpose of the measures is not simply to run a capital account balance, but to reverse Japan's emergence as an international capital center.

Since taking office last December, Prime Minister Masayoshi Ohira has repeatedly taken action to stymie Japan's role as a major low-interest lender to the developing sector, a role built up under his predecessor Takeo Fukuda. Ohira has been acting under pressure from Washington, which saw Japan's growing capital market as a challenge to its "credit rationing" policy toward the Third World. By the third quarter of this year, Ohira's actions, together with the rise in world oil

prices, had cut back Japan's capital outflow by 75 percent from the Fukuda period! Now Ohira intends to go to the other 25 percent.

The new measures from the finance ministry guarantee that the challenge to Ohira's premiership by other members of the ruling Liberal-Democratic Party (LDP) will continue. Ohira won only a narrow 135-125 victory over Fukuda two weeks ago, when the LDP vote split during a parliamentary vote to designate a premier. Japan's trade-dependent economy cannot tolerate the shutdown of world trade and capital formation that Volcker's policy presages. Nevertheless, Ohira's near defeat has not caused him to bend to the policies of his critics in business and political circles; therefore, they are left with no choice but to continue the campaign to unseat him. Japanese politicians expect the debate around the budget in February to spark the new challenge.

—Richard Katz

that they are presently obligated to serve. They would like to do lots of things that would work to the disadvantage of the country as a whole...

For 50 years the rails had a monopoly on transportation in the United States. ... They guarded their monopoly. They rode high in the state legislatures and did as they wanted. The whole list of evils: discrimination against small shippers, *against cities, against regions, against ports*, payoffs, kickbacks, sweetheart deals, failure to give service. If they had a policy, it was to *hell with the public*.

The rails had been regulated because of their sins, their power, their failure to protect the public. ... The rails never lost their greed. Their monopolistic desires continued as did their bull-headed determination to rule. ... The rails fought this regulation. They have fought it daily for each of the 100 years and they are still fighting it. Don't forget it! They

plan to eliminate it. They have gotten their plans together to kill the ICC. They are as crafty as ever...

The rails' competition, the truckers, are to be fragmented, deregulated and ruined as effective competitors. ... (Through deregulation) if (trucking industry) capital cannot get a return on its investment, if unlimited competition is permitted into the trucking business, there will gradually be a drying up of the source of funds that keep the trucking business vibrant and growing.

I do not have a Teamster contract. I do not want one, neither do my men who are small businessmen. We have found that the Teamsters ... have provided an umbrella on rates and services that permitted us to do well under their rate structure forced upon the public through the nationwide control of trucking that they gained under the direction of James Hoffa. Their mishandling of pension funds ... has made the public

think the Teamsters are involved with the criminal element throughout the country. ... The public is in error and the majority of the Teamsters are not involved in this.

Our enemy has remained hidden and not properly labeled or identified. In this discussion, I would like to label two of our enemies. The bureaucratic liberal who has taken his sustenance and his future from Ralph Nader and the leadership that has come out of his anti-business psychology. The primary enemy, however, remains the bureaucrats who are installed, led, financed and encouraged by the railroads and their vast financial investment in America.

The Kennedy regime has been particularly adamant and hard-nosed about wages in the trucking industry during the last few years. I am reasonably sure that this has had some effect on the deregulation proposals that are rife in Congress now.

USDA projects a 20 percent cut in 1980 farm income

The U.S. Department of Agriculture is now projecting a 20 percent drop in 1980 net farm income, according to an early November announcement which received remarkably little notice in the nation's business press. The drop from 1979's \$30 billion to \$24 billion is twice that estimated in pre-announcement leaks over the past several weeks. It's attributed to a sharp run-up in production costs—primarily energy—and a stabilization of farm prices as a result of record harvests.

The USDA projection is markedly bleaker than most. Farmland Industries, for instance, the nation's largest agricultural cooperative, earlier in the month predicted that the 1980 net farm income would decline by about 10 percent, to about \$27 billion.

In making the announcement, Agriculture Department spokesmen emphasized that any forecast at this time is "very tentative." The outlook could turn out, in fact, to be very much worse. What is clear in published analyses to date is that there is little or no consideration given to the central economic event of the recent period—credit-rationing measures announced by Federal Reserve Chairman Paul Volcker. Computer studies reported in this magazine on

Nov. 6-12 have shown that agriculture will be particularly impacted by the measure within the context of an across-the-boards 15 percent loss in real output over an eight-quarter, continuous downturn through the end of 1981.

Even without considering the Volcker measures' impact, Agriculture Department spokesmen have stated that farm production expenses are expected to rise 11 percent over 1980, following a 16 percent jump in 1979. The rises are concentrated in energy and energy-based inputs such as fertilizer. The Agriculture Department's energy director, Weldon Barton, stated recently that the same amounts of petroleum fuels and electricity as farm producers purchased in 1979 will cost \$2.5 billion more in 1980, a prediction based on the assumption that petroleum prices will rise 25 percent and electricity rates will increase by 8 percent. Fertilizer industry analysts predict price increases from 10 to 25 percent.

Reports over the past several weeks, however, show that the Volcker measures are already beginning to hit in the farm sector, with a potentially devastating impact. Many rural banks are newly reliant on money-center funds and pay at least the going prime rate—currently 15 or 15.5 percent—for funds. They are forced to turn around and charge at least that much to their borrowers. Even where these rural banks are held to 12 or 14 percent usury ceil-

ings, this means a one-year hike in farm producer borrowing costs of from 3 to 9 or 10 percent. In many instances, usury ceilings are forcing bankers to simply curtail lending that cannot be profitable.

A Kansas banker recently told the *New York Times* that his average customer now had to bear a 5 percent interest rate increase. For the typical producer who needs \$200,000 in operating loans annually, that means an annual \$10,000 boost in operating costs for interest charges alone.

Farmers are already budget-cutting on peripheral equipment such as gates and water tanks, dealers in Iowa report, and can be expected to severely curtail capital goods purchases in order to reduce their credit needs. Some observers, such as the Illinois Farm Bureau's chief economist, W.E. Hamilton, foresee actual production cutbacks as a result of Volcker's policies.

The credit squeeze will have other, more specific implications for the farm sector—namely, it will knock the legs out from under the livestock sector once again, prolonging the already extended downturn in the cattle cycle. The cattle industry has yet to recover from the 1974-75 fallout. More than three years of herd liquidation finally drove prices into the range this year where cattle ranchers took the decision to expand herds one more. Now the credit squeeze will most likely abort this process in an industry that is highly leveraged all down the line. Cattle feeders report that their margins have disappeared. With interest rates up from 10.5 percent to 17.5 percent, the interest charges carried while fattening a cow have jumped from \$20 to \$25 per head to \$38 per head. This scale of increase throws a deadly monkey wrench into the delicate margins between the cost of feeder cattle and the sale price of fattened steers. In this environment, the only moderation in newly soaring meat prices will be a complete cessation in consumer demand.

—Susan Cohen

Who is Abolhassan Bani-Sadr?

“Teheran is a monstrous, parasitical city, which absorbs by itself half the national consumption, and poses an abusive burden on the state budget. We will depopulate it by creating in the provinces industrial and agricultural production units.”

—Abolhassan Bani-Sadr, Nov. 10 to Le Monde

With these words, Abolhassan Bani-Sadr, the new foreign minister and strongman in Iran, made clear what the goals of the Khomeini regime are: the imposition of genocide, mass starvation, and fanatical religious martyrdom. In September, Bani-Sadr, then merely the assistant economic minister, had declared that his model for Iran was the Pol Pot regime of Kampuchea, which depopulated the city of Phnom Penh, murdering almost half of its inhabitants. Now that policy is being carried out in Iran.

The accession of Bani-Sadr to the foreign ministry is a dangerous sign that a “cold coup” has taken place in Iran, even since last week. The more realistic figures in the Khomeini entourage who favored a more restrained approach to the reorganization of Iranian society have now been swept aside.

The Ayatollah Khomeini has now become the Jim Jones cult leader of a nation of 35 million people. In a speech delivered Nov. 11, the Ayatollah called upon the Iranian population to starve to death rather than accede to American demands that 60 American hostages in the U.S. embassy be released. “We know how to fast,” the Ayatollah raved. “We will eat the wheat and barley we grow in our country. We eat meat once a week. Eating meat is not such a good thing anyway. We are a nation of 35 million and many of these people are looking forward to martyrdom. We will move with the 35 million. After they have all been martyred, then they can do what they want with Iran.”

Rumors that the United States is considering halting all wheat and other grains to Iran will contribute to the suicide of the Iranian people, who already face food shortages brought on by the collapse of the economy since February.

As with the suicide cultist Jim Jones, as with the

butchers Pol Pot and Ieng Sary in Kampuchea, Bani-Sadr, the man who has come forward to lead Iran in a jihad (holy war) against civilization is no mere madman. He has been trained for over a period of a decade for exactly the role he is carrying out now. *Executive Intelligence Review* presents here an exclusive dossier on the man who is now holding the world hostage.

The report in the Nov. 12 *New York Times* that Abolhassan Bani-Sadr wrote his doctoral dissertation at the Sorbonne University in Paris on the subject of “agrarian reform,” and parallel reports in the Nov. 10-11 French press about his student emigré period in Paris, are key clues in piecing together an authoritative account of, first, who Iran’s new foreign minister is, and, second, the significance of his recent appointment.

If these clues are put into the context of Bani-Sadr’s Nov. 10 statements to *Le Monde* (“Teheran is a monstrous, parasitical town. . . . We will depopulate it by creating in the provinces industrial and agricultural units”) and his earlier statement to *Le Nouvel Observateur* that Iran would undergo “Cambodian-ization by persuasion not force,” then it becomes clear that Iran’s new foreign minister is an instrument of the same “radical” environmentalist-terrorist circles in France who were behind the devastation of Kampuchea.

These circles, who will be identified in detail below, are the products of the anthropology, sociology, and agronomy departments of the Sorbonne, the Ecole Pratique des Hautes Etudes (EPHE), and the Centre Nationale des Recherches Scientifiques (CNRS). The individuals involved work closely with the Bertrand Russell Peace Foundation and the Tavistock Institute in Great Britain and are connected to leading anthro-

pology and linguistics departments in universities around the world. As a group, they share a commitment to the depopulation and deindustrialization of the globe, to a "zero-growth" world returned to feudalism; often, but not always, they employ "socialistic" rhetoric, modeled on China's Maoist formulations, to achieve their ends.

Abolhassan Bani-Sadr is their chosen instrument to carry out the deindustrialization of Iran. Earlier, the French-centered environmentalist ideologues created the leadership that brought genocide to Kampuchea. Kampuchea's recently deposed president, Khieu Samphan, graduated from the Sorbonne in the late 1950s after completing his dissertation in "agrarian reform." Pol Pot and Ieng Sary, prime minister and foreign minister respectively in the regime that carried out the systematic murder of three million Cambodians, were both trained in Paris, primarily at the Sorbonne. Both reportedly were schooled in the same "radical sociology" and "radical agronomy" that Abolhassan Bani-Sadr learned while in Paris.

Professor Balandier

In his Nov. 10 *Le Monde* interview, Bani-Sadr reveals that he prepared his doctoral thesis "under the direction of Professor Balandier." This revelation is very significant.

According to "*Who's Who...*" biographical accounts, **Georges Balandier** did his college-level studies at the Ecole Pratique, and at the Paris-based Ethnology Institute. From 1951 to 1954 he worked in sociological studies at the Centre Nationale. In 1954, he became Director of Studies at the EPHE. By 1962, he had become a Professor of Sociology at the Sorbonne, the institution where he trained Bani-Sadr. His specialties are "the sociology of Africa" and "political anthropology."

This could be the model biography of the type of individual who favors a new feudal world order. It is in the interface between the sociology, anthropology, and linguistics departments of the institutions, with which Balandier has been associated, that one would find the "brain-trust" for international environmentalism, terrorism, and cult-creation whose activities are increasingly apparent in Iran.

Take as one example the Centre Nationale.

Officially, the Centre is a state-run and state-funded institution for training experts in the sciences and liberal arts for the general benefit of the French nation. And, in fact, the products of the CNRS are, for the most part, loyally and honestly committed to the progress of France. But, because of certain elaborate funding procedures for the Centre, a few departments have evolved into subversive training centers, aimed against France and other nations. This characterization is emphatically true of the Centre's Department of Sociology and of

offshoot-tentacles involving individuals working in agronomy and various scientific studies.

Exemplary of the Centre's problems are its ties to Khomeini's circle of advisers during the last five years. During this period Abolhassan Bani-Sadr developed semi-formal ties to the institution.

In 1978, the Centre dispatched a special team of "soft" (that is, antinuclear) energy experts to Iran to study the country's energy program. As expected, the team sharply criticized the use of nuclear energy in Iran and recommended instead that the Iranians use "wind" as the most viable energy source for the country!

Among the participants in this expedition was Centre member **Michel Foucault**; in 1978-79 Foucault was a pro-Khomeini columnist for several French and Italian journals. Foucault is France's most famous "existential psychologist," with close ties to the London Tavistock Institute and to Jean-Paul Sartre. He is best known for his theory that "there is no such thing as madness," since "it is societies, not individuals, who are mad." This theory has been used as the initiating rationale for the creation and programming of many drug-and-terrorism groups in Europe, the United States and in the Third World.

In January 1979, several officials of the Centre were named as official advisers to Ayatollah Khomeini and his circle at his exile base outside Paris. The two most important of these advisers were **Jean Pierre Vigier** and **Rene Dumont**.

Vigier, a physicist involved in various pseudo-scientific projects, was instrumental in the May 1968 destabilizations against President Charles de Gaulle. According to a knowledgeable French journalist, Vigier was a coordinator of a secretive "Command Center of the Revolution" in 1968 to bring down de Gaulle through left "Jacobin" mob upsurges similar to the actions in Iran which overthrew the Shah and which are now becoming a fact of everyday life in Khomeini's Iran.

Vigier was also a 1960s secretary to the Bertrand Russell Tribunal, a British intelligence hoax whose purpose was to channel the growing sentiment against the Vietnam war into an anarchistic environmentalist direction.

Even more interesting is the case of Dumont. His case is much more directly relevant to the story of Abolhassan Bani-Sadr.

In early 1979, while an instructor at the Centre, Dumont was named by Khomeini to serve as his adviser on "agricultural affairs." Earlier, in 1976, while teaching both at the Centre and at the National Agronomy Research Center of France, Dumont had traveled to Iran to profile the state of agriculture there; on the basis of a written report detailing his 1976 study, Dumont was selected for his 1979 adviser-to-Khomeini role.

In selecting Dumont, the Ayatollah could not have

Bani-Sadr: 'we will depopulate Teheran'

We present here excerpts of an interview with Iranian Foreign Minister Abolhassan Bani-Sadr printed Nov. 10 in the French daily Le Monde.

France does not seem to have understood that we are seeking to free ourselves from the tutelage of the United States, and in a general way from the tutelage of the hegemonic view of the superpowers. ...

The enterprises that were going to provide us with nuclear power plants—for which, by the way, we had no need—are half American in their financing. The project for a Teheran subway was luxurious, too costly and ambitious. We are seeking a simple, practical, and cheap means of transportation for a city that will shrink. Teheran is a monstrous, para-

sitical city, which absorbs by itself half the national consumption and poses an abusive burden on the state budget. We will depopulate it by creating in the provinces industrial and agricultural production units.

We expect to disengage ourselves from the superpowers at the same time. If Europe and Japan were to follow our example, to liberate themselves from the U.S.-dominated multinationals, to turn resolutely toward the Third World, they would become the privileged partners of Iran even faster. ...

The monetary system and the foreign trade which "enslave" Iran to the international capitalist market will be fundamentally rearranged. A currency independent from the dollar, the diversification of exchanges oriented not toward consumption but on development, in particular of small production units in the countryside rather than in the towns, will be among the first objectives of the new republic. ...

a better exemplar of an advocate of global deindustrialization and neofeudalism. Dumont is honorary president of the Friends of the Earth cult and, in 1974, ran as an "ecology" candidate in the French presidential elections. So ultra-Maoist are his ideas that he has, during the course of his career, been ejected from both Cuba and Algeria on suspicion of being a provocateur agent of the CIA.

Dumont's Maoist policies are of the most direct relevance to Bani-Sadr's own thinking. According to high-level French sources, Bani-Sadr bases his own ideas on those of Dumont. This is evident from the content of Bani-Sadr's ideas.

At the time of Dumont's selection as a Khomeini adviser, Bani-Sadr gave an interview to the French radical publication *Liberation*, in which he called for an "Islamic economic system." As described by the future foreign minister, it would center on the creation of Maoist-style factory and village councils, import cut-backs, limitation on oil production, and "self-reliance." "Self-reliance" is the code expression for Maoist "Cambodia" projects.

More recently, Bani-Sadr told France's *Le Matin* daily Nov. 10-11 that he is going to attempt to carry out a policy of "Koranic anarchism." This is meant to be de-urbanization and deindustrialization, but with invented verbal formulas to match Khomeini's fundamentalist Islamic homilies and injunctions.

The EPHE-6/ethnology complex

If we look carefully at Bani-Sadr's repeated efforts to combine pseudo-Islamic cultism and "radical" economic doctrine into some kind of coherent "doctrine for the

masses," we can easily discover another, and perhaps more important, level in the chain of command that controls him. As we investigate the matter further, we discover that Abolhassan Bani-Sadr's mentors are the same individuals who have developed the pseudo-science of "linguistics" and the fraudulent school of "cultural relativism" in anthropology. These belief structures have been found repeatedly to be the devices for creating brainwashing cults, such as the Jim Jones People's Temple cult in Guyana and the Khomeini fundamentalist cult in Iran.

Let us review at this point the biography of Balandier, the thesis-adviser to Bani-Sadr. Aside from his involvement in the Centre, we find Balandier linked to the EPHR institution and to the Ethnology Institute of Paris. Both institutes share an overlapping personnel which reads as a Who's Who of the mentors of deindustrialization and social brainwashing.

The EPHE is notorious in this respect, especially its "Division Six," or EPHE-6, which houses, among others, the Ecole's divisions of anthropology, rural studies, sociology, and "social movements and ideologies." It is EPHE-6 with which Balandier is associated.

Among the ideological gurus of EPHE-6 are:

—**Charles Bettelheim**, the Division's director and a strong supporter of Maoist ruralist economic policies;

—**Michel Foucault**, the same individual mentioned above in connection with the pro-Khomeini circles in Paris;

—**Michel Crozier**, a leading associate of the Tavistock Institute of London in France, whose profiling studies on the French bureaucratic structure have been used to find the weak "stress-points" for irrationalist rebellions by French anarchist groups;

—**Claude Levi-Strauss**, perhaps the most prominent anthropologist of this century, who has used the notions of “cultural relativism” and “structuralism” to popularize the importance of black magic and of a “return to nature.”

Of all the EPHE-6 elite, the most important for current analytic purposes is **Jacques Soustelle**, the nominal French right-winger who helped lead the early-1960s OAS organization in attempted coups and assassinations against Charles de Gaulle. For any competent understanding of the current strategic trends in the Middle East and Europe, an overview of Soustelle’s activities is essential.

Were it to be suggested that the right-wing Soustelle is one of the critical factors in explaining Bani-Sadr, the average empiricist would react with derision. But with an operative like Soustelle, who coordinates strategy with the highest levels of Jesuit, Hapsburg, and British Tory policy-making circles, the man-in-the street notions of “right” and “left” simply do not apply. What is primary from a methodological standpoint is the commitment of Soustelle and associates to the creation of fundamentalist cults that can, in combination, usher the world into a “new dark age.”

The resolution of this “left-right” contradiction is evident in Soustelle’s participation in one of the most important conferences this year pertaining to the Middle East, a conference held in Jerusalem in July to discuss “international terrorism.”

At the conference, attended by leading members of the Jesuit Georgetown University in Washington, Israeli and British intelligence establishments, the entire current Iran crisis was predicted in detail. Participants outlined a scenario in which an “Iran-PLO axis” would precipitate a disastrous destabilization that would lead to a strategic disaster for the United States. As a consequence of this disaster, both the United States and its ally Israel would undergo a decisive shift to the right and toward strategic confrontation with the Soviet Union.

Operationally, this prediction became reality in the ensuing weeks: Soustelle’s “anthropology” networks were deployed on the “left” side to precipitate a new ratchet of kookery in Iran, while Soustelle’s Zionist-fundamentalist friends in Israel made their move in that country.

It is hardly accidental that the past weeks have seen the emergence in Israel of the fundamentalist “Renaissance Party,” led by the architect of Israel’s nuclear-bomb capability, Yuval Neeman. Neeman’s friendship with Soustelle dates back to the late-1950s period when Israel procured atomic bomb-related material from France and when Soustelle was the French government’s Ministerial Delegate for Atomic Affairs.

Investigations of Soustelle’s role in the events of 1979 are being pursued by an *EIR* research team; at

this point we can only assert with confidence that the results will reveal new and important details, not only about Mr. Bani-Sadr, but about the whole way in which leading European Jesuit and Hapsburg officials control the entire Muslim Brotherhood apparatus. For the present we conclude with the relevant biographical details about M. Soustelle, the colleague of M. Balandier at the EPHE-6 and the Paris Institute of Ethnology, to show the nature of the anthropology-sociology-linguistics network from which Abolhassan Bani-Sadr was spawned.

Soustelle’s most important training period was with the so-called Americanist Society in the 1930s and 1940s. This Society was so named because it profiled the languages and customs of the original tribes of the Americas. The Society’s fixation on ancient languages and cultural relativist methodology made it the initiating institute worldwide for the practice of linguistics. Among its prize pupils, aside from Soustelle (who gained an expertise in ancient Aztec customs and rituals), has been Massachusetts Institute of Technology professor **Noam Chomsky**. An expert in computerized linguistic simulation of left-wing political ideologies, Chomsky figured prominently in the international pro-Khomeini support networks developed in the latter part of 1978.

The Americanist Society was the parent institute for the Institute of Ethnology, whose most famous members include Levi-Strauss, Balandier, and Soustelle. Soustelle has utilized the Institute’s resources to further his work on Aztec rituals and to beef up his reputation as an expert on “backward” Third World countries. This reputation was given a further push when Soustelle joined the EPHE-6 after its formation in the immediate post-World War Two period.

As his reputation advanced, Soustelle infiltrated himself into French government posts, most importantly the post of administrator of colonial policy in Algeria in the mid-1950s. So brutal was Soustelle’s policy at that juncture that the Algerian FLN movement was nearly forced into existence as a counterforce to his intimidation.

Presaging Soustelle’s role around the Jerusalem terrorism conference event, his tactics in the mid-1950s forced into being in Algeria a bitterly “anti-Western” movement that would rally around the Maoist cries of “self-reliance” and deurbanization.

This movement found its most vociferous spokesman in **Franz Fanon**, a character who brings the story full-circle. For it was Fanon, himself trained in the Parisian existentialist-anthropologist center, who made a disciple out of Iran’s Ali Shariati, a man whose writings on the “evil of the machine” and on the necessities of “Islamic purity” played the key formative role in the thinking of Abolhassan Bani-Sadr.

—*Mark Burdman*

Europe moves against terrorism

In Italy, the case is building against Giacomo Mancini

Honorable Giacomo Mancini, the Socialist Party (PSI) deputy from Calabria in the toe of Italy, is having more and more trouble maintaining his respectable image recently. Mancini runs the Socialist Party's interlocking Mafia and terrorist operations in the Italian south—as documented in previous *EIR* issues. Several developments have combined in the past weeks to undermine his honorability. First, his protégé Franco Piperno and Piperno's collaborator Lanfranco Pace both lost their court battles against extradition to Italy from France. Piperno and Pace will now have to face trial in Italy as conspirators against the life of Aldo Moro, the former Prime Minister murdered on May 9, 1978 by the Red Brigades.

The Piperno trial is only one of a series of legal actions against members of the so-called autonomous left in Italy, or the "Autonomy." Italian antiterrorist forces made a major breakthrough last April 7 when they arrested a score of Autonomists as accomplices of the Red Brigades in the Moro case. With that action, they made successful use of an investigative method suggested by *EIR* contributing editor Lyndon LaRouche: looking for political motives for terrorism that might reach beyond the borders of the nation under attack. Terrorism must be seen as "surrogate warfare" which uses not only bombs and machine pistols, but also ideological warfare. The judges investigating the Italian Autonomy, using the LaRouche method, came to the conclusion that, though seemingly separated by "ideological differences" over the use of violence, the Red Brigades and the Autonomy were really "two sides of the same coin."

Which brings up the second event embarrassing Hon. Mancini: the publication of a "disguised" account of LaRouche's antiterror method. Last week, a presumed "political fiction" work appeared in the press, on the subject of "Banks and Terrorism." This work, the eighth chapter of a book to be published shortly, purports to be an interview by two journalists with a "Col. Harris" or "Mr. Harris." It appeared in the Nov. 15-30 issue of the Rome biweekly journal *Tutto-Roma*, a publication which is under the political control of that

wing of the ruling Christian Democratic Party (DC) led by former Prime Minister Giulio Andreotti. In reality, "Harris" is Mr. LaRouche. (See accompanying excerpts.)

Mancini's third problem is the most serious. Another of his Autonomist protégés, Daniele Pifano, a 33-year-old Calabrian whom the Italian press calls the "best-known Autonomist leader in Rome," was arrested Nov. 8 in possession of two brand-new Soviet-made mobile missile-launchers, popularly known as bazookas, equipped with infrared, heat-sensitive targeting devices.

The Pifano affair

Pifano has run the "Autonomist collective" at Rome's Polyclinic Hospital since 1973. In keeping with the Autonomist doctrine that the "vanguard" must attempt to "diffuse" violence throughout the working class in order to spark the revolution, Pifano has a long police record for assaults, threats, property damage, and interruption of public service. He also ran an Autonomist collective on the Via dei Volsci in Rome, and in the state electricity entity ENEL.

A former medical student, now working at Polyclinic as a lab technician, Pifano was originally "radicalized" in Catholic circles—like the "historical leader" of the Red Brigades, now-imprisoned Renate Curcio. The declared objective of the Autonomists is to demonstrate that reform of the bourgeois state is impossible. Thus their principal target is the trade-union movement. Two years ago, the Rome Autonomists physically attacked Luciano Lama, the leader of the Communist Party (PCI) union confederation the CGIL.

Lama recalls the event in an article in the PCI daily *L'Unita* Nov. 11: "This gentleman commanded the warriors of the Autonomy at the University of Rome some years ago, in that glorious action against this writer, which first sounded the alarm about the links between terrorism and political violence (i.e. "Autonomist" violence—mcs). The target, then and always, was the union."

Reflecting on the self-righteous outrage generated

in some circles by any suggestion of a link between the Red Brigades and the Autonomy, an editorialist in *L'Unita* Nov. 10 writes: "Fine, Pifano does not belong to the Red Brigades, he is a known head of the Autonomy. That, however, did not stop him from being equipped with those subtle theoretical theories known as surface-to-air missiles . . ."

As for Giacomo Mancini, who is a personal friend of Pifano and defended him in print when the Autonomist was arrested for assaulting Lama, *L'Unita* says "the political question we pose to the man and the forces above all suspicion, who as everyone in Rome knows, protected the Rome Autonomist leader, particularly at the point when he headed up the squads that assaulted Lama at the university, is this: how much do you think your attitude encouraged Pifano along his road of terrorism?"

Pifano was arrested by an alert policeman in the Adriatic port of Ortona, around 3 a.m. on Thursday morning, Nov. 8. He was with two friends, known "lieutenants" of the Autonomist leader, who were driving the Peugeot truck that carried the two bazookas.

Who is Giacomo Mancini?

Within the collection of feudal baronies known as the Italian Socialist Party, the most backward is the southern suzerainty of Calabria, where Giacomo Mancini, Honorable parliamentary deputy, rules the party's affairs. In the case of Calabria, this includes keeping an eye on the most lucrative businesses in the area: the kidnapping industry and drug-running.

In Mancini's case, however, such traditional political business is only half of the story. The other half is his pet project, the Autonomist collective at the University of Cosenza, where his most notable protégé was Franco Piperno. Piperno was recently extradited from France to face a trial in Italy on charges of complicity in the kidnap and assassination of Aldo Moro.

Understandably then, Mancini was disturbed by the appointment of Carabinieri Gen. Carlo Alberto Dalla Chiesa as special antiterror chief after Moro was murdered. He protested that the appointment posed a threat to the Constitution, to the police, and the magistracy.

He was even more outraged when attention began to focus on his social turf, Cosenza University. He described the autonomist networks there as "nothing at all, except an area of dissent with the policy of national unity, which they are trying to outlaw."

Pifano himself accompanied them in a Fiat. The three are being charged, among other things, with "introducing armaments of warfare in national territory."

The Italian press has speculated that the two weapons could be used to shoot down helicopters transporting major political figures such as Prime Minister Cossiga, or to assault buildings such as seats of government or special prisons, or to demolish the armored cars in which more national figures, such as PCI leader Berlinguer, travel.

Pifano's two accomplices are telling investigators that they found the container with the two bazookas in it lying on the road, and that they took it thinking it contained "big telescopes." Pifano himself denies any knowledge of what the truck contained. However, authorities are said to be extremely doubtful of their stories, especially since turning up in the Autonomist's Rome apartment a complete mechanical workshop equipped to modify firearms, with machines capable of erasing serial numbers, imprinting new ones, and modifying the threads of gun barrels.

The Granato affair

The Red Brigades-Autonomy connection was confirmed by the terrorists themselves the day after Pifano was arrested. On Nov. 9 Michele Granato, a 24-year-old Rome policeman, was shot in the back on a Rome street in front of his 18-year-old fiancée. The Red Brigades claimed responsibility for the murder later with a long leaflet calling Granato a "killer for the State" who had "for years blocked every initiative of the proletariat struggle." The leaflet was signed by the "Red Brigades—Roman Column."

Granato was really the enemy, however, of the Rome Autonomy. According to *Corriere della Sera*, in his five years with the Rome police's Mobile Squad, he had "followed the turbulent developments of the Autonomist collective of the Via Dei Volsci . . . the Autonomi knew him well." *La Stampa* Nov. 11 adds more to the story: it was Granato who put the handcuffs on Daniele Pifano at the disturbances at the Polyclinic two years ago.

The Red Brigades leaflet ends with a call to arms to the entire "movement," claiming the necessity of armed struggle: "outside of this combative offensive, to speak of proletarian needs becomes pure idealism."

Thus Giacomo Mancini's defense of the civil rights of his Autonomist friends, his slanders of the prosecuting judges as fascists, and his indignant rejection of any suggestion that his boys are really vicious killers, are exposed as completely fraudulent. The Red Brigades' Rome organization, which was splintered after the Moro assassination and the April 7 arrests, has been reconstructed on the basis of open recruitment from the Autonomy.

New book uses LaRouche to hit terrorist backers

*Published here in its entirety is a translation of the chapter of the book by Michele D'Arcangelo printed in the magazine *Tutoroma*, Nov. 15-30. The "Col. Harris" interviewed is actually Democratic presidential candidate Lyndon LaRouche. The magazine's introduction to the book's Chapter 8 reprint announces that in subsequent weeks other chapters of the soon-to-be released book will also be reprinted.*

"Your jails," continued the Colonel, running his fingers through his discolored hair, "are filled with sympathizers and members of the various armed bands that grow like fungus in autumn. . . I don't know," he continued after a studied pause, "if you have ever asked yourselves how many of these revolutionaries are in good faith and how many are IPS (Institute for Policy Studies—ed.) infiltrators, or infiltrators from other organizations."

"In the course of our investigation," Alberto responded, "we have often come across this organization and asked ourselves what it was in reality."

"The result?"

"Absolutely zero. Nobody knows, and those who know never talk. The only note in our file is that the Institute for Policy Studies is backed by Rockefeller. Can you be more precise about this?"

"I can tell you that the top men in this organization are Richard Barnett and Marcus Raskin. A very interesting reference to this will appear tomorrow in *Giorni Vie Nuove*, the magazine linked to the red (Italian Communist Party-controlled—ed.) cooperatives. Lajolo (the magazine's editor—ed.) lacks proof."

"Do you have this proof?" asked Claudio, interrupting for a moment his job as stenographer.

"As much as you want. Take down for the moment that the IPS represents the major and most dangerous international terrorist network, and that in Italy it has organized a mass base for terrorism by making use of the grouplets of the so-called new left of the 1968 period, which the IPS had already absorbed as an instrument of subversion against the prodevelopment factions. According to information in my possession, of which I will give you photocopies before you leave, Francesco Alberoni too is part of the plot, the sociologist who started the Red Brigades."

Mauri and Donati look at each other with an air of incredulity and bewilderment, thinking at the same time that such a line of investigation would lead far, very far indeed.

"Let us proceed in orderly fashion," the Colonel was saying. "When Barnett came to Italy to coordinate the monetarist offensive with Riccardo Lombardi (national leader of the Italian Socialist Party (PSI)—ed.), the old protector of the grouplets and the saboteur of the partisan networks, someone tried to poison the Hon. Mancini.

"We didn't know that," exclaimed Claudio.

"Why exactly Mancini?" asked Alberto curiously.

"Mancini had learned about the intrigue, and immediately spoke to De Martino (then general secretary of the PSI—ed.), convinced that he could get De Martino on his side. What the two bigwigs of the Socialist Party said to each other we don't know precisely. But it seems that the secretary strongly urged Mancini not to interfere in the affair, for the good of socialism. Mancini instead . . . decided to move on his own and finally fate—let's call it that—put into his hands a very secret document on the nomination of the future president of the republic and everything hidden underneath that.

"Now the Calabrian Parliamentarian (Mancini—ed.), certain of being in the possession of the key to the enigma and feeling himself secure in the party due to his own factional strength, went back to De Martino and threatened to make everything public. A few days later occurred his 'accidental' poisoning, followed by the condemnation of Panzieri, his daughter's husband, who was accused by the court of responsibility for the murder of the young student Mantakas."

"And you want us to believe that Mancini is so malleable that he took all these affronts in silence?"

"What Mancini did to revenge himself is something you will discover soon. . ." (The reference is to the subsequent kidnapping of De Martino's son, which Italian police traced back to sources within De Martino's own Socialist Party—ed.)

While the mysterious personage (Colonel Harris—ed.) described the events, the terror plot became increasingly clear in the minds of the journalists, and every piece of the puzzle began to fall into place.

"What occurred over the next few months is not all (that will happen) . . . The destruction of the SID (military intelligence—ed.) will follow that of the carabinieri (military police—ed.) and, why not, that of General Mino himself (General Mino of the carabinieri national leadership—ed.).

"You will see that time will prove my predictions correct. Yours is the country of misfortunes . . . Mattei's death (founder of the Italian national oil company, ENI—ed.) was a misfortune . . . Rocca (SID colonel—

ed.) dead by suicide ... Many witnesses in the Valpreda case or, to be more precise, the Piazza Fontana case (1969 massacre carried out by fascists—ed.) died accidentally in their cars or by falling out of windows—not to mention the taxi driver Rolandi who died at a convenient time from viral hepatitis, a malady easily caused by an injection.”

Mr. Harris spoke calmly, without moving a muscle, as if he were immersed in a psychological state of absolute insensitivity to external stimuli. He looked like a medium during a seance, intent on taking into himself manifestations of paranormal phenomena. He recited things which were not his own, almost as if he were indeed a medium. His lips barely moved, and the melodious sound of his voice emerged controlled like the cadences of a flute. ... He seemed a quiet, inoffensive, detached person. ... Scrupulous, serious, efficient, meticulous, honest in his own way.

“If you have the courage to publish these accusations against the IPS, it will react by bringing to bear the reaction of its entire mammoth international apparatus. I know that to prevent any such imminent exposé on your part, certain groups are ready to take action to keep you quiet. I have told you this once. ...

“If our police has in hand the elements needed to act, what are they waiting for?” asked Donati, increasingly worried and perplexed over the course that the information from Harris was taking.

“It’s not as simple a matter as just believing, my friend. We all of us face a double problem. On the one hand the prodevelopment forces are contained by a whole environment protective of monetarism that operates both at the level of the press and at the political level, with agents who control increasingly large portions of the social structure. On the other hand, the prodevelopment forces themselves are afflicted with a real subjective deficiency. They have not fully understood the necessary method for isolating the enemy factions in such a way as to be able to strike at them effectively. You have noticed, in fact, that most often those who are arrested are the individual terrorists, while the subversive networks are not destroyed. It happens that when the antiterrorist police find a terrorist safehouse the conspirators have already abandoned it, having been previously alerted by the resident agents of the IPS. It is clear, therefore, that it will be practically impossible to stop terrorism until we have effectively paralyzed the Atlanticist centers of terrorism whose job it is to supply, at various levels, aid (to terrorists) in your country through the mediation of many government personnel.”

“But will our exposé suffice to budge this mechanism?” asked a concerned Mauri.

“Not by itself. It is necessary for the forces of order and the working class to arm themselves with the

scientific method to be able to identify and eliminate those responsible for terrorism. And explaining this method must be the aim of your magazine. (*The reference here, discussed elsewhere in the book, is to Colonel Harris’s suggestion that his interviewers found a new mass circulation magazine that will both publish the truth about the top levels of terrorist controllers, and explain the method by which the magazine arrived at its evidence and judgment—ed.*) On the basis of what you will write, public opinion will be able to re-examine and reinterpret the facts, foreseeing why and when terrorism is activated. A recurring weakness of your magistracy is that they never get beyond the phenomena of terrorism, and put aside the fundamental problem of identifying the international sources of terrorism.

“You instead should take the global perspective as your point of departure, the international apparatus of Atlanticist subversion, explaining to your readers the reasons for the recurrence of the terrorist weapon. You must document why ever since the war, Wall Street has imposed its own hegemony on the international financial structure, linking to itself the entire Western economic structure which is now entirely dependent on the vicious circle of Wall Street and International Monetary Fund credit, and credit from all the other organizations dominated by Wall Street. Through this financial power some men have imposed a bestial exploitation of the Third World. Credit is used to repay debts, not to make productive investments. Now, however, the cycle of repayment of debt, austerity, repayment, more austerity, is close to ending.

“The type of vassalage the Wall Street banks must impose to keep this structure afloat is such as to require the destruction of industry as an autonomous force for development. We are on a short fuse and the fight between the monetarist and prodevelopment factions must be resolved over the next few months, as indicated by the sudden increase of terrorism.”

“What connects such diverse forces and factual groupings?” Alberto wanted to know.

“The monetarist pressures of the Rockefellers, of Brzezinski, which in every part of the world are engaged in a final battle.”

“And are we at that point now?”

“Yes. And that is why for our allies, among the forces which consciously work for progress, no hesitation is possible. Our enemies are insanely determined to strike against each and every one of us. Some time before 5:00 this morning I was informed by absolutely reliable sources that my name is on a list of persons scheduled for assassination by the Baader Meinhoff gang as part of a new wave of assassinations. The same source communicated to me that the same list contains the name of the president of the German industrialists’ association (Hans Martin Schleyer, who was indeed

subsequently murdered by the Baader Meinhoff—ed.)”

“Are the West German authorities aware of these threats?” asked Claudio, and it was Alberto who answered. “That’s not the problem. The problem is to know how the groups of the left can be operatively controlled, together with the right-wing groups, even though not all their members know that they are manipulated instruments and that they are infiltrated.”

“The intelligence unit,” let us call it that, explained Harris, referring in particular to the anarcho-Maoist movement, “has introduced into these layers a network of agents who are highly trained . . . to control terrorist activity in various ways. The operations are also led by maintaining a technical-operative capability through a separate line of command such that the programs, plans, means of escape, are made known to the terrorists only in case of need and always only partially.

“Anarchist doctrine functions as a sort of synthetic religious doctrine or, as the experts define it, a belief structure. This belief structure gives the autonomy (mass above-ground support structure of Italian terrorist gangs—ed.) a species of brainwashed political motivation to the extent of making them accept the notions which they have been chosen to carry out. Let me give you an example. When the individual in charge of the ‘intelligence unit’ gives the orders to assassinate Buback (West German attorney general, murdered by terrorists—ed.) or Ponto (head of the Dresdner Bank and leader of the West German prodevelopment networks, also assassinated—ed.), the individual who is to carry out the order is not told that he is murdering Buback because Buback is seen by Wall Street as a dangerous rival. He is rather told that Buback is a capitalist oppressor. If the terrorist were to know too much about the operation for which he is being used, he would become an ineffective instrument ripe for being exposed to the police.”

Backers of W. German terrorism exposed

Revelations have emerged that Israeli secret intelligence agents drugged and brainwashed Palestinian prisoners in Bavaria to carry out terrorist assassinations against leaders of the Palestine Liberation Organization (PLO).

The operation reaches high into the state apparatus of Bavaria, whose officials cooperated with the Israeli terrorist-controllers, according to spokesmen from federal law enforcement agencies in Bonn. Investigation of these links in the terrorist chain of command threatens to expose and demolish one of the chief weapons which

has been used against West European governments by British and Israeli intelligence services, in particular.

Federal Interior Minister Gerhard Baum issued a warning to Israel not to try to sabotage Bonn’s antiterrorist agreements with Arab states and the PLO. In a statement quoted by the weekly *Der Spiegel* Nov. 12, Baum said that “somebody wants to disrupt our contacts with the PLO. I am for a battle against international terrorism, and nobody should interfere with our efforts.”

The chairman of the West German parliamentary Interior Security Committee, Axel Wernitz, demanded a thorough investigation of all Israeli secret service activities in the Federal Republic of Germany.

Last April, four “Palestinian” terrorists were arrested trying to enter West Germany and brought to the Straubing prison in Munich, Bavaria. During the course of the interrogation of the prisoners, federal law enforcement authorities became suspicious when one of the four immediately tried to implicate the PLO. He declared himself to be a PLO officer—despite the fact that the PLO has no military ranks. The weekly *Der Spiegel* reported that some law enforcement officials believed the terrorists were “made in Jerusalem.”

During subsequent interrogations by the Bavarian police, Israeli “translators” were permitted to question the prisoners, which included one Mohammed Yusef, a former bodyguard to PLO security chief Abu Iyad. According to PLO statements and reports circulated in last week’s *Der Spiegel*, Yusef was drugged and brainwashed to carry out an assassination against Abu Iyad. He was released from prison in July of this year, and returned to Lebanon, where he confessed his mission to Abu Iyad. A week later, he reportedly committed suicide with a machine gun. The PLO lodged a protest with the West German embassy in Beirut, and eventually the story broke in the press.

These developments are the latest in a continuing effort by Israeli and British intelligence to prevent Bonn from establishing links with the Arabs and with the PLO outside the framework of the Camp David Mideast accord. More broadly, Israeli-controlled terrorists such as the Baader Meinhof gang have been used repeatedly to destabilize the government of West German Chancellor Helmut Schmidt. Documented Israeli-linked terrorists include Baader Meinhof member Hans Joachim Klein who defected to Israel last year and is currently living on a kibbutz. Another top Baader Meinhof terrorist, Winfried Boese, hijacked a jet to Entebbe airport in Uganda in 1976 and the Israeli government claims that he was killed in an Israeli commando raid on the plane. The West German government, however, still lists Boese among the “most wanted” terrorists, and some officials believe that he survived and was taken to Israel.

The Israeli terrorist operations were dealt a major blow when West German Interior Minister Baum traveled to Libya at the end of 1978 and signed an agreement with Libyan leader Qaddafi to jointly combat terrorism. High-powered British-Israeli plans went into effect to try to sabotage the Baum-Qaddafi agreement (in which the PLO was a silent partner). On Jan. 22 Abu Hassan Salameh, the son of PLO leader Yasser Arafat, was assassinated, with the key role in the plot reportedly played by Erika Maria Chambers, a British national operating under a "German" cover. This Israeli effort to disrupt West German-Arab cooperation backfired when an investigation team from the Bundeskriminalamt (BKA—the federal criminal investigation bureau) went to Beirut in March and met with PLO

security officials. The BKA team reached the assessment, according to inside sources, that the assassination was part of a British-Israeli plot to disrupt West German-Arab relations.

The Israelis retaliated by sending an agent into West Berlin to organize a cell of Palestinians to "revenge the Salameh murder." Plans were laid to assassinate a leading Zionist spokesman in the city and to blow up gasoline storage depots. The Israeli ringleader was arrested and detained briefly in a prison in the British occupation zone, where he was not subject to West German criminal court jurisdiction, and then allowed to return to Israel.

—Susan Welsh

'International terrorism' hits the United States

About a week ago, immediately following the bloody shoot-out in Greensboro, North Carolina, an Iranian student from Riverside City, California was found dead from a bullet in the back of the neck. According to press accounts of the incident, the Ku Klux Klan claimed credit for the execution. Within days of the California incident, another Iranian student took a rifle out and gunned down a 16-year-old Denver youth who had been participating in an anti-Iranian demonstration earlier in the day. Riots and demonstrations, for and against Iran, and assorted violent clashes throughout the nation continued throughout the week. Even the Greensboro events have not been fully played out, as the crazy Communist Workers Party held an armed funeral march last Saturday for their fallen "comrades." Fortunately, the State and local police managed to arrest 35 members of the group, thus avoiding a replay of the earlier gun battle between the KKK and CWP.

Most average Americans would see these incidents as isolated detestible events which every normal American wishes to avoid. However, the recent events only foreshadow what is in store. What average Americans, as well as intelligence officials and law enforcement agencies are actually seeing are the initial phases of a fullscale terrorist activation within the borders of the United States.

This is no mere accident. As of July of this year, a major "Conference on Terrorism" took place at the Jonathon Institute in Jerusalem, Israel, which laid out in detail the terrorist scenario now rapidly unfolding in America. This conference represented the planning phase for what is now being implemented, as a conscious policy to destabilize U.S. political and economic life.

The political faction responsible for these developments may be generically identified as the "Kook" grouping composed of leading British oligarchic forces and their Jesuit and Zionist allies. Between Georgetown (Jesuit) University in the U.S.; Britain's top terrorist controllers in the Institute for the Study of Conflict, an

offshoot of British Secret Intelligence Service's Tavistock Institute; and leading Israeli intelligence officials and U.S.-based Zionist Lobby spokesmen, a Mideast run terrorist deployment into the U.S. has been carefully planned. Some of the key figures were Brian Crozier, Robert Moss, Lord Chalfont from Britain; Ray Cline from Georgetown, Senator Henry Jackson and others. It was intended that the terrorist wave be coordinated with a projected invasion of the Persian Gulf by U.S. Special Forces. All that was needed was a major Mideast crisis. Iran became the perfect pretext.

This kook faction's deployment of Muslim Brotherhood-sponsored terrorism is part of the broad scheme now unfolding around Iran which has as its intended result the ruination of U.S. power economically and politically. For the kooks, that is key to their international objective, a "New Dark Age."

A new 'Tar Baby Option'

A few years ago, the U.S. State Department and the neo-Fabian Institute for Policy Studies created a plan for race riots and terrorism in the U.S. as a result of racial upheavals that were going on in Southern Africa. The plan, dubbed the "Tar Baby Option" authored by Anthony Lake, a former protege of Henry Kissinger, attempted to "playback" the effects of the 1975 events in South Africa into the U.S. as a means for establishing a racial identification of U.S. black citizens with South African blacks. Domestic racial turmoil would have been provoked in connection with a (Persian Gulf-style) invasion of the region to protect "vital oil routes." This could not be carried out because, according to former Lt. Gen. William Yarborough, one of the top counter-insurgency specialists in the U.S., the U.S.'s geopolitical interests were not really at stake. The "oil routes" pretext wouldn't wash.

However, the Iran crisis provides the unique situation which allows the "playback effect" to work in the U.S. What the Iranian crisis allows the Muslim Brotherhood and its controllers from British Intelligence to

do is to activate the Iranian Student Association organizations and related politically corrupt elements of the Palestine Liberation Organization.

Nearly 50,000 Iranian students attend U.S. universities giving a wide political and social base to draw from. Since 1976 and the failure of the "Tar Baby Option," the Anglo-Jesuit kooks have sought to engage Muslim Brotherhood forces for an identical project.

To fully appreciate the manner in which this unfolding scenario is presently being carried out, there must be an identification of two key individuals in policy-making positions within the Carter administration, who are directly accountable for this policy course. National Security Advisor Zbigniew Brzezinski is the indispensable figure in the entire scheme. Without Brzezinski's endorsement of the Khomeini regime's overthrow of the Shah and his subsequent support for Khomeini's policy, none of the present crisis could have occurred. The other key figure is U.S. Attorney General Benjamin Civiletti whose unmitigating support for terrorism is evidenced by his release of the four Puerto Rican terrorists who shot up Congress in 1954 and his removal of the Weatherunderground from the FBI investigations list. His recent pronouncements on cracking down on the Iranian students amounts to nothing short of a hoax. In fact, Civiletti's moves at this point will only further the terrorist deployment.

Unless there is a concerted political effort to name the names publicly, to clearly identify the forces responsible for the present crisis, namely Brzezinski and his brethren in the Muslim Brotherhood, then the chances for reversing the situation will slip out of our reach.

—Paul Goldstein

Greensboro: job by the Anti-Defamation League

On Nov. 3 five leaders of the Communist Workers Party (CWP) were killed and ten others were wounded by members of the right-wing, terrorist White Alliance in a shoot-out which erupted at a "Death to the Klan" rally that the CWP organized in Greensboro, N.C. An EIR investigation over this past week has uncovered the fact that both the left-wing "victims" in the CWP and their Klan and Nazi "assailants" were merely acting out in "living theater" fashion a scenario for an outbreak of domestic terrorism that was drafted at the Jerusalem Conference on Terrorism last July and directed through such terrorist-coordinating agencies as the Anti-Defamation League of B'nai B'rith and the Institute for Policy Studies.

While investigators have so far failed to locate the "smoking gun" that could be used to bring leaders of the ADL and IPS before a court of justice as accessories to murder, a trail of evidence, leading directly to these agencies' doors, has been developed by looking into the background of individuals known to be associated with persons on both sides of the shoot-out.

The White Alliance, to which the 15 Klansmen and Nazis arrested for alleged complicity in the Greensboro murder all belong, is a Southern-based, right-wing umbrella group that is closely linked to other Klan-Nazi groups known to be controlled by paid agents of the Anti-Defamation League of B'nai B'rith. Among these affiliated groups is the Pennsylvania Klavern of the Confederation of Independent Orders of the Invisible Empire, whose Grand Dragon, Ray Doerfler, was in regular contact with those White Alliance members arrested for the Greensboro murders.

Doerfler is currently raising a legal defense fund for the arrested Klansmen. But, in an interview last week with an EIR investigator, Doerfler made statements which indicate that his involvement goes far deeper: "We support our boys ... Look, we taught them how to kill Communists ... It ("racial" violence) has begun. We can't restrain people ... If it was up here, there would be a lot more of them dead. Our boys are better shots."

James Rosenberg

Incredibly, the man whom Doerfler has publicly named as "the brains" behind his Klan outfit, James Rosenberg (a.k.a. "Jimmy Mitchell"), is a self-admitted, paid agent of the Anti-Defamation League of B'nai B'rith

and a non-commissioned officer in Israeli military intelligence. Rosenberg, who currently resides in Doerfler's Mooreville, Pa. home, returned to the U.S. recently from a tour of duty in Israel where he worked as a briefing and debriefing officer in a Holocaust Center set up by Rabbi Meir Kahane, the founder of the Jewish Defense League. As EIR documented in a two-part series ("Zionists Tied to 'Nazi' Organizing") last June, Kahane was himself groomed by Air Force Intelligence's Joseph Churba and Maj. Gen. George Keegan, who are both part of the Jesuit-Georgetown networks that heavily represented the U.S. at the Jerusalem Conference on Terrorism where plans for a controlled, terrorist destabilization of the U.S. were drafted.

As the Rosenberg-Doerfler case highlights, there are two sorts of individuals who are members of the right- and left-wing gangs that are used in staged confrontations like that at Greensboro. In most cases these gang members are mere dupes who joined such political cults either through a depraved sense of self or through "Clockwork Orange" behavior modification programs. Nested among these malleable dupes are a handful of conscious agents from groups like the ADL, IPS, or, even, as the case of Rosenberg documents, from foreign intelligence agencies. Playing on the profiled belief structure of whatever group they are attached to, it is relatively easy for them to deploy large numbers of dupes in line with intelligence-operation "scenarios."

Rosenberg's modus operandi in orchestrating earlier "racial" clashes precisely parallels events in Greensboro. In March, 1978, Rosenberg was implicated in a plot to provoke Doerfler's Klan unit into bombing the Trenton, N.J. headquarters of the NAACP. Again, in July, 1978, Rosenberg was named by right-wing sources as the key figure behind a planned clash between Klan and "anti-Klan" forces in Jamesburg, N.J. Rosenberg not only organized Doerfler's Pa. Klavern to take part in this "one man riot," but he operated as a provocateur within the ranks of the Jewish Defense League, the Progressive Labor Party (PLP), and the International Committee Against Racism, a PLP front that he mobilized to confront the right-wingers. Violence on a level with that in Greensboro was only narrowly averted when the Klansmen were detained by law enforcement personnel as they attempted to enter the town.

William Sickles

Another individual with a lengthy record as an agent provocateur and close links to the White Alliance members arrested in Greensboro and to Doerfler is William Sickles, Imperial Wizard of the Adamic Knights of the Ku Klux Klan, and also leader of several other right-wing terrorist groups. At the center of Sickles' Klan group is a so-called "Korp of Konvict

Killers" composed of trained assassins recruited through an extensive prison network associated with the Aryan Brotherhood.

Sickles' case history dramatically illustrates the interchangeability of Klan and "anti-Klan" forces whom the ADL and IPS deploy as cannon fodder against one another. In 1975 EIR exposed Sickles as a central figure in a gun- and drug-running operation in the Reading-Pottstown area of Pennsylvania that U.S. intelligence sources held responsible for providing explosives to both the Puerto Rican FALN and the KKK members who carried out the Pontiac, Mich. bus bombings. Working closely with Sickles to oversee this operation was a Dr. Stephen Levin, a former colleague of two of the Communist Workers Party leaders (Jim Waller and Dr. Michael Nathans) murdered at Greensboro. All three were former members of a radical doctors collective which ran the Detoxification Center at Lincoln Hospital in New York. Lincoln Detox was exposed in 1974 as the place where the cop-killing Black Liberation Army was created.

Jim Waller

CWP Central Committee member Jim Waller (also known as "Blackbeard") has himself been identified by law enforcement sources in Greensboro as playing a major agent provocateur role in events leading up to the shootout. As the head of a medical team during the FBI confrontation with the American Indian Movement at Wounded Knee, South Dakota and, later, as the ringleader of several wildcat strikes in Southern textile mills, Waller was an expert in the use of confrontation tactics.

In the days preceding the "Death to the Klan" rally, Waller had CWP members brought in from New York to distribute leaflets denouncing the Klan as "swine," "scum," etc. and daring them to appear at the rally. U.S. intelligence sources report that both NBC and the Justice Department are in possession of film which shows the CWPers in a virtual rampage 15 minutes before the shootings, dragging citizens out of cars, and committing similar provocative acts. And, these film records reportedly show that it was CWP members who fired the first shots!

The full story on the Greensboro murders is not yet in—in large measure because of the security blanket that was immediately thrown over the event by Benjamin Civiletti's Justice Department. Nonetheless, the evidence available from the known record of many associated with both sides of the Greensboro shootout indicate that it did not result from a spontaneous eruption of "racial" violence, but from the deliberate provocations of agents of the Anti-Defamation League of B'nai B'rith and similar agencies.

—Scott Thompson

A terrorist accomplice named Civiletti

In the last three weeks, there have been seven deaths due to terrorist activity in the United States. Five murders occurred in Greensboro, N.C.; two other deaths involved incidents related to the present Iranian crisis. With Attorney General Benjamin Civiletti at the helm, the U.S. Justice Department has acted as an accomplice to these deaths, and to what they presage: a major outbreak of terrorism in the United States.

In just three months, Civiletti has made the following decisions:

- * Four convicted terrorists who attempted to murder the President and members of Congress in the 1950s were freed;

- * All outstanding federal warrants against members of the Weatherunderground terrorist organization were dropped;

- * A Federal suit was initiated against the mayor and police department of Philadelphia on behalf of a terrorist cult, MOVE, that murdered one policeman;

- * Civiletti declared himself "open" to the idea of legalizing the mind-damaging drug, marijuana; drug traffic income is a documented principal source of funds for financing terrorism.

- * A new charter for the FBI has been proposed—a charter that would codify the "Levi Guidelines" which cripple the preemptive capabilities of law enforcement and intelligence agencies.

"Iranian students"

Civiletti's legal endorsement of terrorist networks in this fashion is a key background consideration in the judgment that a significant activation of terrorism is now underway in the United States, with the ongoing Iran crisis an important triggering element. Immediately following the storming of the American embassy in Iran, networks within the large Iranian student community in the U.S., controlled by the Muslim Brotherhood, began calling their pro-Khomeini fanatics into the streets for large-scale demonstrations and riots.

Exemplary is the fact that the identities and modus operandi of these networks were fully known to the Department of Justice, but no preemptive action was taken. Beginning last January, then-Attorney General Griffin Bell ordered a full-scale investigation into the immigration status of Iranians living in the United States under student visas, while not in fact attending schools. Despite pressure from the State Department to

"relax immigration codes" relating to Iranians, Bell declared he would deport Iranian students with expired visas, in the wake of violent riots in southern California damaging property of relatives and supporters of the Shah.

In more recent months, these same networks have been deployed directly out of Iranian consulates in San Francisco and New York to stage similar demonstrations against American citizens and Iranian groups critical of Ayatollah Khomeini. A conference of the Fusion Energy Foundation was the target of one such demonstration in mid-October.

At present, blackmail and threats are being used by the Muslim Brotherhood, who tell Iranian students that unless they "demonstrate" their allegiance to Ayatollah Khomeini through anti-Shah and anti-U.S. activities in the United States, they will be considered "traitors" to Iran and face "revolutionary justice."

And yet, law enforcement sources in Los Angeles and New York have informed EIR that, until this week, the Justice Department emphatically *refused* to deport any Iranians. Admittedly, with the seizure of the U.S. embassy in Teheran, Civiletti has finally delivered a "get tough" threat to deport. The timing of this threat, under present conditions, causes it to function mainly as a *provocation*, to turn the Iranian Student Association and closely allied Maoist groups toward even more violent, outright terrorist activity.

Several days ago, the head of the Iranian Student Association in New York announced that its members are going "underground" in face of the Justice Department "get tough" policy. Already, a plot by Iranian students to kidnap the Governor of Minnesota has been uncovered. Civiletti's policy has thus been, in effect, to make Iranian students into a major new component of already "underground" terrorist networks in the U.S.

U.S. terrorist underground

By no coincidence, the "underground" the Iranian students are now entering is an apparatus that Justice Department officials themselves have some scandalous links to. Two jailbreaks which occurred in the U.S. during October indicate that this terrorist and terrorist-support apparatus has been reinvigorated. In Seattle one Artie Baker, a California-based terrorist who has links to the Symbionese Liberation Army and the George Jackson Brigade (both connected to the Weather Underground), escaped from prison. Then, two weeks ago, Black Liberation Army cop-killer Joanne Chesimard escaped from a New Jersey prison.

Ramsey Clark's connection

Since its founding in the mid-1960s as part of the World Confederation of Iranian Students-National Union,

headquartered in West Germany, the Iranian Student Association (ISA) and related splittoffs like the Organization of Iranian People's Self-Sacrificing Guerrillas, and the Organization of Majahadeen (Combatants) of the People of Iran, have been an integrated part of a U.S. and European based network of terrorist protectors.

The leading figures in this protection racket are former Attorney General Ramsey Clark; MIT Professor Noam Chomsky; the late Herbert Marcuse (creator of Communist Party-USA riot organizer, Angela Davis); and Fourth International head, Ernst Mandel. On the gutter level of the operation, the ISA has been strongly interlinked to the overtly terrorist organizations in the United States, the Revolutionary Communist Party (formerly Revolutionary Union), and the Communist Party-ML (formerly October League).

Through an above-ground support organization, the Committee for Artistic and Intellectual Freedom in Iran (CAIF), headed by Ramsey Clark, the ISA and related Muslim Brotherhood controlled outfits worked directly with the Campaign to Stop Government Spying and the American Friends Service Committee (AFSC). These two institutions in turn are financial conduits for terrorists, who also operate a string of "safehouses" for underground activists.

The same Muslim Brotherhood channels that are controlling the Iranian students have a controlling relationship to the most rabid elements of the Palestinian Liberation Organization (PLO) in the U.S. In this context, it was not surprising to find an official PLO representative expressing their "solidarity" at a support rally called for escaped-BLA terrorist Joanne Chesimard earlier this month.

While Civiletti has been provoking U.S. terrorist outbreak related to the Iranian crisis, his predecessor Ramsey Clark is now, ironically, in the delicate position of negotiating with cult high priest Khomeini for the lives of 60 American hostages in Iran. Only last February, Clark was in the forefront of another Iranian crisis—but at that time, Clark was in Teheran leading demonstrations calling for the ouster of Shah Pahlevi, in the weeks of chaos that preceded Khomeini's accession to power.

What common thread links Civiletti and Clark? Both are products of the "Kennedy machine," and spring from a Justice Department built on the dirty-tricks, watergating apparatus created by Robert Kennedy during his brother John's Presidency. It was the Kennedy Justice Department that functioned as a bludgeon against Kennedy's political opponents such as James Hoffa and the International Brotherhood of Teamsters. It has also functioned as a counterinsurgency deployment center for agents sent into the South and

into urban centers, who created the groundwork for "race riots" and "New Left" terrorism.

Whence Civiletti?

In 1977, Civiletti was hand-picked by Kennedy-backers in Maryland Zionist circles for a top position in the Justice Department—Assistant Attorney General heading the Criminal Division. This was part of a political payoff that Carter made to Kennedy's stalwarts in Maryland. With the resignation of another Kennedy hand, Peter Flaherty, from the Deputy Attorney General's position in a dispute over Justice Department policy, and this year, with the resignation of Attorney General Griffin Bell, Civiletti came into the nation's top law enforcement position.

Civiletti's career began in earnest in 1961 under the good graces of Joseph Tydings, Jr., who ran JFK's Maryland campaign in 1960. After the Kennedy brothers appointed Tydings to head the Baltimore U.S. Attorney's office, Tydings selected Civiletti as one of his assistants, along with two other future notables: present Senator Paul Sarbanes (D-Md) and Steven Sachs, the present Attorney General of Maryland. From 1961-64, Tydings and his office played a prominent role in the fabled Kennedy Justice Department's "attack on organized crime." A major part of that campaign was the use of investigations and prosecution to break up trade union and old-line ethnic machines in the Democratic Party.

In 1970, the Tydings circles showed their muscle by installing a "new machine" puppet—the election of Parren Mitchell to his first term in Congress. Using vote fraud, violence and threats in the hotly contested race, the Mitchell backers managed to seat their candidate. Among the supporters who built the Mitchell election (with full page ads in the *Baltimore Sun*) were two of Tyding's former protégés, Civiletti and Sachs.

Following Tydings' election to the Senate, Civiletti left the U.S. Attorney's office and joined Venable, Baetjer and Howard, the most prestigious law firm of Maryland, serving Johns Hopkins University, the *Baltimore Sun* and leading financial institutions. Civiletti's specialty was tax and corporate law. Well known for his "exceptional" competence, Civiletti pioneered investigation into the use of the "Miranda ruling" to prevent criminal prosecution following Internal Revenue Service investigations.

How Civiletti will use his celebrated "anti-white collar crime" units to influence politics in the future year of Presidential campaigning will undoubtedly be on a par with his use of other Justice Department units to develop and support terrorism at the expense of the United States.

—Michele Steinberg

Conferences' role in planning terrorism

Over the last three weeks there have occurred a series of conferences timed to occur as a new wave of terrorism began to unfold in the U.S.A.

The function of such conferences is twofold. First, these semi-public meetings pull together some of the so-called "experts on terrorism" along with key individuals from several opinion-making institutions in order to "go public" with an official cover-up line on imminent terrorist deployments. Out of the meetings, the classic textbook methods of counterinsurgency and social control are put forward as "solutions" to the terrorism, modeled on the crisis management policy detailed in the Council on Foreign Relations' Project 1980's—the plan for "Controlled Disintegration" of the world economy.

Second, these conferences, far from being academic exercises, are utilized in some cases as planning sessions for the next outbreak of terrorism internationally. The frequent theme of the recent gatherings was the eventual outbreak of Iranian-PLO-Black radical terrorism to hit the United States. One striking example of this type of planning-then-activation, frequently cited, occurred immediately prior to the infamous Entebbe incident in 1976. A Conference on International Terrorism was held in Glassboro, N.J. where leading participants such as J. Bowyer Bell and Yonah Alexander "predicted" a major international incident would soon take place. Bell, the head of Columbia University's War and Peace Studies Center, and Alexander, an Israeli intelligence operative, have been identified as two top profilers of Irish Republican Army and Palestinian Liberation Organization-style terrorism. As profilers, they in effect serve as key terrorist controllers.

While the identity of the individuals featured at these conferences as terrorist controllers is not widespread in the U.S. media, this is not the case in Europe. Since the time of the Moro case in Italy, the European press has given widespread coverage to the Georgetown Jesuit networks, sections of Israeli intelligence, and sections of British intelligence as being the controllers of international terrorism.

The Conferences

The International Freedom Conference, Valley Forge, Oct. 25-28: This was sponsored by the American Council for Coordinated Action and the Aims for Freedom

and Industry of Great Britain and was the third in a series of such conferences. Speakers included Admiral William Mott, Royal Air Force Vice-Marshal S.B. Menaul, former NATO chief General Alexander Haig, General Danny Graham of the American Security Council, and Ed Fulner, the director of the Heritage Foundation. Among the topics discussed was the potential for political violence in the U.S. as a result of the clashing of left and right wing extremists. This discussion preceded the Greensboro incident.

The Freedom Summer Conference, Jackson, Mississippi—Nov. 2: This was held to celebrate the gains of the black movement over the last 15 years. Instead, it turned into a forum for the creation of a radical "civil rights" movement around the issues of lack of economic justice and police brutality. The participants included Ramsey Clark, Julian Bond, and members of the Southern Regional Council of Atlanta, Georgia. The SRC recently predicted the rise of a new civil rights movement around those two issues.

Center for Strategic and International Studies—Press Conference on Terrorism in the U.S.: This featured known terrorist controllers Yanuh Alexander, Robert Kilmarx, and Brooks McClure, as well as "crisis management" expert Robert Kupperman. This press conference, held shortly after a CSIS special briefing by Princeton's Bernard Lewis and former DOE head, James Schlesinger, announced that an outbreak of terrorism in the U.S. is imminent, with a particular focus on the threat of an environmentalist-terrorist movement.

Arab-American University Graduate Student Conference—Wash., D.C. Nov. 10-11: This represented the public merging of the two networks presently activated for terrorism—the black movement and the Muslim Brotherhood networks—as has been predicted by experts over the last months. This included Jesse Jackson of Operation PUSH, and Joseph Lowry of the Southern Christian Leadership Conference, sharing the podium with such Muslim Brotherhood controllers as Clovis Maksud, Thomas Ricks, Richard Falk and Eqbal Ahmed. Both these networks interface with the Institute for Policy Studies, which has been identified as a controlling instrument of terrorism in the U.S.

International Conference on Terrorism in Ecuador: This conference which took place sometime in the week of Nov. 9, has been identified by participants as identical in significance to the Jerusalem Conference on International Terrorism held six months ago in Israel. The Jerusalem Conference focussed on the deployment of PLO style terrorism in the U.S.

The controllers of terrorism speak out

Kilmarx: domestic terrorism "inevitable"

The following are excerpts from an interview with Robert Kilmarx, presently a member of the Center for Strategic and International Studies at Georgetown University. He previously spent 12 years at the Pentagon as a special advisor to the Air Force in intelligence matters. He is also the head of BKW Associates, a management consulting firm. He and his associate at CSIS, Yonah Alexander, have just released a book entitled Political Terrorism and Business—Threat and Response.

EIR: *Why do you say that large-scale domestic terrorism in the U.S. is inevitable?*

Kilmarx: It would come from events that are inevitable. There are two things. The first is severe economic adversity where the distributive justice—if you know what I mean—will be affecting people in an unequal way. This will hit students and minorities in particular who won't be able to enjoy the benefits gotten from the aid programs that, while necessary, are incredibly expensive.

The second factor is a crisis that will require preparation for a military response, if not an actual response. We are totally unprepared for this both actually and psychologically. The public tends to think of force in simplistic terms. But we're not prepared. Look at our civil defense. I mean we have nothing. We don't even have a system for registering people in the armed services. If we have to put a force in the field it will require a tremendous diversion of resources. And we're not psychologically prepared. If we have to send a force in quickly—say to the Middle East—our boys will be fighting poor people who are being whipped up by groups that have no compunction about violence—they'll find a sympathetic base. This will create domestic problems. Iran provides an example of this in international dimensions. There have been all kinds of increases over the last years—in technology, for example, which is how these things are usually measured. But there has still been tremendous erosion, far beyond what I forecast, into barbarism, which is becoming increasingly accepted. Cambodia, Iran, the religious fanaticism sweeping across the Mideast, are examples of this.

We face a military option in the Mideast in the next 5-10 years—this is definite. There was a briefing for

people here at the end of October, I think, where Schlesinger and Bernard Lewis discussed this. Schlesinger said that Saudi Arabia is going down the tubes in five years because of corruption, dissatisfaction with the intelligentsia, the movement of money by dissatisfied princes out of the country and the spread of Khomeinism. Bernard Lewis laid out the same scenario. This will confront us with an Arab OPEC with no vested interest in maintaining the present system. Then there is no limit to the demands they can make.

EIR: *What kind of preemptive action could be taken?*

Kilmarx: The preemptive response that we need is a viable, flexible, quick-reaction military response capability to be set up. Like the 82nd Airborne should be retrained and put in Diego Garcia. There are other places also. We need a naval presence in the Diego Garcia area. We need a base in the Sinai for this. We need a 200,000 or even 100,000 man strike force.

EIR: *What else was said at the briefing?*

Kilmarx: This is off the record ... it was a private meeting, though public to us here. On Iran [Schlesinger] said that you can't write off the Khomeini movement too quickly. But the concern after Khomeini is that the Communists are reorganizing. They're building bridges to the Kurds, the Baluchis and others. The leftist groups pose a real challenge. They've already established soldiers' councils in the remnants of the Shah's armed forces. They'll be in power one or two coups removed. So we'll go from a barbarous religious dark ages fanatic, to a Marxist Qaddafi. The Bakhtiar thing won't work.

EIR: *What else did Schlesinger say?*

Kilmarx: He focused on Saudi Arabia which is in a downhill process. Remember Khomeini is sending agents to Arab emirates. It's not just an Iran movement—it's a regional movement. ... It there wasn't the problem of terrorism I would look for another problem. We need to be more effective in planning for disasters, economic collapse etc. Otherwise we are vulnerable to internal disease, and penetration. We have to get society ready with overall emergency planning.

Graham: we are going to have to become a police state ...

Our next interview is with General Daniel Graham, the former head of Air Force Intelligence and currently director of the American Security Council.

EIR: *Will the Khomeini movement spread?*

Graham: When Iran fell it signalled that other Arab regimes would fall victim to Khomeini's movement—and the PLO. This development just brings the day that

much closer. I think you will see such countries as Oman, Kuwait and Abu Dhabi fall, and then Saudi Arabia. Saudi Arabia doesn't have it made. Many people think of Saudi Arabia as a bastion of stability but that just isn't the case. It isn't stable. There just hasn't been a concerted effort of the PLO to knock off the royal family yet—but that is coming.

EIR: *What does this portend for future terrorism in the U.S.? Will Mideast terrorism come to the U.S.?*

Graham: Absolutely. There will be PLO terrorism in the U.S. In fact, it's already here—for instance, the attempt by four Iranians to kidnap the Governor of Minnesota. That's not just an isolated act. In fact it began when the Iranian students beat up the pro-Shah forces in Washington D.C. It doesn't matter what the pro-Shah people stood for or even if the Shah paid them to be there—it was peaceful. This really was a harbinger of what was coming.

EIR: *Will that type of activity get the support of various left groups in the U.S.?*

Graham: Some of them will become a part of this. But what I'm more worried about in that regard is that we are going to have to become a police state to maintain order in this country. There is such a large amount of subversive activity in this country and it is protected by the First Amendment. Yet the police and the FBI are totally hamstrung. This is going to have to change. We're probably going to have to become something resembling a police state.

Yarborough: take off the kid gloves

The final interview is with Lt. General William Yarborough, former head of the U.S. Army Special Forces and the U.S. Army Counterintelligence Corps, and the Pentagon liaison to Attorney General Ramsey Clark throughout the late 1960s period of domestic riots.

EIR: *What do you think we can do to prevent domestic outbreaks of terrorism as a spinoff of the Iran situation?*

Yarborough: ... What we need is the proper legislation. But people will have to be tested psychologically first to see if they're ready for such legislation ... we need the kind of legislation where we can have search and seizure, roadblocks set up, mail surveillance and so on. We need a kind of stand by legislation to deal with this kind of thing.

EIR: *Is there anything like that [the Federal Emergency Management Agency] on the books or being planned now?*

Yarborough: Nothing! Are you kidding?—If any Congressman dared try, the civil rights groups would destroy him. We need something very dramatic to force this kind of legislation. Something involving a major prominent political figure—like the kidnapping of the President's wife or a Supreme Court Justice, or the killing of a major figure. This will prepare the population for the kind of thing that we need. And we'd still have to psychologically test the population first.

EIR: *What about PLO-style terrorism in the U.S.?*

Yarborough: Yes, that's the danger. They are going to bring the Mideast battle and use the U.S. as the battleground. This is easier in the U.S. than other places. This is because it's a democratic society and because we're using kid gloves. We're using kid gloves with the Iranian students. In fact the psychological buildup for the Shah's downfall started here in the U.S.—not in the Middle East. And the psychological climate is right for it here. The mass of the American people won't do anything—they can't—but it will be the right kind of psychological buildup that will lead to what we need.

Will the Democratic Party take the winning road in 1980?

The assembled evidence surrounding Ted Kennedy's formal declaration of his presidential candidacy establishes that the intent of his candidacy is to split the Democratic Party, in order to throw the 1980 election to the Republicans.

All Republican candidates are on record in full support of Federal Reserve Chairman Paul Volcker's depression policies. In the last two weeks, Kennedy's wreck-the-Democrats scenario has been detailed verbally by a score of political strategists linked to the New York Council on Foreign Relations and allied Anglo-American policy institutions, who are smugly predicting that the Democratic Party "will be torn to pieces" in the upcoming presidential primary campaign, as a result of the Kennedy candidacy. A Republican "who can continue the policies of Volcker," will win.

The ability to execute a projected fragmentation of the Democratic Party in this manner is contingent upon a Carter-Kennedy two-man race for the nomination. Should that not be the case—should there be a strong third Democratic candidate, then all bets are off on the CFR scenario.

A Carter vs. Kennedy two man race would split the Party irrespective of who takes the nomination in the following manner. Neither of the two candidates is capable of putting together a winning coalition of voters drawn from northern white ethnics, blacks, southern Democrats, independents, let alone GOP crossovers.

Assume a Carter convention victory following a "tear-the-party-to-pieces" primary fight with Kennedy. Carter would have a narrow voter base in the 1980 presidential election. Given the painful record of the Carter administration's support for the depression policies of Federal Reserve Chairman Paul Volcker, its unbroken record of failures on foreign policy, and other features that have earned it consideration for the title of worst administration in American history, the outcome of Carter's nomination would be a voter flight, in "lesser of two evils" fashion, into the waiting arms of the CFR's preferred Republican candidate.

As insurance for the GOP option, the Kennedy radical-liberal hard-core minority of the Party would bolt from supporting Carter, probably taking the form

of a "third party option.." The analogy cited by CFR-linked columnists such as Joseph Harsch of the *Christian Science Monitor*, is the 1912 election, when "the other Teddy"—Teddy Roosevelt, split the Republican Party by forming the "Bull Moose" Progressive Party, and threw the election to Woodrow Wilson. Wilson won with a mere 42 percent of the vote.

Should Kennedy by some fluke, take the nomination, a split is equally assured. Kennedy and his radical-liberal environmentalist base are anathema to broad sections of the party base, to say nothing of independents.

Media plan the campaign

The track record of the major media on the Kennedy candidacy—national television, the East coast press, the *New York Times* and *The Washington Post*, in particular—confirm beyond all doubt the use to which the CFR crowd is putting Kennedy. Anyone who watched television over the course of the past months, up till the eve of Kennedy's actual announcement, could not fail to conclude that one was witnessing an unprecedented media build-up for the candidate. Kennedy was being egged on by widespread, highly favorable coverage to declare as soon as possible. The original Kennedy timetable was moved forward from December to early November.

But then, on the eve of his declaration, an equally massive wave of television broadcasts, press coverage, editorials, and columns appeared attacking Kennedy (see below). The Chappaquiddick "time bomb" was unleashed by CBS television, the *New York Times*, and the *Washington Post*, to name but a few. The CFR panning of Kennedy is to ensure that his candidacy succeeds in splitting the party, but, even by nominal yardsticks, advances no further.

The mood in the country's electorate is quite different, however. As shown in the pattern of the 1979 election results to date, and by the momentum of anti-Volcker and anti-Kennedy sentiment, a Democratic Party majority exists in the United States, a voter base that wants neither Carter nor Kennedy. This majority would rally behind a third candidate, if he were an anti-Volcker/Carter Democratic candidate, and an anti-

Kennedy Democratic candidate. This fact is shown by the Illinois State legislature's unanimous adoption of a resolution demanding that Volcker either reverse his policies or resign; it is shown in the outcome of the Cleveland Mayoralty election, and the Cook County Democratic Party's backlash against Chicago Mayor Byrne following her railroading of an early endorsement of Kennedy's candidacy over loud protests.

The actual status of the bulk of the Cook County Democratic politicians, accurately reflecting the mood of the population, is to support neither Carter nor Kennedy. How meaningless the Cook County endorsement of Kennedy was, is evidenced in the fact that two days later and one day after Kennedy's declaration, Kennedy, arriving in Chicago for a "mass rally," received almost no turnout. The expected thousands were instead counted in the hundreds—almost entirely city workers on "overtime" who were turned out for the occasion; even many of this paltry crowd exited from the scene before Kennedy had concluded his speech.

On the question of reversing the Volcker policies, recent events reflect if anything a de facto agreement with Democratic Presidential candidate Lyndon LaRouche's call for a national mobilization to force President Carter to fire Volcker and reverse his policies to avert "a depression worse than the 1930s."

LaRouche's call was issued in mid-October, and widely circulated throughout the country. On Nov. 1, Illinois State Rep. Larry Bullock (D-Chicago) introduced a resolution into the Statehouse demanding that Paul Volcker either immediately lower interest rates or submit his resignation. That resolution passed both houses in Springfield unanimously, signalling the depths of opposition to the Volcker-Carter administration policies from urban and rural America alike. The vulnerability of every GOP candidate, on record as supporting Volcker's measures, is clear. Rep. Bullock, moreover, said that he thought "America should get to know Mr. LaRouche and his programs better."

The anti-Volcker movement that took off in Illinois is spreading throughout the country. A similar resolution was introduced in the City Council of Baltimore. In Newark, where a vote was taken, a fire-Volcker resolution again passed unanimously.

How a Democrat can win

The Cleveland election (see below) proved the fragility of the GOP-victory scenario. The fact is that while a Republican was elected Mayor, this was accomplished through a mobilization against Kennedyite Kucinich by Democratic ward machines in Cleveland. These Democratic machines emerged greatly strengthened, as shown in the City Council results, where anti-Kucinich Democrats maintain a strong majority.

Upon hearing of the Cleveland results, LaRouche declared; "I'm delighted ... the results prove that the alliance of white ethnic and black political machines is

the winning combination. This anti-Kennedy combination won in Cleveland. It can win in any location in the nation."

Democratic Party professionals well acquainted with the actual pulse of the party organizational structure, and who never ignore the evidence produced by solid voter trends, have drawn definite conclusions from the anti-Kennedy backlash exhibited on Nov. 6. The consensus is that, given the Kennedy fragmentation effort, and the obvious nature of voter trends, the Party can win in 1980, provided that a non-liberal Democratic candidate who has simultaneous, demonstrated support from minorities is nominated at the Party's convention. "In short," said one professional, "we need a candidate whose vote-getting power will square with the anti-liberal wave sweeping the country, like we've seen in the blue collar/white ethnic wards in all the cities, while holding the blacks and minorities. That kind of candidate, working off this base combination, will just sweep into his fold Independents and Republican cross-over voters in the millions. In plain English, he's a winner. He gets the White House."

—Konstantine George

What they're saying about the Democrats

'Party will rip itself to shreds'

In an interview made available to Executive Intelligence Review, Hoyt Ammidon, a member of the board of directors of the American Ditchley Foundation and chairman of the board of the U.S. Trust Company, gave his views on who will win in 1980 and what will happen to the Democratic Party between now and the November presidential elections. Mr. Ammidon's comments follow.

The Republicans are probably going to be fairly well united this election. The Democratic Party situation is a different story. It's very open. ...It's perfectly possible that the Democratic Party will rip themselves to shreds. We Republicans are rather counting on this. ...There will be a pretty bitter fight between Carter and Kennedy. ...

I wish we could nominate our Presidents, rather than electing them. In that case, Bush would be the ideal choice. He's a man of experience and he would surround himself with the right advisors. My choice? Either Bush or Connally. ...Bush will come on strong,

but he will have to wait and see if he develops the charisma and forceful image necessary to carry the election. If he doesn't, then we will have to go with John....

There's a great possibility that Kennedy will not get the nomination. His character is very weak and there's nothing to indicate it's changed. I just don't trust him. I would hate to see the country run by Kennedy....

The GOP candidates will be unified behind Volcker's policies. If Volcker can stay with us on his stand, the situation can work out. I'm a believer in Volcker. ...Admittedly, it will take deft handling and good public relations for the Republicans to handle their support for Volcker so that it doesn't alienate the voters. After all, there will be a good deal of unemployment if Volcker's policies succeed....

'Democratic Party is not viable'

In a recent interview, Russell Hemenway, the chairman of Citizens for an Effective Congress and a cofounder with Common Cause's John Gardner of the Federal Election Commission, described the effect of a Democratic Party split on the presidential race.

Well, Reagan should get it. ...On the Dem side, it will be a dirty, lousy, rotten campaign, terrible fighting. ...The people will vote for him, not the party leadership. There is no party leadership. The national party does not exist, the National Committee is broke, provides no leadership, provides no services to candidates, provides no back-up to the state parties whatsoever—as a matter of fact, the state leaderships are not even functional—there are no state parties to speak of, look at New York, California—totally broken down. Did you ever go to a New York Dem meeting? They can't raise a cent there—in the nation's Dem stronghold! The national party's been bankrupt since Humphrey bankrupted it with his campaign.

The party is not viable. Of course, I don't think he'll lose—he might, the race will be tighter than hell, of course—but if he doesn't, then there will be a major restructuring of the party. There's probably going to be a third party—not with Adlai Stevenson, he's washed out—but led by Doug Fraser of the UAW and the other trade unions, Jesse Jackson and the Black Congressional Caucus, and the youth led by the Clamshell Alliance and other environmentalist groups. They'll pull out and establish a viable third party responsive to the needs of the left of the party....

The party machinery as it exists isn't viable. Jane Byrne? Who's she? She couldn't deliver her brother or her husband for Kennedy. ...Carey in New York will endorse Kennedy, but no one would ever vote for Kennedy because of that...it's irrelevant. The masses of the people will listen to the mass media and then make up their own minds....

'The Democrats will not win'

Following are excerpts from an interview with Midge Decter of Commentary magazine.

To be sure, the Coalition for a Democratic Majority is a small group, but the kinds of positions we take are those taken by people in the party majority.

Nobody believes Carter any more. No matter what he says, people will interpret it as political opportunism. If the campaign is between Carter and Kennedy, there will be a lot of homeless Democrats. ...Baker or Bush will get a lot of Democratic votes, or even Reagan. ...Off the record, I don't see the Coalition as a bloc formally going for a GOP candidate, but many of its individual members will. There are a lot of us in the CDM who will go Republican. I very much see the Democrats not winning....

'The same as 1968'

Following are excerpts from an interview with Ben Wattenberg, one of the heads of the Coalition for a Democratic Majority.

A lot of our guys, given the choice between a dovish Dem and a hard-line Republican, will vote Republican in the presidential election. We don't like bowing down to the Ayatollah....

A person like Bush or Baker would be an attractive candidate....

'A real bloodletting'

The following are portions of an interview-statement made by Max Kampelman, partner in the prestigious law firm of Fried, Frank, Shriver, & Kampelman.

It's too late now, there's nothing you can do—it's going to be a real bloodletting, a big fight; Kennedy is going to announce for sure. There's nothing to be done but just sit back and wait, go through the experience. It will be a real cathartic experience for the party—a big fight. But it's too late. I really have no advice to give...

Of course my first love is the Democratic Party, but can we win this time? It all depends on who the Republicans nominate. I couldn't live with Ronald Reagan, but I might consider George Bush....

'Omen in the wind'

The following statements were made by Michael Novak during a recent interview. Mr. Novak is one of America's leading Jesuit political activists. He is currently resident at the American Enterprise Institute, and was a leading figure in Robert Kennedy's 1968 presidential campaign.

I'm not totally surprised about the *Times* attacking Kennedy. It is an omen in the wind. When I was watching Roger Mudd's interview with Kennedy, I

could not believe Kennedy. It is one thing to forget or forgive a coverup 10 years ago but when he says that now, that he can't believe himself, how he acted then, well... The question then looms: what happens if a special prosecutor is appointed to investigate Chappaquiddick if he is elected. This would be worse than an assassination. The question is if we want a crippled President. Those are the questions in people's minds...

I doubt any of us will announce support for a Republican ... The Kennedy legend is moving to fact quickly. There is tremendous discontent. Suppose if facts that were unknown before came out about Chappaquiddick now, if Kennedy thus gets hurt. Carter is already being hurt. Then if someone steps in—I am doing wishful thinking but—if someone, Moynihan, for example, then says he is available as a candidate...

'No enthusiasm, no unity, no spirit'

The following is part of an article by David Axelrod, "Divided County Dems endorse Ted Kennedy," appearing in the Chicago Tribune Nov. 8.

Whatever it is, the Democrats' central committee wasn't acting much like a team at all Monday when it met to endorse the Democratic presidential candidate of its choice. Timid and cautious, they argued among themselves.

Enthusiasm, there was none. Unity, none. And spirit was a word that didn't exist among this group of veteran pols, who couldn't even get up the energy to applaud the name of the man they will support from now on—Sen. Edward Kennedy.

'Camelot McGoverned'

The following is selected from the column of Rowland Evans and Robert Novak, entitled "Camelot McGoverned," appearing in the Washington Post Nov. 7.

The Coalition for a Democratic Majority (was) born out of hostility to McGovern and closely associated with Sen. Henry M. Jackson. ...

How much difference CDM could make in a Carter-Kennedy race is doubtful. But enough Democrats share CDM's views to take seriously Wattenberg's newsletter warning: "If the Democratic Party candidate turns a cold shoulder on CDM principles, (he could lose) millions of American voters ... who determine the victor in a presidential contest." Carter's presidential record and Kennedy's early McGovernization mean those millions may vote Republican next November.

'"Reprieved by 'Jaws' "'

The following are excerpts from Tom Wicker's column, "Reprieved by 'Jaws'," which appeared in the Christian Science Monitor, Oct. 25.

...Those who passed up "Jaws" to watch Mr. Kennedy being toughly interviewed by Roger Mudd saw another man—one who cannot or will not yet explain what happened at Chappaquiddick, or rectify the numerous inconsistencies in his 10-year-old account of the matter. Perhaps as important, viewers saw a man who, when questioned on this and on his alleged relations with women other than his wife, seemed not only embarrassed and uncomfortable but inarticulate—and occasionally incoherent ... What Mr. Kennedy demonstrated in his responses—rather, his lack of them—to Mr. Mudd was anything but leadership. He could not even define it.

'Another 1912 ...'

The following is excerpted from the "Opinion and Commentary" column of the Christian Science Monitor, Nov. 6, 1979: "Another 1912 election?" by Joseph C. Harsch.

... It seems reasonable to assume that the political fight inside the Democratic Party will become increasingly bitter, personal, and damaging to what prospects there might otherwise be for a united party. There is already a good deal of passion involved. The Democratic left wing sought the candidacy of Senator Kennedy with much the same enthusiasm which marked the demand of Republican Progressives in 1912 for a Roosevelt candidacy. They feel betrayed by the Carter administration. They are determined to get rid of Mr. Carter, just as the Republican progressives of 1912 were determined to get rid of President Taft, even to the point of dividing the party and handing the election to the Democrats.

'A terrible thing...'

The following statement was made by Justice Averte Cohen, a prominent figure in the Michigan Democratic Party.

This is a terrible thing. There's absolutely no way of telling what will happen in Michigan; the state's split down the middle. The Attorney General, Speaker of the State Legislature, as well as Mayor Coleman Young, are for Carter; everybody else is for Kennedy—that's about 50-50—and the UAW is in the middle, uncommitted. Emotionally, they're close to Kennedy, but their highest priority is Chrysler and just between you and me, Carter is holding this over their heads politically.

Chicago Democrats badly Byrned

This past week, Mayor Jane Byrne, Chicago "Ayatollah" for the campaign of Sen. Edward Kennedy, forced the majority of a reluctant Cook County Democratic Party Central Committee to endorse Kennedy for the nomination.

The endorsement, seen by many observers as ill-timed and of far-reaching potential damage not only to the Democratic Party but also to Sen. Kennedy's own campaign chances, was made the day before Kennedy announced his candidacy.

Under the leadership of the late Mayor Richard J. Daley, the Cook County Democratic committeemen, comprising fifty from the City of Chicago and thirty from the suburbs, had always leaned heavily in favor of remaining "uncommitted" as a solid block of delegates to the Democratic nominating convention.

Political observers and former top advisors to the late Mayor Daley this week noted, both publicly and privately, that Jane Byrne had just destroyed the traditional and unique power of the Cook County Democrats within the national party with the "incredibly early" Kennedy endorsement.

Observers here and in Washington, as well as in the politically crucial "downstate" Illinois area, are now saying that Byrne's move represents an attempt to force a split in the Democratic Party.

Insiders in the Connally for president campaign in Illinois, being headed by Republican national committeeman Harold Byron Smith, Jr., have told reporters privately that they are ecstatic over Byrne's heavy-handed moves and have been engaged in attempts to sway anti-Byrne and anti-Kennedy traditional Democrats to act in support of Republican Connally.

The treatment of the Cook County committeemen by Byrne and her political ally, Chairman George Dunne, was described here as "atrocious." Reports received indicate that Byrne used the patronage power of the Mayor's office to threaten committeemen and city council members alike with loss of their ward patronage jobs unless they went along with her Kennedy endorsement.

Many of the late Mayor Daley's closest political allies and confidants, nevertheless, strongly objected to the move.

Nineteenth ward committeeman Thomas Hynes, the Cook County Assessor, urged that the committee withhold endorsements for at least two months, noting the fact that selection of a president is "a matter of the

utmost national and international importance." Congressman Daniel Rostenkowski opposed the Kennedy endorsement saying that his constituents do not agree with Byrne on her endorsement and "we owe it to our constituents" not to follow the mayor's lead. Lynn A. Williams, committeeman from suburban New Trier township, announced that "there is no clear support for either Sen. Kennedy or President Carter" among his Democratic voters and that straw polls conducted by the party there showed the clear winner being "none of the above."

Parks superintendent Ed Kelly, who has been feuding regularly with Byrne, seconded Williams' objections and added that the presidential endorsement was "not even on the agenda of today's meeting." Alderman Roman Pucinski proposed that before the committee make any presidential endorsement the committee should have the opportunity to hear directly and in person from every person seeking the Democratic nomination, as it does with candidates for county and state office. Pucinski accused Byrne of setting up a "kangaroo court" to "railroad" the Kennedy endorsement through. "But I think many of you who vote for the endorsement will soon be eating your words when you begin to find out this candidate's views on a few key issues," Pucinski warned.

The highpoint of the opposition, though, came when the late Mayor's son, state senator Richard M. Daley, now emerging as a strong statewide leader in the Democratic Party, rose to oppose the Kennedy endorsement. "You are making a serious mistake" warned Daley, and urged the committeemen not to be intimidated by Byrne's "ploy" that they will be isolated and destroyed if they vote against Byrne.

But the majority of the committeemen went with the madwoman of City Hall...who is now being openly called "Ayatollah" Jane Byrne in the political columns, cartoons, and in tens of thousands of leaflets circulating independently throughout the wards.

—Mitch Hirsch

'Blacks not high on Ted'

Banner headlines in the Nov. 13 Chicago Defender, the nation's most prestigious black newspaper announced "Blacks Not as High on Ted as Jane is—Poll Shows Byrne Visibility Could Hurt." The article in part reads:

If the election were held today, it's doubtful whether Mayor Byrne can, in fact, deliver Chicago and especially the city's black constituency, which singularly caused the demise of former Mayor Bilandic.

Some 500 persons were presented with that question and the results might indicate that Mayor Byrne does not have the support of the black community that she believes she has.

Cleveland ousts a Kennedy kook

The outcome of the Cleveland Mayoralty election and how it occurred demonstrates the strength of an emerging alliance of white ethnic and black urban political machines. It was this alliance in Cleveland that turned out the vote for Republican George Voinovich, who by a 56-44 percent margin decisively defeated radical-liberal Mayor Dennis Kucinich, a figure associated through issues and backers with the hard-core Kennedyite minority of the Democratic Party.

Kucinich had been wholeheartedly endorsed by Kennedyite radical environmentalist mouthpieces Tom Hayden, Jane Fonda, and Ralph Nader, and was backed by the same liberal UAW-centered machine that forms the core of Kennedy organizational support, not only in Cuyahoga County, but other urban "mega-counties."

The outcome represents a crushing defeat-by-implication for Ted Kennedy, by the very same combination of white ethnic and black voters that is commonly—and falsely—referred to as his "base."

Voinovich's decisive margin of victory rested on a strong showing in both the white ethnic West Side, and the predominantly black East Side. He won amidst the largest black voter turnout in the past four elections.

Voinovich, in his election-night victory speech, delivered at Cleveland's Plaza Hotel, hailed that alliance. Before a 1,500-member audience consisting of mostly West Side and suburban whites, he ripped into the racist "balkanization" policies of Kucinich. "This city will not be run as a racist administration, as has been done in the past," he said. Earlier in the day, Voinovich had met with black City Council leader George Forbes, a Democrat, to work out the basis for cooperation in the new administration.

How Kucinich was crushed

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 ethnics principally from Italian-American and Hungarian-American communities. Cleveland has one of the largest Hungarian communities in the nation. These machines, predominantly Democratic, came together as a coalition, catalyzed by the LaRouche organization, called Citizens for Cleveland.

During the month of October, Citizens for Cleveland organizers and volunteers, aided by dozens of

Democratic Party precinct captains, papered the city with hundreds of thousands of leaflets headlined, "Dennis Kook-cinich: Candidate of the Fat Cats," and "Let's Set The Record Straight—Dennis Kook-cinich Has Destroyed Cleveland."

The first of the two leaflets, exposing a fraudulent garbage collection contract let by the corrupt Mayor, exploded like a bombshell on the eve of the Oct. 2 nonpartisan primary. It was delivered door-to-door in many of the white, East European ethnic wards on the west side, focusing on Kucinich's strongest bastions of support. Citizens for Cleveland was directly responsible, according to analysts, for Kucinich losing over 15 percent of what his projected vote totals would otherwise have been in those wards.

In the final phase of the campaign, the mass distribution of the leaflet "Let's Set The Record Straight..." put the final nails in Kucinich's coffin. The message to which Cleveland's voters, both black and white, responded was, "Talk to your neighbors and you'll find unemployment skyrocketing, garbage going uncollected, local taxes increasing, and roads in disrepair...the Kook-cinich record..." Citizens for Cleveland then enumerated a five-point program for the city, under the slogan: "What's Good For Cleveland Is Good for America." Said the leaflet:

"(1) Massive increase in technologies, particularly in the steel producing industry.

"(2) Increase our nuclear capacity.

"(3) Increase jobs and expand industry...

"(4) Increase port facilities...

"(5) New modern homes to be built on vacant Cleveland plots of land."

The effects of this campaign can best be seen by Kucinich's desperation moves after Oct. 2. Right after the primary, Kucinich returned briefly to his old overt racist mode, securing the endorsement of the inconsequential but highly vocal antibusing group, CORK. The ploy flopped. Kucinich's last apparent hope was the black vote, and for this effort, Kucinich acquired former Cleveland mayor Carl Stokes, an NBC employee, to come to Cleveland and campaign for him. Both Kucinich and Stokes thoroughly underestimated the intelligence of black voters.

Rough times in Hough

The facts surrounding Stokes' reception by the black community underscore this point. Upon arrival, he was greeted by a 500-person black anti-Stokes demonstration in the Hough ghetto. Most black politicians and church leaders boycotted him, turning down the former Mayor's pleas for meetings. On Saturday, Nov. 3, the city's black newspaper *The Call and Post*, ran a banner headline: "Carl Stokes Returns To Divide Black Community" with a second lead, "Voinovich Is Endorsed By Black Officials."

Lyndon LaRouche on the 'kooks'
and 'realists' of strategic policymaking

Dracula had blue blood

The great organ groaned sepulchrally as the figures, faces obscured by hooded capes, scuttled into their appointed positions for the ceremony. Then, when the eerie ceremony was nearly completed, from beneath each hood of the throng there rumbled the responsive echoing of the solemn oath recited by the figure at the front.

An American International horror film? A scene from "The Phantom of the Opera?" A convention of the Ku Klux Klan?—Not exactly: an investiture ceremony at New York's Anglican Cathedral of St. John the Divine. The hooded figures are not exactly Ku Klux Klaners, but members of the same Order of Malta on which the Ku Klux Klan was modeled by its creators back in 1867.

Led by the British monarchy's own branch of the Maltese Order, all branches of the order participating at the recent New York ceremony swore an oath of fealty to Britain's Queen Elizabeth II. These included U.S. citizens, committing the crime which has always been the basis for loss of U.S. citizenship even by native-born Americans—an oath of fealty to a foreign monarch.

Two days ago, a connected incident occurred on the premises of Yale University at New Haven. According to officials of Yale University, who apologized for the business the following day, the behavior of many persons in that incident is not representative of the University community as a whole, and represented, in face, a violation of the university's rules. We are inclined to accept the Yale official's view of the matter; the regrettable features of the incident occurred at the prompting of outside forces, such as the B'nai Brith's Anti-Defamation League.

In fairness to Yale as a whole, the highlights of the event should be reported.

What now seems a long time ago, this presidential candidate received an invitation to address the Yale

Political Union on the evening of Nov. 6, 1979. Suddenly, during the forty-eight hours immediately preceding the scheduled event, various off-campus forces, led by the local ADL office, deployed extensive harassment in the effort to prevent the event from occurring. That failing, they resorted to a fall-back option, of deploying various forces into the event for a centrally coordinated program of attempted heckling and slander, in an effort to disrupt the proceedings.

However, most of the groupings clearly hostile to the speaker settled into a calm and more or less reasonable sort of discussion over the course of the question period. One participant popped the question concerning the New York Times' libellous charge of "anti-Semitism." After the speaker's reporting on the 1975-1977 history of his policy and efforts for seeking Middle East peace, there was no repetition of that question—apparently that student and others of similar concerns were satisfied with the response. Toward the close of the discussion period, the ostensible chief spokesmen for the antinuclear faction was engaged in what any on-looker must have judged an eminently rational, point-by-point dialogue on the important technical issues.

It was only at the conclusion of the affair that a formerly silent youth wearing a "Kennedy '80" button led a nasty effort at disruption and, according to witnesses, incited persons to rush out into an assault on the departing presidential candidate's party. Not more than two dozen, and perhaps fewer of the audience of between one hundred and one hundred fifty persons consistently heckled throughout the affair. Only a handful, led by the youth wearing the "Kennedy '80" button, showed any hooligan impulses.

That clarified, we may now focus our attention on the feature which connects events at Yale to the behavior of the caped kooks at the Cathedral of St. John the Divine.

From early during the question period, there was a

persisting effort to ridicule the speaker for tracing key elements of U.S. policymaking to London-centered influences. The gist of the critics' point was that any figure who suggested powerful British political influences over influential U.S. institutions must be so silly as to be deemed incredible on virtually all points. Yet, once the presidential candidate's party had departed, these same persons burst out into a chorus of "God Save The Queen"—not stumbling over a single word of that musical oath of fealty to a foreign monarch.

I do not propose that we summarily revoke the citizenship of each and every member of all branches of the Order of Malta. If these folk were confronted with a choice between labeling their oath to the British Queen as a "silly prank," and surrendering their citizenships, many could be brought quickly back to their senses. There is, after all, a stink of sheer childishness in the entire Maltese mumbo-jumbo. Many persons sucked into that display of infantilism need only to be instructed to grow up, to return to the twentieth century and out of such distorted fantasies concerning the Middle Ages. It is proper to give the misguided dupes the opportunity to separate themselves from the hard-core treasonous lot.

However, there must be no more wishy-washiness on this business of swearing oaths of fealty to foreign monarchs. The attitude of United States constitutional law toward such treasonous oaths is beyond disrupting. If representatives of Queen Elizabeth II accept such oaths, the Queen has created a *casus belli* between Britain and the United States, in which circumstance

the treasonous oath-taking becomes pure and simple treason. To swear an oath to the Queen of England is to place one's loyalty to a foreign monarch above one's loyalty to the United States. Such an oath is a repudiation of the American Revolution, and of the U.S. Constitution.

Who's selling the U.S. down the river?

During the recent years, a growing number of patriots have been grumbling to their confidants: "The United States is being sold down the river." In these circles, the predominating view is that the past two decades stand out as a span of aggravated subversion. Others among those same circles correctly trace the problem back decades earlier, to the establishment of the Federal Reserve System by Warburg-influenced circles during the 1907-1913 period.

The agents of this process of subversion have been sought in various directions. To some, whatever influences are selling the United States "down the river" must be, axiomatically, "the Commies"; to others, "the Rockefellers"; to a few, regrettably, "the Jews." Among those generically termed "right wingers," conspiracy schemas proliferate, many with some semblance of truth, many of about the quality of Madame Blavatsky's fantasies. Except for a small, well-informed handful, the blame for the problem is wrongly placed. There is a real conspiracy, but most of the "conspiracy theories"

The 'kooks'...

Kissinger: arm for 'limited war'

The following are selections from Henry Kissinger's speech to the Center for Strategic and International Studies conference in Brussels in the first week of September, 1979.

If we think back to the Cuban Missile

Crisis of 1962, which all the policymakers of the time were viewing with a consciousness of an approaching Armageddon, one is almost seized with nostalgia for the ease of their decisions....

No one disputes any longer that in the 1980s—and perhaps even today, but surely in the 1980s—the U.S. will no longer be in a strategic position to reduce a Soviet counterblow against the United States to tolerable levels. ... The growth of the Soviet strategic forces has been massive...

Be that as it may, the fact is that the strategic imbalance that I have predicted for the '80s will also be accompanied by a theatre imbalance in the '80s. How is it possible to

survive with these imbalances in the face of the already demonstrated inferiority in conventional forces?...

Just as I believe it is necessary that we develop a military purpose for our strategic forces and move away from the senseless and demoralizing strategy of massive civilian destruction for our strategic forces, so it is imperative that we finally try to develop some credible military purposes for the tactical and theatre nuclear forces that we are building.

Haig threatens Europe

The following is selected from General Alexander Haig's speech to the Center for Strategic and International

offered are either simply wrong or downright absurd.

The United States has been rather systematically sold down the river over the decades, especially during the past two decades. Not by a handful of domestic authentic "Commies," and certainly not under the direction of Moscow, or by "little green men under the floorboards." Be sensible! We have been sold down the river through our adoption of foolish policies. The source of decline must be located within the policymaking process. One must, in short, follow the principle which Edgar Allan Poe underlined in his tale of "The Purloined Letter." The source of the problem is not hidden in impenetrable shadows; it is right out in the open.

Who, a sensible patriot should ask, has been shaping our nation's policies? Since the election of President Jimmy Carter, David Rockefeller's Trilateral Commission has become increasingly notorious. However, the Trilateral Commission was constituted little more than a year before it adopted Jimmy Carter as its 1976 presidential candidate—at the 1975 Tokyo conference of that body. The Trilateral Commission could not, therefore, explain developments stretching back more than two decades. The point to be made is that the Trilateral Commission is a subcommittee of the New York Council on Foreign Relations (CFR), the entity which did create every policy the Carter administration has adopted so far, and which has shaped most of the important policies of the federal government since the CFR's founding in 1919.

True, there is also the Brookings Institution. There

is the Wharton School at the University of Pennsylvania. There is the Aspen Institute, the Russell Sage Foundation, the Ford Foundation, the Rand Corporation, CSIS at Georgetown University, and, since 1963, the networks of the Institute for Policy Studies. CFR and these identified institutions intersect various university-attached and other "think-tanks." Every policy which has contributed to the undermining of the United States has been mediated into federal government action through chiefly those and interconnected institutions.

What is the common denominator—the common link? What is the content of the "purloined letter" standing right out in plain sight?

CFR was created in 1919 as a subsidiary institution of the London Royal Institute for International Affairs (RIIA). The RIIA is the conduit for British foreign policy determination, including the policies governing conduct of the British foreign secret intelligence services. Consistent with that 1919 connection, the key controlling members of CFR are predominantly either members of the U.S. financial and intelligence community with long track-records as self-professed "anglophile" collaborators of British intelligence services, or as outright British secret-intelligence agents.

The CFR and RIIA were created in 1919 as part of an internal reorganization of the British Round Table organization. The Milner Round Table organization itself was put somewhat into the background, although by no means dissolved. The RIIA became the up-front voice of the British ruling financial and aristocratic circles. In the United States itself, the old National

Studies in Brussels the first week of September.

The emerging international environment is loosely clustered around three influential actors—the Soviet Union, the Peoples Republic of China, and the United States....

Despite its growing influence, the Federal Republic of Germany confronts something of a dilemma. It remains difficult for the alliance to accept German leadership, especially when the FRG remains the most vulnerable and highly exposed member of NATO ... For this reason, the Schmidt government has been reluctant to maximize the influence it might enjoy. Rather it has sought to work in concert with other European

nations to resolve their common problems. The most active vehicle for these efforts has been a new "entente cordiale" with France ... But it has also prodded the Germans to discuss their options. If these options were to be seriously pursued in the future, the alliance could find the Federal Republic following an independent course that, in the worst case from NATO's perspective, would take it out of the alliance. Such a course would be extremely detrimental to the interests of the alliance and the Federal Republic....

If NATO as an organization is unable to respond to external changes (in the balance of power), there is every reason to expect that the more influential members of the

alliance will combine to see some resolution of important issues. Moreover, they are also likely to address European questions if they conclude that existing organizations are incapable of dealing with them effectively ... The prospect of the creation of these "Great Power Directorships" is of fundamental concern not only to the smaller members of the Atlantic alliance, but also to the smaller nations throughout the globe. Clearly, a development of this kind would shake the structure of the alliance.

While permanent directorships are clearly detrimental, one should not adhere to the purist view that they should never be forged, at least for temporary crises....

Civic Federation made way for the hegemony of CFR, while the Russell Sage Foundation, controller of U.S. intelligence during and following World War I, was tucked back under the cover of sponsoring pilot sorts of social work projects including such projects as the Fund for Investigative Journalism more recently.

The Brookings Institution was a British policy conduit from its creation, as were the Rockefeller Foundation and, since Robert M. Hutchins' reign, the Ford Foundation. The Aspen Institute is virtually undetachable from the Atlantic-Richfield interests, de facto a part of the same complex of British Petroleum multinationals as British Petroleum and Royal Dutch Shell. The Wharton School is currently the base of operations for one Eric Trist, a senior member of the British secret intelligence's psychological warfare division.

The Rand Corporation's pedigree is that of a subdivision of British secret intelligence's psychological warfare division, the Tavistock Institute (Sussex). Tavistock created the Strategic Bombing Survey of Churchill and Cherwell during World War II. The U.S. Strategic Bombing Survey, like the U.S. Operations Research organization, was created as a clone of the Tavistock operation during that war. The U.S. Strategic Bombing Survey was given a corporate existence as the Rand Corporation, a corporation which was developed under the guidance of such top Tavistock executives of British intelligence as H. V. Dicks.

Georgetown University is a more complicated case. It was founded by Bishop John Carroll, a close collaborator of Benjamin Franklin and the Marquis de Lafayette. Through combined British and Hapsburg

blackmail against the Vatican, following the 1815 Treaty of Vienna, the Brazil-based, Hapsburg secret intelligence organization known as the St. Leopold Foundation was imported into the United States, and the U.S. Catholic hierarchy placed under the direct supervision of an Archbishop who was a member of the Hapsburg imperial family. In this arrangement, Prince Metternich took control of Georgetown University, transforming it into the center of Hapsburg covert operations against the United States.

Later during the nineteenth century, the Catholic Church succeeded in retaking control of Vatican policy from the dictatorial control of British and Hapsburg forces. Pope Leo XIII was the nineteenth-century high-water mark of this renaissance of the spiritual independence of the Vatican from secular dictate. However, as Leo XIII's 1899 letter denouncing the Georgetown-centered "American heresy" shows, the Vatican failed in its efforts to root the treasonous, heretical element from all of the institutions penetrated by Metternich's secret-intelligence networks.

Although the Hapsburgs were nominally an ally of the City of London, in reality both the Italian "black nobility" (e.g., the Pallavicinis) and the Hapsburg Order of the Golden Fleece have been subordinate to British leadership from 1815 down to the present day. The British monarch has been the principal among nominal peers in the ranks of the aristocratic forces continuing their ancient enmity against technological progress and industrial-capitalist forms of generalized global economic development. Hence, Georgetown and its CSIS attachment have been that sort of special case of a

...and 'realists'

Bundy: a small risk is too large

The Sept. 11 editorial of the Italian newspaper La Stampa, by Arrigo Levi, quoted McGeorge Bundy's refutation of Kissinger at the conference of the International Institute for Strategic Studies in Villars, Switzerland, in September.

It's true, that no one can claim to be sure that a largescale conflict in Europe would reach the strategic nuclear level. But the essential point is the opposite: no one can know absolutely that this escalation would *not* occur. Even a small risk of a largescale nuclear conflict is decisively too large. My conclusion is that marginal changes in the strategic figures do not in fact represent a threat to the U.S. strategic umbrella over NATO. This guarantee does not rest on numbers of warheads, but on a commitment that offers to the opposing party risks that are completely unacceptable and by their nature unforeseeable. Nor do I think that the real effectiveness of this deterrent is responsive to the highs and lows of

European faith in any particular American president. The shield of Europe is the American nuclear "Triad", credibly upheld by 300,000 Americans in Europe...

The Soviet Union is not going to launch a first strike against the Minutemen: the Soviet leaders know that it is unlikely that America would passively accept the simultaneous destruction of eight nations.

Mountbatten: tactical nuclear war is insane

In a speech delivered May 11, 1979 in Strasbourg, West Germany, the late Lord Mountbatten of Burma, a member of Britain's royal family and one

British intelligence asset down to the present date.

These and related facts point directly to the true source of the past twenty years' subversion of the United States. As Britain has dwindled to third-rate potency among nations over the course of this century, the penetration of U.S. major financial and policymaking circles has increased even more rapidly.

In short, the "Eastern Establishment," centered in Boston, New York, Philadelphia, and the Washington, D.C. area. Thus, for every ounce of power Britain itself has lost through the economic and moral decay of Great Britain to its present state of industrial bankruptcy, the British financial oligarchy has gained two or more ounces of power.

If we study more closely the moral and economic decay of Great Britain, and compare that with the pattern of our own decay over recent decades, a rather conclusive case emerges immediately. The British are inducing us to do to the United States what they have done to themselves. If we trouble ourselves to follow closely the London press, including the London *Economist*, we observe that the policies introduced to the White House, New York press, and the mouths of leading presidential candidates today have usually appeared as demanded changes in U.S. policy about forty-eight hours earlier in the British press.

In sum, one is compelled to the judgment that Benjamin Franklin, George Washington and others acted with excellent foresight in making a difficult American Revolution to free us as a nation from British morals and policies.

It is no foreign power which has ruined us; rather

it is British influences which have succeeded so far in inducing us to ruin ourselves.

Strategy, for example

During August of this year, according to high-level Soviet sources quoting their spies, the Carter administration reaffirmed once more the same general, stupid strategic policy outlined in the late 1950s book which Gordon Dean wrote for the semi-literate Henry Kissinger. Although we have not had the opportunity to check the reports of the Soviet spies to Moscow, the Moscow spokesmen's report, published in West Germany, is highly credible. The reported shifts in Carter administration postures and global deployments coincides exactly with what Soviet spies presumably relayed to their Moscow employers.

On the one side, the United States is being hurtled toward the brink of thermonuclear war with the Soviet Union, especially in Southeast Asia and the Middle East. On the other side, if these developments trigger war, the United States is currently well-prepared to lose such a war. The gist of the policy and strategic practice is: "Since we would currently lose a thermonuclear war against the Soviet Union, let us bluff Moscow into backing down in face of NATO efforts to administer the Soviets a decisive strategic defeat globally." Soviet representatives have underlined Moscow's detailed awareness of such a configuration of events, and yet in face of evidence the game won't work, Washington and NATO continue the unworkable policy.

This Kissingerian bit of lunacy by Cyrus Vance et

of the monarchy's closest policy-advisors for half a century, revealed his opposition to the "limited nuclear war" doctrines.

Smaller nuclear weapons of various designs were produced and deployed for use in what was assumed to be a tactical or theatre war. The belief was that were hostilities ever to break out in Western Europe, such weapons could be used in field warfare without triggering an all-out nuclear exchange leading to the final holocaust.

I have never found this idea credible. I have never been able to accept the reason for the belief that any class of nuclear weapons can be categorized in terms of their tactical or

strategic purposes.

Next month I enter my eightieth year. I am one of the few survivors of the First World War who rose to high command in the Second and I know how impossible it is to pursue military operations in accordance with fixed plans and agreements. In warfare the unexpected is the rule and no one can anticipate what an opponent's reaction will be to the unexpected...

I am not asserting this without having deeply thought about the matter. When I was chief of the British Defence Staff I made my views known. I have heard the arguments against this view, but I have never found them convincing. So, I repeat in all sincerity as a military man, I

can see no use for any nuclear weapons which would not end in escalation, with consequences that no one can conceive....

I regret enormously the delays which the Americans and Russians have experienced in reaching a SALT II agreement. .. I regret even more the fact that opposition to reaching any agreement which will bring about a restraint in the production and deployment of nuclear weapons is becoming so powerful in the United States. What can their motives be?

There are powerful voices around the world who still give credence to the old Roman precept—if you desire peace, prepare for war. This is absolute nuclear nonsense. ...

al. obliges us to note that certain leading circles in London are not as lunatic as the British dupes in Washington and Manhattan. Examining this matter will bring our attention back to Georgetown University.

For purposes of broad political-intelligence analysis, we can rightly say that there are two distinguishable factional currents within the topmost British oligarchical circles. These can respectively be labeled, most usefully, as the "realists" and the "kooks." The former is typified by the recently assassinated Lord Louis "Dickie" Mountbatten, the father-in-law of Queen Elizabeth II. The second, the kook-faction, is typified by the man who plays Svengali to Prime Minister Margaret Thatcher's Trilby (or, "Shrilby"), Industry Minister Keith Joseph. In the United States, the center of kookdom is Georgetown University.

Exemplary of Lord Mountbatten's realism is an attack on the Kissinger policies he publicized shortly before his assassination. This denunciation of Kissinger (and, of course, Kissinger's dummy, Haig) was subsequently put into the mouth of McGeorge Bundy on the occasion of the recent Switzerland conference of the International Institute for Strategic Studies (IISS). The principal theme of the "realists" is that the "China card" should be scrapped immediately, lest the Carter administration's secret agreements with Peking lead to an early thermonuclear war between the United States and the Soviet Union. The secondary theme is that the Camp David "secret agreements" also be scrapped, in favor of an immediate push for a comprehensive Arab-Israeli peace settlement around the keystone of the creation of an Arab Palestinian state in the Israeli-occupied territories outside Israel's 1967 borders.

Obviously, as President of the United States, I would hear the arguments of the Mountbatten faction of "realists," and would cooperate with them if at all possible. I would not make a "community of principles" sort of alliance with them—I would make such alliances with France and the Federal Republic of Germany—but I would cooperate with them in the interest of finding sensible alternatives to losing a thermonuclear war.

The opponents of Mountbatten among the "black nobility" circles are the kooks. Although all policy-outlooks of the British oligarchy and City of London crowd are predominantly evil, the "realists" will usually attempt to get on board with winning forces, and will tolerate sensible policies as long as they perceive it relatively advantageous to their factional interest to do so. The kooks are ideological fanatics, who are incapable of responding to reason, and who can be persuaded to cease evil ventures, even suicidal ventures, only by applying the proper amount of clout to their sort.

The case of nuclear energy development is exemplary. Most of the leading British realists know that all of the arguments against nuclear-energy development

are nonsense. It happens that they themselves desire a world without continued technological progress, and are therefore opposed to nuclear energy on purely ideological grounds of that sort. If you inform such a British "realist" that he believes the nonsense published by James R. Schlesinger, the British realist will rightly despise you for a very stupid sort of fool. If you point out to this fellow that his crowd cannot succeed in stopping technological progress, except at risk of thermonuclear war, this time around, the fellow will shrug and reply, "Then, the realist voices of the British press would make the appropriate 180-degree about-face, to support nuclear energy development."

The kook will not respond so sensibly. The kook actually believes the "antinuclear" nonsense—at least in a certain sense. He may despise the fraudulent arguments of a Barry Commoner or Ralph Nader, but he is a Khomeini-like fanatic in his opposition to technological progress. Only clout will deter him, not reason.

Henry Kissinger's patrons, the hard-core kooks, are fanatically dedicated to the delusion that the Soviet command will accept "theater-limited" regional conflicts as a substitute for global conflict.

Granted, in the case of Vietnam, the Soviets did appear to accept that substitution doctrine, as long as the U.S. did not attempt an absolute victory over the northern republic. As long as U.S. involvement stayed within the bounds of the "sub-strategic" doctrine which the British had brainwashed General Maxwell Taylor into regurgitating, Soviet policy of thermonuclear-war-avoidance predominated. However, this sort of substitution does not operate above such "thresholds." If a substantial geopolitical threat is attempted against the global defense capabilities of Soviet power, the Soviets will respond totally—for reasons elaborated adequately enough by Niccolo Machiavelli. The fundamental principles of military science dictate this to be the case, as Mountbatten and IISS reflected that set of military-science ABC's.

The kooks refuse to face the facts in the matter. Rather than give up delusions discredited in two world wars and during the Napoleonic wars earlier, Kissinger's kooky patron will stumble blindly ahead, insisting that their deluded rearming of the discredited "cabinet warfare" doctrines of the eighteenth century represents an unshakeable truth, insisting that the Soviet command shares their own delusion on the matter.

What kind of a kook believes such suicidal nonsense? Precisely the sort of kook one finds wearing a hooded cape at a cult ceremony in the crypt of the New York Cathedral of St. John the Divine, or the sort of kook who joins in a fanatical singing of "God Save The Queen" out of pure hysteria, in the wake of a session of the Yale Political Union.

WORLD TRADE REVIEW

New trade deals

COST	PRINCIPALS	PROJECT/NATURE OF DEAL	FINANCING	STATUS
\$5.5 bn	Argentina and Paraguay	The two countries have signed contracts for \$420mn toward the construction of a hydroelectric dam on their Parana River border.	International loans and matching loans from World Bank and Inter-American Bank.	II
\$200mn	Iraq from Italy	Nuovo Pignone, the energy-engineering subsidiary of ENI, will supply Iraq with gas-processing systems, including infrastructural equipment.	NAv.	II
\$21.4 mn	Mexico from France	Construction Mécanique will provide 35 pump aggregates for the Cutzamala industrial project in Mexico.	NAv.	I
\$12.6mn	Iraq from Switzerland	The Zurich-based civil engineering firm Sy Deco won a contract for work on four agricultural training colleges and delivery of prefabricated building elements.	NAv.	I
Several millions	U.S.A. from France	Boeing ordered 600 emergency visualisation systems for its 757 and 767 airliners from the French SFENA.	NAv.	I
\$3.4mn	Saudi Arabia from U.K.	H. H. Robertson won orders for the delivery of building cladding systems to three major construction systems.	NAv.	I
\$2.2mn	China from U.S.A.	Burroughs Corporation received orders for data processing equipment to be used by China's Foreign Trade ministry.	NAv.	I
\$2bn	Venezuela and Brazil	The two countries are negotiating a trade package involving cooperation/exchanges in steel, low-cost housing, agriculture, geological prospection, transmission cables, etc.	NAv.	III
\$1.2mn (phases 1 and 2)	Libya from U.S.A.	United States Filter Corp. and McGaughey, Marshall & McMillan won a multiphase contract for a new urban development project in Libya.	NAv.	II

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

Congressional Calendar

House majority leader blasts high interest rates

Speaking before the National Association of Home Builders' "housing economic summit" on Nov. 7, House majority leader Jim Wright (Tex.) strongly attacked the Federal Reserve's tight money policy as "a narrow, shortsighted, disproven, thoroughly discredited economic theory, that the way to control inflation is to raise interest rates...a policy which, if not altered, is going to drive this economy into the ground, needlessly, foolishly, counterproductively."

The housing summit was called by the Home Builders, specifically in response to Federal Reserve Board Chairman Paul Volcker's hike in interest rates in mid-October. The Home Builders were among the first to attack Volcker's policies as detrimental to the nation. They invited to their summit congressional spokesmen who have expressed concern or opposition to the Volcker policy, such as Senators Lloyd Bentsen (D-Tex.) and Harrison Williams (D-N.J.). Both attacked the Volcker policies but neither were as forceful as Wright.

Wright especially attacked the Federal Reserve Board's insulation from political and economic reality in the United States, "These people, not elected by anybody, well meaning men, no doubt, but people of a limited scope and highly circumscribed opportunity for observation of America, have the power, those on the Federal Reserve Board, utterly to set at naught the careful and deliberate decisions made by the people's elected representatives in the Congress and yes, indeed, by the President of the United States. ...I almost gained

the impression that those in the Federal Reserve Board were deeply disappointed when a month ago the unemployment figures did not reveal an increase in unemployment. I think their reaction was 'what do these people think they're doing? What on earth is wrong with this economy? Why doesn't it respond? We'll show them' and, by God, they did. They raised interest rates again. And now perhaps they are happier because we have seen a small increase in unemployment. There is no more intellectually berft theory in America today than the philosophy which teaches that the only way you will controll inflation is by bringing on a recession."

Wright called on the President to "jawbone" the Fed into lower interest rates, and for the United States to reduce its dependence on imported oil.

Senator asks ICC to wait on trucking deregulation

Senator Cannon (D-Nev.), chairman of the Senate Commerce Committee which is overseeing the issue of trucking deregulation, has asked the Interstate Commerce Commission to desist from making any regulations that would begin to deregulate the industry until Congress acts on the matter.

In an Oct. 22 speech to a conference of the ICC, Senator Cannon declared: "There are three basic policy decision that the Commission could make that would jeopardize the legislative process. These are actions I would encourage the Commission to avoid before the Congress acts. First I urge you not to propose any policy changes that would be irreversible. Second, I

would urge you not to adopt policy that treats any particular section of the motor carrier industry differently than the rest unless there are exceptional sound reasons. Third...I would urge the Commission to avoid implementing any policy that would create such a backlash that Congress would be prevented as a practical matter from agreeing with the Commission on the merits."

In exchange for the ICC not taking any action prior to Congressional moves on this issue, Cannon promised that his committee would have some form of legislation ready by June 1.

The Senate committee has held numerous hearings in Washinton, D.C. and around the country on the issue and plans further hearings Nov. 16 and 17 in Chicago and Dec. 3 in Reno, Nevada. After the Christmas recess the committee plans to begin drafting legislation.

The House Interstate Commerce Committee plans hearings in Washington, D.C. after the first of the year. Sources on the Senate Commerce Committee report that the Senators on the Committee have been unusually silent on this issue, not wanting to publicly commit themselves to a policy of trucking deregulation.

\$88 billion synfuels bill passes Senate

President Carter's \$88 billion synthetic fuels legislation passed the Senate on Nov. 8 and is now headed for a tough fight in the House-Senate conference. The House is expected to fight for a much smaller synthetic fuels program.

The bill passed essentially in-

tact, despite the attempt of a strange-bedfellows coalition of liberals and conservatives to substantially water the legislation down.

The final version of the legislation authorizes \$20 billion to be spent over the next five years to initiate a number of synthetic fuel plants, with the remaining \$68 billion to automatically go into effect in 1985, unless Congress objects at that point. The money will be administered through an energy security corporation under the aegis of the Treasury, since funding will be outside of regular department of energy appropriations, coming from new revenues such as the windfall profits tax.

The major showdown on the legislation came on Nov. 7, when the Senate was offered the option of substituting a Senate Banking Committee version of the legislation for the \$88 billion Senate Energy Committee version. The Senate Banking Committee version, backed both by liberal William Proxmire, chairman of the committee, and conservative Jack Garn, ranking Republican on the committee, would have authorized only \$3 billion for start-up projects through a variety of tax credits and purchase guarantees, rather than through the establishment of an entirely new entity.

The Banking Committee bill was endorsed in an earlier press conference by a coalition of liberal and conservative senators, ranging from Colorado Democrat Gary Hart to North Carolina Republican Jesse Helms; it was also endorsed by various environmental groups and by large corporations.

Speaking in support of the banking committee version, Jake Garn (Utah) pointed out that, not

only will billions of dollars be spent by 1990 without the production of a single drop of commercially-usable fuel, but that the production demands placed on the U.S. economy by the projected construction will be impossible to meet. "Achieving a production level on the order of the announced administration goals could require 50 percent of the total existing capability of the (construction) industry... we will need 19,000 more professionals than there will be (in 1985). ...Of the firms that engage in the design and construction of manufacturing process plants, only 21 contracted for work in 1978 have a total accumulated dollar value near the level required by one large commercial synfuels project.

Despite such appeals, the banking committee amendment lost by a vote of 37 to 57, and the entire bill easily passed the Senate the next day.

However, the Senate version differs substantially from the House version. The House bill is similar to the Senate Banking Committee amendment, authorizing only \$3 billion in loan guarantees, tax credits and purchasing agreements and dispensing with the energy security corporation. A Senate source confided that the bills are so totally different, that the House may refuse to go into a joint House-Senate conference and, claiming that it is a completely different bill, send it back to committee.

SALT passes Senate committee

By a vote of 9-6, the Senate Foreign Relations Committee reported the SALT II treaty out to the whole

Senate, laden with "understandings" in the first, second and third degree, but without any of the so-called killer amendments which might have jettisoned the whole treaty process.

The vote was relatively close for what is considered one of the more liberal committees in the Senate, and presages rough going on the floor. Republicans Jake Javits and Chuck Percy joined the Democrats in voting for the treaty, while Democrats John Glenn (Ohio) and Richard Stone (Fla.)—who began the Soviet troops in Cuba tempest-in-a-teapot—voted against with the remaining Republicans including Senate minority leader and presidential contender, Howard Baker.

Administration seeks floor action on hospital cost containment bill

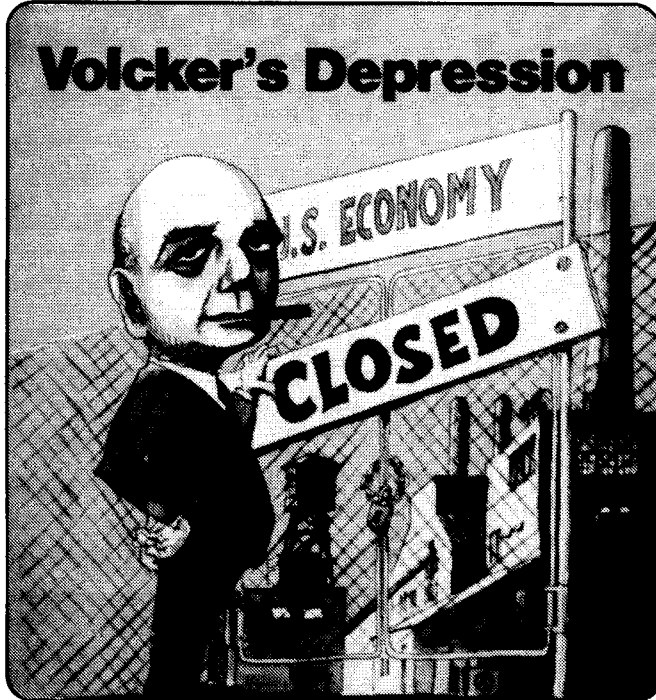
Several times in the last two weeks, the House Rules Committee postponed scheduled votes to move the controversial hospital cost containment bill out of the committee and on to the House floor. Voting was postponed to allow the administration time to lobby for support against a proposed amendment that would take out the mandatory aspects of the legislation.

The bill would place a mandatory limit on hospital costs after one year in which a hospital failed to meet voluntary limits. The legislation could cause a collapse in high technology health care programs, as hospitals scramble to meet the expenditure limits by cutting new equipment purchases, research efforts, etc.

—Barbara Dreyfuss
and Susan Kokinda

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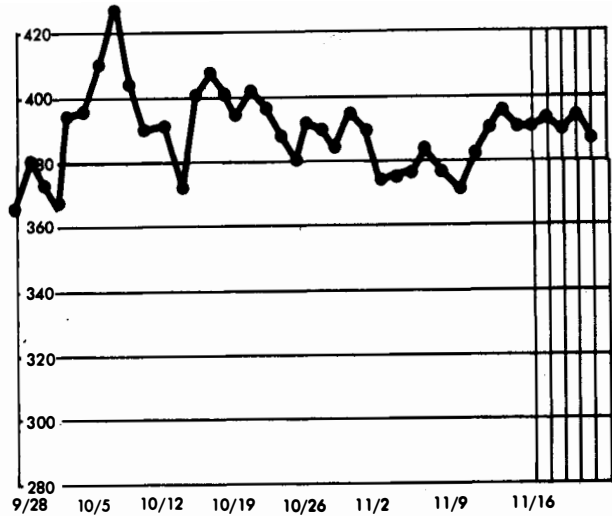
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Gold

London afternoon fixing

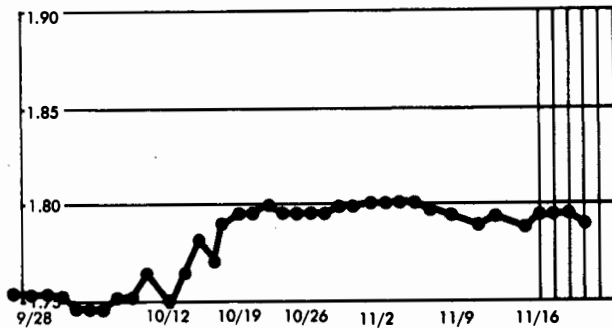
November 9	389.50
12	393.25
13	387.20
14	390.0
15	386.0



The dollar in deutschemarks

New York late afternoon

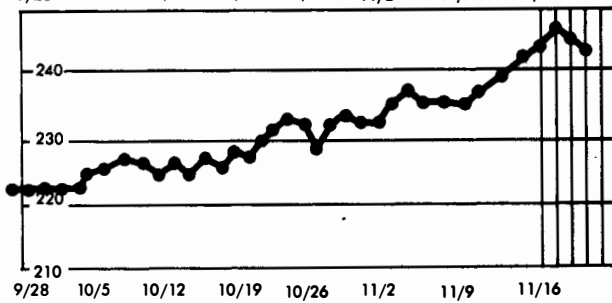
November 8	1.7921
9	1.7945
12	1.7988
13	1.7946
14	1.7765



The dollar in yen

New York late afternoon

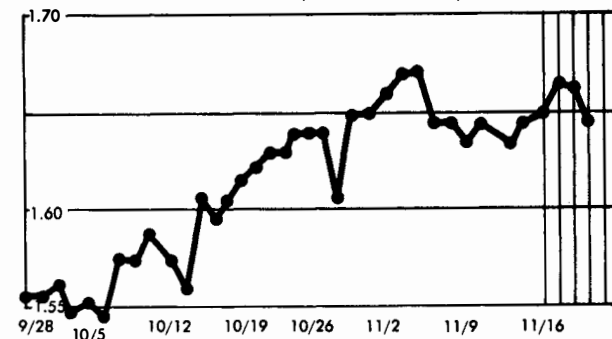
November 8	241.00
9	243.35
12	247.85
13	246.85
14	243.70



The dollar in Swiss francs

New York late afternoon

November 8	1.6455
9	1.6520
12	1.6720
13	1.6600
14	1.6430



The British pound in dollars

New York late afternoon

November 8	2.0830
9	2.0930
12	2.1125
13	2.1085
14	2.1155

