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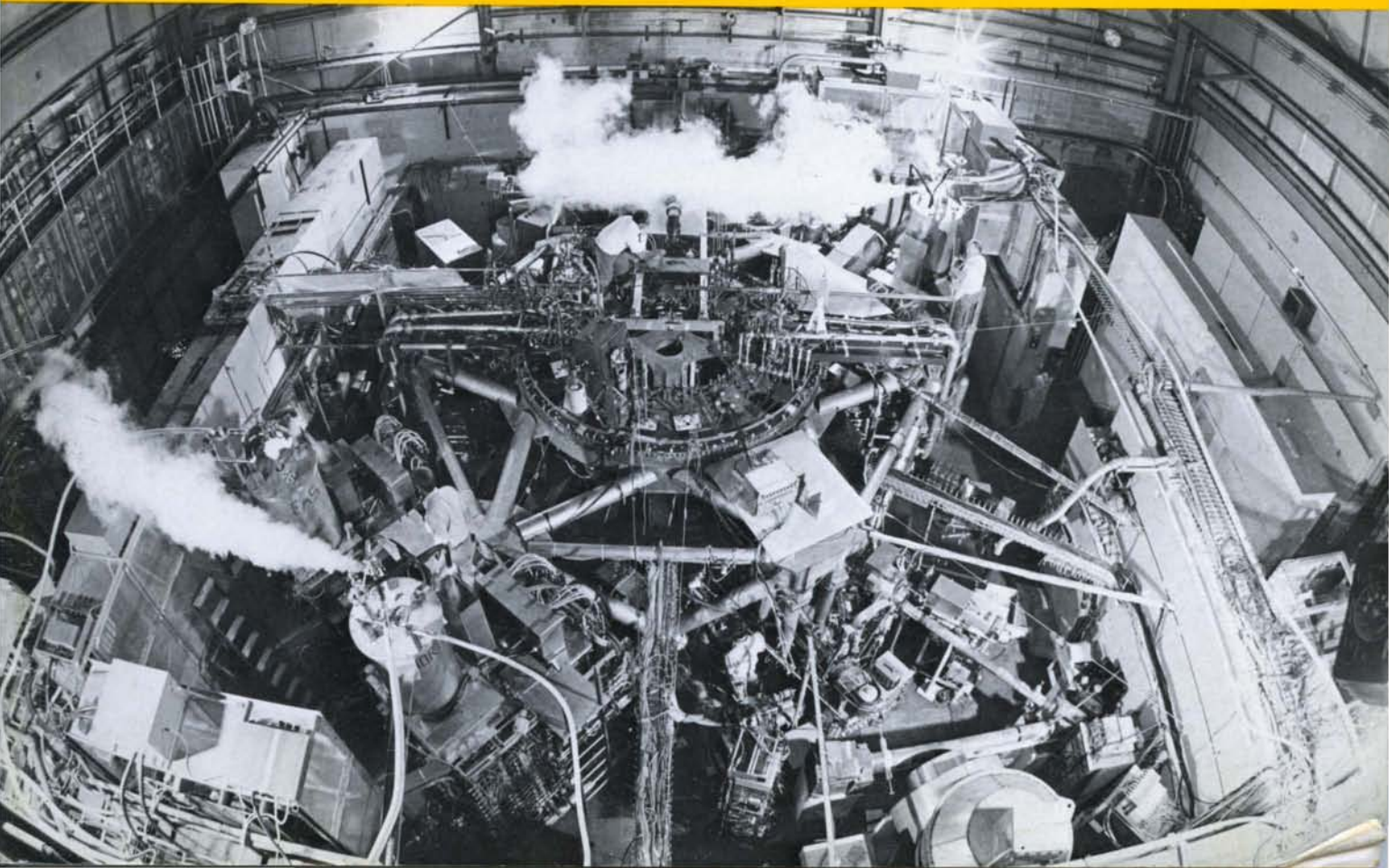
Executive Intelligence Review

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Shock treatment for U.S. inflation?
Terrorism shakes French political scene
Vietnam's foreign minister talks about Asia

**Creating energy without limits:
the economic promise of fusion**



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EIR

From the Editor

The Magnetic Fusion Engineering Act of 1980, the McCormack bill, was signed into law on Oct. 7. The bill establishes a 20-year fusion development program that will produce an engineering fusion reactor before 1990, and a commercial electricity-generating fusion power plant by the year 2000.

We at the *Executive Intelligence Review* see the signing of the McCormack bill as a major victory of the forces in this nation committed to industrial development. It is a major defeat for the environmentalists and Malthusians who are committed to energy conservation and zero growth, since it necessarily sets the United States on a course of scientific, technological, and energy revolution that will give the world cheap and abundant energy for centuries to come.

This week *EIR* celebrates the signing of the fusion act with our special report, "Creating Energy without Limits: The Economic Promise of Fusion." We thank the Fusion Energy Foundation, its executive director, Dr. Morris Levitt, and Charles E. Stevens for their collaboration. Science and technology editors Marsha Freeman and Vin Berg wrote this exciting report, which details the history of fusion research and describes exactly what fusion power is. Did you know that fusion reactors draw fuel from sea water, or that the process is so efficient that one gallon of water produces more energy than 300 gallons of gasoline?

We present the economic implications of this energy revolution, and what kind of energy and production gearup will be necessary to meet the needs of the program. We review the National Aeronautics and Space Administration's Apollo program, its training of new scientists and engineers, and the new technologies that were generated around that effort, as a model for the mobilization of our economy and our educational system that we now face in the fusion effort.

Fusion energy research and development on an Apollo-style scale is not only essential to the national security—it's good business, too.



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Carter must go!

We are suspending our standard editorial format for this issue for the purpose of printing in this space Lyndon LaRouche's call to all American patriots to do their utmost to ensure the defeat of Jimmy Carter in this election. This call from a prominent Democrat addresses basic issues relating to long-term national policy as well as our national sovereignty. Carter has been assured of the endorsements of Hua Guofeng, Fidel Castro, Ruhollah Khomeini, and Leonid Brezhnev. These endorsements were made available in the context of all these figures' convergence toward a worldwide policy of "Dark Ages" fundamentalism exemplified by the mullahs' regime in Teheran. This publication and the influential circles of opinion associated with its readership potentially possess the critical margin of power needed to ensure Carter's defeat.

Why does Brezhnev wish Carter back into the White House?

Billygate-linked Armand Hammer, a long-standing, most privileged intimate of the Kremlin, has plastered Soviet Leonid Brezhnev's shameless endorsement of President Jimmy Carter's reelection over relevant portions of the news media.

As recent developments in East Germany exemplify, the Soviet leadership has reached a rotten accommodation with the Carter administration, selling out the United States's principal allies of both the Arab Middle East and continental Western Europe. Brezhnev's endorsement of President Carter's reelection is a product of that agreement.

This development represents a breaking point for every honest member of the Democratic Party and the national government. The issue is not merely that President Brezhnev has endorsed Carter's reelection, but that this endorsement is the reflection of a rotten agreement between the Carter administration and Moscow.

I. Carter's Iran policy

During the period of Henry A. Kissinger, the British Secret Intelligence Services (SIS) conducted

a policy later known as the "Arc of Crisis" into the U.S. executive branch. This was conducted through the seconding to the United States of a ranking official of the SIS's Arab Bureau branch, one Bernard Lewis. This policy was embedded in the Carter administration's doctrines from the beginning. Zbigniew Brzezinski renamed the "Bernard Lewis plan" variously "the Arc of Crisis" and the "Islamic fundamentalism card."

Under this policy, the Carter administration acted under direction of British SIS to destabilize the government of the late Shah of Iran beginning January 1978. From the beginning the Carter administration was committed to a longstanding, second-generation agent of the British SIS's India office and Arab Bureau, Ayatollah Ruhollah Khomeini. Carter administration special emissary, former Attorney General Ramsey Clark, exemplifies most visibly the policy of the Carter administration as a whole.

Acting in the context of documented incitement by Ramsey Clark, the Khomeini regime committed aggravated violations of international law tantamount to an act of war against the United States, in seizing U.S. diplomatic and consular personnel hostage in an act of international terrorism. The terrorists directly involved on behalf of the Khomeini regime were protégés of a collaborator of Ramsey Clark's, Professor Norman Forer.

Subsequently, the Carter administration has used the so-called hostage situation in Iran to manipulate both the United States and its electorate, and as a pretext for blackmail against governments closely allied to the United States.

The narrow objective of greed involved in this ongoing destabilization of the Middle East petroleum-exporting region was to drive the world price of petroleum to levels required by British North Sea petroleum policy, and by the interests of powerful speculators gambling heavily on "syn-fuels" porkbarrels in the United States itself. Without raising the world price of petroleum to the vicinity of \$100 a barrel, the ultra-inefficient

"synfuel" program currently sponsored by the Carter administration cannot be competitive, and the Carter administration's recently announced COPEC coal policy would be unworkable.

Now, as allied forces of Iraq, the exiled Iranians, and other Arab countries have moved to bring about the removal of the Khomeini obscenity in Iran, the Carter administration shamelessly moves to conduit strategic support to a Khomeini regime still perpetrating what are tantamount to acts of war against the United States.

II. Carter's deal with Moscow

Moscow is also supporting Khomeini. Libya, Syria, and North Korea, as well as the Carter administration client government of Zia's Pakistan are conduiting military aid to the beleaguered Khomeini "Jacobin terror" regime.

Moscow's principal nominal point of interest within Iran is the leading spokesman for that hideous plague of sodomic parasites known as the mullahs, Ayatollah Beheshti. Beheshti currently is in the embrace of the head of one faction of the nominally Soviet-linked communist party of Iran, the Tudeh Party. Both the head of the Tudeh Party and Beheshti are longstanding agents on British Petroleum's payroll, like Khomeini's forces generally.

Moscow's relevant policies are currently being directed with prominent involvement of the Soviet Communist Party's foreign intelligence "think-tank," IMEMO, and the Soviet KGB of General H. "Kim" Philby. Philby's father was a founding field executive of the Arab Bureau, and the younger Philby conducted an important operation for SIS's Arab Bureau in the Lebanon-Syria region immediately prior to his leap into Moscow. Philby's known policies today are congruent with those of British SIS's desired deployment of the Soviet Union to the present date. IMEMO, which created the U.S. Communist Party-linked U.S.A.-Canada Institute, is a British intelligence and policymaking center, shaped to its present form in association with Philby associate Maclean.

What is presently occurring is a headlong rush toward a "controlled confrontation" between U.S.A. and Soviet forces in the Middle East, as prearranged in effect under the terms of the rotten agreement between Moscow and the Carter ad-

ministration. The included objective is cutting of substantial portions of the world's Middle East petroleum supply.

This is not to imply that Mr. Carter is allied otherwise with Mr. Brezhnev. It is an adversaries' partnership, a deal whose understood objectives include imposing economic disaster upon U.S. allies of continental Western Europe and elsewhere, as well as the most massive petroleum hoax against the American economy and people to date.

Mr. Carter's and Mr. Brezhnev's administrations have strongly differing reasons for participating in the rotten agreement for "controlled confrontation." The agreement is operational nonetheless, and is downright evil as well as violently contrary to the most fundamental interests of the United States and its allies.

III. Armand Hammer: the Libyan connection

The key point of financial interest of the postponed Billygate investigation is the Bahamas Freeport Refinery acquired from the Carey Oil firm by Charter Oil. Prominent within this setting is longtime special Moscow friend Armand Hammer, whose Libyan Occidental Petroleum interests developed with at least de facto patronage by British Petroleum interests.

Libya's Colonel Qaddafi was rightly included among those Israel's Abba Eban identified to me personally as "clinically insane" heads of states, during our 1976 discussions of problems of Middle East peace. (There is no impropriety in reporting this fact now.) However, Qaddafi does not truly control Libya. He is a merely bizarre frontispiece for continued control of that nation's deployment by the same British-Venetian interests which controlled the King Idris government. The same financial interests control Libya's principal petroleum revenues to the present day, the interests with which Armand Hammer's Occidental Petroleum has a certain special relationship.

Poor, dumb, greedy Billy Carter was walked to his Libyan sheep-dipping through the Rome U.S. Embassy. The U.S. ambassador to Rome, Richard Gardner, includes within his most provocative pedigree his marriage to the daughter of the Luzzato who is de facto the Godfather's

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Shock treatment for U.S. inflation?

by David Goldman

A private advisory group to the International Monetary Fund met in Charlottesville, Virginia last week following the Fund's Annual Meeting in Washington, to debate whether Federal Reserve chairman Paul Volcker would succeed in his program of gradual monetary contraction in the United States. Known as the Consultative Group on International Economic and Monetary Affairs, or more simply the Group of 30, the Virginia gathering studied proposals from several economists to abandon "gradualism" in favor of what Prof. Friedrich von Hayek likes to call a "stabilization crisis": a sudden, all-at-once contraction of credit availability.

The events in Virginia put in focus where the industrial nations stand following the International Monetary Fund's travesty in Washington at the beginning of October. The bottom-line content of the meeting's decisions was to continue contractionary, monetarist policies in the West for the next five years, bleeding off the credit resources of the industrial economies to make possible financing of a developing-world deficit of \$80 billion in 1981 and perhaps even more in subsequent years.

Since the developing nations' deficit is entirely due to the combination of higher oil prices and higher debt service charges on those nations' more than \$400 billion in foreign debt, and not to capital goods imports that might enhance the ultimate viability of those economies, the IMF proposal, formulated by Managing Director Jacques de Larosière in his opening Sept. 30 speech, is the worst of all possible worlds. In an Oct. 14 interview with the *Wall Street Journal*, de Larosière hinted that the IMF's role as "economic policeman" bodes "a deeper

IMF involvement in the policies of more nations, possibly including the U.S.," in the *Journal's* words.

This global endorsement of Milton Friedman-style monetarism unfortunately coincides with a terrific impasse for monetarism in the two countries which have systematically applied Friedman's theories during the past year, namely the United States and Britain. Britain is presently undergoing combined depression and threatened hyperinflation, with an apparently uncontrollable 22 percent per annum rate of money supply growth despite all efforts of the Thatcher Conservative government to control it. The shambles of internal British economic policy, which coincidentally has brought industrial output *below* the 1975 depression low, forced the early departure from the IMF meeting of British Chancellor of the Exchequer Sir Geoffrey Howe for emergency consultations back in London. So far, no news of a Thatcher government response has emerged from London.

The Anglo-American dilemma

America's position is analogous to that of Great Britain, merely in a less advanced stage of the same disease. One year ago, *EIR* asked editorially, "Is Volcker Insane?" arguing that higher interest rates and credit contraction would promote higher inflation levels at lower levels of real output. The Federal Reserve chairman now faces exactly the predicament we warned of. With the American economy hardly off the floor it hit at the end of the second quarter, money supply, interest rates, and business lending began to rise out of control

during September. The present stabilization—*not decline*—in interest rates merely indicates that the traditional largest user of credit in the U.S. economy, the housing sector, is falling back down to the June low of less than 1 million single-family units built per year, against the 1.3 million of August.

Interest rates are now fixed to a ratchet movement, in which interest rates rise spectacularly with every trifling increase in productive-sector credit demand, but do not fall back when output declines. A year of Volcker's monetarism has thrown the nonfinancial corporate sector and households into the worst illiquidity position, as *EIR* has reported during the past several weeks, since statistics were first counted. The credit demand arising from refinancing of outstanding debt is sufficient to maintain high interest rates, irrespective of the events in the real economy. Fed chairman Paul Volcker has pushed monetary inflation out of control.

Precisely the same course of events struck Britain as a result of the same policies. The uncontrolled rise in the British monetary aggregates is due to high rates of commercial borrowing by the private sector, now running depression losses.

A Group of 30 proposal

Since the Group of 30 is, on paper, one of the world's most prestigious collections of economists and bankers, chaired by former International Monetary Fund managing director Johannes Witteveen, its deliberations on this subject are noteworthy. They tell us that the monetarists have learned nothing from their predictable blunders in the U.K. and U.S., and are prepared to replace them with even greater blunders. The central discussion paper at the Virginia meeting was offered by Prof. Stanley Fisher of the Massachusetts Institute of Technology. Fisher proposed what might be called the "Argentine model" for the United States: provoke a crash, sharply devalue American tangible and financial assets, and encourage foreign dollar-holders to hunt for bargains. Instead of applying gradual pressure to the availability of credit in the U.S. economy, as the Fed is now doing, Fisher wants to crush monetary growth all at once and eliminate inflation through general bankruptcy, should Congress refuse to balance the Federal budget.

Of course, the Group of 30 has not taken a formal position on this matter, even if a core of its economists, including Austrian School octogenarian Fritz Machlup and former Council of Economic Advisers chairman Herbert Stein, favor the shock approach. Endorsement of any policy by the Group of 30 does not ensure its adoption by the Federal Reserve or other government agencies. However, these gentlemen have given us a usable preview of the blunders the monetarists will make next, if the policy embodies in the IMF Managing Director's speech holds sway over the industrial coun-

tries. In their own blinkered view, this is the only way forward.

The Group of 30's "stabilization shock" would blow up in the faces of the monetary authorities. The United States is not Argentina, able to improve its credit rating by converting the national economy into a vast bargain basement. For one thing, the gross liabilities of the United States to foreigners are nearly \$1 trillion (including \$150 billion in official obligations and \$800 billion in gross Eurodollar deposits). An inflow of even a small part of these liabilities into the United States to purchase financial or tangible assets following a deflationary shock wave would create an inflationary counter-wave of staggering proportions.

Professor Fischer, former CEA chairman Stein, and their colleagues apparently have not taken into account the effect of a U.S. domestic bankruptcy crisis on the Eurodollar market. Were the Federal Reserve to close off normal bank credit availability, U.S. corporations would frantically repatriate dollar deposits from the Eurodollar market in order to meet obligations at home. Repatriation of deposits by U.S. multinational corporations would reduce Eurodollar lending capacity by about \$4 for every \$1 deposit withdrawn, if the Federal Reserve's estimate of the Eurodollar banking multiplier is accurate. At present, the Eurodollar markets are able to avert a crisis in the refinancing of developing countries' debt to the Eurodollar banks only by very rapid and very risky expansion of short-term "bridge" loans to countries who are unable to obtain sufficient syndicated medium-term credits to cover their debt service.

Possibly, the Eurodollar market could survive outright default by a debtor the size of Brazil. Under no circumstances could it survive a deflation shock in the United States economy. The bigger commercial banks have already taken into account the possibility of a general freeze of the Eurocurrency market—which implies the insolvency of their foreign branches—by preparing to withdraw their international business to domestic-base "International Banking Facilities," should the Federal Reserve permit their formation (see *EIR*'s Oct. 21 Special Report).

Does the Group of 30 propose the breakdown of the world into contending currency blocs, and the "decoupling" of large parts of the developing sector as world trade shrinks? Leave alone the grievous consequences for the United States, this would be the immediate result of the proposed deflation therapy.

EIR has drawn attention to the genesis of this form of monetary thinking in the proposal for "controlled disintegration of the world monetary system during the 1980s" issued by the New York Council on Foreign Relations in the "Agenda '80s" series issued by the Council last year. Perhaps, although the Group of 30 economists who spoke to *EIR* insisted that this was not

the case, the Group's organizers are prepared to take the worldwide consequences of such actions in their stride. If that is true, we must consider the consequences of a leadership composed of proven mediocrities attempting to "control" a world crisis of more devastating proportions than that of 1929-1931. Like the beleaguered chairman of the Federal Reserve Board, these men are in over their heads. But the ultimate alternatives are this, or putting the theories of Friedman and von Hayek in the casebooks of abnormal behavior where they belong.

INTERVIEWS

The Group of 30 discuss options

EIR interviewed Dr. Fritz Machlup, Professor of Economics at New York University, and since 1923, a leading member of the Vienna School of monetarist economics. Machlup is a member of the Group of 30.

EIR: Dr. Machlup, what is the difference between gradualism and the "shock treatment" approach?

Machlup: Monetary policy can be tightened in two to four steps, and I call that gradualism. The problem with that approach is that whoever is instituting that policy usually backs out after the first couple of steps. I favor a one-step approach in which the rate of monetary expansion is brought down in one fell swoop.

When you pull such a big step contraction of the money supply you have to prepare for certain consequences. We might have another depression like the 1930s when unemployment was 25 percent. I couldn't comment on whether such a rate of unemployment is acceptable, but that is what may happen and that is up to the markets.

EIR: You complain of outside forces like constituency groups affecting the policy of monetary affairs.

Machlup: There should be a focus on monetary policy and such things as money supply and nothing else. This means that you don't pay attention to industrial growth, trade, capital movements or whatever. You just concentrate on the money supply. You let other things take care of themselves and you don't let other, outside forces interfere.

EIR: In the 1920s and 1930s, did you know [Nazi Finance Minister] Hjalmar Schacht?

Machlup: Yes, he was a friend of mine. We had our disputes. I wrote a 1928 paper criticizing Schacht. But I think that on the whole his post-1934 policies were good. Look, he did the *Rentenmark*, which worked. The collateralization of the *Rentenmark* with land was a lot of buncombe; it was mostly public relations, but it worked.

Dr. Herbert Stein chaired of the Council of Economic Advisers under President Nixon, is a fellow of the American Enterprise Institute, and adviser to Ronald Reagan. He is a member of the Group of 30.

EIR: Mr. Stein, what were some of the options discussed at the Group of 30 meeting?

Stein: One idea that came up was a plan to abolish the dollar and replace it with a new dollar or currency. The idea is to operate as was done after World War II. Then we got rid of the old Austrian and German currencies and gave them new ones. This idea was offered as one way to bring down the inflation rate. We also discussed other options along the lines of the March 14 application of credit controls that [Federal Reserve Board chairman] Volcker used. . . . I think that the Thatcher model has to be brought to the United States. . . . I think wages are out of hand and Thatcher has not been stern enough in handling public and private wage negotiations.

From an interview with Dr. Stanley Fisher, Professor of Economics at MIT:

EIR: You prepared one of the study papers for the Group of 30 meeting, on the subject of new dollars. How would that work?

Fisher: At a certain date, new dollars would be issued on a par basis with old U.S. dollars. Then every year the old dollars would be allowed to devalue against the new dollar by some percentage which would represent the anticipated rate of inflation on the old dollars. This would allow old debts or labor contracts undertaken at high wage increases or high rates of debt to be in effect renegotiated with the inflation taken out in new dollar terms. I first heard of this idea from Robert Hall of Stanford University.

EIR: Why was the new dollar idea brought up at all?

Fisher: Well, some of the participants at the meeting favored sharp deflation and wage-price controls combined. When Nixon tried wage-price controls, he let the supply of money grow at 8 to 9 percent, and this wrecked everything. Other people want the sharp deflation but are thinking of the new dollar to accompany it and replace the wage-price controls component.

Reuss proposes selective credit controls

The House Banking chairman wants the Fed to cut back lending to 'useless credit users.'

House Banking Committee chief Henry Reuss and Federal Reserve chairman Paul Volcker are planning to use the Fed's monetary powers to cut back bank loans to "useless users of credit," Reuss's office said yesterday.

Reuss and Volcker plan to define "useless users" as the traditional basic heavy industrial sectors of the U.S.—housing, steel, auto, and similar industries. Reuss first advocated the rationalization or scaling down of these so-called sunset industries in a March 10 congressional speech.

Reuss and Volcker may try as soon as January to implement the credit squeeze without congressional authorization, under the new powers granted the Fed by the March 1980 Depository Institutions Deregulation Bill. This so-called Omnibus Banking bill removed some banking regulations, but granted the Fed vast control over the use of others.

Reuss's program for U.S. industrial cutbacks was described in March by his office as "Economic Restructuring for the 1980s." "The program would be very deflationary," said one aide. "We'd pick out the major sectors to be restructured, cut back some of their operations, and direct investment into other areas."

Reuss called then for such a structural reform of "the auto industry, the steel industry, mass transit including rationalization of the railroads, food distribution," and so on. In a March 10 speech he

proposed the creation of "a Department of Industry and Trade to Improve Our Economic Structure." The new DIT, as it is known, would have centralized all U.S. economic planning and credit allocation "just like in a Third World country," aides said. It would have "drawn upon the expertise of the Federal Reserve," Reuss proposed, to "implement structural reform" by allocating credit.

Such a dictatorial Department of Trade was again recently advocated this week by the Senate Democratic Task Force on the Economy Subcommittee on International Trade and Finance. Subcommittee Chairman Senator Abraham Ribicoff of Connecticut in a just-published report demands the "establishment of a Department of Trade incorporating the trade activities of the Departments of State, Commerce, and Treasury," as well as the Export-Import Bank and a dozen other government agencies. Although Ribicoff claims he wants to expand international trade, Reuss's office stated that the real point of the proposal is to restructure "internal U.S. trade," i.e., the entire U.S. economy.

President Carter has embodied Reuss's principle of restructuring basic industry in his Economic Revitalization Board, announced in his major economic policy speech Aug. 28, according to Reuss's office. But neither Carter nor Congress are moving fast enough to make these current proposals a leg-

islative reality which can actually shift the economy, they complain. Reuss, in consultation with the Volcker Fed, wants to try to move ahead without the President or Congress, using the Fed's regulatory powers.

The main way Reuss and Volcker plan to cut off credit to "useless users" is Federal Reserve Regulation D governing reserve requirements. Reg D gives the Fed the power to stipulate how much money private banks must place with the Fed as a "reserve" against bad loans. Money placed with the Fed costs the bank money, because it is sterile and they cannot use it to make loans or earn interest.

Reuss plans an "Asset Reserve System" imposed on the banks to make it more expensive for banks to loan to industries that Reuss and Volcker want scaled back. "Simply, the Fed will give lower reserve requirements for the more desirable loans, and higher reserve requirements for non-productive loans" as the Fed defines it, Reuss's office said.

Reuss's people refer to this plan as "selective credit controls. We have to get a more secure grip on the banks," they say, "to see to it that they don't cause this kind of unproductive lending to disturb the money supply."

When asked if steel, auto, and the other so-called sunset industries would be in the "useless" category, one aide replied: "Perfect example. If the government is going to get into the business of making capital cheap to these industries, as in the Chrysler bailout and the breaks for steel Carter is working out, then we should also do what the Germans have done to their steel industry: *enforce strict rationalization.*"

The European livestock scare

A ban on hormone additives is a bad precedent for the United States.

European environmentalists and consumerists are celebrating what the *Washington Post* described as their "first multinational victory" this month with the decision by agriculture ministers of the European Community to place an across-the-board ban on the use of synthetic hormones in livestock raising.

The EC decision, which has still to be worked out in detail, appears to go far beyond its precedent, the outlawing of the hormone DES in livestock raising in the United States a year ago. Reports also indicate that the European environmentalists focused heavily on issues of "animal welfare" now being played up in the U.S. by Burgess Meredith in his "Those Amazing Animals" television series.

The flap in Europe began last summer when the media drummed up a story concerning possible cancer-causing hormones in French veal exported to Italy as baby food. Propaganda emphasized that at least 80 percent of French veal was produced from cattle receiving hormone injections. Italy promptly banned the import of French veal, in technical violation of the EC Treaty of Rome. French consumer groups simultaneously went into action, calling for a boycott in early September which caused a 50 percent drop in veal slaughter and sales within two weeks which rapidly spread to Belgium and Britain. On Sept. 23 an Italian magistrate or-

dered a country-wide ban on the sale of veal, the staple meat of the Italian diet. French livestock farmers produce half the veal consumed within the European Community.

The French agriculture minister, Pierre Mehaignerie, then led a counterattack, charging the consumer groups with making irresponsible demands and defending the use of natural hormones. But the environmentalist apparatus had the full media cooperation. Europe was flooded with stories of poor little calves snatched from their mothers and raised inhumanely in an industrial fashion. Photos of calves tied into feed boxes filled the newspapers. The idea that eating meat might result in cancer was drummed into the population.

The Brussels-based Bureau of European Consumer Organizations wrote a public letter to European Commission president Roy Jenkins demanding the community-wide ban on hormone use in livestock raising as well as the establishment of a "dangerous products Interpol" to speed up the exchange of information between national customs officials and health authorities.

Existing EC legislation prohibits the addition of hormones to livestock feed, but since most hormones are injected or "implanted," the law is viewed as insufficient. Other health regulations concerning trade in foodstuffs do not deal

with hormone treatment; it remains a subject of national laws which vary considerably.

As in the case of DES in the United States, the facts of hormone use in livestock raising were distorted or ignored. DES had been used successfully in the United States for more than 20 years, its use guided by clear, scientifically based rules. The hormone implant was routinely withdrawn from the animal, for instance, two weeks or so before slaughter, so that no residue would be left in the meat. Residue levels were strictly tested.

The effect of hormone and antibiotic use in animal raising is critical in providing growing numbers of the world's population with adequate supplies of animal protein. Hormone use speeds up the fattening process significantly, and therefore helps to bring down the cost of raising livestock. Use of antibiotics protects the animals' health and assures a quality product.

The outlawing of DES was a disastrous precedent, with potentially deadly consequences in the long run. An attempt to broaden the ban to include the subtherapeutic use of antibiotics has reached the level of Congress, where legislation has been proposed and pushed—unsuccessfully so far.

The EC action will make meat more costly and scarce in countries that do not yet come close to American nutrition standards, especially in terms of animal protein consumption. It could forever seal off that healthy prospect. As some experts point out, the limiting factor as far as French meat production is concerned is good grazing land—a fact that makes the use of additives necessary to sustain a livestock industry at all.

Community banks start to fight back

Regional bankers are waking up to the dangers of interstate banking, but dereg plans continue.

The nation's smaller community bankers are increasingly voicing their alarm at actions by the Carter Federal Reserve and the New York-led money center banks. Fed chairman Paul Volcker, attempting to address the annual meeting of the American Bankers Association in Chicago, was greeted with an angry walkout by about 10 percent of his audience, largely composed of the ABA's 14,000 regional commercial bank membership.

"We're all just ready to die," Sheldon Pollack, president of the North American Bank & Trust Company of Wolcott, Connecticut, told the press. Wolcott and dozens of other small commercial bankers at the meeting said the intense competition introduced between savings and commercial banks under Volcker's March 1980 Depository Institutions Deregulatory Act is "simply making banking unprofitable for smaller banks," as outgoing ABA president C. C. Hope, chairman of the First Union National Bank in Charlotte, North Carolina, put it.

Widely denounced as well was the planned erosion of the McFadden Act and Douglas Amendment, which protect local banks from interstate banking operations by the money center giants. This week Citibank was forced to freeze its plan to move into the Washington, D.C. metropolitan area after the Maryland Bankers Association

protested to the Federal Reserve Board.

As I reported last week, Citicorp's credit card subsidiary had begun an area ad campaign to solicit full-service savings deposits, personal check cashing, and loans of up to \$10,000 across state lines on its Choice credit card. Citicorp was offering a full 8 percent, far higher than other savings deposit rates.

The office of the Comptroller of the Currency had described Citibank's move as an "end run" around McFadden. After the Maryland bankers complained, the Fed sent a letter to Citicorp demanding that it halt Choice operations pending "further review."

Citicorp's Washington setback, however, is a tiny battle in a major war. Security Pacific of Los Angeles, the nation's tenth largest bank, is readying a bill for the next state legislative session to introduce what is known as contiguous interstate banking.

Most specifically, the Douglas Amendment to the Banking Holding Company Act, which prohibits banks from having subsidiaries in more than one state, could be abrogated by mutual agreement among two or more state legislatures.

Security Pacific has been one of the most aggressive national forces lobbying in Washington for interstate banking. "At Security Pacific, we are looking forward to a contin-

ued erosion of the McFadden Act, the Douglas Amendment, the Glass-Steagall Act, and other limitations on competition," Security president Richard J. Flamson III told the Los Angeles Financial Analysts Federation last month.

Flamson has also publicly announced that Security has a "hit list" of regional banks it would buy up as subsidiaries in other states.

Sources say Security plans to propose a "Rocky Mountain banking zone" to be ratified by the state legislatures of California, Arizona, Utah, Nevada, New Mexico, Colorado, and Wyoming, which might even extend further into the Sunbelt. Security wants to expand its relatively small portion of Southern California energy lending into coal and synfuels in the Rocky Mountains.

Barnett Banks of Jacksonville, Florida, the state's second largest bank, which has ties to Billy Carter's Jacksonville-based friend Charter Co., is also pushing the administration's interstate banking program.

Barnett chairman Guy Botts is planning to introduce into the Florida legislature a bill to introduce continuous banking among Florida and 13 other southeastern states, including North and South Carolina, Georgia, Alabama, Mississippi, Louisiana, and Texas.

Dubbed the "Southern Comfort Zone" by Barnett wags, the arrangement would give Barnett and the state's top banks a margin to buy up distressed smaller banks throughout the region without having to compete with national giants on their home turf. When and if national interstate banking comes, the big Florida banks will be ready to compete.

Short-term debt growing

Banks have resorted to a precarious kind of refinancing for current accounts deficits.

Twenty-two oil-importing countries that are the world's heaviest borrowers on international capital markets need 30 percent more funds this year than in 1979, or a total of \$70 billion, to meet their payments requirements.

It now turns out that international banks which have been lending to these nations in large amounts since 1974 have been increasingly resorting to a lending mechanism in recent months that could create serious global financial problems during 1981. Reports from various sources are that international banks, since May, have been issuing short-term, bank-to-bank loans to these oil importers to help them cover payments on long-term debt.

Shifting long-term debt into short-term, faster repayment schedules is the exact opposite of the kinds of policies needed to guarantee international monetary stability.

While these instruments help to avert a refinancing crisis at this time, the short maturities virtually guarantee funding crunches over the next 18 months. And short-term loans make it difficult for borrowers to invest in programs for tangible economic growth, forcing borrowers to reduce growth rates and increase domestic spending cut-backs.

The 22 countries involved are the 12 largest developing countries and 10 smaller European industrial

nations, all of which are oil-importers. The combined current accounts deficit (international payments over inflows into these nations) of this group for 1980 is around \$63.5 billion. Morgan Guaranty Trust, whose estimates on global borrowing are generally viewed as highly reliable, projects that for 1980, this group will call upon the private international banking system for \$70.2 billion in loans.

In early October, tallies were released by Euromarket banks on their syndicated lending activities for the first nine months of 1980. Since 1974, Eurosyndications—bonds and loans which international banks can share out among each other and also resell on a secondary market—have been the leading source of the global debt financing kicked off by rising oil costs.

In contrast to short-term instruments, Eurosyndications have an average maturation of 7 to 8 years.

However, for the first three quarters of this year, Eurosyndications were \$12 billion less than for the same period in 1979. While for the first three quarters of 1979 Eurosyndications were \$60.2 billion, this year they have only been \$48.1 billion—despite the one-third rise in funds needed.

Indicating how this shortfall is being met, Morgan Guaranty's "World Financial Markets" reported in September that developing countries "are making less use of the syndicated loan market this

year, and more use of forms of borrowing that are not publicly disclosed, e.g. bank-to-bank term lending . . . acceptance credits, and short-term lines of credit."

One indication of the overall volume of such high-interest, short-term instruments is the fact that between last March and September, when U.S. interest rates dropped for the first time in months, U.S. banks displaced \$15 billion to their foreign branches, a noticeably large capital outflow recorded for a short period of time.

These funds were displaced abroad due to Federal Reserve imposition last spring of ceilings on domestic credit growth. Starting in June, the sudden surge in overseas credit extension began to show up in Fed tallies of U.S. banks' net positions with their foreign branches, which suddenly reversed from a surplus to a negative position on the order of a \$7 billion shift. U.S. banks had begun to cover international loans at the expense of domestic borrowers.

An international economist at a leading foreign-owned New York bank described how these short-term bank-to-bank loans work. A bank in a borrower country puts in a call to a bank at a lender country, and arranges a trade or acceptance credit. When the loan comes due in a few months, the borrowing bank quickly transfers the funds to the lender—and the next morning, gets the same funds re-lent, either from the same creditor, or another bank in the same country. Asked to comment on the stability of such international loans, the economist noted: "1980 looks good, but what about '81? It will be more difficult than 1980, and the market will have to focus on some problem cases."

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$1.5 bn.	Nigeria from West Germany/France/U.S.S.R.	Steel-producing city to be built in Central-Western Nigeria. French Fourgerolles and German Julius Berger will build the \$1.15 bn. plant structure. The Soviet Union is providing steel-making machinery on a turnkey basis. And Dumez (France) has received a \$320 mn. contract for administrative buildings and housing for plant workers. The entire project will cost \$5.4 bn.		Contracts worth \$1.5 bn. on signed-for plant and urban structures.
\$1 bn. per year	China from U.S.	Chinese agreement to purchase 6-9 mn. tons per year of American wheat and corn over next three years. Chinese have been buying 4-6 mn. tons. Deal is modeled on Soviet-American 8 mn. ton per year grain agreement.	Being negotiated.	Signing expected soon.
\$500 mn.	Argentina from France	Petrochemical plant to be built by French Technip on turnkey basis. Plant will produce ethylene and propylene.		
\$47 mn.	China from U.K./Singapore	20,000 acre palm oil plantation to be set up in China by a company 40% owned by the British Guthrie plantation group and 60% owned by Singapore-based overseas Chinese. The People's Republic is granting the consortium 25-year tenure over the plantation and providing all necessary infrastructure in return for 25% of the profits. The plantation is on Hainan Island.		
	Brazil from U.S.	Ralph Parsons has been awarded contract for engineering, procurement, and construction services for a \$300 mn. copper sulfide project, including a 30,000 ton per day concentrator in Goias, Brazil.		Ore includes substantial gold component.
\$378 mn.	Libya from Korea	Hyundai Construction Co. has signed contracts to build harbor facilities at Ras Lanuf and Benghazi.		
UPDATE				
\$3.35 bn.	Saudi Arabia from France	Agreement for French companies to sell Saudi Arabia "a turnkey navy" as reported in <i>EIR</i> , Sept. 30. France is also giving training and logistical support.		Contract signed.
\$1 bn. of \$10 bn. project	U.S.S.R. from Western Europe	Siberian-Western Europe gas pipeline project, to be built by companies from West Germany, France, Holland, Austria and Belgium. Contractors will be paid in full credits issued by banks of their nation to the U.S.S.R. in proportion to the final gas allocation to each country.	Belgian syndicate headed by Société Générale is negotiating with Soviets terms for loan of Belgian share (10%) of project.	Final deal not yet signed.

Price war takes shipping toll

North Atlantic business is contracting for U.S. companies as the recession cuts trade.

Farrell Lines, a leading American-owned shipping company, announced last week that it is terminating service between the United States and northern Europe because of a sharp decline in rates and a contraction in trade volume that has made this part of its business "unprofitable to Farrell." Farrell is the second U.S.-based shipping line to withdraw from the North Atlantic trade in recent months.

In September, Seatrain Lines announced that it was turning over six large container ships that had been plying the North Atlantic route, as well as 7,000 containers, to New Jersey-based Trans Freight for \$28.5 million.

Trans Freight is one of the subsidiaries of the Australian transportation conglomerate, Thomas Nationwide Transport. Farrell is selling or trading in five of the container ships in its fleet to the federal government.

The North Atlantic shipping business, which includes trade between the U.S. East Coast ports and ports in France, Britain, the Netherlands, Belgium, West Germany, and the Scandinavian countries, has been hit by a pricing war this year. The volume of European exports to the United States has sharply declined due to the U.S. recession, while the beginnings of an economic slowdown in Europe have also affected U.S. exports to Europe.

Even before 1980, however, the

volume of U.S.-European trade was proving insufficient to accommodate all the shipping companies competing for the business. Foreign shippers, especially British and Australian-owned companies, appear to be emerging as the major beneficiaries of the current pricing war, to the detriment of American-flag lines.

The present crisis erupted in February when Seatrain Lines dropped out of the North Atlantic conference, a rate-setting organization for the industry to which most of the major companies belong. Seatrain, a New York-based conglomerate which nevertheless uses Belgian-flag ships, began to slash its rates—apparently with the aim of increasing its market share. The North Atlantic conference permitted the remaining members to take independent pricing actions.

As a result, rates on westbound cargoes tumbled this year by as much as 45 percent.

However, U.S.-flag shipping is not simply the victim of the recession and cutthroat competition. In virtually every other major country, the national shipping industry is heavily subsidized and nurtured by the government; in the United States, a "free trade" policy has prevailed.

In the view of George Lowman, chairman of Farrell Lines, the federal government is not subsidizing the industry "to the point of parity." U.S.-built ships are gener-

ally more expensive than foreign-built ones because of higher materials and labor costs, aggravated by years of underinvestment in shipbuilding capacity.

Existing subsidy levels, Lowman believes, do not permit the U.S. industry to compete effectively with the less costly foreign ships. The U.S. industry has also been hurt by the Justice Department's strict enforcement of anti-trust laws, which have not been extended to the industry's foreign-owned competition.

A complicating feature is the recent establishment of an international shipping industry code by the United Nations Commission for Trade and Development (UNCTAD).

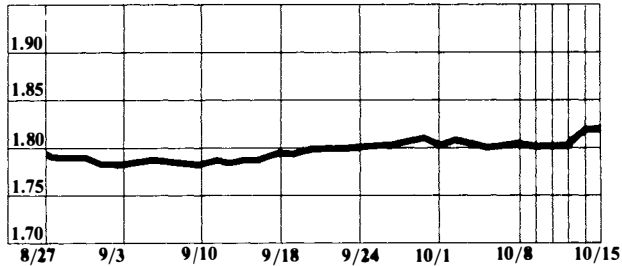
This code, which specifies that at least 40 percent of a given country's trade be carried in ships owned by citizens of that country, was ostensibly designed to aid developing countries. The code has already been endorsed by 45 to 50 countries, but not by the United States, with the possibility that an even greater share of U.S. trade will be lost to foreign-owned companies.

The real issue here is not that foreign-owned shipping is inherently evil but that the U.S. republic may be losing control of an area which will be critical if this country is to adopt a serious reindustrialization strategy, based on expanding exports—particularly capital goods exports—to the developing sector. The foreign-owned companies attempting to emerge on top in the current shakeout may be hostile to such a reindustrialization strategy, particularly those which are linked to various anti-industrial British and British Commonwealth banking and insurance interests.

Currency Rates

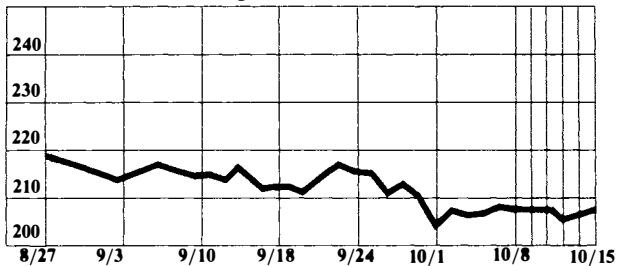
The dollar in deutschmarks

New York late afternoon fixing



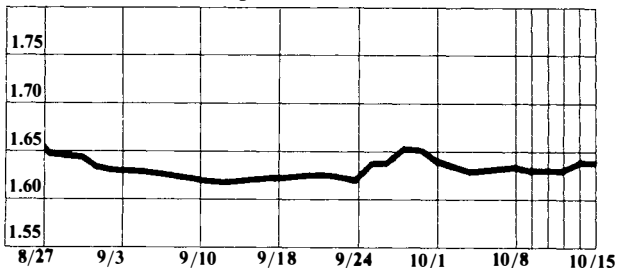
The dollar in yen

New York late afternoon fixing



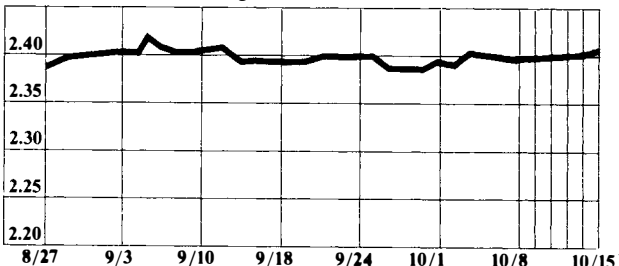
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



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Argentina on the edge of blow-out

by Mark Sonnenblick

Argentina, whose classic monetarist policies have made it a model that many bankers recommend to other underdeveloped countries, is approaching a spectacular economic blowout. Bankers have been lending dollars to Argentina hand over fist at interest rates a full percentage point below those given to neighboring Brazil. However, half this "capital flow" is hot money sucked into Argentina to take advantage of short-term looting possibilities on the local loan market.

This cycle is nearing an abrupt end as the industrial and agricultural producers whose assets have been stripped in this loansharking operation slip into open and clandestine bankruptcy, leaving local banks loaded with nonperforming debt. Several of the country's biggest banks, including number-one Banco de Intercambio Regional, went under in the first round of the collapse process in March and April, but the Argentine bubble has since been puffed up larger than ever.

Rather than dealing with the crisis by funneling capital into productive activities utilizing the European-level skills of the Argentine workers and the Kansas-quality land of the vast pampas, the Argentina government is following Milton Friedman's prescriptions by allowing policy to be dictated by the money-market speculators. This has led to an accumulation of political pressures, which in a year of changes in the military dictatorship is likely to produce a panicky withdrawal of hot money, and pull down the house.

How the inflows work

International speculators regard Argentina as a paradise because of the success with which Economics Minister José Martínez de Hoz has deregulated the banking sector and allowed it to exact what the market will bear. De Hoz's policy of dismantling the tariff protection behind which Argentine industry had developed, and eliminating the subsidies that had sustained agribusiness, filled the money markets with desperate loan-seekers. At the same time, de Hoz, like his northern cothinkers Paul Volcker and Maggie Thatcher, turned off the credit spigots, driving up interest rates.

As Figure 1 shows, a substantial gap grew during 1977 between the level of monthly interest rates Argentine banks paid to depositors and the level of devalua-

tion of the Argentine peso. This has provided the opportunity for financial speculators, multinational corporate treasurers, and Argentine international traders to bring in dollars and convert them into pesos to be lent for a few months at astronomical interest rates. Then the speculator reconverts his pesos into dollars and pockets the difference between the high interest rates and the lower devaluation rates, a difference that has varied from 4 to 7 percent per month. When annualized, the speculator's profit becomes 50 to 90 percent, which looks quite good next to the 10 to 15 percent provided by ordinary dollar investments.

Argentine inflation has consistently outpaced peso devaluation, however. Thus, the peso today has about 45 percent more buying power abroad than it did in April 1977. This tends to discourage speculators by holding over them the risk that at any moment, the Argentine government could "correct the overvalued peso" with a maxi-devaluation which would wipe away not only profits, but also part of capital invested in peso markets.

De Hoz removed all exchange risk in a Dec. 20, 1978 speech in which he announced that minuscule devaluations would continue daily, but the rate of devaluation would steadily decrease and, on his honor, there would be no big devaluations. With this guarantee, the big bucks started rolling in. The vaunted "savings rate" rose to 28 percent of GNP during 1979, but only 8 percent of the GNP was invested in productive activities.

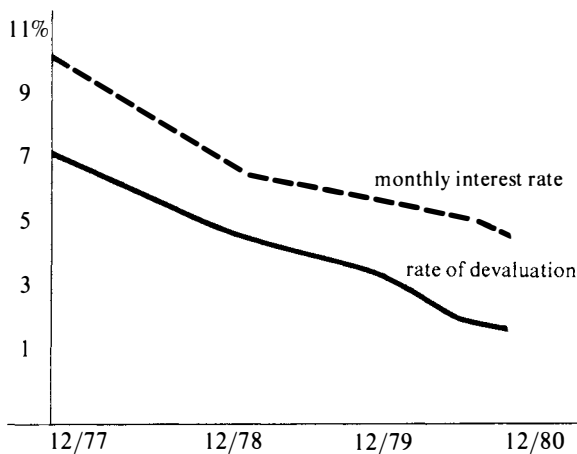
Bank clubs

Just as Perón's inflationary growth brought record profits to industries, de Hoz's monetarist "restructuring" has driven the capitalists out of business, "and I'm not just talking about Joe's meat market, but the major industrial and banking institutions," cautioned one frank banker. *El Economista* weekly of Buenos Aires estimates that the private banking system, capitalized at \$6 billion, carries \$2 billion in bad debts. In order to avoid declaring their own liquidation, the banks are now hiding most of the bad debts in "bank clubs," consortiums that disguise unpayable debts by rescheduling them over a long term, with de Hoz's blessing.

When the crash of several top banks became public knowledge in March, about \$2 billion in hot money fled the country (see Figure 2). Desperate to restore Argentina's \$10 billion reserve level so as to ward off devaluation rumors and keep the big bubble going, de Hoz on July 10 ended the requirement that dollar loans have a minimum term of one year and removed other controls and taxes on speculation. The success of his gambit is indicated in Figure 2 in the exceptional burst of dollars which followed his speech. During six weeks, Argentina's official short-term debt shot up from \$950 million to \$2.3 billion.

Figure 1

Argentina's hot money flows



This graph shows the differential between the monthly interest rates given by Argentine banks for 30-day peso deposits (top curve) and the devaluation of the peso in relation to the dollar (bottom curve) during the given month. The gap between the two curves illustrates the percentage profit made during the month by speculators bringing dollars into the Argentine money market. Their net profit in each month is obtained by subtracting the monthly cost of Eurodollar loans or of dollar zone inflation (say 1 percent) from the gap.

The jittery speculators are lending money for only 28, 60 or 90 days. As Figure 2 shows, when the rollover period began around Labor Day, there was a repatriation of funds even sharper than during the April crisis. Reality began to creep in: the overvalued peso has led to a 23 percent cut in the volume of meat exports, the announced closing of all four Argentine tractor plants and the elimination of 60 percent of textile capacity.

Deaf to the producers' complaints, de Hoz saw the foreign exchange flows as the only thermometer of Argentina's health. On Sept. 15, he guaranteed slow devaluations until the end of January. The hot money flew back for another two months. *El Economista* anticipates—with reason—that the hot-money boys will soon demand legally contracted government insurance against major devaluations—a strange plea for state intervention from the loud-mouthed champions of the "free market system."

On March 29, 1981, General Jorge Videla, who has run the country on behalf of de Hoz's liberal economics since the April 1976 coup against Isabela Perón, will hand over the reins to General Roberto Viola. The underlying economic crisis, as well as interservice rivalry, broke the surface when backroom combat between the dominant Army and the insurgent Navy forced Viola's presidency to be announced two days behind the

military's precise timetable. The Navy—and Viola's replacement as Army Commander—has expressed misgivings about de Hoz's economic model.

Anything can happen. To stave off general bankruptcy, an about-face may be ordered on de Hoz's tight money policy and printing presses set in march in traditional Argentine fashion. Such policies would soon lead to a hyperinflationary blowout. Or, de Hoz could preempt a dollar flight by pulling a huge devaluation some midnight to "clear the decks" for his successor.

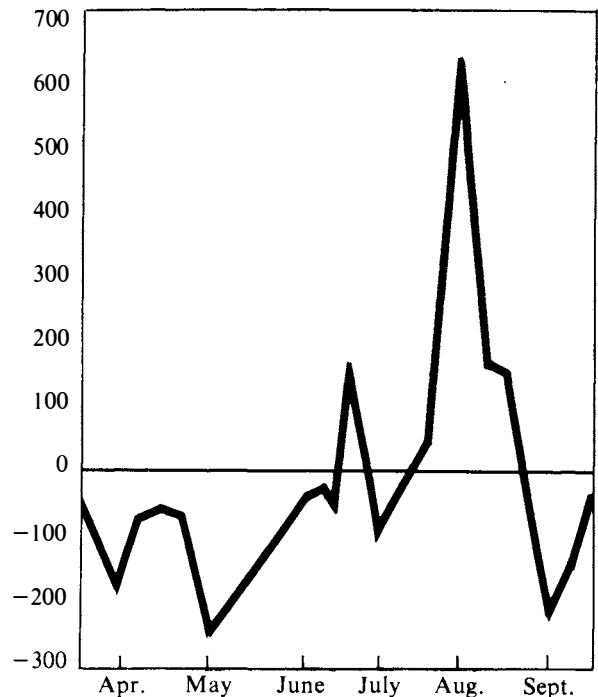
In any event, the "wizard" de Hoz and his protégés have trapped themselves on the exchange rate problem.

London's *International Currency Review* augurs, "Inevitably, a run on the currency would occur just before the transfer of power, since no one believes that an incoming Economics Minister would be able to start his term with a country suffering from excessive currency overvaluation. . . . Sr. Martínez de Hoz will be handing an extremely unstable situation over to his successors; and there appears to be a strong probability of a progressive or even sudden collapse of confidence overwhelming the government during its final months in power."

Figure 2

Weekly variation in foreign reserves

(millions of dollars)



The weekly change in Argentina's net foreign reserves is based on official Economic Ministry reports. The violent fluctuations reflect the March-April banking collapse, the July measures favoring hot money, and September devaluation fears.

Business Briefs

Econometrics

Klein wins Nobel Prize for forecasts

Lawrence Klein, head of the Wharton Econometric Forecasting Unit of the University of Pennsylvania, was awarded the Nobel Prize for Economics Oct. 16 for his work in econometric forecasting.

In making the award, the Swedish Nobel Academy declared that his economic models "were a successful instrument for short-term forecasts."

The timing of the Nobel award is notable—Klein and his associates entirely missed the boat on the pace and dimensions of the U.S. recession. While in April, Wharton Econometric Forecasting Unit, with Klein at the helm, predicted a minute 0.2 percent decline in U.S. industrial production for the first half of 1980, the actual figures came in at a whopping 7.9 percent decline. This mistake is far outside the band of statistical tolerance. Klein missed the second biggest recession in post-World War II history.

Banking

Reuss questions Fed's clearing role

House Banking Committee chairman Henry Reuss has written to the congressional General Accounting Office requesting a prompt GAO study on "the future of the Federal Reserve System. Is the vast Federal Reserve bureaucracy that has developed still needed to serve the essential functions of a central bank?"

Reuss specifically makes the constitutional suggestion that the central bank clearing function be turned over to such "private" clearing systems as the New York banks' Clearing House International Payments System (CHIPS), potentially shutting out thousands of smaller banks from effective service. "Could

its [the Fed's] vast clerical and check-clearing services be carried out better by the private sector, where competition would produce cost-saving efficiencies?" Reuss writes.

Reuss also suggests shutting down the Fed's current bank regulatory functions, on the logic that the regional Federal Reserve banks are "too responsive to local bankers' needs," aides said this week. He asks the GAO to investigate whether these bank regulatory functions could be transferred to the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Fed chairman Paul Volcker at the same time also called for "greatly simplifying regulatory and enforcement methods."

Foreign Exchange

Dollar, pound gain on interest differentials

The U.S. dollar and the British pound showed large gains on world currency markets last week, in response to widely circulating rumors that the West German central bank will soon lower its discount rate. At one point during Frankfurt trading on Oct. 15, the dollar reached DM 1.8333, its highest level since April. On the same day, sterling reached a new four-year high against the deutschemark. In the early part of the week, an estimated \$500 million was spent by the Bundesbank in an effort to keep the dollar from rising above DM 1.83.

The deutschemark continued under pressure even after Bundesbank president Karl-Otto Pöhl stated on Oct. 16 that it was impossible to lower the discount rate from its current 7.5 percent level in view of the currency's present weakness. The Bundesbank, however, did take steps to ease liquidity in the domestic banking system. The West German central bank hiked the banks' rediscount quotas by DM 3 billion and also increased the rediscount quota for foreign-trade related bankers acceptances by DM 500 million. The Bundesbank's decision to delay the reduction of interest

rates could result in a deepening of the West German recession, which began in the second quarter.

The Japanese yen, on the other hand, remained stable last week at about 207 yen to the dollar—reflecting public awareness of recent heavy OPEC capital inflows into Japanese capital markets and a strong export performance.

Gold

Japan to launch private exchange

A group of Japanese commodity brokerage companies and precious metal dealers hope to establish a private gold exchange in Tokyo beginning early next January for spot and futures trading in gold and silver, according to Japan's National Association of Precious Metal Dealers. The plan provides for the organization of a joint-stock company capitalized at around 500 million yen.

U.S. gold analysts say they do not expect that the proposed exchange will divert much business from the leading precious metals trading centers in Zurich, London, New York, Frankfurt, and Hong Kong. Nevertheless, this project should be watched closely, especially in light of recent Japanese efforts to open up their capital markets to OPEC investors.

Military

Multibillion French deal with Saudi Arabia

The governments of France and Saudi Arabia this week inked the final contract on a \$3.4 billion deal to build the Saudi navy, during a visit to Paris by Saudi defense minister Prince Sultan. *Le Monde* reports that France has already sold Saudi Arabia \$3 billion worth of arms this year.

This represents a qualitative entry by

France into the Saudi security and military apparatus which has been the privileged domain of Great Britain and the U.S. In the past 18 months, since the Khomeini revolution in Iran, France has made an aggressive bid to become the chief supplier and trainer of military personnel in a number of Persian Gulf states, most importantly in Iraq, whose navy it is equipping and training. Baghdad has looked to France as a major partner in an Iraqi-centered military and security alliance that includes Saudi Arabia and Jordan.

According to Arab sources, the French and the Saudis are very close to working out an agreement whereby Riyadh will fund the development of France's most sophisticated fighter jet, the Mirage 4000.

French president Giscard d'Estaing arrived in the United Arab Emirates this week for talks with the UAE President Zayed, who reportedly offered to expand UAE shipments of crude oil to France by an additional 50,000 barrels a day. France is a major consumer of Iraqi oil.

Monetary Policy

EC official maps the EMS options

French finance ministry official Gustave Haberer reported to the London Foreign Exchange group's symposium, held Oct. 16 in Paris, on the options for evolution of the European Monetary System (EMS). Speaking in his capacity as chairman of the European Community's Monetary Committee, Haberer described the EMS, which was founded in March 1979, as "a pragmatically oriented parity grid, which allowed Europe to catch up with 20 years of nonidentity on monetary affairs."

The EMS has established fixed exchange rates within Europe on the basis of a monetary instrument called the European Currency Unit (ECU), whose value has a strong gold-deposit component. Haberer explained that the next challenge is expanding the role of the ECU

toward direct financing of economic growth projects.

Haberer stated that "the technical problems of Phase II" have been found to be "ten times greater than what we had expected. . . ." The chief technical difficulty is in determining whether the ECU numeraire used in EMS currency stabilization operations might be used for transactions with non-European central banks "such as Arab central banks," Haberer said. This might lead to "friction" with the International Monetary Fund, he added.

The first experiment in extending ECU deployment will come in early 1981, when, as Haberer reported, the EC will accept \$20 billion in deposits for a payments deficit facility from Arab oil producers.

Domestic Credit

Group of 30 director comments on meeting

After this issue's economic section lead went to press, *EIR* reached Robert Pringle, executive director of the Group of 30, for comment on the group's Oct. 3 meeting, where a monetary "shock treatment" for the American economy was a principal topic of discussion. *EIR* attacks the shock approach partly because a shutoff of credit availability in the U.S. would force U.S. corporations to massively repatriate deposits from the Euro-dollar market, provoking an uncontrollable liquidity crisis abroad. Director Pringle responded, "I'm sure most our group's members have thought about that. There wasn't all that much support, really, for shock treatment. It was more a matter of what to do if all else fails. The main thrust of the discussion was not having to make the choice."

Had the international impact of a shock treatment of the sort advocated by some meeting participants been discussed? "Well, no," Pringle said. "We discussed them under different headings, I suppose, the international on one hand and the domestic on the other."

Briefly

● **MILTON FRIEDMAN**, speaking from Singapore, said if the Iraq-Iran war continues for a while, the price of oil will triple to \$100 per barrel. Friedman declined to say how the conflict would affect oil supplies.

● **THE BANQUE DE FRANCE** announced that starting the first of next year, it will reduce the ceiling on expansion of total domestic bank lending for the year 1981 to 10 percent from the 11 percent level of 1980. The notable exemption to this lending limit is for 60 percent of all lending to export trade, labor-saving device production and construction.

● **STANDARD & POOR'S** rating service lowered the senior debt of International Harvester Oct. 15, from BB-plus to BB. The lowered rating causes further problems for the giant farm equipment producer whose sales have plummeted under the impact of a large drop in farm sales. A credit tightening might make International Harvester ineligible for new financing.

● **CHINA** plans to send up to 1 million construction and other laborers abroad, according to the Swedish daily *Dagens Nyheter*. An agreement was signed last week between Peking and Sweden's contractors' association specifying terms for Chinese workers in third countries. The laborers will get their usual \$45-per-month rate, but the employers will pay four to five times that amount, with the remainder going directly to Peking. While earning foreign exchange, the PRC indicated, this would also reduce China's 10 to 20 million unemployment.

● **LYNDON LAROUCHE** on Lawrence Klein: "I think that anyone who is offered a Nobel Prize should consider it an assault on their honor as a scientist and should go to whatever lengths necessary to avoid getting served with one."

Fusion energy's economic promise

The Magnetic Fusion Engineering Act of 1980, signed by President Carter on Oct. 7, may be the most significant piece of legislation of the century. One scientist called it "a historic victory for the cause of scientific progress in America." The bill's primary sponsor, Democrat Mike McCormack of Washington, called it "the most important energy project ever undertaken by anybody anywhere."

Fusion is the energy source of the sun. Harnessed on earth, fusion will be safe, clean, efficient, and abundant enough to guarantee mankind's energy needs of every kind for millions of years. The McCormack bill commits the United States to realizing controlled thermonuclear fusion energy in a commercially feasible form by the end of this century.

As a result of recent scientific advances, the nation is positioned to develop the full engineering back-up technology required for a fusion reactor. The new law mandates setting up the first national fusion engineering center, which will conduct and coordinate technological research and development, ranging from superconducting magnets to reactor materials and full-scale plasma heating systems. The present magnetic fusion budget of \$100 million will be increased by \$100 million for each of the next two years to get the ball rolling.

The United States is now officially committed to building a prototype magnetic fusion reactor by the year 2000. The legislation is as definitive in this respect as the Atomic Energy Act of 1954, which opened the way to commercialization of nuclear fission power, and President Kennedy's space program budgeting of the early 1960s, which committed the nation to putting a man on the moon by the end of that decade.

The harnessing of fusion power will mean the economic basis on which to meet all the world's energy needs for millions of years in all possible forms, including electricity, heat for industrial processing, and hydrogen. Moreover, fusion torch technology will work in such a way that currently useless materials are broken down into their constituent elements, which can then



Photo: Suzanne Klebe/NSIPS

Michael McCormack (center), chairman of the Energy Research and Production Subcommittee of the House Science and Technology Committee.

be processed to create useful materials of all kinds—providing an unlimited resource base in the broadest sense.

Complex and difficult engineering requirements remain to be met. A plasma and heating configuration that is pure enough, dense enough, and stable enough to produce large amounts of net energy cheaply remains to be developed. But scientists are confident they can solve these problems. The other problems are political.

Fusion development is fatal to the political patrons of “human limitations.” The prospect of fusion power dashes to the ground all the tenets of economic austerity, “energy conservation,” and “limits to growth.” The prospect of cheap, abundant energy within mere decades means that every existing source of energy can be confidently exploited to the maximum in the interim. By harnessing the ultimate source of energy in the universe, we prove in practice that we have an unlimited resource and population potential.

A twenty-year mobilization

The McCormack fusion program can immediately begin to turn the U.S. economy around—not only in the laboratories, but in the factories and schools. Congressman McCormack put it this way when he was asked about the “economic payback to the economy”:

One can look at the long-range implication—having a new and extremely important, overwhelmingly important energy-production technol-

In this section

This report was prepared by Dr. Morris Levitt and Charles B. Stevens of the Fusion Energy Foundation, *EIR*'s Vin Berg, and *EIR* Science and Technology Editor Marsha Freeman.

- I. Fusion energy's economic promise**
- II. How nuclear fusion creates unlimited energy potential**
- III. The international history of fusion energy research**
- IV. The impact on American industry**
- V. NASA paved the way for fusion**

The McCormack bill

The following is an excerpt from H.R. 6308, Mike McCormack's Magnetic Fusion Engineering Act of 1980.

. . . It is declared to be the policy of the United States and the purpose of this act to accelerate the national effort in research, development, and demonstration activities related to magnetic fusion energy systems. Further, it is declared to be the policy of the United States and the purpose of this Act that the objectives of such program shall be:

1) to promote an orderly transition from this current research and development program through commercial development;

2) to establish a national goal of demonstrating the engineering feasibility of magnetic fusion by the early 1990s;

3) to achieve at the earliest practicable time, but not later than the year 1990, operation of a magnetic fusion engineering device based on the best available confinement concept;

4) to establish as a national goal the operation of a magnetic fusion demonstration plant at the turn of the twenty-first century;

5) to foster cooperation in magnetic fusion research and development among government, universities, industry, and national laboratories;

6) to promote the broad participation of domestic industry in the national magnetic fusion program;

7) to continue international cooperation in magnetic fusion research for the benefit of all nations;

8) to promote greater public understanding of magnetic fusion; and

9) to maintain the United States as the world leader in magnetic fusion. . . .

Acceleration of the current magnetic fusion program will require a doubling within seven years of the present funding level without consideration of inflation, and a 25 per centum increase in funding each of fiscal years 1982 and 1983.

ogy. The second implication is that in the intermediate term, starting almost at once, you have additional benefits in superior technology as far as nuclear fission is concerned. Third, these programs provide money pumped into the American economy and provide jobs for researchers, scientists and engineers, and vendors and fabricators. In that sense, even if one doesn't assign an intermediate or long-range value to these programs, they still are just as valuable to society in the immediate timeframe, or in the next few months, as a CETA program or any other program which results in hiring people.

Of course, the McCormack program contributes much more than a CETA make-work job program. It immediately sets up the framework for:

1) a total assessment of the scientific manpower requirements to meet the goals of commercial fusion demonstration by the turn of the century, and a revamping of the educational system to meet those needs;

2) the rapid gearup of the high-technology energy programs which have been left on the shelf, but which are needed in order to meet the total energy and industrial requirements for transition to a fusion economy;

3) a host of new industries which will be necessary to provide the components for nuclear fusion reactors as such.

It is absurd to think of the United States making the transition to nuclear fusion after a 20-year interlude of a major energy cutback. Yet the nuclear industry is currently at a standstill, oil plants are being converted back into coal-burning plants, and a major substitution of outrageously inefficient solar energy, biomass, and synfuels is being planned to replace oil and nuclear.

Thus even the most optimistic of forecasters, such as the World Coal Study, are projecting only a yearly increase in electricity growth of 3.2 percent, far below the necessary increase in order to merely reverse the collapse of U.S. industry, much less gear up for entering the fusion era.

Yearly electric growth must go back up to at least 6 to 7 percent through a rapid increase in the high-technology use of coal, restoration of nuclear energy plants which have been shut down or sabotaged by DOE sponsorship of environmentalist objections, and setting new and rapid timetables for commercial deployment of the breeder reactor, high-temperature nuclear and MHD technology.

This energy gearup, more than the fusion research and construction program itself, means immediate jobs. The United States should produce additional 2,500 one-gigawatt nuclear reactors by the year 2000, including 1,500 for export to the developing sector.

How nuclear fusion creates unlimited energy potential

In their efforts to harness fusion energy, scientists are quite literally creating miniature suns on earth.

The U.S. Office of Fusion Energy describes fusion as “the energy of the stars—the fundamental energy process of the universe.”

Their description continues: “Our sun is a gigantic fusion reactor that continuously converts hydrogen to helium through a complex chain of fusion reactions and releases the resulting energy in the form of heat and light. Fusion occurs in the sun because tremendous gravitational forces squeeze and heat its substance to about 15 million degrees Centigrade. The pressure and the temperature working together break the atoms apart and allow the nuclei, driving into each other, to fuse. All the sun’s energy is produced by the fusion process.”

The plasma principle

Nuclear fusion is the basic process by which the universe derives its active energy and material. In

general terms, the nuclei of lighter elements are fused to form the nuclei of heavier elements, and in the process, large amounts of energy are generated (see Figure 1).

To achieve this, the mutual electrical repulsion of the two positively charged nuclei must be overcome. That is, the electric potential barrier between the nuclei must be penetrated. This is accomplished by giving a sufficient relative velocity to the two nuclei so that there is some chance they will penetrate the barrier. Since temperature is a measure of the average velocity of a group of atoms, the speed required for penetrating the barrier is translated into a temperature condition for the reaction.

At the very high temperatures required for fusion reactions, the atoms in the fuel lose their electrons; this is called ionization. Very hot, ionized gas is a plasma.

Most matter in the universe exists in the plasma state, sometimes referred to by scientists as the fourth state of matter—gas, liquid, and solid are the other

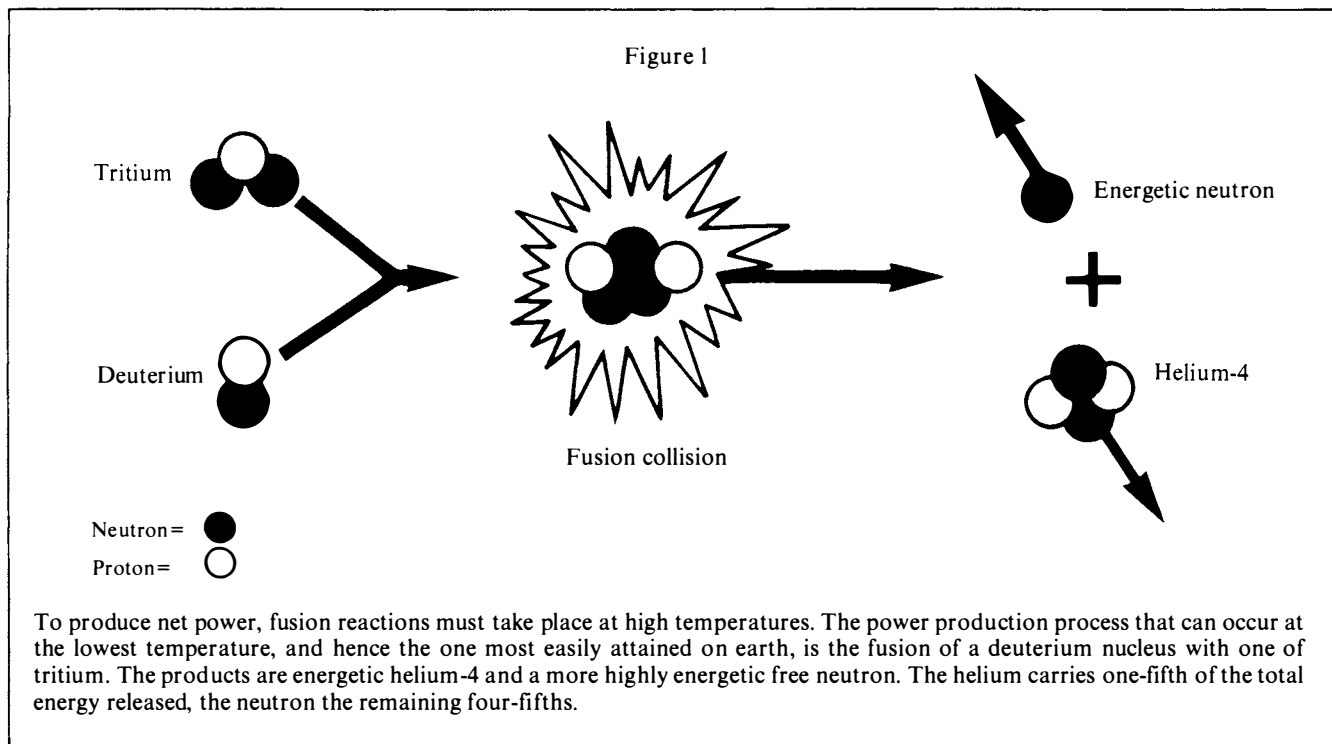
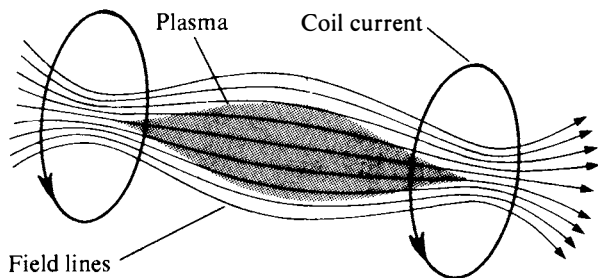
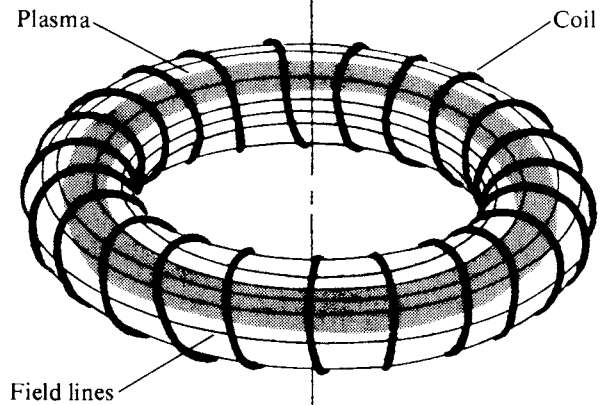


Figure 2



There are two main types of systems for magnetic confinement of plasma, one a closed system, as in the toroidal configuration employed in tokamak devices, the other an open-ended configuration like the simple "mirror" system above.

Figure 3



three. Plasma is not a single state, but rather an infinite continuum of higher-order states. These higher-order states can be measured in terms of their energy-density, and the efficiency with which the energy is organized and transformed is the most crucial feature of plasma states. Although neutral molecules may still exist within the sea of charged plasma particles, molecular and atomic forces no longer determine the essential relations of the macroscopic structure of the plasma. This leads to a higher-order relationship between the microscopic motions of the plasma particles and the overall macroscopic configuration and energy relations of the plasma as a whole.

In addition to temperature, there is also a density condition for fusion reactions. The rate at which fusion reactions will proceed is determined by the density of the fuel nuclei, expressed in the number of nuclei per cubic centimeter. It also depends on the likelihood of a specific type of fuel to react at a temperature high enough for the barrier to be penetrated and fusion to occur. For example, deuterium-tritium fuel will undergo fusion more readily than other types of fuel.

The temperature at which there will be significant amounts of nuclear fusion reactions is the threshold plasma temperature, and it is very high—in the sun, 15 million degrees, and in temperatures recently achieved in the Princeton laboratory, 80 million degrees Centigrade. Yet the reaction energy output from nuclear fusion is quite large compared to the energy input. For example, in the case of the fuel deuterium and tritium, the heavy isotopes of hydrogen, there is a maximum energy gain—energy out divided by energy in—of about 1,800.

This energy output shows up in the reaction products. The deuterium-tritium reaction generates a helium nucleus, with an energy of 3.5 million electron volts (MeV) and a neutron with 14.1 MeV. If a portion of this output energy can be used either to maintain the

reacting fusion fuel or to heat other "cold" fusion fuel above the threshold temperature, then there can be an infinite energy gain—as long as the density of the reactant nuclei is maintained.

To achieve significant amounts of fusion energy output, both the original energy used to ignite the fusion fuel and the fusion energy generated must be confined to the fuel at the same time that the density of the fuel is maintained.

The fuel can lose its energy by dissipating to a very low density at which the fusion reaction is essentially stopped; the fuel could lose its energy thermally to its physical surroundings; or the fuel could lose its energy by radiating it away in the form of electromagnetic energy, primarily X-rays. These must be prevented by the right balance of temperature, density, and confinement time.

At a high density, the fusion reaction proceeds at a high rate, and so large amounts of energy can be generated in a short time. At lower densities, the energy must be confined within the fuel for longer periods of time.

The right balance also depends on the fuel. For deuterium-tritium fuel, temperatures must be maintained above 50 million degrees Centigrade, and the product of density and confinement time must be greater than 30 trillion nuclei per cubic centimeter per second, in order to generate minimal net energy. For significant net energy generation, these figures must be increased by a factor of 2 or 3.

These three factors—temperature, density and confinement time—are not entirely independent. Experiments have shown that plasma confinement time increases with increasing temperature under some conditions, and that at different levels, confinement time increases with density. This corresponds to the transformation of the microscopic structure of a plasma in a way that tends to maintain or further the process itself.

In other words, the successful fusion plasma is *self-organizing*. The essential problem is to discover which configuration of forces acting on a plasma can most efficiently induce the desired self-ordering behavior in the plasma. That particular configuration is the one that will give the most energy output with the least energy input.

Two approaches

There are two basic approaches to confining the fusion plasma: magnetic confinement and inertial confinement.

In a typical fusion reactor of the first sort, the fusion plasma is kept in place by configurations of magnets that exert forces on the fusion plasma in which the reactions take place. This magnetic confinement technology is well under development, and features two types of devices, each with a different geometry: an open system or magnetic mirror system, and a closed system shaped like a doughnut, called the tokamak.

The world's largest tokamak is now being built at Princeton, and has been designed with the idea that it will produce more energy than has to be put in to get the fusion reaction going. This is the critical measurement—breakeven—in which a net return on the energy invested is realized (see Figures 2, 3).

The second basic approach, inertial confinement, allows the magnetic coils to be eliminated. This approach is often called laser fusion, although other methods in addition to laser beams are used to ignite the fusion fuel, for example, ion beams and electron beams.

In inertial fusion the primary force confining the fusion fuel is the inertia of the fuel mass itself. The fusion fuel is heated to fusion temperatures and undergoes significant amounts of fusion before blowing up. To achieve this, the fusion fuel must be compressed to a very high density at which the fusion reaction proceeds at a sufficiently rapid rate.

Inertial confinement uses a tiny hollow pellet—so small that it can't be seen with the naked eye—filled with deuterium and tritium, the fuel. The spherical pellet is then irradiated with a laser beam or some other beam. This force heats and compresses the pellet to produce a burst of energy before the pellet flies apart. What is involved is essentially a miniature explosion, the same process that occurs in the H-bomb.

The most efficient type of inertial fusion implosion is one that is *isentropic*; that is, one in which the largest portion of the implosion energy goes into compressing the fuel.

Types of magnetic confinement

In magnetic confinement approaches to fusion, there is an almost infinite variety of plasma/magnetic field configurations that can be formed for sustaining a

plasma in fusion conditions. The most important distinctions are: 1) whether the magnetic fields are internally or externally generated; 2) whether the plasma is primarily heated by: internally generated fusion energy, plasma currents, shock implosion, or external heaters such as intense beams of electromagnetic radiation (radio frequency or microwaves heating), ions, electrons, high-energy neutral molecules (neutral beam heaters), or preheated blobs of plasma shot from plasma "guns"; 3) whether the configuration is pulsed or steady-state and continuous; 4) whether the plasma/magnetic field configuration is open-ended or closed; 5) how the magnetic field is used to confine the hot plasma; and 6) the geometry of the plasma currents and magnetic fields.

The object of scientists is to set up a system in which relatively crude energy input is transformed via the plasma's own response into higher quality energy (more intense electric and magnetic fields, for example) that in turn permits a higher-order plasma structure to be generated.

The scientific principles involved are well on the way to being understood. The technology required to apply those principles is in sight. As Dr. Stephen O. Dean reported in the October issue of *Fusion* magazine: "We can now say with confidence that success is assured. To use a popular phrase, success is 'in the bag.'"

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The international history of fusion energy research

Suppose it were possible to solve the energy crisis for all time. Imagine that there existed a kind of energy system that is inexhaustible, cheap, without radiation or environmental hazard, and capable of producing energy for human use in all forms. This energy system is limitless, because its fuel comes from ordinary water; it is so efficient that it can produce more energy from one gallon of ordinary seawater than now comes from 300 gallons of gasoline. It works in such a way that it can be used to break down useless materials into their basic elements, and recombine them into useful materials of all kinds.

Having such an energy system would be like bringing the sun down to earth, to provide abundant energy for millions of years—electrical, thermal, hydrogen—and a limitless resource base.

It's not a daydream. The world scientific community is now certain that fusion power can be achieved before the end of this century. When both Houses of Congress passed by near-unanimous votes the legislation that Congressman McCormack introduced to commit the United States to that goal, they were expressing the unqualified confidence of experts.

"The scientific laws, the physical laws, underlying the process are now sufficiently well known that even the skeptical, conservative scientists are willing to say yes, it's no longer a question of scientific feasibility," reports Edwin E. Kintner, Fusion Director at the Department of Energy. "That is a very profound conclusion: man on the face of the earth can create the energy of the sun and the stars."

As Charles B. Stevens of the Fusion Energy Foundation expressed it, "There are no scientific or technological barriers to a commercial demonstration of fusion power during the 1990s."

Of course, new theoretical and technological advances will continue to be made. Fusion represents the frontier of science. Fusion is the power of the sun, a large fusion power reactor in which the nuclei of atoms are fused as they are pressed together by the force of the sun's gravity. On Earth, the same process must be achieved using the same ionized gas called plasma that

makes up the sun—but without benefit of such gravitational force.

Plasma must be heated to very high temperatures, yet it must be simultaneously confined—using magnetic fields, or the inertial force of powerful beams like lasers. In the latter case, it must be compressed to extreme density. Fusion requires meeting all three conditions: when **temperature** is great enough, and the product of **density** times **confinement time** large enough, the nuclei of atoms fuse together, forming heavier new atoms and releasing enormous amounts of energy.

Among the developments in the past few years that gave rise to scientists' confidence are the following:

Scientists at Princeton, working on a tokamak—a magnetic confinement device developed by the Soviet Union, whose name refers to charged magnetic fields, achieved **temperatures** of 80 million degrees, well above those required for fusion reactions, and far hotter than the sun.

Scientists at Oak Ridge National Laboratory achieved the highest recorded "beta," a measure of the **efficiency** with which magnetic fields achieve **confinement** of plasma, while also maintaining **densities** high enough for fusion reactions.

Scientists at Massachusetts Institute of Technology, working on a device called an Alcator (a small tokamak), were able to **confine** hot plasma at high **density** just long enough to produce the conditions equivalent to energy **breakeven**—producing as much energy as was used in operating the device.

These and other scientific breakthroughs were translated into political action by a variety of forces. Among key developments were the following:

- A growing debate developed among scientific, industrial, and military policymakers as it became clear that Carter administration policies on energy and the economy were leaving an open field to Soviet preeminence, particularly in nuclear technology. The Soviets are known to be engaged in several lines of advanced research with implications for major weapons breakthroughs. The breakthroughs at Princeton, Oak Ridge,

and elsewhere, however, had given the United States a significant lead in magnetic fusion research.

- A report by Chicago Prof. Isaak Wirszup on Soviet scientific education served to highlight how badly American technical and scientific education has fallen off since the winding down of the NASA space program; a serious fusion development program, with its large requirement for scientific manpower training, is the obvious focal point for reversing this situation.

- Industrial and engineering firms with an interest in the fusion area combined with scientists like Dr. Stephen O. Dean, former head of the government's fusion confinement division, to form Fusion Power Associates, a private consortium to promote the development of fusion power.

- The Fusion Energy Foundation, formed in 1974, grew in a few years to become the largest nonprofessional scientific organization in the entire nation, with 14,000 members and paid circulation for its magazine, *Fusion*, approaching 200,000—a large proportion of subscribers among scientific, industrial, and political leadership layers.

- Three prestigious panels established to report to the President or Congress, the Foster, Hirsch, and Buchsbaum committees, each recommended a significant expansion of the nation's magnetic confinement program.

- Dr. Stephen Dean testified in favor of a greatly expanded fusion program at the 1980 Democratic Party platform hearings. Dr. Morris Levitt, the Fusion Energy Foundation's executive director, testified before the Buchsbaum panel and the Democratic Party's platform committee, recommending an "Apollo-style" fusion effort on the scale of NASA's moon-shot program.

The result was Congressman McCormack's legislation, which got 159 cosponsors and went through the House of Representatives by an overwhelming 365-7 vote. Sen. Paul Tsongas then signed up 23 cosponsors, and the Senate sent the bill to the President by a voice vote.

The history of the program

In 1953, the Soviet Union developed the world's first H-bomb—an *uncontrolled* fusion device—which was soon thereafter developed in the United States. As early as 1950, I. V. Kurchatov, director of the Soviet weapons development program, convinced Soviet leaders that significant resources had to be devoted to the development of *controlled* fusion energy, which he called "the second atomic problem of the 20th century." Work began on the same problem in the United States, at the urging of Dr. Edward Teller and others.

In its early stages, fusion research was almost wholly classified, kept top secret. But because of the very advanced nature of the theoretical physics involved in

fusion, many scientists in both East and West, believed that, as Kurchatov expressed it, "complete frankness among scientists of the various countries occupied with research on controlled thermonuclear reactions" was essential.

A turning point came in 1956, when Kurchatov, addressing the British Harwell physics conference, presented the full experimental and theoretical details of Soviet fusion research to a startled audience of Western scientists. A similar unilateral "declassification" came a few months later, when Soviet academician L. A. Artsimovich made a presentation to an audience in Stockholm. Within six months, significant parts of the U.S. program were also declassified and made public. At the same time, the program in the West was accelerated, on the basis of the new information exchange that resulted from Kurchatov and Artsimovich's presentations.

The tokamak

Among the information that came to light were data pertaining to the key Soviet fusion program, the tokamak. In the late 1940s, Soviet scientist Sakharov proposed that fusion plasma could be contained in a doughnut-shaped magnetic bottle. In this geometry, an electrical current could be induced in the plasma to transform the circular magnetic field into helical spirals winding around within the doughnut.

After initially poor experimental results due to the presence of impurities in the plasma, the decade-long Soviet tokamak research effort under Artsimovich achieved a major breakthrough in plasma heating in 1969.

Soviet reports of the tokamak results were initially treated with skepticism in the West. But a team of British scientists invited to the U.S.S.R. was able to use advanced laser diagnostic techniques not available to Soviet scientists, and found that the tokamak was generating even higher temperatures than the Soviets themselves had believed.

Another leading magnetic confinement program is the stellarator, a device similar to a tokamak. The stellarator was actually first developed by U.S. scientist Lyman Spitzer. The stellarator is also a doughnut-shaped magnetic bottle, but the helical twist in the magnetic field lines is not generated by inducing an electrical current internal to the plasma as in the tokamak. The tokamak's induced current is exhausted within one minute to one hour, therefore requiring a discontinuous or "pulsed" mode of operation; it must be shut down and started up again—the main tokamak drawback. The stellarator's current is generated externally, with a fixed secondary winding around the doughnut.

Difficulties prevented the construction of large-scale stellarators during the same period that tokamaks were being readily built; the United States discontinued its

program in favor of a tokamak focus. The Soviet Union, however, maintained research work on the stellarator, whose advantage over the tokamak lies in the continuous mode of operation which an external current-generating source makes possible.

In 1974, a group of U.S. scientists from the major research laboratories went to the U.S.S.R. to examine the Soviets' latest stellarator work. They concluded that the Soviet model of the abandoned U.S. concept may be even more promising than the tokamak.

The Soviets today maintain the largest stellarator program in the world, and their persistence is beginning to reap rewards. A few months ago, West German scientists working on the stellarator reported experimental results as good or even better than those of the mainline tokamaks.

The recent breakthroughs

Perhaps the most important single element determining the pace of fusion research progress has been funding. In the United States, as budgets for fusion research began to increase under the Nixon and Ford administrations after 1969, results began to be reported with increasing frequency—each seemingly more significant than the previous ones. After the initial Soviet and U.S. breakthroughs of the 1969-73 period, the past seven years have seen spectacular progress in both magnetic and inertial confinement approaches.

In May 1975, KMS Fusion achieved the first confirmed laser-induced thermonuclear fusion. That July, magnetic fusion researchers at Lawrence Livermore Laboratory achieved temperatures of 140 million degrees Celsius on a magnetic mirror machine—a linear device with a magnetic force acting as “reflector” at each end. The same experiment showed that plasma confinement time increases with increasing temperature, called “classical scaling.”

In October 1975, MIT's small Alcator tokamak broke through all hypothetical barriers to high densities by producing the cleanest (most free of impurities) plasma ever achieved in a tokamak. Just as Livermore showed classical scaling for confinement time and temperature, the MIT experiment simultaneously showed a different classical scaling: that confinement time increases with density.

In December 1975, the Soviet research team headed by L. Rudakov at the Kurchatov Institute in Moscow used the Angara electron beam to produce fusion for the first time.

The year 1976 saw an even more startling series of breakthroughs in rapid succession. In January, the MIT Alcator achieved the minimum density-and-confinement conditions needed for fusion, although below the temperatures required. One month later, Soviet Kurchatov scientists using the T-10 tokamak achieved the

minimum confinement conditions needed for a hybrid fusion-fission power plant.

That March, materials researchers at Oak Ridge in Tennessee showed that #316 stainless steel could withstand fusion-generated environments within a reactor for up to 20 years, operating at approximately 350 degrees Celsius—resolving the most significant technological problem facing fusion reactor development.

In April 1976, Lawrence Livermore mirror machine researchers made breakthroughs related to plasma energy density that made their device a serious contender with the tokamak for the “first reactor” prize. In November, Oak Ridge's tokamak used neutral beam heating to achieve 20 million degrees Celsius without loss of plasma stability. French tokamak researchers reported similar results.

In December 1976, Rudakov's achievements at Kurchatov were duplicated at Sandia Laboratory in New Mexico by electron beam researchers who used a unique, new type of electron beam target.

In April 1977, Livermore scientists produced more than 1 billion fusion neutrons using the Argus glass laser, and the same month, Los Alamos researchers produced the first fusion reactions with a carbon dioxide gas laser. In July, Oak Ridge reported that the anomalous behavior of previous tokamak experiments had been due to tungsten impurities, and announced the development of new impurity control techniques for the tokamak. In August of that year, the Princeton Large Torus (PLT) tokamak duplicated the results of the Soviet T-10 device.

In September 1977 came a series of new developments—all in one month. First, laser fusion workers under N. Basov at Moscow's Lebedev Laboratory produced significant compression of pellet fusion targets and achieved a confinement of 500 trillion seconds-nuclei per cubic centimeter. Then, Sandia Labs in New Mexico demonstrated that an electron beam can be transported through a laser-generated plasma—key for reactor technology. Lawrence Livermore theorists developed new pellet target designs that permitted the glass laser to produce high energy gains.

In December 1977, the Livermore Shiva laser was completed and fired bursts of power up to 27 trillion watts—twice as good as originally specified.

During 1978, Los Alamos scientists were able to fire bursts of power on their carbon dioxide gas laser up to 20 trillion watts, also twice as good as originally specified. At Sandia in April, the Proto II electron beam achieved power levels of 8 trillion watts, the originally specified goal.

Then, in July 1978, the Princeton PLT tokamak used neutral beam heating to achieve 80 million degree temperatures, establishing that there is no temperature limit in tokamaks except that set by radiation. In the

same month, Soviet researchers at Kurchatov were responsible for significant discoveries concerning tokamak startup.

The Princeton results in July were particularly significant for their impact on both the world scientific community and political leadership. Newspapers from New York, to Moscow, to Paris began to report that "The tokamak results from Princeton prove that thermonuclear fusion is possible" (*Le Matin*, Aug. 16).

A remarkable record

In the year 1979, many significant breakthroughs occurred in materials development, superconducting magnets and materials, fuel processing and control, plasma heating technology, and special diagnostic, measuring and monitoring equipment for experiments. When all of it was reported at December 1979 congressional hearings on fusion, which featured members of the Hirsch panel set up in collaboration with Congressman McCormack's energy research subcommittee, it became clear that no industrial or technological project had registered a comparable record of achievement in a recent period. And the fusion program had stayed well within its stringent budget, meeting or beating its timetables despite inflation and animosity from as high as the office of the energy secretary.

The testimony of Dr. Paul J. Reardon, head of the Princeton tokamak program, at the December 1979 congressional hearings, removed any remaining basis for lingering doubts. Reardon stressed to the congressional audience that the U.S. fusion program has already gone most of the distance to reactor-level technology.

In the past 10 years, the U.S. fusion program has increased the plasma volume in tokamaks by a factor of more than 10. For a working reactor, only a fractional increase beyond this is needed. In terms of **energy gain**, determined by multiplying temperature and density-confinement time, Princeton's Tokamak Fusion Test Reactor, the first industrial-scale magnetic fusion project, has improved on previous accomplishments by a factor of 10,000! Only another factor of 10 is necessary.

Thus, recent progress has not only demonstrated the scientific principles, but has laid the basis for the actual development of the engineering technology to which the McCormack bill now commits the nation. All-important from the economic standpoint, changes have been developed in tokamak designs that have led to much smaller reactors with a significantly higher power density. As a result, the capital-budget costs have been brought down to a level that is, even now, approximately equivalent to those of nuclear fission plants of the same size. But unlike conventional nuclear plants, once built, a fusion reactor's basic costs are over—the fuel is virtually free.

The impact on U.S. industry

A large and continually growing involvement of industry in fusion research and technology development will be the result of government efforts to meet the goals of the McCormack fusion bill, said Stephen O. Dean in a recent interview. "All the engineering technology needed means getting programs going in the private sector," said Dean.

Stephen Dean was formerly director of the Department of Energy's fusion confinement programs. He now heads Fusion Power Associates, a consortium of industrial and engineering firms created to promote fusion development.

Today, the U.S. magnetic fusion program is by far the largest and most rapidly progressing advanced research effort in the country. Both small, advanced technology firms and large aerospace corporations are already essential components of the program. There is a great deal more involvement of industry that is less conspicuous, according to Dean, and during the next 10 years, in which the United States is to complete construction of a fusion engineering device, he forecasts the involvement of both small and large companies from a variety of industrial sectors, and the revival of many industrial research and development capabilities that are presently idle.

The special expertise of the nuclear industry, aerospace and electronics concerns, computer firms, all the way to milling and metallurgical companies, will be required to develop and build power systems, special materials, superconducting magnets, special diagnostic equipment and instrumentation, and other technologies whose need only becomes clear in the course of the program's development.

Moreover, as in the NASA program of the 1960s, most of the technologies required for the fusion program will have immediate application in other areas.

Industrial involvement in the fusion program is nothing new, reported Dean. The first stellarator device in the late 1950s was wholly built by Allis-Chalmers and RCA. United Technologies, predominantly an aerospace firm, just completed construction of a tokamak device at the University of Texas, and has the capability right now to "build a slew of tokamaks if there was a demand for them, here or abroad," he said. Similarly, the Tokamak

Fusion Test Reactor now under construction at Princeton—it will be the first industrial-scale fusion device—is wholly contracted out to private industrial and engineering firms under Ebasco Services, a leading U.S. architectural and engineering design company, and a member of Dean's consortium.

In a similar way, Dean indicated, the construction of the fusion engineering device or FED specified in the McCormack bill will "involve many pieces of hardware to be contracted out, through government disbursements directly, or subsystem pieces put out on bid by a prime contractor like Westinghouse." By the end of the year, the Department of Energy will have laid out a policy for the next decade, he said. Beyond that, into the year 2000's realization of an actual commercial fusion reactor, the requirements are difficult to foresee at this time.

"It is not clear yet how many fusion test devices may be needed," said Dean. "We may require two or three generations of such devices, operating in parallel, rather than going directly from the FED to a reactor."

The status of the program

At present, the magnetic fusion program, funded by the Department of Energy at \$350-\$400 million, involves more than 2,000 engineers, scientists, and technicians primarily located at four national laboratories: Los Alamos Scientific Laboratory in New Mexico, Lawrence Livermore Laboratory in California, Oak Ridge National Laboratory in Tennessee, and Princeton Plasma Physics Laboratory in New Jersey.

Major experiments are also being conducted at General Atomic Corporation in San Diego and the Plasma Fusion Laboratory at Massachusetts Institute of Technology in Boston. Smaller efforts are supported at scores of universities and companies which either maintain separate small-scale fusion programs or are contractors for the major experiments underway at national labs.

Involved is frontier research and development into superconducting magnets, high-power microwave generators, large vacuum and refrigeration systems (cryogenic systems), diagnostics, computer control, and advanced materials including metal alloys, composites, and insulators.

Two of the largest and most complex industrial-scale projects in the United States are now being constructed for the fusion program. One is the Tokamak Fusion Test Reactor (TFTR) under construction at Princeton, scheduled for completion in 1982, and the second is the Livermore tandem mirror (MFTF-B) facility to be completed in 1984. TFTR is being constructed by the Grumman Corporation, the aerospace-defense firm that played a major role in NASA's moonshot program. Ebasco is the primary designer.

The Elmo Bumpy Torus is a major alternative confinement concept for which McDonnell Douglas, another aerospace firm, has already won the contract. Most of the funds for this device will go to a score of subcontractors involved in advanced technology areas such as microwave generators. Other major projects, such as the Engineering Test Facility, the Large Coil Project, and the Blanket and Shelf Test Facility, will involve or already involve industrial corporations as the primary contractors.

As this indicates, two-thirds to three-quarters of the \$400 million fusion budget goes to industry, either directly or indirectly. To obtain a commercial reactor by the year 2000, approximately \$20 billion 1980 dollars will have to be spent, with a higher percentage going to private companies than currently, with a greater private industry input and management role, according to Stephen Dean.

The power supply industry

Dean gave an example of what would be needed from industry. "Fusion systems require ultralarge power systems. But right now reliability is a major problem. Blowouts, shorts, and all kinds of things can shut down an experiment for weeks or even months. The reason for this is simply that the power heaters or magnets, neutral beam heaters involving 100 kilowatts and up, are now beyond the state-of-the-art. If the fusion program's experiments are to progress at the pace required, we need a power supply that works every day for years at a time, not one or two days a week as at present. Industry must develop a power supply that works."

At present, he pointed out, the major companies like General Electric and Westinghouse are "booked up" producing conventional power systems. They do play a role in the fusion program's power systems, which are staged such that a motor generator will produce power for a more power-intensive device, and so forth. The big companies now produce only the first-stage motor generators, while smaller, specialized, high-technology entrepreneurial firms like Universal Voltronics produce the customized power-generating devices down the line.

The metallurgical industry

In other things, like cryogenic or super-refrigeration systems, needed to cool superconducting magnets and vacuum systems, the national labs have developed working experimental types, but scaling these up to the size required for a reactor will depend on industrial expertise.

"Whole new alloys must also be developed," said Dean. Experiments at the national labs will determine the specifications of the needed material. But then, the labs will have to go to the traditional milling and metals

manufacturing firms to explain those specifications. They must help us learn how to fabricate the needed materials in a cost-effective way, meaning contracts for research and development.”

The nuclear industry

Dean defined three special contributions that the U.S. nuclear industry could make. First, the industry's developed ability to do “neutronics calculations.” High energy neutrons are the primary, energy-bearing product of fusion reactions, and complex calculations will be required at every stage of fusion experiments to determine how they behave. Second, the materials used in nuclear plants are precision-made and of higher-than-ordinary quality construction materials. This will be doubly the case in fusion device construction. Third, is remote handling of intensely irradiated materials. Special capabilities in this area have been developed by both the nuclear utilities and the aerospace firms, the latter for remote handling of objects in space.

The aerospace industry

As in NASA's space program, many primary-contractor functions in the fusion program will fall to aerospace firms.

The aerospace and electronics industries spread across the United States represent both a concentration of technology and a strategically located pool of manpower for the expanded U.S. fusion program. In the past, aerospace and electronics have engaged in 50 percent of all the research and development activities of U.S. industry, and have employed nearly half the scientists and engineers in all U.S. industry.

Because of the importance of these firms to the economies of a number of regions of the country, their redeployment into the development of fusion power could have obvious, dramatic benefits in terms of employment opportunities in all skill categories in these regions.

Aerospace and electronics have key contributions to make in special materials, superconducting technology, and switching and power storage techniques demanded by the high-pulse energy requirements of fusion reactors. Second, these industries can aid in building the large-scale test reactors for the 1980s and 1990s. This involves the rapid construction of complex, one-of-a-kind machines—dictated by test results and theoretical work. The experience of the aerospace and electronics firms in the space program makes them ideally suited for this kind of contractual work.

The computer industry

As Stephen Dean pointed out, “The fusion program at present has the biggest, fastest computer system in

the entire country—with all labs hooked up by satellite.” Instrumentation and diagnostic equipment must be computerized for high precision in fusion experiments. Computers also play a key role in simulations of plasma behavior. “To date, the national labs have developed the software for the specialized needs of fusion experiments,” said Dean. “The computer firms will have to develop the hardware.”

Dean summarized: “Over the next ten years, the fusion development program will require a lot from the aerospace industry and a lot from the power supply industry. Then there is the vacuum industry, the gyrotron and electronics industry, the high-power tool industry, and the instrumentation and computerized control industry. We'll need a lot from the existing nuclear industry, too. And of course, metallurgy and mining.”

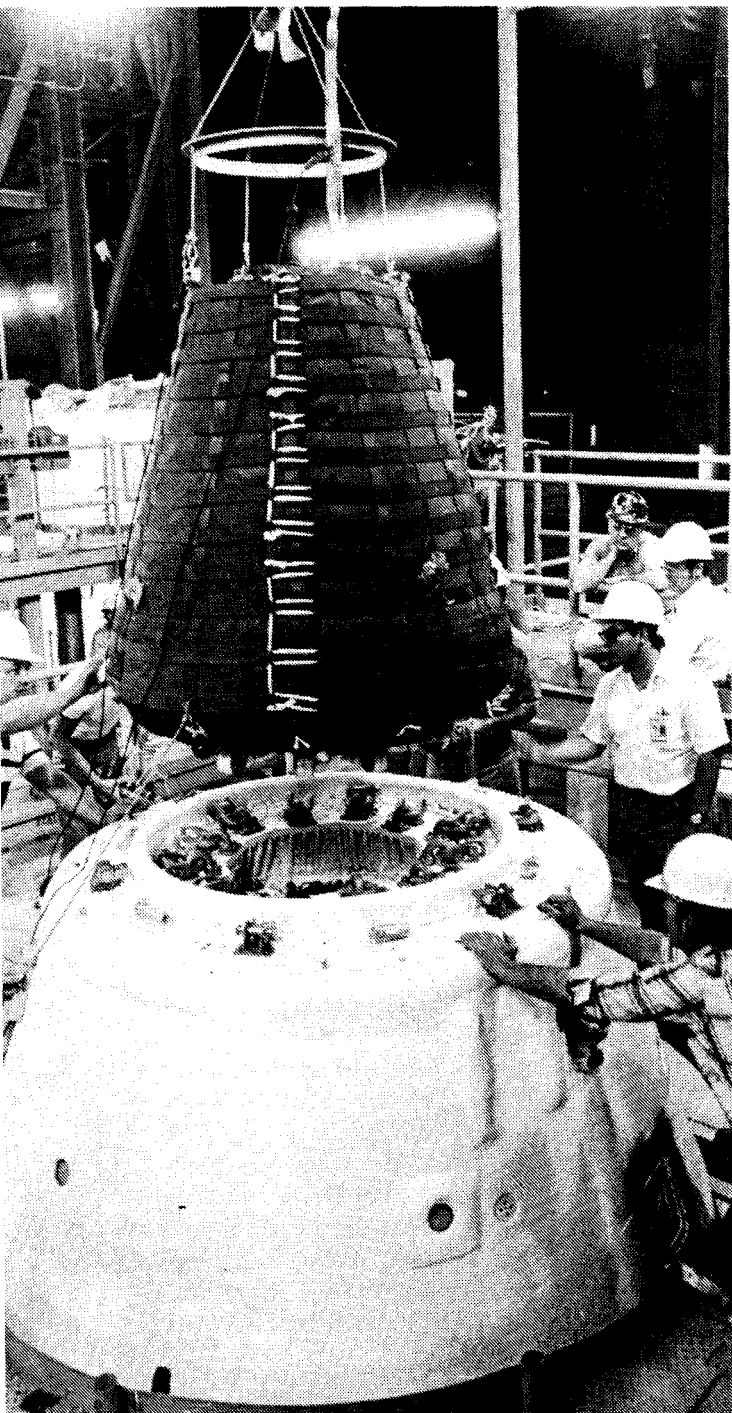
He might have continued the list. The construction of fusion reactor plants will readily incorporate the manufacturers of fossil-fueled boilers, fission reactors, heat exchangers, steam and turbine generators, and related equipment. Some of these industries will have to develop new technologies for manufacturing new magnet and vacuum systems. The chemical extraction and mining industries will be involved in the areas of reactor fueling and fuel supply, on-site fuel processing and production, and special alloys and materials: all told, an unprecedented development of existing industries, and the creation of many new ones.

The potential contractors

Fusion Power Associates, the industrial-engineering consortium headed by Stephen O. Dean, former director of the government's fusion confinement division, has a membership that begins to indicate the companies, large and small, that are now involved or will become involved in the development of fusion power technology. At present, the charter members are:

Aydin Energy Systems, BDM Corporation, Burns & Roe, Inc., Ebasco Services, General Atomic Company, Gilbert/Commonwealth, ILC Technology, Inc., JAYCOR, KMS Fusion, Inc., Mathematical Sciences, Northwest, Inc., McDonnell Douglas, Quadrex Corporation, Science Applications, Inc., Stone & Webster Engineering Corporation, Thermo-Electron Corporation, TRW, Inc., Universal Voltronics Corporation, Westinghouse.

NASA paved the way for fusion



When Cong. Mike McCormack characterized the goals of his fusion energy legislation as “the nearest thing to landing man on the moon that this country has undertaken since the Apollo program,” he called attention to the full implications of the fusion commitment. The U.S. National Aeronautics and Space Administration (NASA) program of the 1960s involved the mobilization of scientific manpower and supporting educational, technological, and industrial capacity. To succeed, the fusion effort will have to pick up where NASA left off.

To most Americans the word NASA is associated with the Apollo program to put a man on the moon—a program that succeeded in 1969. While NASA still exists as an agency, it has been scaled down to the point that even its space shuttle program, undertaken in concert with the Europeans, is three years behind schedule. NASA would appear to be a relic of the past, a relic that many Americans have been convinced may not have been that useful after all.

Yet NASA has already paid for itself many times over—and that doesn't even count the hundreds of technologies that U.S. desertion of the nuclear energy path have left unused.

The economic impact of the approximately \$20 billion spent by NASA on the Apollo program included the creation of over 400,000 jobs; hundreds of new industries and companies; tens of thousands of scientists and engineers; and major increases in productivity through its focused impact on high-technology innovation. A study by Chase Econometrics has concluded that for every \$1 spent in NASA, \$14 was returned to the economy.

NASA created new cities around new laboratories, upgraded education on every level, and even did \$11 million worth of improvement construction on the Mississippi River system so it could ship large equipment to its space centers. Basic heavy industries, technologically obsolescent since the war, were infused with new production techniques and new product lines.

The Chase study also showed that the spending of federal dollars on NASA research and development was four times more effective than other R&D spending, and that the application of technological breakthroughs developed in the NASA program were visible in two years, and they peaked about five years after the initial expenditure—compared to much longer “lag times” for private industry.

In 1968 NASA's Office of Technology Utilization collected reports on new technologies that NASA had developed with its contractors in order to computerize and index them for further use. One half million were catalogued at that time, and new technologies were coming in at the rate of 6,000 per month!

Installation of recovery parachute for NASA's Enterprise shuttle orbiter at Kennedy Space Center, 1979.

Photo: Tiziou/Sygma

While it is extremely difficult to directly quantify the impact NASA technologies had on the productivity of the economy, the decisive decline in productivity of the U.S. economy measured by the LaRouche-Riemann model correlates with the time frame in which NASA technologies were being cut back. NASA research and development funding began to stagnate and then decline in absolute dollars in 1965. Two years later there was a distinct leveling off of energy flux density and energy efficiency in the U.S. economy. The sharp decline in productivity undergone in 1971-72—corresponding precisely to NASA “lag times”—was part of the longer-range impact.

Electronics

In 1975 the United States exported \$3.8 billion worth of electronic equipment and telecommunications apparatus. This, more than two-thirds of the world market for microelectronic components, has been maintained by continually advancing both the capability and speed of the equipment and the state-of-the-art production technology, a process which took off with NASA.

In 1964 NASA established a reliability program and standards for microelectronic products for their own needs. Production lines that made components for NASA hardware were certified by NASA procurement. These standards and procedures were adopted by the Defense Department and by the industry as a whole. Producing components to meet NASA-formulated standards led to an increase in yield of 20 percent for the industry as a whole.

In addition to production techniques for electronics, both the computer hardware and software developed for space systems have been applied to manufacturing and research.

NASA also invested \$2 million to develop an ultrasonic nondestructive testing technique. This technique is now an industry with annual sales of about \$50 million in testing equipment being used for quality control in steel, railroad, aircraft, nuclear reactor, automotive and tubular production. Hundreds of materials themselves have been transferred from the space program to industry, including high-temperature resistive alloys and ceramics, and radiation-shielding materials for either space or nuclear radiation protection.

High-powered, reliable analysis had to be developed by NASA for computer-assisted determination of how physical systems would perform under unique circumstances. NASTRAN, or computer-assisted structural analysis, was developed as a computer software package for analyzing the behavior of elastic structures under a wide range of conditions. It was developed at the Goddard Center between 1965-1970 at a cost of \$3 billion—a cost which no individual firm could afford—

and released for public use in November 1970. It is now being used in aircraft and auto production, bridge construction and power plant modeling studies.

Agriculture and medicine

The economic benefit to agriculture from NASA-funded projects is incalculable. From satellite remote-sensing alone, farmers can determine the extent and geography of crop damage and disease, the ice accumulation in the winter to predict spring water run-off, the spread of pests, and the quality of the soil before planting. Accurate weather forecasting and the advance of the science of meteorology has allowed farmers time to prepare for, and avert, disaster. Global spot-checking of the growth of specific crops will one day help farmers plant what they know will be lacking in the next season by how it is growing in the opposite hemisphere the season before. The World Meteorological Organization has estimated that such worldwide planting coordination could save \$15 billion per year.

NASA imaging technology, designed to develop pictures taken by satellites and planet fly-bys from thousands of miles, are now used for medical x-ray development. The applications of space-age technology to medicine are almost endless. They include the development of artificial limbs from the remote handling technology developed by NASA and the Atomic Energy Commission for nuclear plants, the implantation of flexible electrodes and remote sensors to monitor either healthy astronauts or gravely ill patients.

Scientific frontiers

No one in 1962 dreamed that after Apollo the United States would not choose to continue the manned quest of the rest of the solar system. To go farther than the moon, NASA would need propulsion systems that did not rely on chemical propellants, but on advanced nuclear and plasma systems. To provide the on-board electricity for long-duration space laboratories, or planetary flights too far from the sun, or to the dark side of the moon, systems to replace solar collectors would have to be developed. In 1963 NASA began a joint Nuclear Rocket Program with the Atomic Energy Commission to develop an in-flight nuclear reactor, termed the ROVER project, and a Nuclear Engine, Rocket Vehicle Application Program (NERVA) to develop an engine.

The program was canceled in 1972—even though sufficient work had shown that difficult problems could be overcome to make such a system operable in space—because no long-range plans had been made for continued manned space exploration. But both programs had important spin-offs for the ground-based research in the nuclear industry.

dustry.

Work done on compact, high-temperature nuclear fuel arrays led to the development of composite fuel elements which have been used in safety experiments in the liquid metal fast breeder program. Advanced reactors in the NERVA program incorporated "beaded" fuel particles—highly enriched uranium cores coated with pyrolytic graphite—embedded in a graphite structure. This approach has been applied to use in high-temperature gas-cooled nuclear reactors.

Analytical techniques developed under the constraints of high reliability and safety in space have been applied to the breeder development program. When the NERVA program was discontinued in 1972, many of the 450 people from Westinghouse who had worked on the program transferred what they had learned in analytic techniques to the Clinch River breeder program, for which Westinghouse was the lead manufacturer.

From the beginning of the space program, NASA scientists were interested and involved in the development of plasma-based systems for space propulsion and direct conversion systems for on-board electric power and propulsion. Plasma propulsion conferences sponsored by NASA through the 1960s drew together scientists from fusion, magnetohydrodynamics, and related fields to work on the applications of plasma processes to space.

The progress in both the fusion and MHD programs has had significant input from NASA conferences and the work of scientists in NASA laboratories. MHD, which is a process for converting a hot, ionized gas from fossil fuels, nuclear energy, or fusion to electricity, has used actual rocket engines for testing components.

NASA's Lewis Research Lab has been the Department of Energy agency doing experimental research on liquid metal MHD systems, and all of the MHD experiments have benefited from high-temperature materials developed for space. In addition, NASA's management skills have been applied to the MHD program—NASA Lewis is managing the next-step Engineering Test Facility for the DOE program.

In other energy areas, all solar technology in photovoltaic cells and collectors of all kinds have been developed by the space program and have been used in space for two decades. Gas turbine engines for increased efficiency in generating electric power have been under NASA development and have been transferred to the commercial market. NASA's requirement for minimal weight and maximal energy density have moved energy technology toward higher temperature processes and greater efficiency.

The single most important effort of the space program, the one with the least measurable but most long-

term effect, was the creation of new generations of scientists.

NASA's science education programs changed the lives of students from kindergarten to doctoral candidates. Many of the scientists working today on all types of research got their education through NASA.

In 1962 NASA set up its Sustaining University program. The focus of the program was to help pay for graduate training for young scientists and engineers, to build new research facilities, or improve existing ones, at colleges and universities, and to distribute research funds to support NASA space science research.

Entirely new departments in space sciences, astrophysics and related fields were set up at institutions where they did not previously exist. At its height, over 200 educational institutions were receiving money for space research. In 1967, 1,500 faculty members and more than 2,000 graduate students in the sciences were engaged in space science and technology research.

In 1959 NASA gave out grants totaling \$3 million for research in colleges; in 1968 this figure was \$128 million. Between 1959 and 1969, NASA distributed over \$700 million to university programs. Of this about \$500 million was for work in direct support of specific space science projects and \$200 million were grants for students or for upgrading teaching facilities.

By 1964 NASA was spending \$20 million per year just for pre-doctoral training programs, and 3,600 students working on space-related problems in 30 academic disciplines were under NASA sponsorship. At the same time that the Sustaining University program was paying for the education of thousands of scientists and engineers, and giving them the opportunity to work on needed research in the process of earning their degrees, NASA worked closely with the National Science Teachers Association to improve public and parochial school science curricula.

There is no question but that adequate preparation of the United States for establishing a fusion-based economy will demand a total overhaul of the educational system and the conceptual orientation of scientific research. Among the first steps of such a program: The Office of Fusion Energy, under the impetus of the recent fusion review by the Department of Energy's Energy Research Advisory Board, has already begun plans for a graduate educational support program reminiscent of the NASA effort.

The additional \$100 million put into the fusion laboratories around the country will also be an important contribution in the direction of preparing trained manpower. It will immediately allow the expansion of the personnel involved in the magnetic fusion engineering programs, including involvement from industry.

There are many industries that will be transformed

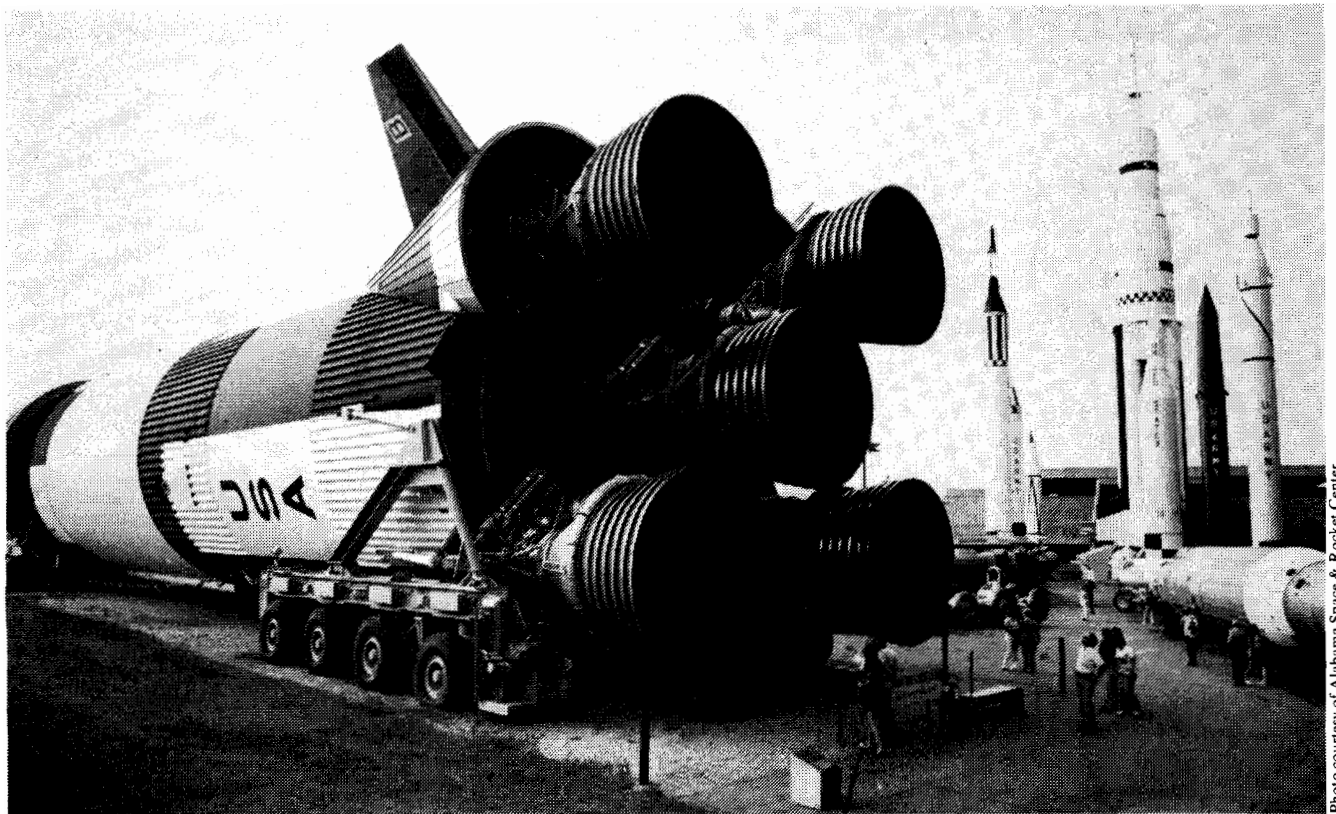


Photo courtesy of Alabama Space & Rocket Center

Apollo Saturn V moon rocket engines.

under the fusion energy economy. The fusion torch is an application of plasma in which, by isolating the hot ionized gas in a region separate from its source, it becomes possible to feed in any solid material, reduce it to its basic elements, and recombine them to form useful materials. With a fusion torch, it has been estimated, municipal waste could become the immediate source of 27,000 tons of new raw materials. Low-grade ore bodies not economically exploitable by conventional methods would become viable resources, and eventually, whole sections of the earth's crust would become a source of raw materials.

New industries

Not only will fusion power give rise to many industries, but the achievement of fusion power requires the prior creation of several wholly new industries, based primarily on skilled manpower.

To take one example, commercial scale magnetic fusion reactors will be a utility-based energy technology which will require superconducting magnets. Such magnets, made of materials which are kept at a few degrees above absolute zero, operate with virtually no energy losses through electrical resistance; they are used today only in scientific experiments.

Since there has been no large-scale demand for such

equipment, no mass production industry has developed to provide it. The special wire for superconducting magnets is fabricated on a made-to-order basis and the magnets are wound by hand. With commercial fusion power plants on the horizon, a series of superconducting industries will be required.

Such industries will fabricate superconducting wire and cable, produce the cryogenic equipment to store and transport the liquid helium needed to keep the magnet cold, develop the insulation required for all parts of the technology, and integrate and control this very delicate technology. They will not only make large-scale production of magnets economical, but will allow the revolutionizing of all aspects of power production, transport, conditioning, handling, and distribution by making superconductivity commercially available. Superconducting power transmission systems, laid in underground cables and cryogenically cooled, could eliminate the up to 10 percent loss of electricity now common in electrical transmission lines.

Applications of superconductivity have been under development in industry and government laboratories for years. What is needed is the "push" from a government-sponsored research program that is going to pay for an accelerated R&D effort, the way NASA did in the fields of computers and electronics.

NATO to militarize the Persian Gulf?

by Robert Dreyfuss

On the pretext of responding to the war between Iran and Iraq, Great Britain has stepped forward to take the lead in calling for superpower intervention in the Persian Gulf. At the core of Great Britain's intervention designs are its plans to extend the perimeter of the NATO military alliance deep into the Middle East.

The British government is not being circumspect on this matter. British Foreign Secretary Lord Carrington stated last week that "we and our allies would be foolish not to prepare ourselves for the possibility that the conflict might spread," adding that he saw "no early solution" to the Iran-Iraq war.

Echoing Carrington, British Defense Secretary Francis Pym declared: "The strategic frontiers of Europe lie far beyond the boundaries of NATO. A capacity to act outside NATO is a necessary part of our defense. We cannot leave it all to the Americans." Pym went on to announce that London was sending a pair of warships to the Gulf of Oman, just outside the Persian Gulf, to add to allied military concentrations there.

The British policy of Persian Gulf militarization reflects the leading edge of an Anglo-American strategy to polarize the entire Middle East and South Asia region, in the same fashion that Europe was divided after World War II, by marking off NATO and Soviet superpower spheres of influence. The dividing of the region between the two superpowers is aimed at destroying the influence of France and West Germany in the Middle East and

specifically at undermining their work to bring the Arab world into Phase II of the European Monetary System. The dividing of the region also sets the stage for a long cold war that, in times of crisis, could trigger an oil cutoff and erupt into a full-scale U.S.-Soviet down.

"This region is going to be the test area of the 1980s," Zbigniew Brzezinski of the National Security Council told the *Wall Street Journal* last week, "just as Europe was between 1945 and 1955." It will be a "prolonged test" until permanent "arrangements for security" can be established for the area, Brzezinski said.

The United States and the British are applying heavy pressure on the NATO allies to get involved in the project to militarize the Middle East, despite resistance from those European continental powers such as France and West Germany who oppose the polarization of the area into rival blocs controlled by the superpowers.

It is France in particular that has emerged as the main stumbling block to British militarization and polarization policy for the region. Thus, the primary target of the British is to destroy France's role in the area. Especially in regard to Iraq and Saudi Arabia, France has become a viable third force that might be able to prevent escalation of conflicts to the superpower level.

In recent years, France has become the leading Western supporter of the industrial and economic development of the Middle East, and has become a major arms supplier to Arab countries seeking to avoid becoming

client states of either the United States or the U.S.S.R. Last week, France signed an enormous \$3.4 billion deal to supply the Saudi navy with frigates, fleet oil tankers, anti-aircraft missiles and naval helicopters, and to provide training for 1,000 Saudi naval officers. At the same time, French president Giscard paid an unscheduled visit to the United Arab Emirates in the Gulf, amid reports that France might be asked to play the role of mediator in the Iran-Iraq war.

What the British fear is that the French and their West German allies may establish a firm alliance with the Arab oil-producing countries that will undercut the role of London financial circles and the Anglo-American-controlled International Monetary Fund (IMF).

New Yalta?

The British and their allies in the United States are making an offer to the Soviet Union to divide the region along the following lines: Syria, Iraq, Iran, and Afghanistan would be considered part of the Soviet sphere of influence, to varying degrees, while, under NATO auspices, the Camp David powers of Israel and Egypt will be delegated to control Jordan, Saudi Arabia, and the Persian Gulf sheikhdoms and Oman.

At present Washington is using the ongoing Iraq-Iran fighting in an open attempt to increase its own influence in Saudi Arabia. A *New York Times* article on Oct. 11 quoted a Pentagon official as stating that the dispatch of the highly sophisticated AWACS planes and other equipment to Saudi Arabia has "demonstrated our commitment to the Saudis" and "opens the door to much more extensive military cooperation with the Saudis." Now, he said, the United States can really start thinking about "building a security framework for Southwest Asia."

According to Washington intelligence sources, the Soviet Union is putting out signals that it may be prepared to accept U.S.-NATO domination of Saudi Arabia in exchange for license to increase its own influence in Iran.

Since the start of the Iran-Iraq fighting, the U.S.S.R. has increasingly been drawn into support for the Iranian dictatorship of Ayatollah Khomeini and the Iranian clergy. Although reports on arms supply to Iran are hard to verify, there are reports that Libya, Syria, and North Korea are supplying arms to the Iranian regime despite the official Soviet policy of neutrality and despite the formal Soviet-Iraqi friendship treaty signed in 1972.

An ominous sign was the cancellation of a long-planned visit to Moscow by King Hussein of Jordan, scheduled for Oct. 14. King Hussein has strongly allied Jordan to Iraq in the fighting with Iran, and the postponement of the visit indicates at a minimum that the Soviets thought they could not afford to appear to

be aligned with Iraq and Jordan by publicly meeting with the Jordanian king.

A top official of Israeli intelligence told the *Christian Science Monitor* Oct. 15 that a "Pax Sovietica" might emerge out of the Iran-Iraq fighting, in which Moscow would gain much influence in both countries, along with its newly signed treaty of friendship with Syria. The Soviets are being invited to get more deeply involved in Iran by offers of cooperation from British intelligence-controlled circles of the Iranian clergy. *Le Figaro*, the French daily, reports that the Soviets now believe that the biggest prize in the area is Iran, not Iraq, and that Moscow no longer wants to relinquish its influence inside Iran.

According to Iranian sources, the Tudeh Communist Party of Iran is the most powerful force in many executive offices in Iran, and has support from the clergy as well. Although the Tudeh is nominally a communist party and pro-U.S.S.R., most of its leadership is drawn from the ranks of British agents. In his book *Answer to History*, the late shah of Iran remarks that the Tudeh Party was created as a joint project of British and Soviet intelligence.

At the same time, some reports indicate that the U.S.S.R. might be considering support for a coup d'état against the Iraqi government of President Saddam Hussein in order to consolidate Soviet influence in the belt running through Syria, Iraq, and Iran, should the war continue for much longer. "If the U.S.S.R. accepts the deal that Washington is offering to divide the Middle East, and some of the players like Iraq don't like it, then some of the players might have to be changed," said one State Department source.

Will the Soviets go with such an arrangement? Sources in the State Department hope so. If not, Brzezinski is making it clear that the Soviets will be bludgeoned into acquiescence. Brzezinski believes that a showdown with the Soviet Union in the Middle East may force Moscow to back down and allow the consolidation of what the *New York Times* calls "an imperial response to a colonial legacy." Having established a working alliance with Red China and having seriously destabilized Eastern Europe, Brzezinski believes that the Soviets are "encircled" and cannot risk an aggressive, outward-oriented policy.

The Soviets, however, are letting it be known that they will *not* be bludgeoned. In response to the U.S. military buildup in Saudi Arabia, Egypt, Cyprus, and Turkey, Soviet president Leonid Brezhnev told President Carter last week that Moscow will not tolerate an American intervention into the Gulf. At a state dinner for Syrian president Hafez Assad earlier this month, Brezhnev accused "the imperialists" of trying to "reestablish their dominance in Iran." He added: "We resolutely tell others: hands off these unfolding events."

Terror disrupts French politics

by Philip Golub, Contributing Editor

Relatively protected, until now, from the terrorism and violence that afflicted Germany in 1977-78 and has created permanent political instability in Italy, France has fallen victim over the past two weeks to the most spectacular destabilization effort since the events of May 1968.

One week has passed since the bloody bombing of a synagogue in Rue Copernic, a bombing which, according to French security experts and official diplomatic sources, was not an act of blind terror by some handful of Nazi nostalgics, but a meticulously planned covert operation designed to shatter the domestic political equilibrium of the country, stimulate ethnic conflicts, weaken state institutions, and undermine the French police and security services. Informed political circles have noted that French security agencies are in the process of gathering evidence proving foreign secret service involvement. The investigations point in particular to a special outlaw operation of Israeli extremists, the capability earlier identified as being behind the terrorist bombings on the West Bank.

Whatever the investigations will subsequently reveal, the investigators are certain that a foreign-instigated "strategy of tension" is now operative, whose aim is to destabilize the French government and stop the reelection of President Valéry Giscard d'Estaing in April 1981. These sources have let it be known that only the rapid and general mobilization of all police forces and security services, along with cooperation from moderate leaders of the French Jewish community 'prevented a major blowup of terrorism and violence following the bombing. One police official commented that had a hundred people, instead of four, been killed the night of the bombing, Paris would have been set on fire by the combined forces of armed leftist gangs, Jewish Defense League-style extremists, and terrorist provocateurs of all kinds. That threat, for the moment, has been contained, but politics as usual, the traditional dynamic of political forces in the country, has ceased.

A couple of months ago, most French political

analysts could still confidently assume that, given the normal play of parties and institutions, President Valéry Giscard d'Estaing would achieve reelection with ease. An aging and increasingly isolated François Mitterrand, at odds with both the opposition within his Socialist Party and externally with his erstwhile Communist Party allies, looked—and still looks—far less presidential than in 1974. His chances of election were correctly evaluated as far poorer than at any previous time in the past five years. As a result, internal Socialist Party strife has been growing, and Michel Rocard, the leader of the more "modern" and extremely British-connected technocratic group in the party, is pushing for his own candidacy, which may yet materialize. London had already made clear its preference for Rocard some time back, but Mitterrand's stubbornness is not to be underestimated. Mitterrand knows full well that if he does not run this time, his political career will be over, and given that Mitterrand loves no one better than Mitterrand, he will not so easily release the grip he has gained on the party machine since the 1960s. Objectively, Rocard represents a greater danger to the electoral efforts of Giscard.

Added to this is the increasing problem of a diffident Communist Party, apparently no longer willing to endorse a Socialist Party candidate. This in part reflects foreign policy considerations and Moscow's rather clear preference for predictable détente-oriented alliances in the West. In 1974, the Soviet ambassador to Paris made it quite plain that a Gaullist solution would better preserve stability and peace in Europe than a popular front coalition government. This consideration, however, is not overwhelming and the Soviet Union certainly does not control the electoral habits of traditional Communist voters. A combination of such a clear Soviet preference and the real dislike in Communist ranks for Socialist Party leaders may significantly affect the results of the second round of elections. The second round, a runoff between the two top candidates, is the occasion for negotiations for multi-party support of the contenders.

At the same time, while the majority coalition between the Union de la Démocratie Française (UDF), Giscard's party, and the Gaullist Rassemblement pour la République (RPR), has also suffered from internal crises largely fomented by RPR president Jacques Chirac's inexhaustible political opportunism, the severe defeat sustained by the RPR in the last European Parliament elections, and the more recent major split occasioned by old-line Gaullist and former premier Michel Debré's independent candidacy, leaving Giscard as the only serious ruling coalition candidate for 1981. Insiders in France have pointed out that when Debré announced his candidacy, he managed to split the RPR in two to such an extent that, today, two Gaullist parties

function side by side, one supporting Chirac and one supporting Debré. To add to his problems, Jacques Chirac's intimate advisers have warned him that if he decides to run, he may well lose even to Debré, leaving the RPR—and his career—in the hands of Debré. If, on the other hand, he decides to abstain, they point out, he may also lose the party. Chirac's career is as endangered as that of Mitterrand, but his particularly vindictive qualities make him dangerous to the ruling coalition.

From the standpoint of the Presidency, this situation clears the road for a possibly very profound change in the structure of national politics. Chirac's RPR, although it labels itself Gaullist, is increasingly technocratic, increasingly populist and *poujadiste* [Poujadism was a 1950s lower-middle-class tax-revolt movement—ed.], as Gaullist Alexandre Sanguinetti once remarked. A cleansing of the political parties and a weakening of the RPR are viewed by the Elysée as a precondition for effective rule.

Thus President Giscard's strategy can be summarized as an effort to split irrevocably the Left Union of the SP and CP while simultaneously seizing control of the parties of the majority.

Fifth Republic versus Fourth

With that in mind, under normal conditions, even under conditions of severe international crisis, these two factors of domestic dynamics would have guaranteed the reelection of the President.

Yet, as the past two weeks of intensifying terrorist violence so clearly demonstrate, the 1981 presidential election will be no routine affair. While reasonable observers scarcely expected a serene campaign, the level of violence culminating in last week's bombing has now convinced the nation that the April vote will certainly be the most decisive event in French political life since May 1968, perhaps even since the Algerian war. The bombing has accelerated the normal process of confrontation, bringing it out into the open, showing the real depths of the fight that underlies the daily political process, and revealing the commitment of the enemies of Gaullism in New York, London and Tel Aviv.

What was at stake in the civil strife of 1960-62, in the events of May 1968, and in the ongoing struggle is the maintenance of the republican order itself, that is, of the institutions of the Fifth Republic and the domestic and foreign policy orientations embedded in the Gaullist state. The quite explicit policy intent of de Gaulle still remains intact and have made France into a major modern power. The technological achievements of the past two decades in the nuclear industry, aerospace, defense, and electronics, are the byproduct of this earlier policy orientation. The corollary of technological progress was and remains a well-defined, though inadequate, independent international monetary policy, for-

mulated by Jacques Rueff, adopted by de Gaulle, and finally institutionalized in the European Monetary System agreements between France and Germany in 1978. It is that fundamental policy which is under attack.

As those numerous foreign and domestic enemies of the Fifth Republic recognize, a second electoral victory for Giscard will consolidate Gaullist rule over France for at least a decade, perhaps far longer, thereby making French Gaullism "permanent." Thus while the destabilization effort that began with the bombing in Rue Copernic certainly has conjunctural reasons relating to French Middle East policy, more broadly, the 1981 elections represent a "last chance" for the Carter-administration-linked Socialists to seize power in this century.

Given the nature of the presidential mandate under the present constitution—broad powers are delegated to the President for a seven-year term—a new Giscard *septennat* would be powerfully entrenched and the nature of domestic politics would undergo major transformations.

It is this feature of the constitution which the modern Jacobins of the Socialist Party denounce as a "new form of monarchy" only to counterpose to it the merits of the British parliamentary system. It is, of course, hardly accidental that precisely the parliamentary democracy so espoused by the Socialists was the cause of the complete legislative anarchy, social breakdown, and collapse of the 1945-58 Fourth Republic.

While significant evolutions have begun to occur within the parties, somewhat altering the four-party game, the underlying struggle in the country is defined by the continuing conflict between the partisans of the Fourth Republic and of modern Gaullist institutions.

The Socialist Party

The Socialist Party itself is a creature of the Fourth Republic, of the strange blend of alliances between the extreme right-wing colonialist crowd then behind Banque de Suez et d'Indochine, Banque de Neuflyze, Schlumberger et Mallet, and others, and the French variant of British socialism, the Socialist Party then called SFIO (Section Française de l'Internationale Ouvrière). It is thus that all of France's post-Second World War colonial conflicts were either directly led by, or heavily involved, the Socialist Party. The Algerian war, the French-Indochinese wars, were Socialist Party wars; a more detailed analysis would show in effect that the heroin trade in France—the famous French connection—is a byproduct of these colonial enterprises bringing together the OSS-connected Corsican mafias, certain Socialist Party circles, and the remnants of the French Empire's prophets and mercenaries.

It is therefore understandable that the vast armed insurgency undertaken by the OAS (Organisation Ar-

mée Secrète) under Jacques Soustelle was not-so-secretly coordinated with domestic parliamentary actions on the part of the Socialists, dirty tricks inside the secret services, NATO involvement, and British and American covert operations. The coalition of insurgent forces against de Gaulle was a very broad international phenomenon, similar to the internationally coordinated destabilization effort today.

In the same way John Foster Dulles conceived of de Gaulle as a serious threat, and Harold Macmillan was involved in the efforts to destroy the Fifth Republic, so today the presidency of Valéry Giscard d'Estaing represents a systematic and serious problem to the Carter administration, which has been rightly accused by France of incalculability, incoherence, and strategic folly. The French government in private has made known many times their anxiety that the Carter administration is leading the world to war by miscalculation, a view shared by Chancellor Helmut Schmidt and other European leaders.

Policy conflicts

It is for similar reasons that the election of Margaret Thatcher in Great Britain exacerbated the always latent modern—and historic—conflict between France and England. The parallel extremisms of Margaret Thatcher, Keith Joseph, Zbigniew Brzezinski, and Menachem Begin have, in the French view, made the world increasingly unmanageable.

The secret services who placed the bomb at Rue Copernic chose their targets meticulously. Their foreknowledge—or perhaps coordination—of Socialist Party response and the vast manipulation undertaken afterward to shake the foundation of French institutions reveals the extent of the policy conflicts described above. The large, tense, and divided Jewish community of France was used as the fuse of social confrontation. While the French Jewish community differs from the U.S. Zionist lobby and has never given itself to the political and ideological fanaticism of a Begin, a Flatto-Sharon or a Kahane, the terrorists played on poorly buried memories of World War II. The leaders of the French Jewish community, who have conflicted openly with Begin, and who approved, if not always wholeheartedly, the French government's Middle East peace efforts, were thus pushed to join with Begin.

It is only now in the columns of the *Washington Post*, in the articles of the *New York Times'* Flora Lewis, in the caricatures of the *Miami Herald*, in the pages of the *London Guardian*, and in the mouth of Socialists here that one hears that Nazism is on the rise in France. It is pure manipulation and lies, designed to create an environment within which to attack the government of France, and create terrorism and violence in the expectation of destroying the Fifth Republic.

Splinter faction runs Israeli terrorism

by Paul Goldstein

An unofficial member of the Israeli cabinet has been publicly exposed as an instigator of the wave of "anti-Semitic" terror on both sides of the Atlantic.

Operating outside official Israeli intelligence channels, Rafael Eytan, special adviser to Prime Minister Menachem Begin for "warfare against terror," is linked by French-based journalists to the kind of assassination capability used in the Oct. 3 bombing of a Paris synagogue, which killed four people and potentially destabilized the French government. Eytan's special agency is a crucial component of the Israeli mafia's takeover of government policy over the past three months.

Eytan, known in Israel as "Dirty Rafi" for his links to domestic criminals and to U.S. mobster Meyer Lansky, has been given sweeping powers outside official channels to deploy so-called counterterror—that is, assassination—operations.

The latest issue of the Paris-based journal *Israel and Palestine* contains a lengthy exposé of Eytan's role in the bombing attacks that maimed two Palestinian mayors this June. The article frankly reports on Israeli intelligence factions' discontent with Eytan, both in the Mossad, the foreign intelligence service of which Eytan is a former member, and the Shabak, formerly the Shin Beth, Israel's internal security apparatus.

The Eytan "splinter faction's" networks have also been activated in the United States, high-level sources in Paris and Washington warned this weekend, citing "an expected wave of bombings in the U.S." Within 24 hours, the Turkish consulate in New York City was bombed by a group calling itself the "Secret Armenian Liberation Organization."

The French focus

French newspapers the week of Oct. 11-17 maintained a high profile of leaked rumors that an Israeli intelligence group was behind the Oct. 3 synagogue bombing. *Le Figaro* adds to these reports that the "Begin faction" in the French Jewish community—most of whom have by no means fully supported Begin's policies in the past—was delighted by the

uproar that followed the bombing. *Figaro* asserts that this uproar, as well as Begin's speeches blaming the Giscard government for the bombing, represent "inadmissible interference" in French affairs. Another commentator, Raymond Aron, known since World War II as a strong supporter of both Zionism and U.S. policy, went so far as to write in *Le Monde* that the synagogue bombing was not really an "anti-Semitic" incident at all, but an attempt by what he calls the "international circles" who run both left-wing and right-wing terrorism to destabilize French politics, indicating a link to Israel.

President Valéry Giscard d'Estaing, in the tradition of Charles de Gaulle, has consistently taken what Israelis often call a "pro-Arab" stand, more accurately described as a diplomatic effort toward a comprehensive Middle East peace based on regional economic development.

The gangster deployment

Rafael Eytan's French connection is another Israeli mafia figure, Samuel Flatto-Sharon, a refugee from French criminal charges, who announced that he had sent his own special Israeli security units into Western Europe to guard European Zionists.

U.S. intelligence community sources pointed to Flatto-Sharon as one of the essential elements behind the Paris bombings, and revealed that Flatto-Sharon's special security units are now entering the United States to carry out similar operations.

Flatto-Sharon's units are comprised of "nonprofessional types, with included Mossad types, to coordinate these operations," stated the source. He added that "Jewish entities are targets as well," a rather ominous warning in light of the suspected burning of a synagogue in the Parkchester section of the Bronx in New York City by arsonists.

In Paris, an Israeli-linked intelligence source told a Paris *EIR* correspondent that "a faction of the Mossad contracting a network of Cypriot-based neofascists now living in France and working with the European and National Action Federation (FANE) is definitely implicated in the Paris bombing." He went on to state that a majority of the Mossad was well aware that the bombing was about to take place, "but did nothing about it." He added that all hell is breaking loose within Israeli intelligence over this situation.

The Cyprus-French connection

The contracting of a network of Cypriot neofascists by this "splinter faction" run by circles outside official Mossad channels is derived from the following intelligence picture.

First, the French press is replete with stories of a Cypriot being spotted on a motorcycle delivering the

bomb at the synagogue—in all too obvious a fashion.

This Cypriot, according to French intelligence, is tied to another Cypriot gangster named Panetakis who now lives in Nice—one of the major organized crime cities, second only to Marseilles.

Panetakis is a close associate of a fascist thug named Sampson, a rough and tumble figure from Cyprus who was the point man in the overthrow of Archbishop Makarios's government in 1975. Both Panetakis and Sampson are tied to a London-based Israeli mafia figure, Bosni, who according to French sources, is responsible for coordinating the drug traffic in the Mediterranean. It is through this Cypriot-Israeli network that the neo-Nazi FANE is financed and carries out the atrocious acts of terror.

Behind the splinter faction

The broader context for this "splinter faction" lies in Rafi Eytan's unique position.

Eytan is closely linked with Ariel Sharon, Israel's minister of agriculture. Sharon, a former special adviser to former prime minister Rabin (until Rabin got rid of him for his fanaticism), shares with Eytan a common belief in the use of terror not only against West Bank Palestinians, but against Israelis themselves. Despite repeated denials by a variety of Israelis that Eytan and Sharon's links with the fanatical Gush Emunim and the Kach movement of Meir Kahane (JDL) implicates them in terror against Jews, it is absolutely certain that Eytan and Sharon are tied into one of the most notorious drug running operations in the world.

One of the major functions of Eytan, who holds the official post of Adviser to the Prime Minister for Warfare Against Terror, is to propose counterterror actions against targeted terrorist groups, mainly Palestinians. However, as the journal *Israel and Palestine* points out, this position in fact provides the Prime Minister the capability for creating a parallel structure within the Israeli intelligence community.

The immediate background of this special capability traces itself to Begin's old Irgun associate, Amchay Paglin. Paglin is the former Irgun commando who, along with the current foreign minister, Yitzhak Shamir, carried out the most spectacular terrorist acts and violent assassinations before the establishment of the State of Israel. In this light, it was Paglin, the mentor of Ariel Sharon and Rafi Eytan, who created for Begin his secret plan for "Terror Against Terror." It was also Paglin who set up New York-born Meir Kahane's JDL organization in Israel in 1972, and it was Paglin who was arrested by sane Israeli forces during that period for smuggling arms and materiel to Kahane's organization, now called the Kach movement. Only the personal intervention of Menachem Begin secured Paglin's release.

Vietnam's foreign minister discusses Asian politics

by Daniel Snider

This writer had the opportunity on Oct. 8 to talk at length at the United Nations with Vietnam's senior diplomat, Foreign Minister Nguyen Co Thach. Thach is one of the new generation of Vietnamese leaders, a veteran of the Paris peace talks, where he served as deputy to Le Duc Tho. Although only recently named as minister, Thach is respected throughout Asia as a tough and competent negotiator.

We talked about a wide range of subjects, and Thach spoke without formality and with an obvious sense of confidence in the Vietnamese position. His style quickly created a sense of ease—the foreign minister spoke with few ideological formalisms, joking and laughing, particularly at the expense of the Chinese who were the major subject of our discussion.

Our conversation began with the subject that is the main purpose for his presence at the United Nations: the tension in Southeast Asia. The Vietnamese minister had spoken before the U.N. General Assembly on this issue and met privately with the foreign minister of Thailand. Thach had presented to the U.N. and the Thai official new proposals aimed at establishing negotiations between Vietnam and the other Indochinese states of Laos and Kampuchea and the countries of the Association of Southeast Asian Nations (ASEAN—Thailand, Indonesia, the Philippines, Malaysia and Singapore).

The new three-point proposals offer a two-phased potential withdrawal of Vietnamese forces from Kampuchea. The first point, as Thach told us, “is that we will withdraw all our forces once the Chinese danger to the security and peace of the Indochinese countries is over.” The second is the creation of a demilitarized zone between Thailand and Kampuchea. The third point is that when that is secured, a partial withdrawal of Vietnamese forces from Kampuchea can take place.

The new proposals are actually an elaboration of a proposal put forward in July by the three Indochinese foreign ministers' meeting in Vientiane, Laos. That Vientiane declaration—formally a Kampuchean proposal backed by all three governments—essentially called for the creation of a demilitarized zone, combined with Kampuchean-Thai talks aimed at settling issues like refugee problems and distribution of relief aid.

The Vientiane proposal was immediately rejected by the Thai government. As Thach pointed out, however, “ASEAN as a whole has not yet said no officially.” ASEAN instead, as he pointed out, issued a counterproposal. This proposal, the “Manila declaration,” has again been further elaborated in an ASEAN resolution before the General Assembly.

Behind all this diplomatic maneuvering is, Thach emphasized, differing views of the sources of tension in the region, and therefore their solution. The ASEAN countries—particularly Thailand and Singapore—contend that the source of tension lies in the presence of Vietnamese forces in Kampuchea, a contention that echoes the arguments of both the Peking regime and the Carter administration. This contention is utilized to justify support for the continued seating of the murderous, deposed Pol Pot regime as the “representatives” of Kampuchea at the U.N.

The Vietnamese approach is quite straightforward. For them, it is China and the Chinese efforts to dominate Southeast Asia that are the source of tension and instability in the region and the reason for the maintenance of a Vietnamese military presence in both Laos and Kampuchea. This view has many sympathizers within ASEAN, particularly in Indonesia and Malaysia, where the Chinese are historically viewed as the long-term threat to the region.

Many commentators have dismissed the Vietnamese proposals as “propaganda,” or even a diplomatic prelude to renewed fighting on the Thai-Kampuchean border. However, neither the evidence nor Thach's approach supports such a view. While Vietnam's readiness for war with China is constant, it is clear, even on the most pragmatic, strategic grounds, that they are not seeking confrontation with ASEAN—it is precisely such a “two-front” war that Vietnam wishes to avoid.

Thach is prepared to continue negotiations with Thailand and ASEAN as a whole and revealed that there will be another meeting with his Thai counterpart, outside the United Nations. Thach jokingly told me that since he had been to Bangkok three times already, he thought the meeting should be in Hanoi. “But,” he laughed, “I would not embarrass them to be in Hanoi, so

they can choose another place. They have proposed Rangoon [Burma] and I propose New Delhi.”

Thach’s overall assessment of the prospects for this situation was typically frank: “I am optimistic, but at the same time, I am prepared for the worst.”

China and Vietnamese nationalism

Our conversation moved from the intricacies of diplomacy to a discussion of China, Vietnamese relations with the U.S., and back to Kampuchea. The bulk of that talk—what was “on the record” follows—but one thing that emerged constantly as a theme throughout was the strong sense of Vietnamese pride and nationalism, and a sense of confidence that comes from that.

The spirit of Vietnamese nationalism is today aimed against China, a historic enemy of Vietnamese independence and culture for over a thousand years. The survival of Vietnam against the numerous invading armies from their massive neighbor to the north is an enduring theme of Vietnamese history, celebrated in their poetry and their songs. The socialist government in Hanoi today has no problem reminding the population of the heroes of the past who bear no ideological affinity to the present communist government.

Indeed perhaps the most striking aspect of our talk, contrary to many of the images, still set in American minds, of the men America fought so fruitlessly for 15 years, is the virtual absence of “communist” ideology in the approach of even a senior official on Thach’s level. While his commitment to socialism is undeniable, the references are not so much to the legacy of Marxism as to the historic role of Vietnam as a nation.

Vietnam’s tough, cohesive political leadership commands what is acknowledged to be the best army in Asia possessed by a country which occupies a strategic position in the region. But the real power of the Vietnamese nation will come when it has the conditions of peace to allow the full development of its tremendous human and economic potential. With perhaps the greatest reserve of skilled manpower in the region among its more than 50 millions, tremendous agricultural capacities, and its significant industrial and raw material base in the north, Vietnam promises to be an industrial and economic power of the future.

For the Vietnamese, peace now depends on stopping China, which itself sees a strong, and now, united Vietnam as the obstacle which stands between it and the historic Chinese goal of domination of Southeast Asia. It is on the question of the threat of renewed Chinese war against Vietnam that we pick up the thread of my talk with Vietnam’s foreign minister.

Thach: Our military presence in Cambodia is only for one year, and the trouble in Southeast Asia has been going on for forty years, since World War II.

Certainly now many troubled areas in Southeast Asia have nothing to do with the Cambodian question. For instance, there is the civil war in Burma, the Moro fighting in the Philippines, the Communist Party of Thailand in Thailand, or the fighting of Thai Muslims in the southern part of Thailand. Or the rebellion in Malaysia, and East Timor, occupied by Indonesia.

It is not the Vietnamese. It is very interesting. . . .

What is the biggest danger of war now? We think there are many places in Southeast Asia. The border between Cambodia and Thailand—that is an explosive situation. The border between Thailand and Laos; the border between Laos, Vietnam and China; the South China Sea because the South China Sea is disputed by many countries. . . .

But what is most dangerous? I think it is now the border between Thailand and Kampuchea and between Vietnam, Laos, and China. But I think there will be no war on the border between Kampuchea and Thailand. Why? Because Thailand would like to have a war inside Kampuchea, not in Thailand. And Vietnamese and Kampuchians, we don’t like to bring war into Thailand. So there will be small fighting, fighting on the border inside Kampuchea only. I don’t think it will last long or break out as a big war because Pol Pot has no support from the people.

The biggest weakness is Pol Pot.

Sneider: He only has support from the people of China. . . .

Thach: No. From Peking, not from the people of China [laughter].

Sneider: I stand corrected.

Thach: Secondly, now the most explosive [situation] is between China and the Indochinese states . . . the most explosive! Because now there are troop concentrations [of China] on the border and they are shouting every day that they will give Vietnam a “second lesson.” To invade Vietnam they must have two directions—from the north and from the southwest. But I don’t think that in the southwest they can do big things. Pol Pot cannot do big things and the Thais, they could not do big things. But if there is no military presence of Vietnam in Kampuchea they can do big things. If we withdraw our forces, China will have two fronts. But if we stay there we can check this direction. We can prevent that from happening.

We are ready. We are better prepared than before.

Sneider: You always say that you are “ready.” Do you expect that the Chinese might act on a large scale in this coming season?

Thach: Yes. Even before the dry season we are ready to welcome them, even in the rainy season. The rainy

season is much harder for them. Now the dry season will come, and we are much better prepared than before.

Sneider: There are lots of reports of factional tensions in China. How do you think the internal situation will affect the Chinese assessment of their own readiness to go to war again?

Thach: You know, if you use common sense, the first lesson was very stupid. The second lesson must be very, very, very stupid. But unfortunately you have to deal with the most stupid people in the world. If you look into the past thirty years of China policy, you see they have two faces, two masks. They have done unbelievable things, unbelievable things. Too much adventure: the Great Leap Forward was a big adventure, and the Cultural Revolution was a big adventure, and now the Four Modernizations is a big adventure.

And the war against Vietnam was an adventure. What is their strategy? Their strategy is to bring chaos to the world. So if they have internal problems, they can go ahead, but if they have peace and they have trouble at home it is very bad for them.

So their strategy is to oppose [to bring into opposition—D.S.] the U.S. and the Soviet Union, and to oppose NATO to the Warsaw Pact, and to oppose ASEAN countries to Indochinese countries. They have a saying that the “world is in great chaos,” and they would only like great peace for themselves. They cannot solve their internal disputes. They would like to create chaos in other countries. The war they would like against my country is within a plan to confront the ASEAN and Indochinese.

The U.S. double standard

Sneider: Secretary Muskie, in his statement on the U.S. decision to vote this year for Pol Pot in the U.N., linked that decision to what he said was Vietnamese policy in the region. Could you comment on that?

Thach: It is very stupid to bring the normalization [of relations] between Vietnam and the U.S.A. to other matters. Normally between two countries, it is bilateral relations. It has nothing to do with a third country. The U.S.A. has adopted a double-standard policy toward Vietnam. For instance, we had agreed on everything in September of 1978 to normalize relations. At that time we had agreed that there are no [pre]conditions for normalization because in 1977 we had two conditions. There was the contribution of the U.S.A. to heal the wounds of war. And the U.S. said, “only normalization, no conditions.” So we had accepted the position of the Americans in September of 1978. We had agreed on everything except the wording for the document to be signed. They said that we must wait and we had set up a working group for the wording of the document.

But in the meantime, they were negotiating with China for normalization too. They signed [the agreement] with China on the 15th of December. For us, they didn't go ahead with wording. Only the wording [remained] and they did not go ahead. If we could go ahead, we could have signed on the 1st of October because everything was ready.

Sneider: Do you think it was the Chinese insistence that blocked the normalization of relations?

Thach: That's the real problem. The real problem is the U.S.A. playing the China card. So when they signed with China, on the eve of the signatures, they told us that they could not normalize because there is the refugee problem and the situation in Kampuchea. They said that. Now it is the turn of the U.S.A. to put conditions.

When China invaded my country on the 17th of February—at that time there was the visit of Blumenthal, the treasury secretary. He was prepared to go to China on the 17th of February. Somebody had asked Carter: there is a war going on between Vietnam and China, so will this affect normalization between China and the U.S.A.? Carter said there is no connection between this war and normalization.

So it is a double-standard policy. And Blumenthal continued his trip to China. Now it is not the question of aggression by China against Vietnam; it is not the question of an occupation by China of the territory of India which could block the normalization of relations between China and the U.S.A. And you see the exodus of refugees from China to Hong Kong, and to Southeast Asia. So this has nothing to do with normalization between China and the U.S.A. This is the big difficulty in the way of normalization between U.S.A. and Vietnam. This is the truth.

Sneider: I want to ask you a historical question. This relates to what you were just talking about. I believe that you were a part of the Vietnamese negotiating team in Paris.

Thach: Yes.

Sneider: You know Mr. Kissinger and his associates very well.

Thach: Too well [laughter]!

Sneider: Do you have any knowledge that Mr. Kissinger was coordinating his negotiating policy at the Paris peace talks with Chou En-lai and the Chinese with a joint understanding that they would attempt to perpetuate the division of Vietnam in the interests of the Chinese and the United States?

Thach: It is very clear. There was a very clear under-

standing. . . . There was a visit of Kissinger to Peking in July 1971. Our position at that time was the withdrawal of U.S. troops and the disbanding of the Thieu government in South Vietnam, the puppet government, and the setting up of a coalition government of three components, and thirdly the reunification of Vietnam. Then there was the visit of Kissinger to Peking in July. After the visit, Mao Tse-tung had invited my prime minister to visit to China. It was in November of 1971. I was with my prime minister in Peking. I was in the talks between Prime Minister Pham Van Dong and Mao Tse-tung.

He told my prime minister the following: "There is a Chinese saying" (always there is a Chinese saying) "there is a Chinese saying, that a short broom cannot sweep out the cobwebs from the ceiling. So the Chinese broom is too short. We cannot sweep out Chiang Kai-shek from Formosa and Taiwan and your Vietnamese broom is too short. You cannot sweep out Thieu, the stooge government in South Vietnam. So you must accept Nguyen Van Thieu in South Vietnam."

That means the division of the country!

Sneider: But do you think there was a clear understanding between Kissinger and the Chinese that they should keep Vietnam divided and allow China to dominate Southeast Asia?

Thach: I have no intelligence on their meetings but it is not the first time. It is the second time. If you look into the past, at the Geneva conference in 1954 to end the French war, the same thing happened. This was only to repeat.

This is a dynamic in their policy of hegemony. What is it? In '54, they wanted to have the French in South Vietnam and Vietnamese in North Vietnam. They didn't want the Americans to come in at that time . . . to keep the Americans away. If they have the Vietnamese and the French they have two very weak enemies, two weak enemies they can control. If they had Americans at that time in South Vietnam, they would be faced with Americans who could take control of North Vietnam and all of Southeast Asia. It was trouble for China.

So to accept the domination of the French in South Vietnam, this was to keep the Americans away. They are very clever. In '71-'72 they saw that the Americans had become weaker. They would like to get out. To maintain the Americans in South Vietnam and Vietnamese Revolution in North Vietnam—to keep Vietnam divided. They would have two enemies—there is no one stronger because Americans wanted to get out and the stooge [Thieu] was in South Vietnam and [had to be] fed by the Americans. It could not be solved. So they can control the Indochinese—all the Indochinese.

They were too clever. It could not work, because we are not Chinese.

Sneider: There is a problem we devoted some attention to, which is the question of the involvement of the Chinese regime in Peking in the trafficking of narcotics, of opium; not only directly, but also through people like the Burmese Communist Party, through Vang Pao and the Meo, and their own people. To our knowledge, the Nixon administration had information, Kissinger had information about the Chinese involvement in drug trafficking, and they suppressed this information. . . .

Thach: This is very clear. We have information too. The Golden Triangle area—it is Yunan [in China], and Burma, and Thailand, and Laos. This triangle is controlled mostly by the Kuomintang forces of General Li and the Chinese and these tribes. In this area there is a great Chinese influence. In the past, in the Western press, they had a lot of information about this.

Sneider: But nobody ever talks about the Chinese role.

Thach: Yes, because you know it is Carter playing China card and Nixon, too. That's the point. There is now an exodus of refugees from China [to Hong Kong]—nobody talks about it. And nobody talks about the violation of human rights in China. Nobody talks about the aggression of China against Vietnam. Nobody talks about the occupation by China of Indian territory.

Sneider: I wanted to talk to you about India. As has been reported in *New Wave* and many other Indian papers, the Chinese have been very active in aiding separatist, subversive movements in northeast India. They're involved in supplying arms to the Zia dictatorship in Pakistan, which has been taking a hostile attitude toward India. They're backing the Afghan rebels. They're also even supplying arms to Bangladesh. Some people in India talk about a Chinese attempt to encircle India.

Thach.: It is very clear. You see Nepal, Pakistan, Bangladesh, and Sri Lanka. Very clear. If you assess the policy of China toward the ASEAN countries first, then you can understand the policy of China vis-à-vis South Asia.

Now they have very good relations with the ASEAN countries, for instance Thailand, and Burma, and the Philippines. These countries have asked China to stop their support of the Maoist elements in these countries. They refused. They have always played two cards at the same time toward any country. Vietnam, we were their allies, their close allies, but they maintained good relations with pro-Chinese elements in our country. So if the situation turns against them, they can have this

card. But when it turns favorable for them, they can use this card against the other one. Every time—as they play NATO against the Warsaw Pact, playing Warsaw first against NATO. All the time, they play two cards at the same time.

Sneider: Do you think that, perhaps, in the minds of the Chinese, there are two countries in Asia that they must deal with as the obstacle to Chinese domination? And those two countries are Vietnam and India?

Thach: You are right.

Human rights not a 'technical' issue

Sneider: What do you think the significance was of Mrs. Gandhi's government's recognition of the Heng Samrin government in Phnom Penh?

Thach: We think it has a very great significance, because first it is the biggest country in the nonaligned movement, it is a founding father of the nonaligned movement. This is very important.

Secondly, India always had close relations with Kampuchea, long-time ties. Especially Buddhism, Brahminism and Hinduism had a great influence in Cambodia. This shows that this is a country that knows Cambodia very well [which] has recognized the new regime. . . .

Thirdly, the recognition by India of Cambodia has ethical aspects. The main ethics of Buddhism is the human being; there is no caste; there is no killing of any living creature. So this ethical aspect, the moral aspect of the Indian people, the Indian culture, of Indian civilization, is very important. This shows who is really for human rights and not for human rights.

The people who had dropped 50 million tons of bombs on our heads, they say that they are protecting human rights. It is a bluff. The second bluff—they say that they condemn Pol Pot but they must support the seating of Pol Pot because of a technical issue. What is technical? There is the technique of bombing—bombing is technical too. What is technical? Very, very immoral.

All of humanity has the responsibility to do justice for the three million people who died in Cambodia. We must have this responsibility to do justice and to condemn the criminals. We must have this responsibility as human beings. Secondly, we have a responsibility to help the resurrection of four million people who come from death to life now in Kampuchea. We have this responsibility.

It is not a question of seating or not seating. This could not help. All human beings, all humanity has this responsibility. . . . The gas chambers of Hitler also were very "technical." What is this? I think that everyone with common sense must be revolted, cannot accept the so-called logic of these people. We must revolt against it.

SOVIETOLOGY

An amazing air of unreality

by Edith Hassman and Webster Tarpley

Some 1,300 Kremlinologists and scholars of East European affairs gathered in Garmisch, West Germany the last week of September for the "Second World Congress of Soviet and East European Studies." These are the people whose studies and theories about the U.S.S.R. are supposed to assist governments in formulating policies toward Moscow and the other Warsaw Pact countries.

An aura of unreality hung over the Bavarian mountain setting. Discussion panels that omitted major components of Soviet policy revolved instead around geopolitical scenarios for the future disintegration of the Soviet bloc. The conference was, in short, shocking—not for the novelty of the presentations, many of which could be read in only slightly different prose on the op-ed pages of the *Times of London* or the *Washington Post*, but for the incompetence that reigned.

If the danger of war by strategic miscalculation comes in part from failure to understand how Warsaw Pact leaders think, the vagaries of this assembly of advisers on policy toward the Soviet Union give cause for alarm!

Convened while the aftershocks of the American Presidential Directive 59, on "counterforce" strategic doctrine and the feasibility of fighting limited nuclear wars, were still rumbling in Europe and the U.S.S.R., the Garmisch congress nevertheless omitted to schedule a panel on Soviet military doctrine or capability.

A three-hour panel on Soviet policy in Asia managed to isolate this topic from the question of China, which was not mentioned at all.

The workshop on energy proceeded from the assumption that the U.S.S.R. would be squeezed by an energy shortage in the years ahead. Prof. Robert Campbell of the University of Indiana, a specialist in fossil fuel resources who usually refrains from rash claims that the Russians are running out of fuel, brought his presentation into line with this idea by way of a peculiar forecast: because the Soviet plan to quintuple nuclear power generation by 1990 mandates "too high a concentration" of reactors in the Western part of the U.S.S.R., he said, "There will *have to be* a nuclear catastrophe within the next 10 years!"

The primary topic in a panel on Soviet planning and economic policy was not the 1981-1985 Five Year Plan,

now being drafted, but the black market and so-called parallel economy dominated by graft and side transactions. Making this secondary, although important, aspect of Soviet economic relations the central one exposed the methodology of, especially, British Sovietology. Since the days of Bertrand Russell's 1920s profiles of Soviet Russia, these Russia-watchers have tried to gauge Soviet society by a modern application of the "pleasure principle" of Jeremy Bentham and John Stuart Mill. What is the level of "material greed" of the population, they ask, and how may it be exploited?

Heinz Haushofer, the son of the geopolitician Karl Haushofer whose theories formed the backbone of Hitler's *Mein Kampf*, succinctly put forward the rationale for this approach in Soviet studies when he spoke at the Garmisch panel on sociology. "To raise the question of what the people really want, what it is that makes them happy," he pronounced, "destroys any society, be it capitalist or socialist. This is the task of modern sociology." The more strictly "geopolitical" approach to destruction was broached during a review of nationalities problems in the U.S.S.R. One participant summed up the discussion, "The Soviet empire was not built in a day, and it will take more than a day to destroy it."

At issue were the potentials of Islamic fundamentalism and the national identity of Kazaks, Uzbeks, Crimean Tartars and other Soviet minorities for the destabilization and eventual dismemberment of the Soviet Union. This design of balkanization has been the core of British policy for Russia for 200 years, notwithstanding London University Prof. Hugh Seton-Watson's bizarre assertion at Garmisch that until the end of World War II Britain thought the Rhine River in Germany was the Eastern boundary of Europe. But after speeches on each of a dozen nationalities of the U.S.S.R., the deliberators could only conclude that they provide weak leverage today.

The celebrities of the Garmisch conference were emigrés from the Soviet Union, speaking on dissent in the U.S.S.R. Their utilization as authoritative sources on Soviet society has become a habit in the field of Soviet studies that introduces a bias guaranteed to distort the picture, as in the startling example of Richard Gabriel's recent book *The New Red Legions*, a purportedly objective field study of Soviet soldiers, in which the primary informants were Jewish emigrés from the U.S.S.R.

Genscher, Kennan speak

The prevailing scenario-mongering of the British and American Sovietologists obscured the contributions of some specialists from France, West Germany, India, and other countries whose governments to date have pursued a more measured policy of seeking to exploit the possibilities of economic and scientific cooperation with the U.S.S.R. and its allies. West German Foreign

Minister Hans-Dietrich Genscher also introduced the continental West Europeans' independent approach to the Soviet bloc.

Opening the Garmisch conference, Genscher reviewed the perspective of Chancellor Helmut Schmidt's policy on relations with the Warsaw Pact, which was a central plank in Schmidt's platform for the West German elections set to occur the following week. Genscher called for a pan-European energy development conference, in which he said the nations of the less-developed sector should participate. Contradicting the preference of many conference participants, Genscher argued that economic stability in Eastern Europe was desirable for the West as much as for the East.

But Genscher, who, though Schmidt's government coalition partner, is more inclined to the Anglo-American conception of the Western alliance than Schmidt is, also introduced the idea of "conflict management." This notion, holding that international crises can be contained but not fundamentally resolved, belongs to the international grouping that currently seeks Soviet participation in carving out spheres of influence in a new, global "Yalta" agreement.

Seton-Watson, with a homily to the principle "love thine enemy," introduced former U.S. ambassador to the Soviet Union George Kennan to expound the doctrine of détente through arms control. In the "new Yalta" scheme of things, arms control is the sister of spheres of influence in the attempt to recruit Moscow to a crisis management posture.

Kennan, arguing that the arms race leads to war of its own momentum, entered a plea for a "chorus of outside voices" to say to Moscow and Washington, "For the love of God, stop this madness."

His speech was received as a bid for the initiative on the part of the American SALT lobby, for which Kennan has become an elder statesman, speaking out from his chair at the Princeton Institute for Advanced Studies.

Kennan revealed what the goal of a new global condominium of the superpowers would be, beyond the slogans of "arms control." The proper direction for Soviet-American joint efforts, he said, was environmentalism on a world scale, to defend individual "quality of life" against the encroachments of "great industrial societies" and "the artificial environment that modern technology has created."

This elaboration by Kennan of where superpower agreement is supposed to lead exposes how his policy will fall apart. The U.S.S.R. may go some distance playing geopolitics in the underdeveloped sector, but a world deindustrialization perspective that encompasses the deindustrialization of the Soviet Union itself will run up against the Soviet conception of national security. That will be the end of the game.

Invasion sparks Teheran infight

Bani-Sadr wants to use U.S. arms against the mullahs, who are hoping to avert a military buildup.

The Iraqi invasion of Iran has exacerbated a faction fight within Iran's regime, between a clique of secular leaders centered around President Abolhassan Bani-Sadr and the ultra-fundamentalist Islamic clergy, known as mullahs, centered in the Islamic Republican Party (IRP). Though the differences between the two groupings existed before the Iraqi invasion, the war has intensified their differences, centering on the issue of how to respond to Iraq's far-superior military power.

Throughout the war, Bani-Sadr and his allies, former defense minister Mustaffa Chamran and current defense minister Javad Falcouri, have argued that the Iranian military must be reconstituted to effectively challenge Iraq's invasion. The mullahs have opposed the move on the grounds that a reunified military would not hesitate to eliminate Khomeini and his Islamic brethren, who ordered the execution of thousands of Iranian military officers.

But behind Bani-Sadr's argument there lies another motivation. Bani-Sadr has made no secret of his ongoing efforts to strike a deal with the Carter administration for the release of the hostages in exchange for a U.S. commitment to sell arms to Iran. For months Bani-Sadr has been the contact man in Iran for clandestine contacts with the State Department and U.N. Secretary General Kurt Waldheim.

Bani-Sadr's eagerness to release the 52 American hostages does not reflect any moral scruples, but is based on his design to reunify Iran's fragmented military, which he calculated a U.S. commitment to sell arms to Iran would greatly enhance.

Bani-Sadr estimates that he can use such a military capability to stage a coup against the powerful mafia of mullahs associated with Ayatollah Beheshti and Ayatollah Montazeri, the leaders of the IRP.

This week the announcement came from Iran that the Ayatollah Khomeini had formed a Supreme Defense Council with total power for administering both military and civilian control during the course of the war. Iranian sources report that the composition of the council was designed to undercut Bani-Sadr's power play.

The Council, which is reportedly carefully balanced between the two factions, typifies the way in which Khomeini has played them off against one another to ensure his own supreme position within the country.

Bani-Sadr's overtures to the United States are being countered by the mullahs' overtures to the Soviet Union.

Early this month, Ayatollah Beheshti gave a speech which echoed a speech delivered the same week by the head of Iran's Communist Party praising Iran-Soviet relations. According to the *London Times*, Aya-

tollah Rafsanjani and Ayatollah Khomeini have called for Iran to strengthen its relations with those Arab countries which are closest to the Soviet Union: Algeria, South Yemen, Syria, and Libya. The sudden cozying up to the U.S.S.R. and the Iranian Communist Party by the traditionally anti-Soviet Iranian clergy is part of a scenario being run through British-intelligence-polluted segments of the Soviet Communist Party associated with British triple agent Kim Philby to spark a superpower confrontation in the Mideast (see article on page 36).

Meanwhile, according to the *Washington Post* of Oct. 15, there is a new wave of optimistic expectation in Washington that Bani-Sadr will be able to achieve a hostage release before the Nov. 4 American Presidential elections, a development calculated to aid Carter's reelection bid. The *Post* reports that the major condition Bani-Sadr has placed on a release is the unfreezing of the \$8 billion in Iranian assets still being held in U.S. banks and the delivery of \$470 million worth of arms, part of a transaction stalled following the taking of the hostages last year.

Mansour Fehrang, a close ally of Bani-Sadr who favors the release of the hostages, is currently representing Iran at the U.N. One day into the Security Council hearings, the Iranian prime minister, Mohammed Ali Rajai, a close ally of the mullahs, suddenly announced that he would come to the U.N. to participate in the hearings. Perhaps Rajai was sent by the Iranian clergy to disrupt any deal Bani-Sadr was counting on to help facilitate his designs of consolidating power in Iran.

Concerned about the southern border

Mexican security authorities are keeping a close watch on Guatemala's stability—and are worried.

In mid-June, I reported that the Society of Jesus was destabilizing the state of Chiapas, in the heart of Mexico's strategic oil region. I explained at the time that Mexican officials were concerned that Guatemalan terrorist activity might also "spill over" the border into this vital area, and create serious political problems.

This week, those fears of the "Guatemalan Connection" were heightened in Mexico. The Oct. 13 issue of *Business Week* reported that the Guatemalan government of General Romeo Lucas had stated that the main obstacle to defeating their country's serious guerrilla problem is the haven that Mexico provides, allegedly with the tacit approval of the Mexican government. According to the article, which was given big play in the Mexican press, Chiapas also serves, along with Cuba and Belize, as a conduit for illegal arms into Guatemala. *Business Week* added that the Guatemalan military believes that this guerrilla activity is part of an international conspiracy sponsored by the Cubans, the Russians, and the Nicaraguan Sandinistas.

But within 24 hours of the first story hitting the newsstands, both Mexican and Guatemalan authorities issued denials of the *Business Week* tall tales. Guatemalan ambassador to Mexico Jorge Palmieri told the press that Gen. Romeo Lucas had made no such statements, and that the Mexican au-

thorities had repeatedly given the Guatemalans full guarantees on this guerrilla security matter.

For the Mexicans, Defense Minister Gen. Félix Galván himself told the press that, although some in Guatemala might say that guerrillas are passing from that country into Mexico, and that they are supplied with Mexican arms, "this is totally false."

General Galván's prompt, strident denial cleared the air; but it also reflected the Mexican government's growing concern over its southern border. It is a well known fact that the Mexican army has reinforced its security along its southern flank in recent months, given that it is in this region that Mexico's principal oil wealth is concentrated.

One Mexican security analyst consulted by *EIR* reminded us of the case of Guatemalan guerrilla John Sosa, who in the 1960s frequently crossed into Mexican territory. Sosa was eventually captured by the Mexican army.

The *Business Week* article brought to the surface the long-simmering related issue of Guatemala's stability. Some diplomatic observers firmly believe that, in the Central American maelstrom, Guatemala is an island of political stability, and that its armed forces will have no trouble defusing the guerrilla threat. Better-informed analysts, however, know that this is not the

case, and that the real problem is that the destabilizing forces operating inside Guatemala are fully supported from outside the country by powerful interests.

One relevant example of this outside support for instability is the recent reactivation of the territorial conflict between Guatemala and Belize by British foreign minister Lord Carrington, during his recent Latin American trip. A *Financial Times* article of Oct. 10 reported that a new round of negotiations between Britain and Guatemala has begun, and that Belize "is likely to move swiftly to independence despite possible objections from neighboring Guatemala, which claims sovereignty over it." Most observers agree that Guatemala will invade Belize the moment Britain grants it independence and pulls out its troops.

Another important "outside" factor in the destabilization of Guatemala is the Society of Jesus, which actively conducts its organizing activities among the Indian population of that country. I have explained in this column on other occasions how the Jesuits have also carried out similar activities among the Indians of Chiapas and other Mexican states, and are having some success in turning entire tribes into religious fanatics. One shocked security official told *EIR* that in a recent tour of the area, he came across one Indian tribe that argued in favor of "collective suicide"—Jonestown-style. This official's office has a huge map of the state of Chiapas hanging on the wall, on which he has pinpointed each and every one of the sects and indigenous groups that live in the zone.

Mexico is indeed keeping a sharp watch to the south.

International Intelligence

New Mexican oil offer to Japan

Speaking to a three-day conference of Japanese and Mexican businessmen and officials this week, Jorge Díaz Serrano, the head of Mexico's state oil company, Pemex, surprised his Japanese hosts with a call for a novel kind of cooperation on energy supplies between the two countries.

Díaz Serrano first reiterated Mexico's long-standing policy of selling oil to those nations that help Mexico with capital and technology. He then called for "a new form of association . . . which will support a process of refining in which both you and we participate." The Pemex chief said that Mexico and Japan could jointly refine and market petroleum products to Japan's 114 million consumers.

Mexico is also believed to be interested in using a joint Japan-Mexico refinery project on Japanese soil as a bridge to the Asian market. Díaz Serrano will travel to South Korea, China, and Hong Kong after his Tokyo stop.

Large downturns in U.K. industrial output

British media hailed both a slowdown in monetary growth rates and a September trade surplus this week, although both of these were the product of new, large downturns in Britain's economic activity.

The purported good news was that in September, the Bank of England finally succeeded in bringing the growth of M3, a broad definition of money supply, down to .6 percent. Also greeted by London was the announcement of a record trade surplus in September, when exports outperformed imports by \$60 million.

What lies behind these figures is a continuous downward ratchet of production. Industrial output in August fell 2.4 percent. The trade surplus in September resulted from a more rapid decline in imports than exports: while exports fell

to \$9.44 billion, imports fell to \$9.38 billion.

September steel output was at 55 percent of 1979 levels for the same month. In response to dramatic downturns in steel demand recently in Europe, which have recently cut prices by 10-15 percent, British Steel, Britain's leading manufacturer, has just announced new reductions in capacity utilization. With 25,000 new layoffs expected in coming months, British Steel intends to reduce capacity from a current 15 million tons to 12 million tons.

Life for the average industrial worker in the country has become unbearable. During the governing Conservative Party conference Oct. 12-13, trade unionists battled with police outside the conference hall, demanding a reversal of government policy.

Jamaican government no longer in control

The assassination of Jamaica's assistant Security Minister Roy McGann by members of his own national police while campaigning in Kingston this week underscores the fact that Jamaica has become ungovernable and brings closer the prospect of full-scale civil war. Barely a week before, Prime Minister Michael Manley and Security Minister Dudley Thompson managed to escape unharmed when gunmen shot at them in separate incidents.

According to official sources, while touring his St. Andrew district McGann came upon a roadblock manned by the security forces and members of the opposition Jamaican Labour Party, who began to hurl stones at him. He called for police reinforcements, using the two-way radio in his vehicle. When they arrived, they shot McGann and his bodyguard in cold blood, eyewitnesses say. The entire incident was monitored by officials of the ruling People's National Party, with whom McGann was in radio contact.

McGann's bodyguard, who survived the police attack, was kidnapped from a

Kingston hospital, where he was being treated for gunshot wounds, by a mob of Jamaican Labour Party members.

The death of the Jamaican official was "the first time in our history that a candidate for political office has been killed," said Prime Minister Manley in a speech broadcast nationwide. Manley called on his supporters to remain calm and not to take reprisals. He also said that the elections will take place as scheduled.

Poland, Hungary at center of policy maneuvers

Sensitively placed diplomatic sources have told *EIR* that the U.S.S.R. views the ongoing destabilization of Poland as a virtual coup d'état by NATO and certain Vatican factions. The Kremlin now believes Poland will move toward withdrawal from the Warsaw Pact/Comecon bloc. The new Kania leadership intends to "de-socialize" the Polish economy, the Soviets conclude. Other sources add that the Polish crisis is still so serious that the West German chancellery is on alert for a Soviet invasion. Brezhnev's emerging support for Carter's reelection may involve a U.S. pledge to cool the situation.

British Foreign Secretary Lord Carrington will visit Hungary and Poland this month, in something other than a detente effort. Hungary is moving in the direction of membership in the International Monetary Fund, according to Hungarian central bank chief Janos Fekete. The Hungarian banker is one of the architects of his country's "New Economic Mechanism," a policy model preferred by many of the new leaders of Poland.

Speaking to a conference of bankers sponsored last week in Charlottesville, Va. by Manufacturers Hanover Trust, Fekete outlined the domestic program matching his international policy. It features "legalization of the present black market of small shops and artisans," according to a *Journal of Commerce* account of Fekete's speech.

Briefly

● **WASHINGTON** "would lose its most faithful lackeys" if it complied with Philippines requests to extradite suspected terrorist leaders now living in the U.S., claims popular Filipino columnist Teodoro Valencia in the *Manila Express*. He charges that the U.S. State Department is "coddling Filipino rebels in the U.S. despite official Philippines protest." The Philippines defense ministry just revealed that members of the organizations responsible for the recent series of urban bombings were trained in the American Midwest by the U.S.-based Movement for a Free Philippines, and also documented their use of American-made explosives. Nonetheless, the U.S. has turned down extradition requests.

● **A STATE OF** emergency has been declared in Sri Lanka on the grounds of alleged plans by the opposition to encourage its members to murder the president and incite riots. Opposition leader Sirimavo Bandaranaike is expected to be ousted from the parliament, following a guilty verdict last month on charges of abuse of power reminiscent of the campaign against India's Prime Minister Indira Gandhi before she regained power.

● **NORTH KOREA'S** party congress, as expected, elevated the son of Korean strongman Kim Il Sung in preparation for his role as successor to his father. More interesting was the competition of the two communist giants, Peking and Moscow, for the Kims' favors. Peking, which is favored in Pyongyang, sent its number two ranking man, Li Xianian, while Moscow sent a Politburo member thought to be among the possible successors to Brezhnev.

● **LEONID BREZHNEV**, in a statement preceding his talks with Occidental Petroleum's Armand Hammer Oct. 14, declared that he maintains "warm feelings for Jimmy Carter," Hammer reported.

Expanding on these ideas in an Oct. 12 interview with the *Washington Post*, Hungarian economist Bela Czikos-Nagy said Hungary would introduce reforms making "provision for unemployment as a means of improving labor efficiency. . . [and] a planned curtailment of industrial growth."

Sadat launches new "Pan-Arab League"

Egyptian president Anwar Sadat established a League of the Islamic and Arab Peoples in Cairo last week. The League will aim to position Egypt in the forefront of a pan-Arab, pan-Islamic movement committed to "taking on the Soviets" in the Middle East.

Mideast watchers assert that the new League is designed to function in the context of a NATO militarization of the Middle East.

The secretary general of the newly formed League is Sayyid Nawfal, the former secretary general of the Arab League. The Arab League's headquarters were removed from Cairo upon Sadat's signing of the Camp David accords.

The assistant secretary of the League is Harun al-Mujaddadi, described by the Egyptian press as "an Afghan struggler" dedicated to eliminating Soviet influence in the region.

China, U.S. keep Pol Pot alive in U.N.

The United Nations General Assembly voted Oct. 13 to maintain the former Pol Pot regime as the representative of Kampuchea for another year.

Peking and Washington, with assistance from Thailand and Singapore, were the prime movers behind the support for Pol Pot. The votes followed the same pattern as last year's; almost half the U.N. members either voted against Pol Pot or abstained.

The Vietnamese ambassador, Ha Van Lau, told the General Assembly debate that his country was not asking for the recognition of the present government of Heng Samrin in Phnom Penh but merely that the U.N. seat be kept vacant. Lau asserted that the world—with exceptions like China—condemns the Pol Pot murders and that the division was only over recognition of the new Phnom Penh government, which, he emphasized, has run Kampuchea for 20 months now, "restored a devastated country," and checked famine conditions.

Lau called on the U.N. to reject the presence of representatives of a regime which "killed almost half its people." "Cutthroats cannot represent their victims," he declared.

Iraq and Iran communists condemn Saddam Hussein

The communist parties of Iraq and Iran have issued a joint statement from Rome attacking Iraqi president Saddam Hussein for his invasion of Iran aimed at overthrowing the Iranian dictatorship of Ayatollah Khomeini. The statement attacked President Hussein for "his expansionist purposes" and charged that he aims to replace the former Shah "as the world's gendarme."

Saddam Hussein has initiated a tough campaign to contain the influence of the Iraqi Communist Party since he came to power last year. Like its Iranian counterpart, the Iraqi CP is controlled by British intelligence through the latter's assets in the U.S.S.R. associated with triple agent Kim Philby. The British have made no secret of their disdain for Saddam Hussein's designs to make Iraq the economic model for a full-scale Arab development plan for the next two decades.

The statement emphasizes the "democratic" rights of the minorities in Iraq, especially the Kurds, a minority group historically infiltrated with British and Israeli agents attempting to manipulate the Kurds against the governments of both Iran and Iraq.

Abscam bringing about Congress's self-destruction

by Scott Thompson

Michael J. Myers, the elected representative of a South Philadelphia congressional district, was expelled from the House of Representatives on Oct. 2. The vote was an overwhelming 376-30 in favor.

The expulsion of Congressman Myers is a story of Justice Department blackmail of the legislature and the cowardly capitulation of elected officials to that blackmail. In playing fast and loose with the issues involved, the House has potentially sown the seeds for its self-destruction.

In the entire history of this nation, there have been only three other congressmen successfully expelled from the House, all in 1861, the year the Civil War started. Each of those expelled was convicted of high treason.

Congressman Myers, in contrast, was not yet convicted. He is charged with bribery, having been targeted by the Justice Department's Abscam entrapment operation along with five other members of the House.

A key hearing in Congressman Myers's Abscam case is still pending before the U.S. District Court for the Eastern District of New York. At that hearing, evidence not presented at the jury trial will be examined to determine whether his constitutional right to due process had been violated.

In initiating expulsion procedures against Cong. Myers before his conviction, the House Committee on Standards of Official Conduct not only broke its own rules of congressional conduct, but it dismissed the constitutional rights of Myers's South Philadelphia constituents, who are left without elected representation.

Two members of the committee, Lee Hamilton and

Louis Stokes, strongly condemned their colleagues:

"In no meaningful sense can it be said that Representative Myers has been 'convicted.' On the contrary, he has reached only the first milestone along a road of many junctions that might or might not lead to a conviction.

"This Committee could thus find itself in the wholly untenable position of having expelled a member who has never been—and may never be—convicted of a crime [emphasis added—ed]."

Profile in cowardice

Using laws that were not even on the books until a decade ago, the Justice Department has convicted 20,000 business, labor, and political leaders over the last four years alone. This political purge has already exceeded the Moscow Trials in scope.

It was in this witchhunt climate that the expulsion was voted up. When Cong. Austin Murphy (D-Pa.) intervened with members of the Committee on Standards to remind them of their constitutional task, he raised the question:

"It strikes me that what if a member of this committee votes for Mr. Myers or what if myself, a congressman from Pennsylvania, speaks on his behalf? Do I now face an executive probe because I had the courage to voice my opinion? Does the FBI now target me for some special action?"

Astoundingly, none of Murphy's colleagues could assure him that he would not now become a Justice Department target.

The case against Congressman Myers is far stronger than it is in many other Abscam/Brilab cases. Myers had admitted taking \$15,000 out of a \$50,000 payoff from aides of the Abscam sheik, and the videotapes released by the Supreme Court show him accepting the money.

On these tapes, Myers also makes some fairly strong statements. This is particularly true of the taped meeting with the "sheik," to whom he is clearly giving the hard sell.

To show that he was willing to sell his influence, statements are often quoted in which Myers brags about his ability to help the "sheik" on immigration problems: "We can introduce a bill, sure. . . I got the clout to introduce legislation." Or, again: "Now we use all sorts of connections in the State Department. . . ."

The bottom line: Congressman Myers and his associates were entrapped by the Justice Department. Many of the steps to his entrapment took place in meetings that were never taped by the FBI.

First, the Justice Department claims that it targeted Myers and five other congressmen in Abscam because they had "*criminal minds*." Whether this was decided on the basis of sticking pins in the Congressional Directory, or by some other method, the Department has refused to say.

The Justice Department actually went after the leadership of the "delivery system" that built America and makes it work.

In the case of Abscam, the targets selected for entrapment were even more specific. Every one of those congressmen and senators who were Abscammed held a powerful position on one or more committees responsible for an area of the economy.

Myers, a former longshoreman, was a member of the House Marine and Fisheries Committee and the Education and Labor Committee. The chairmen of these committees, respectively Frank Thompson (D-N.J.) and John Murphy (D-N.Y.), were also targets. Until he got Abscammed, Thompson was a leading opponent of trucking deregulation. Until he got stung, Murphy was a staunch opponent of shipping deregulation; afterward, he dropped his public fight.

Second, these men were lured into crime, or at least the appearance of crime, using hardened criminals hired especially for this purpose under the Justice Department's Federal Witness Protection Program.

Third, the actual "deal" entrapment agent Melvin Weinberg offered Myers was not that claimed by the Justice Department at the trial. At hearings of the House Committee on Standards, Myers testified: "Now, I was told [by Weinberg] that the sheik likes tough guys; you got to talk tough; you got to act like you control everything, and come on strong. That was my basic script. 'You come on strong, to play-act, and . . .

the sheik would be willing to invest in the district . . . and give a hundred thousand dollars to the law firm As instructed, I walk in the door and start right out with about a four-, five-minute explanation of how strong I am. Now, would anybody go to a meeting and start off like that?"

In fact, the tapes confirm that Weinberg told him to play-act in this manner.

In one slip, Weinberg says on tape: "You gotta sell it like mad . . . you're on stage for 20 minutes." Not only did Weinberg con Myers into acting tough for the hidden FBI camera, but he also told him in private that none of his promises to the sheik had to be fulfilled. Instead of legislation and influence with the State Department, the "deal" Weinberg offered Myers "off-stage" was a small recompense in exchange for helping the sheik's aides invest in the Camden-Philadelphia area.

The issues in Abscam

There are other constitutional issues involved in the Justice Department's targeting and entrapment methods. No one has stated these better than Cong. Austin Murphy in his testimony before the House Committee on Standards, testimony which none of his colleagues could assure him would not bring him under the scrutiny of the Justice Department: "As a Congressman, I would want to see my colleague, Mr. Myers, disciplined, but I also feel strongly that safeguards that the people have in an elected Congress must be protected by this committee. . . . I shudder to think what might happen . . . if some day a chief executive comes on the scene and says that 'I am tired of dealing with an elected Congress and I am going to get enough of them indicted and they will all make moves against each other and I will dissolve that Congress. . . .'"

"What would happen to we members of the 96th Congress if we expel [Congressman Myers] and your later probes or the due process conduct of court proceedings points out that there were tremendous illegalities under our constitutional law committed by our government, yours and mine. Then, what do we do in coming years as we retire from this body and think that we expelled a member whose due process under our very Constitution was violated? . . ."

"I think we should be as interested in preserving our constitutional form of government as we are in disciplining members who would violate our code of conduct, and I too am interested in that."

These are the questions that face Congress.

Myers's constituents have already answered them. Though his entrapment and the contents of the Abscam videotapes were known months in advance due to Justice Department "leaks," he was successfully renominated by a sizeable plurality over 17 other candidates.

An administration scandal: the real unemployment picture

by Lonnie Wolfe

The Carter White House is covering up a national unemployment crisis and dangerously manipulating funds in various compensation programs in an effort to secure the President's reelection.

People within Carter's own Department of Labor report that the cover-up takes two forms.

First, there is a deliberate statistical fakery to lower the real number of "official" unemployed listed by the Bureau of Labor Statistics. This is done by arbitrarily eliminating from the official ranks of the unemployed those people said to have left the labor force or who have become discouraged and are said to be no longer looking for work. Under pressure from the White House, Department of Labor statisticians have recently found more of these "discouraged" workers thereby lowering the unemployment rate.

An *EIR* study found that if the Bureau of Labor Statistics used their previous marginally more rigorous standards and placed some discouraged workers back into the "labor force," the unemployment rate would exceed 10 percent. Using more rigorous—and therefore more accurate—criteria, the unemployment rate soars to 20 percent.

Many Labor Department officials now regard their unemployment figures as so unreliable that they cannot be used as the basis for competent policy planning.

The statistical fakery is only one aspect of the cover-up. Worried Department of Labor officials say that the White House should have come to the Congress early this summer with several multibillion-dollar funding requests to shore up severely underfunded and weakened benefit programs. Instead, the administration deliberately ignored "red flag" warning signals, delayed, and in some cases "deep-sixed" funding requests until after the election. The idea was to keep the unemployment issue from exploding in the President's face prior to the August Democratic National Convention. Now, the White House wants to keep the issue low key through November 4.

Department of Labor officials revealed that the

following budget requests should have been made:

- \$2.4 billion to cover additional costs of the Trade Adjustment Assistance program which makes cash payments to workers laid off because of imports. Instead, the administration submitted a request for only \$800 million or one quarter of what it knew the cost would be. With funds running out to cover 475,000 workers on the program, its DOL administrators expect the White House to make an "emergency request" for funds in the lame duck session *after the election*. They worry that it might not get through Congress.

- \$2 billion for additional funds for the Federal Unemployment Trust Fund. Without this money DOL officials expect the fund, which allocates loans to the various state unemployment insurance funds to keep them solvent, to go broke. There is only \$1 billion left in the fund now, which will not be anywhere near enough money to cover an expected borrowing crunch early in the year.

The Department of Labor expects almost every northern industrial state plus two Great Lakes states, Illinois and Indiana, to request loans. Michigan is expected to request an additional \$400 million on top of the \$842 million it has already received. The White House will not ask for any additional appropriation until after the election; again DOL officials are worried about the prospects of quick action from Congress. The White House informed them that if the "problem" was handled any other way, "the whole lid could have blown off the unemployment issue."

Fraud maneuvers

White House manipulations do not stop here.

Early last summer, the White House acceded to pressure from labor and other constituency groups and "agreed" to press for an extension of unemployment benefits to 52 weeks, through passage of legislation adding 13 weeks of federally supported supplemental benefits at a cost of \$1.5-\$2 billion. While White House aides were making these promises, other Carter opera-

tives were pulling a statistical maneuver.

By nearly everyone's calculations, the first 13-week extension (bringing benefits up to a total of 39 weeks), should have been automatically "triggered" on or about July 20. But, for an as yet officially unexplained reason, the 13-week extended benefits were not put into effect on that date.

DOL sources now say that the reasons were "political." After a court battle, the administration "graciously" put the extended benefits into effect on Aug. 24.

More than 160,000 workers will use up their 39 weeks of eligibility by the last week of November. An additional 250,000 workers will lose their eligibility in December. If the 13-week extended benefits program had gone into effect July 20, more than 200,000 workers—many in key states such as Pennsylvania, Ohio, Michigan, and Illinois—would have lost their benefits days before the election.

With this political time bomb delayed until after the election, the Carter administration saw no compulsion to seriously push for the second 13-week extension of unemployment benefits. They submitted legislation so late in the last congressional session as to make passage impossible. In addition, they cut back their proposal to only 10 weeks.

DOL sources express little optimism about chances for passage, acknowledging that "unfortunate" restrictive amendments are likely to be tacked onto any bill. Such amendments would undermine the whole purpose of extending the benefits and may actually wind up eliminating people from the program.

White House aides are also playing politics with the Trade Adjustment Assistance (TAA) program. The administration had promised labor, especially the United Autoworkers (UAW), that it would support an extension of the TAA to cover workers in "feeder" industries that make component parts for import-affected products such as automobiles. The White House, however, argued in Congress that such an extension should only cover workers who "contribute more than 50 percent" to a given component. This would save a billion dollars, claimed the administration.

"We don't want to cover everybody," said Mark Fooks, the director of the TAA program. "Why should service workers such as people who clean blast furnaces or auto plants or security guards receive benefits?"

But Congress swept aside the administration proposal and the House and the Senate passed a more extensive expansion of the program. The Carter administration has held back its support and privately tells people—other than UAW officials—that the bill will not go anywhere.

The net effect of all this cover-up and manipulation is to delay the emergence of unemployment as an explosive political issue until after the election. The

Carter White House, whose major objective is to secure reelection, is aware that between the election and no later than June 1981 nearly all workers now receiving some form of unemployment compensation will have their benefits expire.

The problem is exceptionally acute for auto workers. Their maximum benefit—for all federal compensation programs—is \$269 per week. In most cases, this represents more than a 30 percent cut in real wages. But that is only for workers covered by the Trade Adjustment Assistance Act. Private SUB-pay (Supplemental Unemployment Benefits) programs in the auto industry are running out of money and have cut back benefits at every company except General Motors. Without private SUB-pay or TAA cash grants, the laid-off auto worker must solely rely on unemployment insurance. In Michigan, for example, the maximum unemployment benefit is \$136.

When their unemployment and TAA benefits expire, they will receive *zero*.

Even if the administration delivered on all its promises, DOL spokesmen say there are no proposals to improve benefit levels or to significantly extend programs.

Instead, the White House has ordered the Department of Labor to work on programs aimed at using the unemployment crisis as a means to recycle workers out of the auto and steel industries and into service and other "growth" sectors. Right now these programs are in the "test" stage. Expansion to include major worker relocation programs is not slated until 1982-83 at the earliest.

Spokesmen for the White House, such as domestic policy adviser Stu Eizenstat, have indicated privately that they would like to see such programs accomplished with the minimum of compulsion. The failure to extend or seriously improve benefit programs fits into this plan. DOL analysts claim that there is a direct correlation between workers' lack of adequate benefits and their willingness to accept retraining for jobs at lower than their previous pay rates. "They [workers] are beginning to change their minds about taking new jobs," said Mark Fooks who heads the TAA program in the Department of Labor. "It's just a start, but if things get worse, more people will see this."

Aside from correctly blaming Carter administration economic policies for increasing unemployment, GOP candidate Ronald Reagan has failed to make the unemployment crisis, especially the manipulation of benefit funds, a real issue in the campaign. Reagan has not said anything about what he would do with various unemployment benefit programs. It is known that such Reagan advisers as former treasury secretary William Simon and economist Milton Friedman would like to see these programs drastically curtailed.

The Proposition 13 wave

Stephen Parsons surveys tax-cut referenda around the country and their consequences if passed.

On the fourth of November, voters in seven states will decide on taxation referenda modeled on the notorious Proposition 13 that carried in California two years ago, as well as on other tax limitations and repeals. At deadline, these votes appear to be extremely close. Most of those who favor these measures think they will get drastically lower property taxes and other tax relief, curtailment of apparently excessive government spending and of marginal programs, tax savings that will stimulate the economy, and renewed housing construction. What they will end up with is something quite different: a virtual collapse of state and local services, with depressing effects for the rest of the economy.

The proponents of the original Proposition 13 in California like to point out that the doomsayers have been wrong. But California has been able to mitigate the local revenue loss because it has had one of the nation's highest growth rates, which has increased flows of other funds to the government. A nearly \$4 billion surplus in 1978 has enabled reimbursements to localities on a scale that would simply be impossible in other parts of the nation. Now the recession has caught up to California. As in other parts of the country, revenue in constant dollar terms is falling as business stagnates and unemployment increases. The extra billion for localities will just simply not be available.

The various "Prop 13" proposals generally include rollbacks of property tax assessments to the levels of two to five years ago, and a ceiling in the range of 2 percent on annual increases. This would cut property taxes 40 to 75 percent and put a lid on the inflationary spiral that in some areas has seen property tax rates increase 300-400 percent in recent years.

Since property taxes generally comprise the bulk of local revenues, towns and counties would face severe expenditure cutbacks. In most cases, the majority, or at least a high ratio, of these taxes fund public school systems that in urban areas especially have already suffered substantial cuts in personnel and programs.

Deep budget cuts, if not outright elimination, would take place in other areas as well, such as administration, highway maintenance, senior citizen programs, and community services. While efforts would undoubtedly be made to maintain vital safety services like police, fire, and ambulance, there is every indication that these too would be severely affected.

Most state government budgets would not be directly affected in a major way by these Prop 13s. Pressure would mount, however, to allocate state funds to compensate localities for their losses and prevent a complete breakdown in local services. In most states, the combination of high inflation with the current recession has caused a revenue shortfall, or at best stagnation, that either precludes major state aid or would force significant tradeoffs of existing state services for local exigencies. To the extent state aid is forthcoming, it will mean less control of services at the local level, especially of school systems, as demonstrated in California.

In general, the proposed referenda are not statutory proposals, but state constitutional amendments that carry with them provisions for limiting the power of state and local governments to increase taxes. In the best cases, it would take a two-thirds legislative majority to raise new taxes either locally or statewide, with permanent prohibitions against raising certain taxes.

More often than not, the only way revenues could be increased would be through ballot initiatives requiring a two-thirds vote. Legislatures would thus be effectively prevented from exercising their mandate to deliberate on and enact the programs they deem necessary.

A major consequence of these revenue-raising strictures would be a virtual halt to capital construction projects both locally and statewide. These projects, especially the larger ones, are generally funded through bond sales, which are often paid through the imposition of a special tax. The various Prop 13s would not only proscribe such new taxes, but would shut localities and states out of the long-term capital markets in the first

place. It would not take many years before everything from highways to sewers begin to disintegrate.

Michigan: the Tisch Amendment

Modeled on Proposition 13 and the most radical of three property tax reduction proposals on the Michigan ballot, the Tisch Amendment is a clear example of what Prop 13 will mean for the nation.

Named for Shiawassee County Drain Commissioner Robert Tisch, the amendment ("Proposal D"), features a rollback in property assessments to 1978 levels followed by a 50 percent reduction in these assessments and a 2 percent ceiling on future increases. This would mean a 60 percent, or approximately \$2.6 billion, reduction in property tax revenues, which in Michigan go only to county and municipal governments as well as school districts.

The Tisch Amendment then requires the state to reimburse localities for every dollar of property tax receipts. Combined with other tax reductions in the proposal, this would cost the state \$2.5 billion—well over half of the state's current \$4.5 billion general fund and 25 percent of its total budget. Neither the state legislature nor local governments could enact new compensatory taxes; statewide taxes could only be enacted by a 60 percent voter referendum approval, and local taxes by a voter majority. As Mayor Coleman Young of Detroit observes, the proposal is "an invitation to anarchy."

Because the bulk of the state's revenues are already earmarked by state and federal law for specified expenditures, the reimbursement could only come out of categories within the general fund. Governor William Milliken has prepared the following plan for that eventuality: Close most of Michigan's 84 state parks; close most state mental health facilities except those for the criminally insane. Transfer 7,000 to minimal care community facilities which provide only beds and no care; eliminate aid to 12 of the state's 15 colleges. Aid to Wayne State University, University of Michigan, and Michigan State University would be cut in half; close the State Board for the Blind and State School for the Deaf; eliminate statewide achievement level testing of elementary and secondary school students; lay off 75 percent of the uniformed state police—about 1,650 troopers; close all National Guard armories in the state; cut public assistance benefits by 40 percent; eliminate the Department of Licensing and Regulation; eliminate the Commerce Department's health licensing functions.

A private study done by Public Sector Consultants of East Lansing actually gives a worse picture than the governor's plan by tracing out the effect on the private sector. This study adds the following effects:

- The loss of 40,000 state and local government jobs and 40,000 to 80,000 private sector jobs. Some of the

latter unemployment would be directly related to the government cutbacks, but most would be due to the adverse impact on the state's economy.

- The closing of 10 of the state's 29 community colleges and 15 of the 54 private colleges because of lost state assistance.
- Drastic reduction or elimination of special and vocational education programs and related school expenditures.
- Elimination of all state Public Health Department services except "defense programs" like immunization.
- The Commerce Department "would no longer be able to support Michigan business and industry, hence further worsening the economic climate."

Although the Tisch Amendment was defeated in 1978, the severely depressed Michigan economy, with an unemployment rate over 12 percent, has generated a hue and cry for tax relief from an increasingly desperate population. The amendment has gained popular support in recent weeks, despite two more moderate property tax proposals on the ballot.

The first is the **Smith-Bullard Amendment (Proposal A)** which would virtually eliminate school funding through the property tax, and instead fund education almost exclusively through the state. Increases in the state income tax rate and business tax hikes of 10-20 percent would provide the revenue. Proposal A is backed by the Michigan Education Association and the League of Women Voters.

Proposal C, which is favored by government, most of labor, the press and business, is the most moderate. It is essentially a tax tradeoff, in which reduced property taxes would be offset by a 1½ percent increase in the sales tax.

Massachusetts: Proposition 2-and-a-half

Proposition 2½ would limit the property tax rate through Massachusetts to 2½ percent of market value, with a similar limitation on yearly increases in assessments. Unlike most other states, property taxes are constitutionally the sole tax revenue permitted to localities. As in Michigan, the deepening recession is fueling the appeal of the proposal—spurred on by the politically inept actions of local officials like Boston Mayor Kevin White, who recently raised the city's millage rate from 25.2 to 27.1, a 7½ percent increase.

These officials have heightened the taxpayers' rage by trying to curry their favor while simultaneously accelerating austerity measures. Thus, conservative Governor King pushed through a law last year limiting tax revenues to a 4 percent annual growth rate, even though that has meant sharp service reductions in older cities. In frustration, mayors in the Greater Boston area are attacking the governor for excessive spending in the state-run Metropolitan Boston Transit Authority and

for caving in to the powerful Carmen's Union. And each week sees new charges of official corruption.

South Dakota: the Dakota Proposition

This ballot initiative would enact property tax limitations and rollbacks similar to the aforementioned referenda. It would also be a virtually permanent constitutional amendment, requiring a two-thirds popular vote to be repealed, as opposed to the current referendum requirement of a simple majority. In addition, new taxes could be enacted only through a two-thirds popular vote, with property tax rises fixed at 2 percent per year maximum.

The proposition would entail a 58 percent loss in local property tax revenues, or about \$138 million. In South Dakota, 40 percent of the state's general fund already goes directly into localities and counties, and the state simply has no other funds for reimbursement. Sixty percent of all property taxes currently go for education, and these would be drastically slashed to maintain some semblance of vital services like fire, police, and ambulance.

Under the Dakota Proposition, the county-owned mental health system would be shut down. The county-controlled planning districts system would be eliminated. County fairs, 4-H, and senior citizen centers would disappear. And no one could issue bonds for capital improvement, both because of the near impossibility of getting new tax levies approved and because of inevitably lowered credit ratings.

Nevada: Question 6

This is one of three tax questions on the ballot next month. Property taxes here would be limited to a maximum 1 percent of market value, with yearly assessment increases of no more than 2 percent. New taxes (excluding, again, property taxes) could be enacted only by a two-thirds vote of legislative bodies. This would result in an estimated 40-50 percent loss in local revenues. Although the state is currently running a healthy budget surplus, that is expected to evaporate next year.

Ironically, passage of Question 6 would reinvoke two taxes that the legislature repealed this year after attaching a proviso automatically reinstating them if Question 6 were passed. Referenda to abolish these two taxes, which are on food and personal property, are also on the ballot, but in Nevada it takes two successive votes to pass a constitutional amendment, and these are appearing for the first time. Question 6 already passed once, in 1978.

Oregon: Measure 6

Measure 6, which was defeated in 1978, is actually the forerunner of Proposition 13 in California, with

similar provisions for the property tax levels as previously discussed, including subjecting all new tax proposals to two-thirds voter approval. Although Oregon already has enacted a law to reduce local property taxes by up to 26 percent with partial state reimbursement, Measure 6 would further reduce these taxes by a huge 75 percent, or \$1.5 billion, in the 1981-83 biennium. Sixty-two percent of these taxes go for education.

State budget officials point out that one-third of these savings by taxpayers will be wiped out through loss of \$195 million of state tax reimbursement funds (since properties would have much lower assessments), plus \$300 million in higher state and federal income taxes due to those savings.

Arizona: Proposition 106

Again, this is very similar to Proposition 13. It provides for property assessments at 1975 levels, although the effective property tax rate for the state is already among the lowest in the nation at .75 percent of market value. Last June, voters repealed the sales tax and enacted limits to property assessment increases. Since 6 percent of the state's general fund revenue comes from the property tax, passage of Proposition 106 would directly reduce the general fund by around 3 percent, thereby precluding significant aid to localities.

Montana: Tax Indexing Initiative

This would index: 1) personal state income tax exemptions to the Consumer Price Index for a given fiscal year, as well as 2) the amount of the standard tax deduction. If inflation is figured at a very conservative 8 percent, it would mean a 10 percent drop in state income tax receipts at a time when the state is in deep recession and revenues are stagnant or falling. A more realistic 15 percent inflation rate would mean a 20 percent income tax revenue drop—about a 10 percent cut in general fund receipts and a 25-30 percent real cut. Income taxes destined for capital projects would probably be diverted toward operating expenses, thereby constricting the state's already meager long-term development plans. The School Foundation Fund would suffer a 10 percent reduction as well.

Ohio: The "Fair Tax" Initiative

This would eliminate many business tax breaks and increase taxes on larger corporations from 8 to 10 percent, while granting tax relief to low and moderate income homeowners, tenants, farmers, and senior citizens. It is sponsored by the left-wing Ohio Public Interest Campaign, headed by Ira Arlook, a crony of Tom Hayden from the old SDS days. Hayden and Jane Fonda have plugged extensively for this referendum.

The case of Orlando Bosch

Is the Venezuelan president making his country into a terrorist haven—with U.S. help?

Orlando Bosch and three co-defendants will be freed this month following the surprising Sept. 17 decision by Venezuela's Military Tribunal to absolve them of any involvement in the 1976 bombing of a Cubana Airlines jet. Bosch heads the Cuban exile terrorist organization Omega 7, which six days before the tribunal's verdict claimed responsibility for the New York assassination of Cuban United Nations diplomat Felix García Rodríguez.

When the 1976 terrorist case came under Venezuelan jurisdiction, because Bosch had been arrested there right after the bombing, the government then headed by Carlos Andrés Pérez promised to prosecute to the fullest. Last month, the new Venezuelan government, with Christian Democratic Herrera Campins as president, reversed position. The government prosecutor, Antonio José Moros González, asked the military tribunal for an acquittal, claiming "lack of evidence."

The prosecutor himself had arranged this deficiency, however, by throwing out documentary material from Barbados and Trinidad police forces on the basis that it was not translated into Spanish by "designated experts," and refused to enter Cuban police evidence because it was presented "in defective form."

He then introduced a Scotland Yard report that the bomb had ex-

ploded in a different section of the plane from the one originally identified, and therefore, he said, could have been put in place at a different time by someone other than Omega.

Word leaked out last week that coaching on the case came from U.S. ambassador William Luers, who, according to the Venezuelan press, had attended a sensitive high-level government meeting on how to handle Cuba's angered response to the freeing of the terrorists. The meeting was said to have confirmed the hard-line anti-Castro response initially adopted by the Herrera government.

When Christian Democratic foreign affairs secretary Leopoldo Castillo confirmed Luers's presence at the meeting, the question was raised in Caracas political circles: was Luers in on meetings prior to the government's decision to pull the case? Did Luers promise U.S. protection for contaminated Venezuelan networks when Omega 7 hit quads step up their continental activity after Bosch is released?

Speculation has now surfaced that the Luers hard-line approach may have been adopted specifically to provoke counterterror on the part of networks connected to the Havana government, thus heightening the already unprecedented "left"- "right" warfare across Latin America.

The Italian weekly *Panorama* reported last week that the Herrera

government is now embroiled in a second international scandal. This one involves protection of a leading Italian terrorist, Marco Donat Cattin, who is a member of one of the most violent "left" Italian-based terrorist groups, Prima Linea. According to Italian police sources, the youthful Donat Cattin is currently in Venezuela, but Venezuelan police are not cooperating in the effort to find him.

Panorama reported that suspicion is growing that the lack of cooperation was ordered from the top: President Herrera is close to the wing of the Italian Christian Democracy which Donat Cattin's father, vice-secretary of the party, has helped to lead since the days when Herrera lived in Italy.

Further details on the next wave of terrorism planned by Omega 7 came early this month from Alicia Herrera, a Venezuelan journalist who called a press conference in Mexico City to charge that she had personally overheard Bosch bragging about his plans to eliminate former president Carlos Andrés Pérez and former Mexican president Luis Echeverría as soon as Bosch is freed. She said she knew Venezuelan guards had heard the boasts as well.

Mrs. Herrera, who had gained the confidence of Bosch through his ties to Venezuela's large Cuban exile community, served as the group's "courier" from prison, and further told the press that Bosch openly and repeatedly claimed responsibility for ordering or executing various terrorist exploits, including eight of the best-known incidents in 1975-76. Bosch used his relaxed visiting privileges, she also said, to maintain close contact with Omega networks while in prison.

Capitol Hill Close-Up

Congress to clash over materials bill?

The long battle between the executive branch and the Congress over whether the country will have a coherent national materials and minerals policy is reaching another point of confrontation as President Carter decides whether to sign or veto H.R. 2743, the Materials Policy, Research and Development Act of 1979. The legislation, the final version of which was passed by the Congress in the last days of the pre-election session, mandates the President to return to Congress within one year with a plan for implementing the materials research and minerals assessment objectives of the bill. It further places coordinating responsibility for federal materials R&D, which has been fragmented, under the Office of Science and Technology Policy of the President.

Science and Technology Committee ranking Republican John Wydler (D-N.Y.) warned of the problems of a short-sighted national materials policy in comments made during final discussion of the bill on the House floor on Oct. 2. "Energy policy and materials policy are intimately related. For example, new sources of energy such as fusion will require access to highly exotic materials many of which we must import and are in short supply the world over. Materials could be one of the fundamental limitations of the fusion energy program which I strongly advocate."

While the orientation of the original House legislation was primarily toward R&D, the Senate added two other thrusts. The Sen-

ate Commerce Committee, led by Senators Howard Cannon (D-Nev.), Adlai Stevenson (D-Ill.), and Jack Schmitt (R-N.Mex.) added provisions to promote actual commercialization of new materials technology and for the Commerce Department to submit a "bill of materials" for U.S. industry to the overall presidential review.

Senate Energy Committee head Scoop Jackson (D-Wash.) succeeded in adding language to the bill which emphasizes defense-related aspects of critical minerals and materials and remands certain review functions to the Defense Production Agency and to the Federal Emergency Management Agency, the "super"-agency empowered to handle all aspects of the U.S. economy in an emergency.

The bill is currently on the President's desk. The Departments of Commerce and Interior are reportedly recommending that Carter sign it, while the Office of Management and Budget is recommending a veto, despite the fact that the bill authorizes no money.

Budget Committee gets new look

A Special Subcommittee on Industrial Growth and Productivity has been established by the Senate Budget Committee, charged by Budget Committee chairman Ernest Hollings to review U.S. industrial policies. The new subcommittee will be headed by Sen. Lawton Chiles (D-Fla.) who had requested the formation of the subcommittee.

Aides to the senator made clear that the new subcommittee will act to pinpoint those industries that should be "sunsetting" and those that should continue, as part of a major overhaul of the U.S. economy. The subcommittee will focus on "whether some industries are so basic to the economy that they can't be allowed to go down the drain, while others can," declared an aide to the senator. "We want to see which are competitive, such as computers, and what we have to do to keep ahead. These we call the leading industries." The committee will review which industries should be given federal aid or research and development aid to stay competitive.

Whitten explores farm debt moratorium

House Appropriations Committee chairman Jamie Whitten (D-Miss.) has called on Secretary of Agriculture Bob Bergland to report back to him by Nov. 12 with a report on what actions can be taken to defer principal and interest on Farmer's Home Administration Loans. He has also asked Bergland and the administrator of the Small Business Administration to report to him with their recommendations for any additional laws or governmental actions that are needed to revitalize agriculture.

Whitten will reportedly decide how to proceed once he has Bergland's report in front of him on Nov. 12, when the lame duck session of Congress reconvenes. Whitten, who is also chairman of Appropriations' agriculture sub-

committee, has the option of mandating certain USDA actions such as debt moratorium via the fiscal year 1981 Agricultural Appropriations Bill which has not yet passed Congress. While the bill has passed the House, provisions can still be added in the Senate or in conference committee and Whitten usually has the clout to do so.

Fight begins to raise minimum wage

Cong. Edwin Beard (D-R.I.), the chairman of the House subcommittee on labor standards, in a press conference Oct. 1 announced his intention to champion a fight to raise the minimum wage from its current \$3.10 per hour level during the next session of Congress. The congressman did not fix an exact amount on the new standard he would propose for 1982, but said the increase would be substantial.

Congress "can't afford to wait on something we know is a reality, the time for action is now," Beard declared, when asked why he does not wait until a report by the Minimum Wage Study Commission is released in May 1981. Hearings on the minimum wage will be "one of the first items" on the subcommittee's agenda when the 97th Congress convenes, said Beard.

He further discounted the argument that this would be inflationary, stating that "Congress has heard this many times before and each time the weight of economic evidence has shown this not to be the case."

Staff of the labor standards

subcommittee term the current national wage level "scandalous."

They point to the fact that while the consumer price index has risen nearly 40 percent since 1978, the minimum wage has risen a little more than 26 percent. More importantly, they say, a person making the minimum wage will make only \$6200 a year when the minimum rises to \$3.35 per hour in January 1981. This is below even the bogus poverty level established by the federal government at \$7200 a year for a family of four.

"We know that the minimum wage should be much, much higher," said a subcommittee staffer. "People can't live on four or five dollars an hour without losing ground." Staffers agree the main function of a minimum wage is to "put a floor under productive labor"—to establish the minimum standard required to support a productive work force.

"We will propose something less than what is really necessary because we know there will be a big fight even to get that," said a staffer.

Various congressmen including Rep. John Ehlenborn (R-Ill.) intend to introduce legislation proposing a subminimum wage standard for youth. One proposal would have this standard apply to everyone 18 years of age or younger, thus encouraging employers to replace older workers with less costly young workers.

In addition, Rep. Ehlenborn proposes to roll back scheduled increases in the minimum wage and defer others.

The Carter administration is trying to sit on both sides of the

fence. They are likely to support some increase, a Department of Labor spokesman said, but not a big increase. Privately, White House sources say they wish Representative Beard had kept his mouth shut on the issue until after the election.

Ottinger proposes "sunrise" bank

Richard Ottinger (D-N.Y.) introduced the National Industrial Innovation Act of 1980 on Sept. 16. In floor remarks accompanying the House legislation, Ottinger paid tribute to the proposal of Sen. Adlai Stevenson (D-Ill.), who has called for an industrial financing bank to provide capital to high-risk ventures in "sunrise industries."

Ottinger stated that he was proposing an entity modeled on Stevenson's suggestion. The Ottinger bill calls for "a national industrial innovation corporation" which would provide loans, loan guarantees, equity financing, and authority for joint ventures with private industry for new or innovative products, processes, or worker productivity incentive programs.

In a related development, the Stevenson-Wydler Technology Innovation Act, S. 1250, passed both the House and the Senate before the current recess began and is on the President's desk. The bill provides for the creation of industrial innovation centers to aid in disseminating new technologies to U.S. industries. The President is expected to sign it.

National News

Carter readies November vote fraud apparatus

As in 1976, but in far greater magnitude, Fraud in the general election is shaping up under provisions for postcard registration and same-day registration. The AFL-CIO Committee on Political Action (COPE) apparatus, the United Autoworkers' get-out-the-vote machine, and the ethnic minority "poverty pimp" apparatus are busy getting registrations, some of which may turn out to be "tombstones" as in 1976.

The Democratic National Committee targeted 13 "swing" states in its voter registration drive: New York, New Jersey, Ohio, Pennsylvania, Alabama, Florida, Missouri, Mississippi, Tennessee, Kentucky, South Carolina, Maryland, and Texas.

The New York City election board boasts of the highest voter registration ever. A stunning 150,000 postcard registrations were brought in on the final day alone by unions and community groups. No validity checks are made on these postcard registrations. For a full survey, see next week's issue of *EIR*.

Congressman Findley takes new tack

Republican Congressman Paul Findley, who serves Abraham Lincoln's 20th C.D. in Springfield, is running a tough reelection race. Findley stands out for his membership in the elite British-based Ditchley Foundation and "one-world" Atlantic Union, and his pro-Peking views. Heavy pressure from groups who dislike Findley's advocacy of abortion and human sterilization reportedly forced the cancellation of campaign appearances by Bob Hope and Gerry Ford. Findley's opponent, David Robinson, is only a shade behind in recent polls.

As the campaign heated up, Findley got caught using his franking privilege to mail his constituents an estimated \$200,000 worth of literature. The two most notable mailings, which he finally

had to pay for, were on the elderly and on agriculture. Findley boasted about his support for senior citizen benefit programs—a complete turnabout from his 18-year record of tight-fisted, balanced-budget opposition to assistance to the elderly.

Farmers were similarly surprised to see Findley abruptly abandon his chronic hostility to any farm supports or market intervention. This year he voted for interest-rate cuts on Commodity Credit Corporation loans and stepped-up feedstuff purchases for Food for Peace. Findley, unlike Robinson, still has not endorsed the parity concept, but instead of his former advocacy of eliminating half the present farm population, he complains that farm income is the lowest since 1934.

Committee against Brilab launches public campaign

Mrs. Reba Carpenter, mother-in-law of Abscam victim John W. Jenrette, called the FBI and Justice Department perpetrators of corruption in an Austin, Texas press conference held Oct. 16 by the Committee Against Brilab and Abscam (CABA). Congressman Jenrette is a South Carolina Democrat. "Just to show how corrupt this thing is," Mrs. Carpenter stated, "did you know that Melvin Weinberg [federal entrapment agent] gets \$5,000 for every conviction, and he's gotten \$200,000 so far?"

The new committee was also represented by one of its advisory board members, former Travis County, Texas commissioner David Samuelson, and by Richard Leebove, the committee's executive director. Samuelson told his hometown press: "Many of you know that I have always opposed graft and corruption in government. However, government's proper role is protection, not enticement, of citizens. The First, Fourth, Fifth, Sixth, and Fourteenth Amendments to the Constitution are being negated."

On Oct. 15, a committee press conference in New Orleans featured Ernest Colbert, president of the Southeast Louisiana Laborers District Council. In Day-

ton, Ohio, the city's building trades council leaders heard a CABA speaker describe Brilab and Abscam as a Carter administration attack on every pro-labor and pro-industry leader. Fifty Columbus, Ohio building trades representatives were briefed by the committee that evening. The committee plans to distribute a quarter of a million briefs documenting the Justice Department's constitutional violations and their intent.

Kraft investigated on second drug charge

Tim Kraft, President Carter's former campaign manager, is under criminal investigation on charges that he allegedly possessed and used cocaine on Nov. 18, 1978 in San Francisco. Kraft is already under investigation for alleged use and possession of cocaine in New Orleans on Aug. 10, 1978. Publicity about the investigation of the earlier charges resulted in Kraft's resignation a month ago as Carter's campaign manager.

Before running the Carter campaign, Kraft worked as a White House aide directly under Hamilton Jordan, who was accused of using cocaine at New York's Studio 54 disco. According to Kraft, it was special prosecutor Arthur Christy's investigation of the Jordan cocaine case which led to the allegations against him.

Supreme Court okays DES damage claims

The U.S. Supreme Court this week let stand a California State Supreme Court judgment permitting women who may have contracted cancer because their mothers had taken DES during pregnancy to claim damages pooled by all producers of the synthetic hormone, since in most cases the specific manufacturer cannot be determined. From 1941 to 1971 approximately 200 companies manufactured and sold DES (diethylstilbestrol)

to as many as three to four million women to whom the drug was administered by physicians in an effort to prevent miscarriages. So far 450 cases of a rare form of vaginal cancer have been detected among "DES daughters."

The sweeping ruling may be used to further seal the case against DES use in livestock raising—a qualitatively different application of the drug that has been critical in upgrading U.S. nutrition standards over the past twenty years. In July 1979 this use of DES was outlawed, with remaining inventories of the drug to be drawn down and its use permanently terminated by Nov. 1, 1979. When in April of this year, it was discovered that DES was still being used in various places, and the Food and Drug Administration launched a witchhunt which has not yet ended.

While the use of DES in female-reproductive-related problems carried dangers that are now obvious, the outlawing of its use in livestock raising is totally without scientific foundation. Doses are relatively tiny, and if the drug is withdrawn from the animal or its rations within a specified time prior to slaughter—as has been the rule for more than 20 years—there is no residue in the animal's muscle or liver tissue. When the drug is not withdrawn in time, some residue may appear in the liver; in 1976, out of 1,815 beef livers analyzed, violations of DES residue standards were found in nine cases. In these, from .5 to 2 parts DES per billion parts liver were found. Two parts per billion amounts to 1/300,000th the dose taken daily by women to prevent miscarriage!

U.S.-China grain pact raises doubts

The U.S. and China are "very close" to signing a three-year agreement committing China to buy from 6 to 9 million tons of grain per year, the White House and U.S. Department of Agriculture announced this week. The announcement was prompted more by election pressures than by the likelihood of a successful

conclusion to the grain pact talks, which have been going on for a year or more with nothing on paper yet.

The draft agreement is modeled on the five-year U.S.-Soviet grain agreement, which expires this year. While the front-burner announcement is a ploy to soften American farmers' hostility to the Soviet embargo for American farmers, its strategic significance is very real.

Since June 1, the Peoples Republic of China has booked or taken delivery of almost 6 million tons of wheat. Unconfirmed reports indicate that the agreement, when signed, would cover principally wheat—from Carter's standpoint an essential tidbit for the farm news circuits since this year's wheat harvest was an all-out bumper and prices have been exceptionally flat.

Transport services to be reviewed

The Carter administration's "new policy initiatives" on transportation will be the subject of hearings in the House Committee on Public Works and Transportation soon after the congressional lame-duck session begins next month. At issue is transportation affecting rural areas and small towns. The Department of Transportation (DOT) issued proposals Oct. 2 for "reducing regulation" and "allowing flexibility" to "make things more efficient," as a DOT spokesman summarized the Carter effort.

Indicating a House concern that this adds up to service reduction, committee chairman Harold T. Johnson (D-Calif.) declared: "There are some 80 to 90 million Americans living and working in small towns and rural areas throughout the nation. . . . While Secretary Goldschmidt's new initiatives appear promising, they will require careful scrutiny. . . . Some of these proposals might involve a restructuring of existing federal highway transportation resources that can only be accomplished by legislation. These and other questions, such as the possible effect of railroad spur line abandonments on our rural highway system, must be taken into consideration. . . ."

Briefly

● **ATTORNEY GENERAL Benjamin Civiletti** would probably not stay on in a second Carter administration. When asked if he would remain in his post if Carter is reelected, Civiletti responded: "Who knows what the future may bring. . . . I like the position, but four years is a long time to be away from the practice of law."

● **THE SUNDAY TIMES** of London called in an Oct. 12 editorial for Jimmy Carter's reelection. Under the headline, "The Dangers of Ronald Reagan," the editors of the prestigious weekly hope for another Carter term so that a SALT agreement can be pursued.

● **NORMAN COUSINS**, former *Saturday Review* editor, plans to release a letter asking his fellow liberals and particularly backers of John Anderson to vote for Jimmy Carter in "the interests of world peace." Cousins expects many prominent Anderson backers to sign the letter, which adds to the Eastern Establishment's active swing behind Carter.

● **FIDEL CASTRO'S** government announced Oct. 14 the pardon and release of all American prisoners held in Cuban jails, in what was termed a "good-will gesture." Campaign watchers interpret the move as a Cuban attempt to boost Carter's reelection drive. Castro has publicly declared his preference for Carter over Reagan. More than half of the 33 released had been imprisoned for drug or drug-related crimes.

● **ROY COHN** had a warrant for assault sworn against him Oct. 18 by *EIR* correspondent Barbara Dreyfuss. Cohn punched Mrs. Dreyfuss in the throat at the annual Alfred E. Smith memorial dinner sponsored by the Archdiocese of New York after she handed him a leaflet charging him with coordinating slander operations against *EIR* founder Lyndon LaRouche.

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Godfather of Sicily, superior to the Michele Papa directly prominent in the Sicily-Libya aspect of the operation in which dumb but greedy Carter was used as a pawn of the Carter administration.

Libya is a Carter administration client, unified with Syria, a Soviet client. Both are running guns to Iran under included protection of Anglo-American influence over NATO.

It was truly a rotten election-period compromise which postponed continued investigation of Carter administration lies concerning Billygate until after the November elections.

Who received commissions on each barrel of Libyan petroleum run through the Bahamas Freeport Refinery for delivery to the United States? Are the names on the accounts in which those commissions are deposited merely nominees for some person or persons who do not wish such sums to show on U.S. income tax reports? Does any of this bear on security used for Qaddafi's loan to Billy Carter?

IV. Why should Brezhnev endorse Carter?

As far as Governor Ronald Reagan is concerned, my earlier nationally televised statements, and my statements to caucuses at the August Democratic Party Convention stand. He is, rather like former President Gerald Ford, a decent person, but circumscribed by a record of limitations in understanding such "abstract" matters as basic national and international policy.

A President of such limitations can be a menace under the influence of bad advisers, because he lacks the developed qualifications to detect the ways in which he is being manipulated according to profile. With proper counsel, persons of the character qualifications of a Ford or Reagan can be reached on the point of their patriotism or simple, personal moral sense, to act in behalf of national interests at critical points.

Carter, too, could be handled in a similar way. Although Carter has no manifest qualities, he is preoccupied with his public image, and can be handled on that point for good, almost as he has been handled for bad by his present controllers.

Generally, I weep for the United States that our citizens have become such unthinking political

sheep as to nominate and elect mediocrities and worse to the highest office. The United States's heritage, of Franklin, Washington, Hamilton, Monroe, Quincy Adams, and Lincoln, deserves a real President in the highest office.

Yet, I must define alternatives for the survival and interest of our nation for the case in which mediocrity or worse is elected President.

I wish my nation to survive, yet, I know that for the present decade the political sheeplikeness of many citizens may represent a lack of the moral fitness to survive under the conditions of crisis confronting us.

I can see into the mind of Brezhnev, so to speak, where I see a portent of what will probably occur unless we in the United States wake up at last. Brezhnev has calculated reasons for buying time with a rotten agreement of the sort now adopted between his government and the Carter administration.

Reagan, with all of his admitted limitations, probably would be personally horrified by so foolish and cynical a kind of London-orchestrated, controlled confrontation between U.S. and Soviet forces. Therefore, Brezhnev publicly endorses the fool he imagines himself to have, Carter, over an alternative administration which he fears might not continue the arrangement.

Carter's campaign desired Brezhnev's endorsement. The point, as Carter's recent campaigning underlines, is to represent Jimmy Carter as a "man of peace" relative to "warmonger" Reagan. Fidel Castro and Brezhnev agreed to the proposition. Billygate-linked Armand Hammer mediated his part in the rotten arrangement.

For the sake of true peace, President Brezhnev must be taught a lesson about U.S. politics.

United States interests are identical with those of our allies France and West Germany in the Middle East. We require a stable, secure, and neutral, Khomeini-free Iran, not controlled or carved up by either or both superpowers.

I ask my fellow citizens to elect good Democrats to the Congress and key state offices. I ask them also to demonstrate their concern for their children's and their grandchildren's survival, by giving a stinging electoral rebuke to President Brezhnev's meddling in the U.S. elections.