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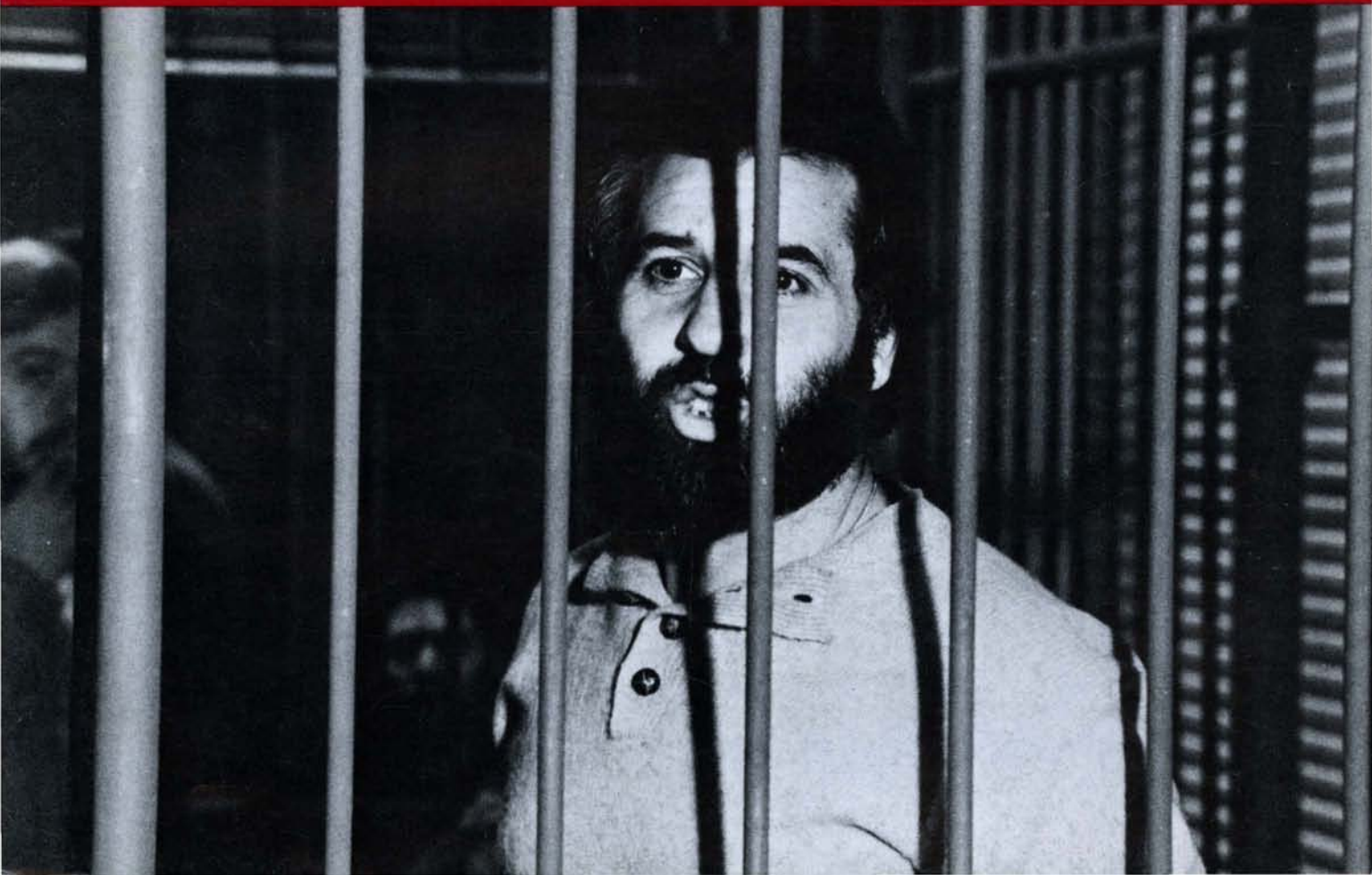
Executive Intelligence Review

March 3, 1981

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Exile leaders on the options for Iran
The German battle over nuclear power
Real estate scam costs Boston \$200 million

**Does the Soviet KGB run
international terrorism?**



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EIR

From the Editor

This magazine is recognized worldwide for its expertise on the subject of terrorism. This week our Special Report uses that expertise to sharpen decision-makers' wits on the subject of international politics. Why is Alexander Haig, who in his NATO capacity had the information to learn better, claiming that the Soviets, pure and simple, run terrorism? Does it have anything to do with this starched conservative's long association with Socialist International leaders? And with the latest Italian press accusations that European social democrats are implicated in the command and control level of terrorism?

The timing of these charges and countercharges reflects the fact that the 26th Soviet Party Congress is about to begin, a turning point covered in our International section. The timing also coincides with the question of the new Reagan administration's policies toward Western Europe which, under the leadership of West Germany's Schmidt and France's Giscard, is demanding lower interest rates in the United States as a matter of their own survival. In Bonn, Schmidt has broken loose with a forceful demand for nuclear power development along French lines. Although this too is a major development for one of America's key allies, you didn't hear about it in the U.S. news media.

I'd like to call your attention as well to the analysis and documentation of the Iranian exile movement by Middle East Editor Robert Dreyfuss. And, in our Editorial, Economics, and National sections, you'll find extensive examination of President Reagan's budget message.



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“The Volcker-Reuss banking reforms may be the single greatest threat facing the American economy at this time.”

—David Goldman,
Economic Editor, *EIR*

Federal Reserve chairman Paul Volcker and House Banking Committee chairman Henry Reuss are spearheading a drive to restructure the American banking system, which threatens to give the Fed and the money center banks top-down control over the deposits of regional financial institutions. Far from being a limited banking issue, these “reforms” threaten to deprive the agricultural, consumer, and medium-size business sectors of vitally needed credits.

Now, the *Executive Intelligence Review* is making available a comprehensive study on this danger, exploring in detail the Volcker-Reuss motivations, how the current economic downturn is affecting American banks, and a growth perspective to revive the traditional national banking system.

The Undeclared War Against American Banking

A special report from the Executive Intelligence Review,
available December 1, 1980 \$50.

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Editorial

The Herbert Hoover trap

When President Ronald Reagan delivered his message to Congress on the budget, he announced his unconditional surrender to Federal Reserve Chairman Paul A. Volcker. Now, after Reagan has vacillated dangerously for weeks, he dismissed both the growing anti-Volcker movement in this country, and strong criticism from our European allies of the Fed's skyrocketing interest policies, and pledged himself not to interfere in the "independence" of the Federal Reserve System.

According to leading European financial circles, the new Reagan administration had not more than 50 days to rein in Volcker, or face a slide into a depression probably worse than that of the 1930s.

Our evaluation is that, after his Feb. 18 message, President Reagan is closer to catastrophe than his predecessor Herbert Hoover was at the point of his March 1929 inauguration.

Reagan had to choose between turning himself into a new, hated Herbert Hoover, or dumping Paul Volcker.

The issue of the independence of the Fed, which someone has deviously sold to the new President, is not bogus. It is unconstitutional.

The Federal Reserve System may not enjoy independence from the government of the United States in matters affecting the general welfare of the nation. Article 8, Section 1, of the Constitution awards to Congress both the power and the duty to: "Regulate commerce with foreign nations and among the several states" and "promote the progress of science and useful arts."

The Federal Reserve System exists by sufferance of an act of Congress, and may be altered, directed, or summarily dissolved the same way.

The results of the kind of budget-slashing Reagan has proposed along with Volcker-style interest rates can be spelled out in a few simple facts: Every 1 percent unemployment adds between \$20 and \$25 billion to the federal deficit. Every 1 percent increase in the interest rate adds cumulatively about

\$5 billion to the federal debt-service costs.

The President made things even worse by capitulating to the threatened political blackmail of Jack Kemp. Cutting the top brackets of federal income tax will not increase job-creating investment in goods-producing industries; it will increase investments in bordellos, gambling houses, pornography ventures, and related real-estate speculation, as Representative Kemp has in effect proposed by backing the British Fabian Society's demand to turn New York City into a new Sodom, euphemistically called a "free enterprise zone."

The President's budget-cutting proposal will neither reduce the federal deficit; nor, barring a deep depression, will it have any effect on inflation but to accelerate it. Overall, *Stockman's whole budget-cutting proposal is a Friedmanite hoax*. Every month Volcker's usurious interest rates persist, the multibillion-dollar rise in debt-service costs of the federal government grows.

This is the same Friedmanite policy which Milton Friedman copied consciously from Nazi Germany—as Friedman states quite frankly. This is the same Friedmanite policy which did not work—and could not work—in Mrs. Thatcher's Britain.

President Reagan must either dump Volcker (and the Friedmanites) or become quickly more hated than Herbert Hoover—who was quite justly hated in his time.

At present, to the extent that the Congress tangles itself in debating each item of the proposed budget cuts, we are going through a process resembling the Carter administration's negotiations of the hostages issues with Ayatollah Khomeini—this time with "Ayatollah" Volcker.

After suffering through Carter, we hate to see a decent man such as President Ronald Reagan destroy himself in such a disgraceful surrender to Volcker. There is a deeper concern: our nation itself is being placed in jeopardy by the—we trust—temporary folly of the new President in this matter.

Will Reagan accept Europe's lifeline?

by David Goldman

West Germany's cabinet and the assembled finance ministers of the European Community formally petitioned the Reagan administration to bring interest rates down last week, dispatching French Finance Minister René Monory and West German Bundesbank President Karl-Otto Poehl to the United States to press their case. Western Europe is not merely seeking to keep its own house in order after severe currency disruption stemming from record dollar interest rates. Instead, the proposal they have made to President Reagan opens a way out for the United States.

In a nutshell, Europe wants to undertake a joint stabilization of the international markets to permit the orderly financing of both the American and European deficits, rather than the "government debt-financing and interest-rate competition" that West German Finance Minister Hans Matthöfer decried in a speech Feb. 13. The intent is not much different from de Gaulle's great credit-markets coup, organized by Jacques Rueff, after taking power in 1958. There are \$1.3 trillion in now-unusable savings in the volatile Eurodollar market, most of it hedging against currency and interest-rate fluctuations (and increasing the volatility of those fluctuations). Joint action to break the speculators will free up the long-term funds required to handle the deficits at noninflationary interest rates.

That is the import of Bundesbank chief Poehl's extraordinary offer to the United States in a speech two weeks ago before the European Management Forum meeting in Switzerland: "If the dollar can be brought back to long-term stability, then the dollar and the

European Monetary System together provide the foundation of a stable world monetary system for the 1980s." Linking the dollar to the EMS would create the stability Reagan has, catastrophically, left to Paul Volcker to obtain.

But Europe's initiative received a shock in President Reagan's budget message to Congress (see National). The West German cabinet made the evaluation that night that Reagan did not "have the courage to take on Volcker," as a source close to the German chancellery put it. As a matter of short-term crisis management, on Feb. 20 the Bundesbank took the most brutally deflationary steps in the past decade, in order to prevent further runs against the German mark. The weakness of the mark—which fell last week to 2.24 to the dollar before recovering spectacularly to 2.14—has come on so fast that it threatens the viability of the European Monetary System, the eight-currency stability zone backed by a pool of European gold reserves. But the EMS is West Germany's ace in the hole, its card for negotiating on terms of mutual strength with the American White House. If necessary, West Germany will sacrifice short-term economic considerations in the fight to preserve the EMS.

The Bundesbank shut down, except for emergency purposes, the central bank "Lombard" facility, which discounts commercial paper from the big commercial banks—the central bank's principle tool of liquidity management. This implies a formula for zero monetary growth at least in the short run. For an economy already subject to sharply falling current real output, the impli-

cations of this step—if applied for more than a few weeks—will be deadly. According to Bundesbank sources, the move will force German banks to obtain refinancing on the open market, driving up interest rates. Short-term rates are now at 10 percent, and a rise to 12 to 13 percent would surprise no one.

At the Bundesbank's press conference Feb. 19, president Poehl warned that "it is difficult to imagine that U.S. monetary policy would be eased while double-digit inflation prevails in the United States." There is still a possibility, Poehl added, that rates abroad might fall, "but there should be no illusions on this subject."

That is a grim assessment, but, unfortunately, one shared by some leading Reagan supporters on the Senate side. "The President is extremely unhappy with high interest rates, as he indicated in his speech," said one well-placed Senate Banking Committee aide. "But he sees no other policy to fight inflation. That's why he won't do anything to get rid of Volcker." Reagan did characterize high interest rates as "absurd," and some of his senior staff people have told Republican contacts that they expect Volcker to be out by April—a prospect that is not to be excluded, but which raises the question of what kind of successor he will have. The bottom line is that Reagan has fallen into a monetarist trap, and that Western Europe has no choice but to make preparations for new monetary storms.

For all his good intentions, Reagan's approach to economics has sidetracked onto the Austrian and University of Chicago prejudices of advisers like Stockman, Murray Weidenbaum, and Jack Kemp. Having taken up the instruments of state without the competence to use them, he has become the prey of a classical Venetian intrigue played on both his left and right flanks.

The first problem is the Basel-based Bank for International Settlements and its ally, Fritz Leutwiler's Swiss National Bank. To shore up the mark, the West German monetary authorities had to strike a deal with the Swiss, a species of monetary Spenglerian conditioned by 600 years of management of oligarchical family trusts. The Swiss and the BIS, with some factional allies in the Bundesbank, want a global deflation and are unconcerned with its terrible consequences (see *EIR*, Feb. 10, 1981 for the current view from the Swiss central bank). This is the European stronghold of the Mont Pelerin Society, the semiconspiratorial organization founded in 1947 by Friedrich von Hayek, which includes the contingent of economists the White House brought in from the Hoover Institution of Stanford University.

Through the Mont Pelerin Society link, this arch-reactionary group in Europe provides "positive feedback" to the Federal Reserve System, complaining that, if anything, U.S. monetary policy has been too lax. To the extent the French and West German leadership have stated Europe's view unambiguously, the BIS position

remains an undertone. Nonetheless, the Federal Reserve still argues to the administration that Europe's proposal for global interest-rate reductions is a cynical pitch designed only for domestic consumption, and that European central bankers really want the Federal Reserve to continue the crunch!

More devious is the role of former House Banking Committee Chairman Henry Reuss (D-Wisc.), a self-described "monetarist-populist" with close ties to the Brandt wing of the German Social Democracy. Reuss's link to the Brandt crowd—who are doing their best to destroy Chancellor Schmidt's ability to rule—dates back to the congressman's postwar job as Counsel to the U.S. Occupation Forces in West Germany.

Reuss will shortly issue a report coauthored by House Banking staff economists Jamie Galbraith (son of John Kenneth Galbraith) and Richard Medley, calling for lower interest rates. In an interview Feb. 19 with the West German daily *Handelsblatt*, Reuss warned that "high interest rates in the United States will have catastrophic consequences on the international market, and put heavy pressure on our European partners." He called for "coordination of interest-rate policy between Europe and the United States," and lower rates at home. In hearings Feb. 19 before the Joint Economic Committee of Congress, Reuss challenged testifying Treasury Secretary Donald Regan to defend what he (accurately) called "Thatcher economics."

Reuss staffer Medley recently toured West Germany, meeting most of Schmidt's opponents, who are also vocal in denouncing the effects of high interest rates on the West German economy. These include, most prominently, the Berlin-based DIW, one of the country's big five economics research groups. The DIW proposed last week that Germany leave the European Monetary System in order to take the pressure off the home credit system.

Calculated to draw the maximum rage from the White House, Reuss's forthcoming report will call for "directed credit" to shut down old industries and invest in "sunrise" industries. That is Reuss's standard formulation on behalf of directed credit, and the Republicans hate him for it. A Reuss staffer admits that the initiative will sour President Reagan on the proposal. "We didn't give a damn what the President thinks. This is our plan," the aide said. As for Senate Banking Committee Chairman Jake Garn, the aide continued, "He doesn't talk to us." But Garn's old rival, Sen. William Proxmire, (whom Garn replaced as chairman of Senate Banking) is reportedly considering holding hearings on a potential link between the dollar and the EMS.

All this is hypocrisy on the part of Henry Reuss, who argued for years for an ultramonetarist formula to contain the growth of Federal Reserve credit. The

intended impact is to identify the West German plan with the man the White House likes the least in the sphere of monetary affairs.

Meanwhile, according to senior State Department sources, Secretary Haig will warn the President that Chancellor Schmidt cannot control the Willy Brandt wing of his own party, and is therefore dangerously soft on the Russians. In fact, the SPD left (the friends of Henry Reuss) have made a major effort to undermine Schmidt on two counts: arms control and nuclear energy policy. The merits of the armaments issue aside, the Brandt wing of the party has created a loud, if narrowly based, "claque" in favor of unilateral European arms reduction, for the principal purpose of disorienting the Reagan administration's policy toward West Germany. If Haig has his way, the sources added, the April meeting between Reagan and Schmidt will concentrate solely on Schmidt's alleged softness regarding the Polish situation!

If Reagan is led, Othello-like, into repudiation of the Western European plan, his last apparent chance to avert a depression will have disappeared. That is by no means certain at this writing. But for the moment the Europeans have assumed a burden in maintaining short-term currency stability that they cannot sustain for long.

A series of EIR Seminars

Iran: What Should U.S. Policy Be? In Washington, D.C.

Week of March 9-16 2:00 p.m.

Robert Dreyfuss, author,
Hostage to Khomeini

Criton Zoakos, Editor-in-Chief, EIR
Contact: Laura Chasen (202) 223-8300

Prospects for U.S.-Mexico Business Relations In Houston:

Sunday, March 22 2:00 p.m.

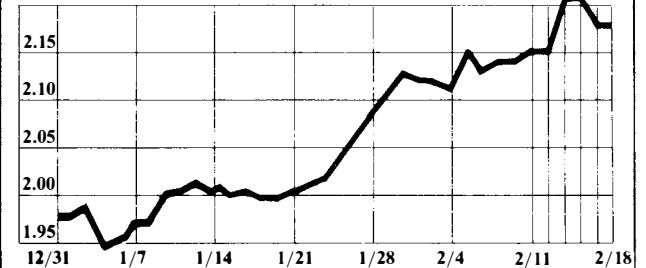
Speaker: Dennis Small,
Latin America Editor, EIR

Contact: Martin Keller (713) 972-1714

Currency Rates

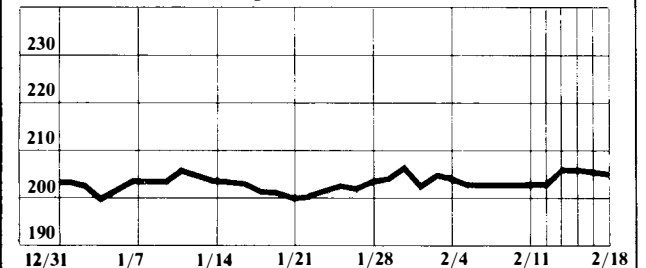
The dollar in deutschemarks

New York late afternoon fixing



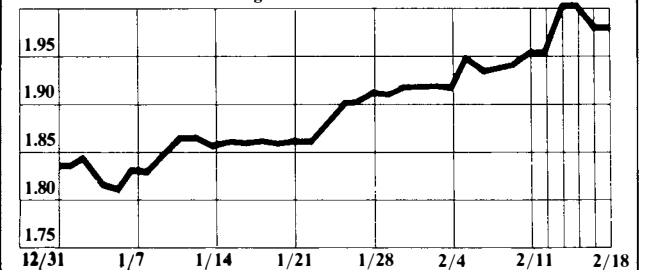
The dollar in yen

New York late afternoon fixing



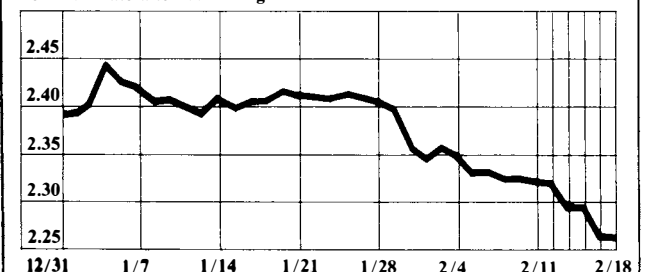
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Volcker to Germany: 'Drop dead'

From an interview with a source at the New York Federal Reserve:

Q: What is the U.S. reaction to West German demands that we bring down interest rates?

A: The EC finance ministers, led by Karl-Otto Poehl from West Germany, met on this and did a bit of sabre-rattling this week, but they scare no one. There is nothing they can do. Volcker went to the Bank for International Settlements meeting with Henry Wallich this past weekend and told Poehl as much flat out. Do you remember the old Jimmy Carter New York poster?

Q: "Ford to City: Drop Dead"?

A: That's the one. They're stuck. The Reagan administration is taking the posture that rates will not come down, period. Supply-side economics is not just tax cuts, but tax cuts tied to a very tight money policy from which the administration will not budge. The fact that Volcker is still tightening proves Reagan is supporting Volcker. The President believes in tight money. There is no difference of opinion between him and Volcker. In fact, Reagan is urging us to be even more restrictive than we want to be. The markets were waiting for Reagan to resolve administration doubts about tight money, and [he] has resolved on Volcker's policy. The markets now know it, and they're buying dollars.

That's what's got the Europeans scared silly; they had been buying time, hoping rates would fall, and now they know they won't.

Q: But Reagan is political, he was elected to stop this.

A: Wrong. The difference between Ronald Reagan and Jimmy Carter on monetary policy is almost *zero*. Look, supply-side economics was invented by the central bankers at the Bank for International Settlements, I've been hearing about it for years at seminars there. The whole idea is to reduce taxes for people to invest in new, high-technology industries, to increase productivity in new industries, and to maintain tight credit to older, more inefficient industries.

Jimmy Carter lost the election because he failed as a leader, failed to take up the supply-side argument. Now it is in vogue, and supply-side economics can help Rea-

gan sell the same program Carter failed to sell to the American people. Look at the policy recommendations, they aren't all that different. What's the difference between Reagan's tax cuts and the across-the-board tax reform Carter tried to get through? Not much. Look at the budget cuts Stockman has, Carter tried to cut the same projects. And the monetary policy is identical.

Furthermore, the Germans know that the major world problem is U.S. inflation. For years, Emminger at the Bundesbank was screaming at us to tighten money, bolster the dollar. He was the man with the finger in the dike. Now, Volcker is the man with the finger in the dike, and the Germans know they have no right to complain. They do not even mean to accomplish anything, they're talking just for domestic political consumption. In the bars in Frankfurt and Basel, they tell us, "You're doing what is right." But they can't take this position publicly.

We've just seen the start of the Germans' squeaks and squawks, we'll see more, so what? Poehl is just trying to talk the deutschemark back up to 2.05. He wants U.S. rates lowered to where they will stop pressuring the mark, but forget it. Even if U.S. rates were lowered to parity with German rates, back into the single-digit range, it wouldn't get Germany out of the woods. The capital flows coming out of Germany are simply too tremendous, their deficit is huge.

Germany is facing a strategic shift, we've been in the barrel, going through the dying pains of aging industry, inflation, and currency collapse. Now it's their turn. Their wages are too high, their exports can't compete, their government programs are too expensive. The German economic miracle is over.

The choice Germany faces is excruciating and agonizing. The U.S. is following the lead of the Thatcher government in Britain, we're reversing course on social programs, reversing incomes transfers, and we're keeping money tight. And the more we do this the Germans will have to raise their interest rates to follow. Those countries like Germany, Switzerland, Sweden, who have bigger social programs, will now have to cut more, and go through agony. Capital flows will continue out of Europe, and keep Europe in a vise. The only actions they can take are to cut, and worsen their recessions.

It's crunch time for everybody, not just us.

Q: Do you think the reaction could topple Schmidt?

A: Sure, the reaction to this could easily topple Schmidt. Why do you think Poehl is so worried? The uproar is already starting over there.

Q: What about Reagan, will he be Hooverized?

A: Could happen, sure. We're going to have fun. There will be a huge political battle. The AFL-CIO is mobilizing already. It will be an uproar. Reagan will have to turn the poor against them, and hope for the best.

Boston's \$200 million scam

Graham Lowry exposes how real-estate operators have drained tax revenue—a drain used to justify municipal budget cuts.

This article was researched by Mr. Lowry and by Stephen Parsons, both of whom have decades-long familiarity with the Boston area.

An EIR investigation of the current speculative boom in downtown Boston commercial real estate has determined that the same financial corporations that have forced that city into a major budget crisis have swindled it out of more than \$200 million in property tax revenues due for this year alone. The corporate beneficiaries of this looting of the city treasury are also the same Brahmin financial interests who have dictated the elimination of the “sunset” industries of the Northeast, bankrupting the region’s productive economic base.

Facing an estimated \$130 million budget deficit, Boston is threatened with school shutdowns, service reductions, and mass layoffs, and the Brahmin-controlled banks and insurance companies are demanding additional deep cuts in the city budget. Yet full payment of the actual property taxes owed by these companies’ downtown commercial office properties alone would wipe out Boston’s deficit, and still leave \$70 million in additional funds for the city.

There are two elements to the property tax scam run by the “New Boston” downtown building owners. The first, pioneered by Prudential Life Insurance Company, is the 121A law. Through this law, big downtown real-estate owners pocket over \$33 million, money they would have to pay the city were it not for this form of legalized tax fraud. The 121A law exempts a select group of commercial properties from taxation at value, and substitutes a fractional payment at a level secretly agreed upon with city officials.

The second form of legalized cheating which robs the city of another \$202 million, is connivance to rig property assessment at a small fraction—usually 20 to 25 percent—of its real value.

If these frauds were eliminated for the limited group of downtown office buildings alone, Boston could add a total of at least \$235 million to the city treasury in one year.

The perseverance of the insurance companies and banks in looting Boston is not a function of their greed

alone. It is part of a decades-long strategy to convert Boston into a postindustrial free enterprise zone, ripe for speculative looting and exploitation of unskilled, non-union labor in Hong Kong-style sweatshops.

The major beneficiaries of the sweetheart-deal tax swindle, major Boston banks, along with insurance giants like Prudential and Hancock, have played leading roles in shutting off capital for vital industries like steel, shipbuilding, and construction, and with it the infrastructure needed to maintain an industrial workforce.

Since World War II, Boston has been systematically transformed from a viable industrial center into a model victim of the “technetronic society.” With its basic industries and neighborhoods now lying near or in actual ruins, the downtown “New Boston” of high-rise, speculative enterprises has taken over the economy as well as the landscape. Perched quaintly on green lots along Boston’s suburban ring are the “information society” high-technology companies in computers and electronics, increasingly tooled to semiskilled, hand-assembly operations for maximum profit. Inbetween the financial “hub” and the suburban ring, the rest of Boston is

Downtown Boston office real estate values

Current rent level \times no. sq. ft. \times .65 \times .85

Class A rental income

$\$25/\text{sq. ft.} \times 20 \text{ million sq. ft.} \times .65 \times .85 = \276.25 million

Class B rental income

$\$17/\text{sq. ft.} \times 10 \text{ million sq. ft.} \times .85 = \108.38 million

Class C rental income

$\$12/\text{sq. ft.} \times 12 \text{ million sq. ft.} \times .80 \times .85 = \97.92 million

Total rental income for Class A, B, and C = \$482.55 million
(to deduct 11 percent for nonrentable waste space)

Total value downtown office property \$482.55 million \times 7 = \$3,377.85 million.

increasingly left to collapse and abandonment, except for occasional pockets publicly described as suitable for "gentrification."

The 'Prudential law'

The transformation of downtown Boston dictated by the policy of eliminating "sunset industries" was launched by Prudential in the late 1950s. Summarizing the objective, Prudential President Carroll M. Shanks declared in 1957, "It simply means that businesses which belong somewhere else will go where it is most economical for them to operate, and those that belong in New England will stay there, or will come there and grow." Prudential then moved to extort a legislative license to dictate what "belonged."

In the initial phase of constructing its Boston skyscraper, Prudential demanded a legal guarantee of exemption from city property taxes. When objections were raised, Prudential ceased construction and flooded the site. They also flooded the state legislature with lobbyists, and proceeded, according to several State House figures from that time, to bribe and blackmail the legislators into passing a measure called the 121A law, commonly known as the "Prudential law."

Prudential made little pretense of fulfilling a "civic interest" in demanding an exemption from property taxes. Prudential lobbyists reportedly went through the State House sweet-talking legislators, tape-recorded their discussions, and threatened to expose them for being on the take if they refused to back 121A.

121A exempts buildings which enhance an ostensibly "blighted" area from property taxes. It substitutes a secret agreement to pay the city a certain percentage of the "take" from its operations. Each deal is individually rigged, and there is no fixed formula for determining the payments. A Boston real-estate insider described one example as an agreement to pay "10 percent of the first 'X' dollars."

Information on the substance of each agreement and the amount actually paid by holders of 121A exemptions is guarded like the secrets of organized crime. But knowledgeable Boston financial sources calculate the average payment at roughly 17 percent of what would be owed in property taxes, even under existing assessment practices.

Among commercial properties with 121A exemptions, the "Prudential law" benefits almost exclusively Prudential, which controls about 93 percent of the commercial office valuations exempted under 121A. If they were taxed at real value and current rates, Prudential would owe \$31 million more than they paid this year for their two biggest properties in downtown Boston.

The vast majority of Boston's commercial office buildings were not constructed under 121A exemptions. But the "Prudential law" was critically significant as the

The 121A tax ripoff

121A office rental income (all class A)	
\$25/sq. ft. × 3.75 million sq. ft.	
× .65 × .85	\$ 51.79 million
121A office total real market value	
\$51.79 million × 7	\$367.60 million
Projected tax revenue	
at current effective tax rate of 11.2%	\$ 40.60 million
Actual taxes paid	\$ 6.90 million
121A ripoff	\$ 33.70 million
Prudential's share of ripoff	\$ 31.25 million

official declaration of the policy which has been unofficially applied to other insurance companies, banks, and real-estate, and financial corporations. While they have worked to flatten capital-intensive industries in the Northeast, they have systematically robbed Boston's city treasury by getting their property assessed at levels four and five times below real market value.

The huge John Hancock Building, for example, worth \$350 million in real market value, carries a current assessment of \$25 million, or about \$63 million at 100 percent valuation. At Boston's current assessment and taxation rates, a \$350 million property would owe more than \$35 million in taxes this year. John Hancock is being billed instead for \$6.9 million.

Thus the Boston Brahmins have conducted their speculative, ground-rent orgy while enjoying huge subsidies from the city. Rents for prime office space have doubled in the last 24 months, and are projected to rise another 150 percent in the next two years, while wall-to-wall rent gouging proceeds at a 99.7 percent occupancy rate.

The property assessment scam

These skyrocketing rental incomes for downtown office properties translate, of course, into much higher market values for the buildings, which supposedly have been reassessed to reflect that rise. But exhaustive cross-checking of current office space and classifications, rent and occupancy levels, average lengths of leases by types of property, and city tax and assessment rates conclusively established that the "New Boston" was built on massive tax fraud.

Realtors' and assessors' standard guidelines for calculating the market value of commercial rental properties are to take the gross rental income and multiply that by 7. The accompanying tables show that the resultant real market value of Boston's downtown office buildings alone translates into more than \$200 million in additional taxes owed this year. If the tax were extended to commercial properties exempted under

Boston real budget surplus

Total taxable office property,	
less 121A offices	\$3,015 million
Projected tax revenue at current effective commercial tax rate of 11.2% (.43 × .72)	\$337.68 million
121A tax ripoff	\$33.70 million
Full value downtown office property tax	\$371.38 million
Actual taxes paid	\$135.00 million
Total tax ripoff (\$371.38 million minus 135.00 million)	\$236.38 million
Expected Boston budget deficit	\$130.00 million
Actual Boston revenue surplus	\$106.38 million

121A, an additional \$33.7 million in property tax revenues would be owed, \$31.2 million of it by Prudential.

These estimates are based on a method which derives the identical figures for assessed valuation as those determined by the city assessor's office for properties exempted under 121A. Assessed valuations recorded on the 121A list of commercial office properties are *real market values*, since those properties won't pay taxes anyway, while office buildings which do are massively underassessed to cover the tax swindle.

Determining real market value

Take the example of a 121A property recently purchased by Prudential at 1 Beacon St. Boston realtors report a current average rent of \$13 per sq. ft. for the building, given the varying times that the leases took effect, against a going rate for new leases of \$20. Its gross rental income, for 1.02 million sq. ft., is thus \$13.26 million per year. Taking the standard rule of thumb and multiplying that by 7, the building's market value would be \$92.82 million. With a standard deduction of 15 percent for nonrentable space (hallways, elevators, etc.), the correct real market value for the building is \$78.9 million. On the 121A list, the city itself records an assessed valuation of \$79 million! According to Boston financial insiders, Prudential pays only \$2.9 million a year for 1 Beacon St., instead of a property tax of \$8.8 million at the current effective rate of 11.2 percent of assessed commercial valuation.

Applying this same method to the commercial properties which are taxable, the following picture of tax fraud can be established.

Under the *existing* commercial assessment level of market value (about 43 percent, but possibly as low as 37), and the current tax rate of \$272.90 per \$1,000 assessed valuation (or about 27 percent), Boston's effective tax rate of 11.2 percent of real market value should yield over \$337 million in property taxes for its *downtown commercial office properties alone*, even without those exempt under 121A, and without other commer-

cial properties like shopping malls and plazas elsewhere in the city. City Hall sources estimate the revenues from the downtown properties at about \$135 million, or about 75 percent of the total taxes collected on commercial properties. Deducting that figure from the total tax due from the downtown taxable office buildings still leaves over \$202 million owed this year.

There is no real Boston budget deficit; it can be wiped out by simply collecting the mandated payment fraction of actual market value on Boston's nonproductive jungle of downtown offices.

'A gold mine'

With the completion of 1 Beacon Street in 1973, the "New Boston's" prime or Class A office space reached 8.6 million square feet, with a construction drive effectively kicked off by the Prudential Building, which opened in 1965. Nearly 12 million square feet of Class A have been added since, so a solid majority of the Class A leases have been drawn since 1973 at steadily higher rents.

Even though major firms lease 68 percent of Boston's prime office space on a long-term basis (11 years and up), the eight-year-old 1 Beacon Street building is getting an average *now* of 65 percent (\$13 of \$20) of its current top rental level. Downtown Boston's *total* vacancy rate has been under 2 percent since late 1977, and new offices open up fully rented at top dollar, so taking 65 percent of top dollar to calculate Class A rental income should be a conservative estimate.

For Class B space, generally quality older buildings, rental income is calculated at 75 percent of current rent levels, since nearly half of this footage is renovated Class C space leased during the last two years.

Class C office rentals are also booming, as they cash in on the overall upvaluing of office space and the continuing tight market. As one Boston realtor put it, "Today a guy can buy a Class Z property—and I mean Z!—and turn it into a gold mine within a year." The accompanying table calculates Class C rental income at 80 percent of current top dollar, since much of it has been hustled onto the market during the last year or two, and 75 percent of it is leased for 5 years or less.

For all three classes of office space, the figures for calculating gross rental income are multiplied by .85, to include the standard 15 percent deduction for non-rentable space.

The gall of Maggie Thatcher

She demands that the U.S. adopt her disastrous policies, only more so; Richard Freeman documents Britain's two-year economic extinction.

When British Prime Minister Margaret Thatcher meets with President Ronald Reagan, she will attempt to sell him on the "British experiment." Thatcher comes to the U.S. with an economy that is worse off in every respect than when she took office 21 months ago, and has no sign of any recovery.

Thatcher's experiment is nothing less than the biggest failure since John Law's South Sea bubble. Since she took office, unemployment has almost doubled to its highest level since the 1930s depression; as a result, the budget deficit for fiscal 1980-81 has swollen by 50 percent. Production crashed in this period by 21 percent. The inflation rate, down from its 22 percent peak, has run at 14.5 percent for the last three months, twice its level when Thatcher took office. The money supply has been clocked for most of 1980 at greater than 20 percent.

Nothing has worked; everything has gone wrong. But Thatcher will tell Reagan that the only reason her experiment did not succeed is that she did not have enough time, and she didn't apply her program hard enough. She will tell Reagan point blank that he must push harder than she did.

What Thatcher did only too fully is apply every disastrous scheme that monetarist adviser Milton Friedman urged. Friedman's form of cult, called monetarism, says that applying shock therapy to an economy should result in restoring it to health, and that money supply, a thrice-removed measure of the economy, is more important than production.

Clockwork Orange

Beginning in May 1979 when she took office, Thatcher and the governor of the Bank of England, Gordon Richardson, began pushing the Minimum Lending Rate (MLR) into the stratosphere, just as Volcker has done. She and Richardson slashed money supply, applied fiscal restraint, and cut out all government investments in high technology. If Friedman's theory held true, the rate of inflation should fall precipitously six to nine months after this package of "reforms" was applied to the economy.

In late 1979, Thatcher announced the lifting of exchange controls, permitting hot-money flows to enter

London that previously had only partial access. The exchange-control abolition, combined with the higher revenues from the flow of British-owned North Sea oil gave Britain a current-account surplus for the first time in years.

The combination of high interest rates, current-account surplus, and exchange liberalization in turn delivered an artificial boost to the pound sterling. It rose from a level of a \$1.90 to the pound in late 1979 to a current level of \$2.35 to the pound today. This reinforced the flow of money into the speculative side of Britain's economy.

Thatcher cut spending in the areas of foreign aid, education, housing, and municipal services; housing alone was reduced \$3.5 billion. She juggled the tax structure, lowering the maximum rate of taxes from 83 to 60 percent while imposing a value-added tax on all but the most essential household commodities, which deeply slashed the incomes of low- and middle-income wage earners. Then Thatcher sat back. What she got was not only the destruction of the physical economy. Inflation went wild.

Thatcher and Richardson indeed massively gouged the money supply. At one point in late 1979, it was falling at a negative 15 percent rate and was down sharply for the last six months of 1979. Six months after the application of this policy, inflation should have fallen, were Friedman right. But because interest rates were high, and speculative currency arbitrage and real-estate ventures flourished under such conditions, they pushed inflation up. By mid-1980, inflation was spiraling out of control at a 22 percent rate, more than triple the rate when she took office.

Production savaged

President Reagan should pay very close attention to what happened to the British economy, for this is the guts of the Thatcher-Friedman "experiment."

The bottom fell out of the economy starting in 1979, and accelerated in 1980. British industrial production dropped more last year than in any year since the 1930s. And there is no indication of a turnaround.

Overall all industrial production fell by 10.7 percent

in the course of 1980, worsening as the year went on. During the fourth quarter of 1980, industrial production was down 13.8 percent from the corresponding period in 1979. The drop in the manufacturing portion of industrial output was even sharper: it fell 1.2 percent in December, or a 14.4 percent annual rate. Entire industries were gutted, creating disgraceful unemployment and tens of billions of dollars in lost output. For example, in the fourth quarter of 1980, the metal industries' output fell by 32 percent from the same three month period of 1979.

Unemployment climbed at a staggering 66 percent in 1980 or more than 50,000 new unemployed per month. It has nearly doubled since May 1980, going from 1.29 million to 2.4 million, which now represents nearly 10 percent of the labor force. To evaluate the shake-out in industry and resulting unemployment, consider the following:

- **Textiles:** Nearly 200 medium-to-large-sized clothing factories closed during 1980, and unemployment, which rose by over 100,000 last year, nearly doubled. One in two clothing workers in the course of 1980, faced either redundancy (layoffs) or short-time.

- **Steel:** In 1979, steel output was 21 million tons per year. Under the direction of British Steel Chairman Ian McGregor, a former Lazard Frères investment banker, British steel output for 1980 was 11.2 million tons. One example illustrates the unemployment situation: in Wales, British Steel Company employed 46,000 workers in 1979. By early this year, the number is projected to sink to 16,000, a one-third drop.

- **Housing:** In the public-sector housing industry—which produces two-fifths of Britain's homes annually—the Thatcher government itself projects that housing completions will fall from 102,000 in 1979 to a level of 50,000 by 1982. During 1980, the number of construction workers on unemployment benefits rose by 70 percent from 157,000 to 280,000. The employers estimate that this idle construction manpower alone is costing the British Exchequer \$1.32 billion per year in lost revenue and state benefits.

- **Coal:** This is one of Britain's major industries. Thatcher announced this week, and then had to withdraw temporarily, a decision to close down 20 mines and 10 million tons of annual coal output from the nationalized coal industry. With the steel industry, power stations, and the like producing less, and therefore using less coal, Britain now has stocks of 36 million tons of unused coal, which are growing, meaning new layoffs.

In short, there is not a sector of the British economy—except certain technetronic and service industries—which doesn't have plummeting output and rising unemployment. In a Feb. 15 article entitled "Has Industry Lost Its Heart to Fight," Britain's *Sunday Times* wrote, "Even the West Midlands—the heartland

of Britain's engineering excellence and once the place where recession was something other people suffered—is reeling." Unemployment in this high technology zone is 15 percent.

Friedmanism shattered

Just as in Argentina and Israel—two other nations which have subjected themselves to Milton Friedman's advice and which had 1980 inflation rates of 87 percent and 122 percent respectively—in Britain, the collapse of production has shattered even the monetary and fiscal targets that Thatcher set.

The budget deficit for fiscal 1980-81 was first forecast at \$20 billion, then revised last November to \$27 billion. Now government sources expect that deficit to exceed \$30 billion. In the U.S. economy, Britain's deficit would be the proportional equivalent of \$120 billion. Most of this \$10 billion increase in the budget deficit is due to the record unemployment and paid out benefits.

The monetary aggregates, which were supposed to be in the 7 to 11 percent growth range, zoomed out of control. M3 sterling rose at a 22 percent rate in 1980. The Bank of England and British banks were heavily lending to business to prevent bankruptcies, which greatly swelled the money supply. Despite this, a record 10,000 businesses went under. According to one economist, "some companies are borrowing with the benign consent of the Bank of England . . . *just to pay the interest on their bank loans* [emphasis in the original]."

Inflation over the past three months is still at 14.5 percent. The only reason it came down from the 20 percent range is not that domestic prices aren't rising fast. The overvalued pound sterling has depressed the cost of imports, tending to lower inflation. Of course, exports, denominated in pounds, are tumbling, leading to a further shutdown of production.

Too lax?

Anyone who concludes that Thatcher "hasn't gone far enough" needs his head examined. The Thatcher "experiment" has been under way for just short of two years. Thatcher is predicting 3 million unemployed soon and more production losses. She admits, for what it's worth, that the recession is twice as bad as the Friedmanite model had predicted it would be!

Yet Thatcher will now attempt to force this "experiment" onto Reagan. According to Penelope Hartland-Thunberg, former economics expert at the Central Intelligence Agency and now a Britain expert at the Georgetown Center for Strategic International Studies, "Thatcher will certainly talk to Reagan when she arrives in the U.S. about her British economic policies. Thatcher is a firm believer in the sunrise-sunset distinction, in which older industries are phased out. Steel, auto, and other industries are not of strategic importance for either the British or American economies."



Senator Orrin Hatch.

Senator Hatch discusses future labor policies

Last week EIR discussed the future activities of the U.S. Senate Labor Committee with its new chairman, Orrin Hatch, a Republican from Utah. This is Part One of Barbara Dreyfuss's exclusive interview. In Part Two, discussing the Carter administration's Abscam-Brilab procedures, Senator Hatch says that he intends to pursue charges of corrupt activity by both business and labor, but guard against any unconstitutional methods.

EIR: There has been a lot of concern about raising the skill levels of American workers if we are to have an expanding economy with new technologies. What will your committee do in that regard?

Sen. Hatch: Well, we are interested in enhancing vocational education and training programs, and particularly private-sector job corps and private-industry training programs like Opportunities Industrial Centers. We are looking into apprenticeship training and how we might utilize that and give people more skills. I think we have to have hearings to answer that particular question. . . .

EIR: What about those workers already working whose skills have to be upgraded?

Sen. Hatch: Apprenticeship programs could help there. But I don't know the answers to that, other than to say that businesses who want skilled workers will have to pay the price to train them. With certain incentives we can give businesses the initiatives to do that.

EIR: Labor Secretary Donovan testified that the problem of American productivity is not the laziness of Americans, but the fact that they have to deal with outmoded plants and equipment. How will your committee help American workers to be more competitive?

Sen. Hatch: That's a tough question. I don't have an answer to that. I think the way to increase productivity is through tax incentives and our committee doesn't have any particular jurisdiction over that area.

I do think we can help this country by getting rid of some of the overregulatory practices that are literally

eating our business people alive, and workers as well, and stopping them from being productive. One of the subcommittees that will really do a lot of work is the Investigations and Oversight subcommittee, and Senator Hawkins may well want to get into that.

EIR: President Reagan tried to appeal throughout the campaign to the blue-collar workers; he unequivocally stated that he wouldn't support revocation of OSHA [the Occupational Safety and Health Act] or Davis-Bacon [the legislation maintaining union wage-scales on federally funded projects]. Doug Fraser of the UAW and Jerry Wurf of AFSCME claim their problem will not be with the President, but with Congress.

Sen. Hatch: Since President Reagan has a desire to see if they can be changed administratively, I have a desire to see if that's possible. If it is, that would be superior to congressional change. I've chatted with Secretary Donovan about this, and he agrees that maybe the Labor Department can administratively make both those bills more workable.

But let's face it, Davis-Bacon is costing American taxpayers an unnecessary \$700 million to \$3 billion, depending on which economist you're talking to. . . .

As for OSHA, we would like to make it a more cooperative partner with labor and business. OSHA is spending a large part of its precious funding investigating small businesses that don't have safety problems. Why shouldn't we concentrate OSHA's efforts, and have OSHA work in a more cooperative, noncombative way in those areas that do have huge industrial safety problems?

EIR: Will you be looking into the question of drug use in the workplace?

Sen. Hatch: I believe we will. The Alcoholism and Drug Abuse subcommittee is chaired by Gordon Humphrey, and I happen to be on it. . . . I agree with you, something has to be done to educate the American people as to the dangers of drug abuse, and especially our workers.

Deutschemark in the barrel

The Volcker Fed is out to make the Germans deflate, but the Bundesbank has several defense measures remaining.

The West German mark collapsed to a three-year low of DM 2.25 per dollar this week, before being pulled back up to the 2.16 level by major West German central bank interventions. But the troubles of the once-mighty currency and the German "economic miracle" are just beginning.

The U.S. Federal Reserve, under the leadership of Chairman Paul Adolph Volcker, is out to get the deutschemark, it seems. A top New York Fed official told *EIR* this week that in spite of West German Bundesbank Chairman Karl-Otto Poehl's calls for Volcker to lower interest rates and stop the capital flight out of Germany, "There is nothing [the Germans] can do. Volcker went to the Bank for International Settlements this weekend and told Poehl as much flat out."

The Fed now expects the deutschemark to fall back to the DM 2.25 level or below, and has this as a deliberate policy aim.

This same Fed official last October, when the deutschemark was worth 1.80 per dollar (55.5 cents), predicted that by early this year it would fall to 2.25 or 2.50 (40 cents). Apparently, he was in a position to know Mr. Volcker's policy.

"The Germans have come to the end of the economic miracle," he said at the time. "The mark is too high, and the market knows this. You can't start from 1.70 to the dollar and do what they did from 4. The mark was cheap at 4, and they

exported like bandits. And as long as they had low wages enough to keep exporting, they had the best of both worlds. What broke is that they are no longer productive enough to maintain a competitive advantage with wages as high as they are. They are now up against the same rate of technological productivity in countries with much lower wage rates: not only Japan, but Korea, Malaysia, and Brazil."

The official reiterated the Fed's contention that Germany, like the U.S. under Volcker, must deflate strongly to deal with its foreign payments deficit. "Even if U.S. rates were lowered to parity with German rates," he said, "the capital flows coming out of Germany are simply too tremendous."

The only thing that can save the mark is if the Germans "raise their interest rates to follow" the U.S. "They have got to worsen their recession."

Volcker's rather blunt line has already gone out across the foreign-exchange markets, which are clearly taking their cue from the Fed. "The Fed will do what it feels it must do to fight inflation, no matter the effect on Germany or the complaints from the German government," traders at European-American Bank said this week. "This is a case of the tail trying to wag the dog."

"If the Bundesbank [the West German central bank] does not start raising its interest rates, the

mark will be in for a bloodbath," the trader said. "The Bundesbank might raise the Lombard rate one-half percent for show, but if that's all they do, forget it. The mark will fall below 2.25. Either the Bundesbank puts Germany into recession, or the mark will get a lot weaker."

I don't think matters are all that simple. First, the Bundesbank has already given a tremendous slap to the deutschemark bears this week with some \$300 million in intervention during the first few days of the week. This alone caused the recovery midweek from the DM 2.25 to the DM 2.16 range.

This intervention comes on top of intervention during the second week in February of over \$600 million, and has already caused many traders to warn that the Bundesbank still has over \$30 billion in foreign exchange at its command with which to singe the speculators.

Moreover, the Bundesbank chiefs could, and probably will, if pressed, easily put together a major deutschemark rescue package with the help of other central banks. Such a package was already mentioned by the London *Financial Times* this week as being under Bonn's consideration. It would be modeled on the Carter 1977-78 dollar measures, with "massive dollar credit swaps" being set up between the Bundesbank, Switzerland, and other central banks, who could not diplomatically refuse such a request.

The last line of defense, and a very substantial one, remains the Bundesbank's gold, which is worth \$100 billion at market prices. As noted last week, Dresdner Bank and others have already suggested a large German borrowing against the gold to support the mark.

A January breather for the economy?

Some sectors did very badly indeed, and the overall industrial picture continues to flash danger signals.

In the first six weeks of the first quarter of 1981, the U.S. economy did not go into the double-dip recession; that is, it showed few overt signs of buckling. But to conclude from this that the economy is "holding its own" is dead wrong.

That assumption was drawn by many leading economists who predicted that "the economic lull is over," and that real growth could reach 3 to 4 percent in 1981. Manufacturer's Hanover Trust wrote less than penetratingly in its January 1981 *Economic Report* "Just as there are some statistics that depict weakness in the economy, there are others that suggest just the opposite."

Interest rates are now at a 19 percent level. If, as economists such as Salomon Brothers' Henry Kaufman predict, there will be a 16 to 19 percent range for the next six months, it would be impossible for the economy to escape collapse. But to fully appreciate why, it is necessary to understand that over the last several weeks the economy got a breather, which won't last for long.

Industrial production rose by 0.6 percent in January accompanied by a 0.9 percent increase in national personal income. In January, there was also an apparent jump in employment of about 300,000. It appears that this overall level of increase was prompted partly by mild weather, which allowed construction to take place in a normally cold month. Second,

many housewives entered the labor force, adding to family income. Further, there was an illusionary factor: because fewer workers were hired in December for the Christmas shopping season, when many stores and industries thought sales would be down, there was less firing afterward. Because figures are seasonally adjusted, those few firings compared with previous Januaries show up. Also, because production figures are based on samples of industries, and employment levels often figure into estimates of production levels, there was most likely an overstatement of the size of the production increase in January, which will be revised downward.

The level of final sales did go up in January, but here some of the internal looting procedures that were applied to keep the economy afloat in January can be seen. While personal income rose by 0.9 percent in January, the consumer price index rose faster by 1.1 percent.

Indeed, the rise in personal income over the last several months has been dwindling, rising by \$30 billion in October, \$25 billion in November, \$21 billion in December, and \$21 billion in January. During this period, consumers drew down their bank accounts to compensate for the steadily dwindling increase in personal income. Thus, the savings rate in October was 5.5 percent, in November it was 5.1 percent, in December 5.2 percent, and in January 4.6 percent. As

personal income dwindled and consumer credit remained flat, consumers dipped into their bank accounts. But this process can only continue so long.

More worrisome is the fact that the economy in January was supported by only a few sectors—the construction of office buildings, which boomed; orders for steel and other products for oil-drilling equipment; and an increase in some of the service industries. Other industries have not recovered, and a structural shift in the U.S. economy continues for the worse. Since last April, 700,000 production and construction jobs have been removed from the economy, while 1.3 million service-sector and white-collar jobs have been added.

Nor is capital spending of any significant dimension occurring. In December, purchase orders for machine tools were down by 25 percent from December 1979. For the second half of 1980, machine-tool orders were down 32 percent. Machine-tool orders are generally a good barometer of capital spending by producers of hard goods.

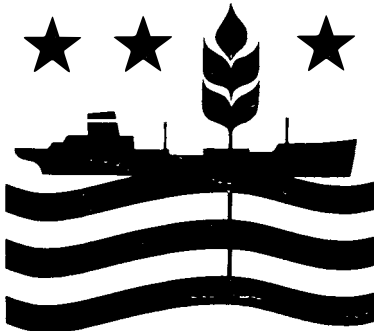
Finally, there are signs that certain industries like housing, which has barely managed to hold the line at a 1.5 million starts-per-year level, cannot hold out any longer. Building permits fell 9 percent in December, and mortgage commitments, which precede building permits, have fallen even more considerably over the last few months.

While GM and Ford are announcing \$700 to \$1,800 rebates to move their bloated auto inventory and keep up their sales, a rebate policy, too, has a limited life. If Volcker keeps interest rates up and credit tight, then January represented only a breather for the U.S.

World Trade

by David Ramonet

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
\$2 bn.	Egypt from France	France has agreed to supply Egypt with its first two nuclear reactors, to provide 900 MW each. Foreign ministers of both countries have already signed a protocol of agreement.		Detailed contract will be negotiated. April is the deadline.
\$400 mn.	Saudi Arabia from U.S.	Celanese Corporation and Texas Eastern Corporation have agreed to jointly own, build and operate a methanol plant with the Saudi Arabian government-owned Saudi Basic Industries Corp. (SABIC). Construction will begin in 1982, and completion is scheduled for 1984-1985.		SABIC to own 50% of the plant; Celanese and Texas Eastern 25% each. International marketing primarily under Celanese responsibility.
\$315 mn.	Colombia from Italy	A consortium of Italian companies formed by FIAT's Impresit, the civil engineering companies Girola and Lodigiani, and Gruppo Industriale Elettromeccaniche per Impianti all'Estero, signed a contract with the Colombian government's department of power development to build a 680 MW hydroelectric powerplant and associated civil works in Colombia.		
\$185 mn.	M. W. Kellogg from Pemex	Petroleos Mexicanos (Pemex) has signed a contract with M. W. Kellogg to build two fertilizer ammonia plants in Mexico, one in the state of Oaxaca and the other in Chihuahua. The plants will each have productive capacity of 1,500 tpd. Scheduled to go on stream in 1984.		Will bring to 8 the Kellogg-designed ammonia facilities contracted for by Pemex.
CANCELLED DEALS				
\$605 mn.	China from West Germany	Schloemann Siemag and partners had been asked by China's National Technical Import Corporation to stop all work on a steel rolling mill project at Baoshan. The project was a key part in the second stage of the overall \$5 bn. Baoshan integrated steel complex.		A Chinese delegation had negotiated a compensation with consortium members.
\$200 mn.	China from U.K.	Zimmer, a wholly owned Davy McKee subsidiary, had been told by Chinese authorities to postpone the project to build a major polyester polycondensation plant in Nanking.		Davy expressed concern over the future of other contracts. Total value of all Davy's work in China is about \$350 mn.
Note: Mark Sonnenblick is on special assignment for several weeks.				



An emblem of the Agriculture Council of America.

The prospects for a U.S. farm export drive

by Susan B. Cohen

The Soviet grain embargo and David Stockman's meat-axe approach to budget cutting were concerns of the more than 200 farm-industry leaders who met in Washington Feb. 9-11 to kick off the U.S. Farm Export Education Project's organizing drive. The Project is sponsored by the Agriculture Council of America (ACA), an independent organization designed to unify farm spokesmen and "tell the story of modern agriculture" to the nonfarm population.

The conference, headlined "U.S. Farm Export Strategies for the Eighties," urged the Reagan administration to quickly adopt a comprehensive and consistent agricultural export policy free of the disruptions and uncertainty that have characterized the past 10 years of a farm policy in flux, making American producers more and more dependent on farm exports.

At the center of conference deliberations was a set of long-range proposals for expanding farm exports and mobilizing the population behind such a program presented by the project's 35-man blue-ribbon committee. The committee included three former secretaries of agriculture; the governor of Kansas; the chairmen of two congressional committees; the heads of major agribusiness corporations; private grain companies and grain cooperatives; and representatives of the leading grower groups. The report recommends a strategy encompassing the transportation, research and credit needs of U.S. growers, as well as vital market-development programs critical for new, mainly Third World, market areas.

The conference pinpointed one of the preconditions for successful implementation of the proposals, underscored by the appearance of Agriculture Secretary Block. Despite his explicit endorsement of research and market-development programs, and his general advocacy of expanded production, Block was not able to offer a definitive farm policy, much less an export-growth drive.

If they hadn't suspected it already, conference participants should have been thoroughly convinced that their first job will be to get control of agriculture policy out of the hands of the State Department, the Office of Management and Budget, and the Federal Reserve, and back into the Agriculture Department where it belongs.

"Farm exports are one of this country's greatest

national assets," blue-ribbon committee chairman Don Chartier, president of FAR-MAR Co., one of the nation's largest grain-marketing cooperatives, told the opening session. "Our plan is to not only make these findings public but to take them to the American people in an effort to build a solid foundation for the future. The message . . . to get across is that farm exports aren't just in the agricultural interest—they're clearly in the national interest. Farm exports are a major factor in the U.S. economy, creating new jobs, reducing inflation and helping greatly to strengthen the dollar."

From 1970 to 1980, the volume of American farm exports nearly tripled, from 61 million tons to 164 million tons. Today, about 30 percent of American corn, grain sorghum, tobacco, and prunes are exported, while more than half of all our soybeans, cotton, rice, cattle hides, and wheat are exported. Since the mid-seventies, farm exports have been the single largest positive item in the overall balance of trade, reaching a \$23.2 billion surplus in 1980.

Besides providing a profitable basis for agriculture, further improvements in productivity and cheaper production costs, this export activity has a direct effect on the rest of the economy. A USDA study of 1979 farm exports showed that they provided more than one million fulltime jobs—500,000 in the farm sector and another 630,000 in assembling, processing, and distribution. Further, it is estimated that every dollar of farm exports in 1979 actually added at least \$2.05 to the economy.

Productivity and food prices

American farm exports, like American agriculture itself, represents America at its best, as Oklahoma University President Larry Boger, one of the principal speakers, put it. "It's a story that shouldn't have to be told," Boger emphasized, and the key is productivity, the unparalleled results of the development and application of new technologies. But as Boger and others pointed out, America's ability to continue to deliver increased quantities of products must be reinforced.

Restoring profitability to American agriculture is the bottom line; exports can help to do that without

igniting an explosion of food prices in the United States. As the blue-ribbon report notes, a study done recently for the National Association of Wheatgrowers showed that a 50 percent increase in wheat exports would push wheat prices up about 43 percent—to about 80 percent of parity—over two years. The rise in prices for cereal and bakery products would in turn raise food prices by 0.8 percent on average over the same period. And, since food has about a 20 percent weight in the overall Consumer Price Index, the overall inflation rate would be increased by a mere 0.2 percent.

At the same time, of course, the increase in exports would help reduce the net balance of payments deficit, and, combined with increased purchases by farmers of equipment and other production inputs, would create new employment and raise GNP.

More fundamental, as the report also notes, is the long-run effect of greater profitability, which allows producers to increase their level of capital investment in more advanced technologies and practices. This contributes to an overall lowering of the production costs.

Technology

The “synergism” of R&D and an educational policy to encourage both public and private support of science and education programs is being eroded, Nicholas Reding, vice-president at Monsanto and chairman of the National Agricultural Chemicals Association, told the group. “Greater focus must be placed on federal policies that encourage the concentration of govern-

ment-funded and industry-research resources on the development of new technology for the American farmer. At the same time, some present and all future federal regulations that inhibit industry’s development of new technology must be thoroughly re-examined and decisions made as to the risks and benefits to society based on scientific principles rather than political expedience.”

Another critical constraint on America’s ability to supply growing export markets—the lack of a coherent national transportation system—was addressed by Jerry O’Dowd, president of Agri-Industries, one of the country’s biggest grain-marketing cooperatives. O’Dowd detailed the typical transport bottlenecks faced by grain shippers—from the dilapidated conditions of the rural road and bridge network, to the waterways and rail lines—and showed that “one-mode-at-a-time” transportation policy had produced such inefficiencies that “only the strong participation of the federal government can bring solutions.” Further, with interest rates where they are, O’Dowd remarked, no one can afford to have \$5 million worth of commodities and equipment poking along a railroad track at 10 miles per hour.

The international setting

In addressing the international framework for expanding American farm exports, Jack Felgenhauer, immediate past president of the National Association of Wheat Growers and presently the Association’s international trade representative, outlined prerequisites for an aggressive market development program: strengthening the Foreign Agriculture Service, the Commodity

Figure 1

U.S. wheat, corn and soybean production, consumption and exports

Millions of metric tons

	1950	1960	1970	1980	% increase from 1950 to 80
Soybeans					
Production	8.1	15.1	30.7	48.3	496%
Domestic use	7.4	12.1	22.4	29.7	301
Exports*	0.8	3.7	11.8	23.8	
Corn					
Production	70.2	99.2	105.5	164.1	134
Domestic use	69.9	86.0	101.0	124.8	79
Exports	3.0	7.4	13.1	64.8	2060
Wheat					
Production	27.7	36.9	36.8	64.3	132
Domestic use	18.8	16.1	21.0	22.6	20
Exports	9.3	17.8	20.2	36.9	296

* Does not include soybean meal, which amounted to 7.2 million metric tons exported in 1980.

Source: *U.S. Foreign Agricultural Trade Statistical Report*, Fiscal Year 1979, USDA, ESCS; *Outlook for U.S. Agricultural Exports*, Nov. 17, 1980, USDA, World Food and Agricultural Outlook and Situation Board, and *Business Conditions Digest*, Department of Commerce, 1980.

Figure 2

U.S. agricultural exports: value by region

Region	Fiscal 1970		Fiscal 1980	
	Billions of current dollars	Percent of U.S. exports	Billions of current dollars	Percent of U.S. exports
Western Europe	\$2.369	35.2%	\$12.569	31.0%
Eastern Europe	0.133	2.0	2.449	6.0
U.S.S.R.	0.017	0.3	1.457	3.6
Asia	2.452	36.5	14.298	35.2
Japan	1.089	16.2	5.775	14.3
China	0.0	0.0	1.957	4.8
Other	1.363	20.3	6.506	16.1
Canada	0.767	11.4	1.830	4.5
Africa	0.229	3.4	2.277	5.6
Latin America	0.649	9.7	5.482	13.5
Oceania	0.056	0.8	0.189	0.5
Other	0.050	0.7	—	—
Total	\$6.721	100.0%	\$40.5	100.0%

Source: USDA, *Outlook for U.S. Agricultural Exports*, Nov. 17, 1980 and *U.S. Foreign Agricultural Trade Statistical Report*, Fiscal Year 1979, Washington, D.C., December 1979.

Credit Corporation programs, and PL-480, which OMB chief Stockman has targeted. Despite the fact that they've been hobbled (the FAS budget has been frozen or declining in real terms for the past 10 years, and several key programs authorized two years ago for CCC are still not funded), these programs are largely responsible for the farm export success of the 1970s.

Especially in the developing sector, now 35 percent of the U.S. farm export market and the area of greatest potential growth, these programs are essential. At the same time they make it possible for the country to purchase farm output, these programs also assist in developing the infrastructure to receive and handle it. Between 1956 and 1980, the CCC's short-term credit program financed \$9.2 billion worth of sales—and never lost a penny in default. Felgenhauer and others are advocating that the CCC set up a revolving fund to finance these programs to avoid begging for money each year. "PL-480 got it all off and running in the first place," Felgenhauer stressed. "It's a program we just have to have," he said, "especially if we're starting up in a new developing country." Stockman wants to phase out all but the outright grants in two years.

Richard Bell, a former undersecretary for international affairs and now chief executive of Riceland Foods, reported that since he had been pretty hard on Stockman in a speech the night before, he would instead speak bluntly about "trade barriers." Bell insisted that "two wrongs do not make a right"; the anti-Soviet embargo was wrong to begin with. And present efforts

to seek a quid pro quo on its repeal are also wrong, he said, referring to the new administration's tying of the question to Soviet action in Poland.

But for all Bell's bluntness, he declined to face up to the devastating "trade barriers" created by the International Monetary Fund's "conditionalities" and related zero-growth policies throughout the developing sector. Bell invoked the Europeans' greater "sophistication" on the question of the embargo and East-West relations generally, but he neglected to mention their equally emphatic and sophisticated initiatives to repair the broken-down world credit system (see article, page 6).

These initiatives, and the Europeans' repeated invitations to the United States to join in the project, have been quite systematically blacked out of the American press. Assertions such as that issued by a prominent banker at one of the conference discussion sessions—to the effect that the Reagan administration wouldn't, and indeed shouldn't, have anything to do with a "multilateral approach" to economic issues—are the unfortunate effect. Despite emphasis on the fact that "market development" is qualitatively different than simply "selling" a product, the extent to which a successful farm export expansion drive hinges on U.S. adoption of a decisive international economic growth policy was not acknowledged. And despite the fact that the blue-ribbon report points to the "problems" of Third World debt burdens and inadequate income levels, neither the report nor formal conference discussion ventured a positive policy solution.

Business Briefs

Public Policy

Thatcher: 'be harder than I was'

Top British banking circles are privately explaining that when British Prime Minister Margaret Thatcher arrives for a state visit, Feb. 25, she will implore President Reagan to learn by her past mistakes.

"The first thing Thatcher will tell Reagan is that it is absolutely essential to cut the budget deficit firmly and with a sharp axe. Her failure was that she did not, that she allowed wages to rise in both public and private sectors and allowed the state to bail out aging industries," a British financier told *EIR* Feb. 20.

Maggie Thatcher's policies (see page 13) would not normally appeal to President Reagan. Can Maggie sell her explanation that she didn't squeeze hard enough long enough?

"On monetary policy, the message will be that Reagan should make sure the central bank knows what it is doing, that it does not let the money supply get out of control as the Bank of England has. The Bank of England was not sufficiently bold in monetary control, and the Fed as well has first tightened then loosened, then tightened again," the banking source concluded, retreading Milton Friedman's excuse for the failure of his policies.

Auto Industry

Chrysler loan package endangered

New York's Citibank is leading a group of "dissident" Chrysler Corporation creditors in an attempt to force the Reagan administration into refusing government loan guarantees to the ailing auto giant.

Chrysler had worked out an agreement with over 100 banks, suppliers, and

the United Auto Workers to convert half their debt into preferred stock, and pay the banks at 30 cents on the dollar.

Based upon this, the U.S. government is prepared to guarantee Chrysler a desperately needed \$400 million bond issue.

A dissident group of creditors led by Citibank, however, suddenly demanded late this week that they immediately be repaid 5 cents on the dollar directly out of the \$400 million issue. Citibank told the press this week that Chrysler had agreed.

The Reagan administration, however, does not want to go along with such a sweetheart deal for Citibank. "The conditions are not satisfactory to the Chrysler Loan Guarantee Board," Citibank spokesmen told Reuters this week. The board, made up of Treasury Secretary Donald Regan, Federal Reserve Chairman Paul Volcker, and Comptroller Elmer Staats, believes the Citibank move indicates fears by Citibank that Chrysler might go under almost immediately, Citibank stated.

Without the new bond issue, Chrysler's days are numbered.

Agriculture

Propaganda campaign hits dairy supports

In tandem with OMB Director David Stockman's push to cut the strongest and most effective U.S. farm program, the dairy price support structure, a broad propaganda campaign has emerged, pulling together free marketeers and East Coast liberals.

Stockman has labeled the program "obviously obsolete."

This week the *New York Times*, which along with the *Washington Post* and *Christian Science Monitor* have written a series of lead editorials attacking the dairy program, featured a front-page attack on the program, reporting that the ultraliberal Common Cause has made it a "key target" and gone into motion across the country.

A recent WCBS-TV editorial in the New York-New Jersey area charged that the dairy program was a "rip-off" of consumers and taxpayers to "line the pockets of farmers."

Dairy price supports maintain milk prices at an effective 70 percent of parity, with six-month adjustments. The Carter administration had begun to try to cut them back.

The program in fact has enabled dairy farmers to modernize and deliver fresh milk to the entire population at affordable prices. Still, as National Farm Organization dairy official Paul Mowrer emphasizes, the U.S. does not produce enough milk to meet domestic needs.

The reason the government is holding more milk than usual this year is that the Volcker interest rate program has made it prohibitive for manufacturers to store milk products privately in the commercial pipeline as they would normally do.

Urban Policy

Free enterprise zones 'emasculated'

The Urban Free Enterprise Zone bill for Hong Kong-style sweatshops in U.S. cities has been "emasculated" of most of its antilabor provisions, sources at the Washington, D.C. Heritage Foundation complained this week.

The bill, sponsored by Rep. Jack Kemp (R-N.Y.) and Robert Garcia (D-N.Y.) was drafted by the Heritage Foundation, which espouses the implementation of free enterprise economics, as practiced by the Thatcher government in Britain, for the U.S. It was originally slated to contain provisions under which cities designated by the federal government as enterprise zones would "experimentally remove" minimum wage, Davis-Bacon, unemployment insurance, occupational safety and other labor regulations, to provide a "cheap labor pool," as Heritage Foundation author Stuart Butler put it, for "labor-intensive small business" in the inner cities.

Opposition by the NAACP, the AFL-

CIO, and labor unions who back Representative Garcia in New York, has made it necessary to remove "all of these more touchy provisions from the bill," Heritage sources said.

The main provisions of the bill as currently written, the source said, is a substantial tax break for new industries starting up in cities designated as enterprise zones. "This will be pretty ineffective as far as industry is concerned," the source said.

Foreign Exchange

Interest-rate convergence to stabilize deutschemark?

The West German central bank sharply tightened German interest rates late this week, in a move British bankers said will lead to "interest-rate convergence" between the U.S. and Germany.

The mark rose sharply in response to the German interest-rate hike, from a low of DM 2.25 to 2.08, and stayed strong.

The mark "is out of the woods for now because we will see a convergence between U.S. and European interest rates," Schroeder Bank told *EIR*. "German rates will rise to 13 to 14 percent, and U.S. rates will come off to 16 to 17 percent."

The Bundesbank's chairman Karl-Otto Poehl suspended the central bank's Lombard credit window this week. Poehl's intent, Bundesbank officials told *EIR*, "is to tighten rates dramatically by forcing the banks onto the private capital markets."

Within 24 hours after the Bundesbank's action, German day-to-day call money rose from the old Lombard level of 9 percent to 10 $\frac{3}{4}$ percent. Three-month Eurodeutschemark rates soared to 11 $\frac{1}{4}$ percent, as German banks and corporations were driven onto the Euro-mark market in Luxembourg.

Meanwhile the major New York banks lowered their prime lending rates from 19 $\frac{1}{2}$ to 19 percent late this week, as the Volcker Fed allowed the fed funds

rate to drop to the 15 percent level. Further limited softening of the dollar interest rates is expected.

Capital Flows

Argentina's economy opened for sale

On Feb. 2, the outgoing president of the Junta, Jorge Videla, and incoming president Roberto Viola agreed to devalue the Argentine peso by 10 percent, in what is being labeled a "mini-maxi" devaluation.

This turnaround in the exchange-rate policy maintained by outgoing Economics Minister José Martínez de Hoz has provoked a sudden flight of capital that has drained reserves by over \$1 billion since the announcement of the devaluation, leaving Argentina's gold and foreign currency reserves at around \$5.5 billion.

General Viola's statement that his government will be concerned mainly with the "reactivation of productive economy," and that the devaluation is a contributing measure, has not helped. The fact is that Viola will inherit from De Hoz a fourfold increase in foreign debt, amounting currently to \$20 billion. During the last five years, most of Argentina's borrowings have been spent by Argentine tourists in Brazil, in payments for debt service, and in imports of consumer goods.

While this devaluation has not yet reached the real value of the inflated peso, and more "realistic" devaluations are requested, the "buying up cheap" of Argentina's financial sector has already started.

Bank of America is waiting for government approval for the purchase of the Banco Internacional, S.A., which has deposits of \$475 million. Crédit Lyonnais of France is also interested in picking up Argentine financial institutions, 32 of which have already closed under bankruptcy procedures. Sasetru, Argentina's biggest holding company, has been declared bankrupt as well.

Briefly

● **THE U.S. STATE** Department officially replied to an *EIR* question concerning Europe's response to high interest rates, saying: "Although some foreign officials have expressed their concern that U.S. interest rates are complicating their own ability to pursue desired domestic economic policies, they unanimously agree that our first priority must be to reduce inflation in the U.S. They recognize the key role of current U.S. monetary policy in that effort."

● **SENATOR NANCY** Kassenbaum of Oklahoma told Treasury Secretary Regan at hearings Feb. 20 that businessmen in her state would gladly forego personal income tax cuts in exchange for lower interest rates.

● **WEST GERMAN** export orders rose 13 percent in December, a 7 percent one-month gain in real terms.

● **AT&T** may established a precedent by floating a \$300 to \$500 million note on the Eurobond market, Reuters news service reported. The company noted that there is a pattern of American companies seeking Eurocurrency financing due to tight credit conditions at home.

● **THE FRENCH** central bank raised its discount rate for treasury securities to 11 percent from 10 $\frac{3}{4}$ percent on Feb. 20, in line with the rise in West German market rates.

● **SENATORS GARN** and Heinz fought with budget director Stockman in a series of "screaming matches" but barely managed to "prevent Stockman from shutting the whole thing down," a congressional source reports.

● **BOSTON** commercial property owners squeezed another \$83 million out of the city two weeks ago, claiming "overtaxation."

Why Haig is lying about terrorism

by Jeffrey Steinberg

Over the past week, an international debate has broken out over the question of whether or not the Soviet Union runs international terrorism. The debate was consciously provoked, first, by Italian Socialist Party figure Sandro Pertini, the president of the Italian Republic, and then by U.S. Secretary of State Alexander Haig. Both Pertini and Haig dramatically asserted that the Soviet Union does indeed *run international terrorism*. Secretary Haig, ostensibly representing the policy view of the Reagan administration, sent personal emissaries to Western Europe and Latin America to present “definitive documentation” of the Soviet and Cuban role in running terrorism in Central America.

In both the Pertini and Haig cases, the matter is being wilfully covered up. Both Pertini and Haig, based on knowledge at their immediate disposal, are lying.

Massive evidence in fact exists that the Soviet Union does play a role in fostering international terrorism of the sort carried out by the Italian Red Brigades, by the Baader-Meinhof gang of the Federal Republic of Germany, and by the FALN of the United States. This role is carried out by a specific faction within the Soviet leadership associated with the IMEMO think tank, with Mikhail Suslov and Boris Ponomarev, and with KGB General H. Kim Philby, a long-term penetration asset of British Secret Intelligence Service (SIS) within the Soviet command.

However, as *EIR* Contributing Editor Lyndon H. LaRouche, Jr. has documented in a series of special memoranda and dossiers over particularly the post-1977 period, the principal *authorship* of international terrorism since the 1960s is located in the intersection of the Socialist International, the Jesuit-centered “Theology of Liberation” movement and the above-cited Soviet networks.

To overplay one component of the combination to the thorough exclusion of the other two elements is a coverup of the grossest order. This is what Secretary of State Haig is presently engaged in.



Secretary of State Alexander Haig.

For the past five weeks, the Italian press has been inundated with detailed coverage of the statements of a half-dozen convicted members of the Red Brigades. All these terrorists have publicly "spilled the beans" on the fact that the Italian Socialist Party has been the principal sponsor, trainer, and protector of the Italian terrorist networks since the very outset of the Red Brigades.

The average man on the street in every major Italian city is now intimately familiar with the names, dates, and backgrounds of the Italian Socialist Party officials who ran the Red Brigades. *Alexander Haig, the present U.S. secretary of state and former supreme commander of NATO, is at least as well informed as the average Italian citizen.*

Why, then, is Haig lying on a matter so vital to U.S. foreign policy and strategic defense?

Since no later than 1938, the best-kept secret in the world has been the fact that a section of the Soviet command, associated with the Comintern and its IMEMO-KGB successors, has been an asset of oligarchical financial and political networks centered in Venice and Genoa and controlled through the British SIS. The same faction has been the controlling factor behind the subversion of the American republic and the destruction of U.S. intelligence and counterintelligence capabilities. The same circles created and own the Socialist International majority faction, the faction associated with the "one-world" deindustrialization policies of the Brandt Commission, with the U.S. Institute for Policy Studies, and the Socialist Party of Italy.

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by Jeffrey Steinberg

Alexander Haig is primarily a protégé of this network. It is on behalf of this network that Haig—along with PSIEr President Pertini of Italy—has undertaken to pin the Soviet leadership in general with the sole responsibility for terrorism worldwide.

Haig's specific objective at this particular time is to tip the factional battle within the Soviet leadership—a battle that will be significantly fought out at the Soviet Party Congress at the end of February. By provoking the issue of Soviet control of terrorism, Haig hopes to affect the party congress in two specific ways.

First, the sweeping denunciation of the Soviet leadership significantly covers up for the specific actions and policy initiatives of the faction in the U.S.S.R. most graphically represented by KGB General Kim Philby.

Second, the attack serves as a "self-fulfilling" profile of the Reagan administration's attitude toward cooperative relations with the Warsaw Pact. A profile of a Reagan administration committed irreversibly to a hard-line intransigent policy toward the Soviets itself has a significant impact on the internal struggle.

Anyone denying that there does exist a factional split within the Soviet command reflected most clearly in the question of support for international terrorism is in effect branding himself as an operative of the Venice-Genoa centered oligarchical circles.

It is to this posture that Secretary of State Haig has made an out-front commitment. The past week's deployment of Lawrence Eagleburger, Vernon Walters, and Luigi Einaudi to arm-twist America's leading allies with "hard evidence" of the U.S.S.R. control over terrorism is aimed at locking the entire NATO alliance into a hostile posture toward the Warsaw Pact.

The reaction from Western Europe has been, predictably, far from cordial. When Eagleburger arrived in Paris and Bonn with his briefcase full of documents, he was so poorly received that Haig immediately recalled all U.S. ambassadors in Western Europe for a re-evaluation of the state of the alliance.

A ramming through of the Haig indictment of the Soviet role in terrorism is also being seen as a critical protective screen for a massive wave of terrorism.

At a Dec. 5-7 conference of the Socialist International in Washington, D.C., which included secret meetings with both Henry Kissinger and Soviet IMEMO Director Georgii Arbatov, a concrete plan of action was spelled out for destabilizing the governments of President Reagan, Chancellor Schmidt, and President Giscard.

To the extent that Alexander Haig's efforts to distort the terrorism debate are defeated, many leading analysts in and around Washington suspect that the Secretary of State and former Nixon White House Chief of Staff may have some serious accounting to do for his behavior spanning two presidential administrations.

The IMEMO-KGB links to terrorism

The following memorandum to members of Congress was released on Feb. 4 by the National Democratic Policy Committee, a multicandidate political action committee and policy advisory body based in New York.

Secretary of State Alexander Haig performed a significant disservice to the national security of the United States this past week by issuing a *deliberately distorted picture of the otherwise very real and significant links to international terrorism by two Soviet agencies, IMEMO and foreign-intelligence sections of the KGB associated with KGB General Harold "Kim" Philby.*

At this present moment, the United States is threatened by the *probably imminent triggering of a mixture of urban rioting and terrorism, a deployment coordinated through Willy Brandt's Socialist International and other accomplices, and complementary to the projected escalation of "Reagagate" through news media and other agencies pivoted around a key role of NBC-TV.*

The visible trigger for unleashing such combinations of terrorist acts and urban riots is the accelerated deployment of *two sets of synthetic gangs* currently being whipped up for deployment of a "Greensboro shootout"-modeled scenario on a more general scale. These two elements of *Tavistock "stability operations"* gang-and-countergang operations against the security of the United States are, on the one side, *synthetic "neo-Nazi" and "Klan" entities*, and on the other side, *a terrorist-affiliated agglomeration of "anti-Klan" forces.* The latter held a conference of its "aboveground" *political cover-propaganda elements* in Washington, D.C., during the last weekend of January.

The special danger in this deployment of the two synthetic gangs is the aid to this destabilization operation channeled through *elements of the Civiletti Department of Justice, including the Ramsey Clark-initiated Community Relations Service, and the "agent-in-place" of the CRS, the Anti-Defamation League.*

Congressional inquiry into the official intelligence-service backgrounds of members of the *Wilkinson Klan* would be appropriate and fruitful. The links of the "anti-Klan" countergang to the terrorist capabilities of the *Communist Workers Party*, *Yippies*, and links to Iranian and allied terrorists in the U.S.A. associated with the *Ramallah Foundation* and the *Muslim Student Association* would be most fruitful as well. The case of ADL efforts to incite the *Jewish Defense League* according to JDL profile into incited assassination attacks would also be a most fruitful inquiry into the nature of certain of the activities in which the Civiletti Justice Department's elements have been complicit.

In addition to terrorist and terrorist-linked violent groups such as the *CWP*, *FALN*, *PLO-MSA-linked groups*, special attention must be given to certain of the products of "Clockwork Orange"-variety "behavioral modification" programs run through federal and other prisons over the recent period. Comparison with the analogous cases of the "behavioral modification" history of *Charles Manson* and the *Symbionese Liberation Army*, and the role of LSD-25 and other drugs in transforming the *Institute for Policy Studies-linked* and *Ford Foundation-funded Rudd-Dohrn group* into the *Weatherman terrorists* is also most relevant. Attention should be given to active links between the *Ramallah Foundation* and other *PLO-linked groups* to certain self-styled "black activist" personalities and organizations.

The indicated scenario

Hypothetical case: Representatives of an organized crime protection-racket operation threaten the owner of a licensed premise unless payments are made as demanded. The proprietor refuses. The following action occurs.

Two "skills," retained by the protection racketeers for this purpose, start an argument on the premises, drawing unsuspecting onlookers onto one side or the other of the dispute. The ensuing brawl nearly destroys the premises, and the projected legal difficulties of the proprietor ensue.

There, more or less exactly, one has the significance of the two synthetic countergangs, the Klan and anti-Klan forces. Their function is to detonate predeveloped potentials for urban rioting, in which circumstances the bloody shirts of a few token black or Hispanic persons provide a Dade County-style catalyst for potential riots. Riots are then activated with aid of the sort of small groups typified by behaviorally modified products of prison, mental health, and drug therapy programs. The *Lincoln Detox Center* production of the *police-killing Black Liberation Army* is an appropriate image of reference for understanding how riot potentials can be triggered with aid of such groups.

The included problem is that since legal action



Georgii Arbatov.

preventing Detroit law enforcement from interfering with preparations of the mid-1960s Detroit riots, policies exemplified by the *Levi Guidelines* and the *Ford Foundation*, and *Vera Institute* policies typified by the work of *Patrick Murphy* in law-enforcement administration, have stripped law enforcement of the necessary surveillance and related intelligence capabilities indispensable to isolating and neutralizing the operatives who transform riot potentials into bloody, burning riots.

This problem is monstrously aggravated by recent trends in preventing proper law-enforcement action against drug-usage offenses. Lack of efficient sweeps against concentrations of possessors of unlawful substances means the virtual impossibility of isolating and eliminating drug pushers. The combined result, which has reached the proportions of a "crime revolution" in New York City, creates a situation in which law enforcement becomes virtually helpless to contain crime generally.

Members of Congress should be informed that there is, in many parts of the nation as well as in New York City itself, a systematic suppression of crime statistics through obstruction of appropriate police action against crimes and offenses at the administrative levels of government and law-enforcement institutions responsible to governments adopting such policies. The skyrocketing of crime way above the levels reported in manipulated statistics provides the environment in which urban rioting and terrorism swims "like a fish in water."

Although corrective action must be taken quickly to repair the damage done to law-enforcement capabilities,

the urgent course of preventive action for the immediate period ahead is to neutralize the terrorist and riot potential by exposure of the forces behind both the Klan and anti-Klan gangs and the background capabilities indicated.

Who is behind international terrorism

Contrary to the *Socialist Party president of Italy, Sandro Pertini*, whose false report was echoed by Secretary Haig, the proven, most visible conduit for international terrorism in Italy is the majority faction of the *Socialist Party of Italy*. The relevant patterns of arrests have been reported widely in leading Italian news media since the period of the kidnapping-murder of former Prime Minister Aldo Moro in 1978. Other leading terrorist controllers are typified by the case of *attorney Klaus Croissant*, a proven Baader-Meinhof accomplice associated with international legal circles led by former U.S. Attorney General *Ramsey Clark*.

This information is well known to Justice Department and other officials who have consulted with leading anti-terrorist institutions in Italy, France and the Federal Republic of Germany.

The elements of the Warsaw Pact complicit in political aid of terrorism are prominently identified with *two former officials of the British Secret Intelligence Service, Donald Maclean and Soviet KGB General Harold "Kim" Philby*. Philby is especially significant in operations run through the Islamic world, operations which center around networks previously associated with his father, *St.-John Philby of the SIS's Arab Bureau*.

IMEMO, established in 1956, is a revival of the old Communist International intelligence apparatus. IMEMO was proposed and initially headed by old Comintern executive *E. Varga*, and came under the advisory direction of Donald Maclean in 1963, shortly after Philby's leap from Beirut, Lebanon into Moscow. Although the case of Politburo member *Mikhail Suslov* is under a strong light in this connection, the known high-ranking spokesman for IMEMO policies within the Soviet command is Central Committee Secretary *Boris Ponomarev*.

IMEMO penetrates massively into the foreign-intelligence sections of the KGB, as is typified by Maclean's accomplice, KGB General Philby. It is also the agency which coordinates most of the Soviet-oriented Communist Party leaderships in various nations of the world. Exemplary is the case of *Georgii Arbatov's* and *General Milstein's U.S.A.-Canada Institute*, the branch of IMEMO which controls the "KGB section" in the leadership of the Communist Party U.S.A.

Contrary to a *false report publicly attributed to a 1979 CIA issuance*, there is a raging policy fight and succession battle within the Soviet command. Every relevant section of the U.S.A. intelligence community is



Ramsey Clark.

focused on that succession fight and its implications. If any CIA official actually issued a report denying such a major struggle within the Soviet leadership, the reason for that official's issuance of such a deliberately false report ought to be investigated and the relevant liars cleaned out of our intelligence community.

The factional forces of the Warsaw Pact and Communist parties allied with Boris Ponomarev and IMEMO are overtly allied, together with Fidel Castro, not only with Willy Brandt's Socialist International, but have also joined the Socialist International's alliance with the *self-styled "Liberation Theologists."*

This combination of forces, together with the "black oligarchical" forces behind international "antinuclear environmentalism" (the *World Wildlife Fund* and *Club of Rome*, for example) are deployed to the purpose of attempting to destabilize the administrations of both President Ronald Reagan and of Chancellor Helmut Schmidt of the Federal Republic of Germany.

The higher controllers

As has been revealed to the major news media of Italy by relevant security agencies, behind the role of the Socialist International and others in deploying "environmentalism" and terrorism *as instruments of policy*, there are old "black nobility" families, closely allied to *Colonel Qaddafi*, traditionally associated with the "*Black Guelph*" centers of *Venice* and *Genoa*. These are the *family funds* (the form of organized interest of those families) which created and which predominantly control the Socialist International. These are also the families behind the legendary *Alexander Helphand (Parvus)* during the early decades of this century, who

controlled predominantly not only *Nikolai Bukharin*, but a large portion of the entire Communist International leadership from the beginning.

To appreciate the motives of such “black nobility” and allied circles in this matter, one needs to recognize the significance of their continuing commitment to destroying the institution of the sovereign nation-state, in favor of a “*world federalist*” parody of the medieval institutions associated with the 14th-century “new dark age.” In the ideologically determined views of such unreconstructed feudal families, the resurrection of themselves to the degree of political power they once enjoyed requires the destruction of the industrial-capitalist form of the modern nation-state. It is to that end that these forces have deployed left-wing forces of the Socialist International, elements of the Communist International, anarchists, anarchosindicalists, terrorists, fascists (such as left-wing Socialist Benito Mussolini), and “neo-Malthusian environmentalists.” These forces deploy the “left” not out of any “proletarian sentimentalities” of their own, but because such “leftist” instruments, together with mind-destroying drug cultures, are the most efficient *instruments of policy* for undermining and destroying the institutions of the industrial-capitalist sovereign republic.

This is the meaning of a public rebuke given to President Pertini’s lies by the chief of Italy’s Carabinieri. The mother of international terrorism resides in Italy. Its name is Venice.

Although the truth of these matters is known to experienced members of the official intelligence communities in the U.S.A. and among our allies, the witting executives of that community are prevented from releasing such information publicly, in their often-stated excuse in the matter, because the key responsables behind terrorism are at a significantly higher level of position, as “men and women above suspicion,” and represent therefore a powerful reach into the executive and legislative branches of governments. The general view among such witting intelligence executives and related persons is that it is better to leak out only information pertaining to certain lower-level assets of the terrorist and environmentalist operations, and thus hope to protect intelligence agencies from being in the position of inciting a showdown and probable major institutional reprisals from the powerful forces “above suspicion.”

Only if a significant body of the Congress rallies to stand as one man on this issue can we rally ourselves adequately to confront and give a crushing defeat to the forces “above suspicion.” If there are not sufficient persons in Congress to do that, then members of Congress have no proper complaint if terrorism and urban rioting is loosed upon us through forces allied to Willy Brandt’s Socialist International.

Socialist Party ties to Red Brigades confirmed in Italy

by Vivian Zoakos

Throughout the month of February the Italian press, led by the national newspaper of record *Corriere della Sera*, has been rocking the country with detailed exposés of the extensive ties between the Italian Socialist Party (PSI) and terrorism. The published information has been all the more explosive in that the Socialists hold some of the leading positions in the Italian government, including the ministry of defense and the presidency.

Of particular irony has been the fact that the Socialist president, Sandro Pertini, initiated on Jan. 23 the latest wave of accusations against the Soviet Union for controlling international terrorism, including emphatically the Italian domestic variety.

These accusations were picked up a week later by U.S. Secretary of State Alexander Haig and are now the subject of possibly the most heated of all international debates. It has not passed unnoticed among Christian Democratic and other Italian political circles that about the same time, the secretary of state chose the Socialists as the particular allies of the U.S. in Italy. Later, Haig attempted to qualify his endorsement when the Socialists’ terrorist connections became the daily fare of the leading press.

The information being released now does not actually represent new qualitative knowledge of the PSI’s activities. The primary documentation was made public and available to Italian law-enforcement agencies in early 1979 in the form of a detailed dossier published by the Partito Operaio Europeo (European Labor Party—POE). Parts of the documentation in that dossier were then independently researched by leading members of the Italian magistracy, leading to the April 7, 1979 arrest of dozens of leading Socialist “academicians” from the University of Padua by the famed Judge Calogero.

The leading individual constituting the so-called April 7 group, Toni Negri, is now one of the primary subjects of the current exposés. These exposés have, however, also gone beyond Negri to leading national figures and faction leaders of the PSI. The principal figure targeted, in his capacity as the weakest link in the chain of PSI terrorist control, is Giacomo Mancini, one of the “grand old men” of the party.

In an interview to the magazine *Il Settimanale* this



Left-wing terrorists blow up a Carabinieri vehicle in Milan before their "above suspicion" controllers were exposed.

week, Mancini gave a backhand acknowledgement of the pioneering role of the European Labor Party in the field of counterintelligence. Threatening to sue *Corriere della Sera* for printing "lies" about his terrorist activities, Mancini charged that *Corriere* was merely resurfacing the information originally compiled by the POE.

The information now appearing in the daily press, adding documentation to the POE thesis about the Socialists, is based on the testimony of at least a half dozen "turned" terrorists who worked closely with Socialist Toni Negri and the Mancini wing of the party. Giving detailed information of past meetings, participants, and activities, these individuals are documenting that Toni Negri, respected Socialist academician, was both the "theoretical" and "military" leader of the entire terrorist movement spanning the area from Milan to Bologna. For example, Caterina Pilenga, who joined Negri's *Autonomia Operaia* (Workers' Autonomy) in 1972, has revealed, together with her comrade Barbone, that Negri ran the terrorist movement through the legal structures provided by two publications, *Rosso* and *Metropoli*.

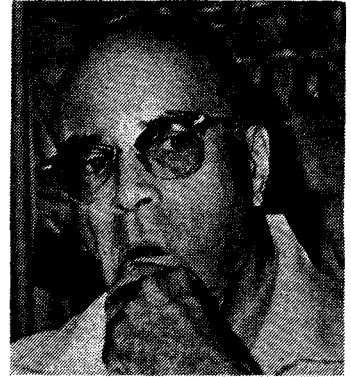
Rosso and *Metropoli* provided the executive planning leadership for the kidnappings, art thefts, weapons smuggling, and similar activities which Negri personally planned and directed. One of the ex-terrorists, a former trade unionist named A. Romito, has testified that it was Negri personally who first suggested the idea—later executed—to kidnap the Paduan district attorney Fais.

Negri's *Autonomia Operaia* and its publications' offices also carried out a thriving business in arms smuggling. These weapons were then made available to the Red Brigades gang and others, such as the *Prima Linea* (Front Line) group, who conducted the kidnappings, including that of Premier Aldo Moro in March 1978.

The Mancini connection comes in through the *Metropoli* magazine. It has been revealed that Mancini ordered his very close associate Antonio Landolfi to finance the creation of a "study center" named the Cerpet as a financing and research/logistical-support apparatus for Negri's operation.

There was no attempt to even disguise the connection between the Cerpet and Negri's *Metropoli*. They shared office space, and their personnel were interchangeable—the same name appearing at different times on the *Metropoli* masthead and the Cerpet board.

The executive of the PSI has thus far attempted to cover up the terrorist activities of its Mancini wing, thus merely demonstrating the terrorist connections of the entire party. At a meeting of the executive on Feb. 12, a communiqué was issued completely absolving Mancini and his associate Landolfi. In a subsequent interview, Mancini correctly noted that he is not the real target of the accusations, that there is an attempt to incriminate everyone, including the general secretary. According to Italian insiders, this is precisely true.



Sergio Méndez Arceo.

Tribunal in Mexico plans terrorist deployments

by Timothy Rush

The Feb. 9-13 conclave of the "Permanent People's Tribunal" in Mexico, convened from headquarters in the Bertrand Russell Foundation of England and the Lelio Basso Foundation of Rome, provides important answers to the question of who is really planning current deployments of international terrorism.

Though strands of the networks assembled in Mexico can be traced back to KGB-linked operations, the meeting was dominated by high-level controllers of the Jesuit-molded "Theology of Liberation," together with select representatives of the Socialist International, offshoots of the old European nobility, particularly the Italian, and British intelligence.

The centerpiece of the Tribunal's activities was a three-day "trial" of the El Salvadorean junta and the U.S. government for human-rights violations. This exercise in Brecht-style theatre by the perpetrators of the "left" side of the El Salvadorean carnage concluded on Feb. 13 with a release of the "verdict": continued terrorist insurrection from the left was justified "as sanctioned in international law."

Behind the scenes, radical jurists, intellectuals and "liberationist" church figures plotted a much broader campaign of terrorism and destabilization with the host country, Mexico, as a prime target.

The chief Mexican organizer of the event, the notorious "Red Bishop" of Cuernavaca, Sergio Méndez Arceo, publicly declared on the eve of the tribunal: "We must not only look at El Salvador, but also look within Mexico, to what is going on internally."

The true nature of the meeting was made plain when, in the middle of the "deliberations," a widely read Mexico City daily revealed proof that Méndez Arceo had personally sheltered Mexico's two most-wanted terrorists on church grounds in the early 1970s. The revelations sent a shock wave through the Tribunal's proceedings.

Equally damning, Honduran authorities detained priest Fausto Milla Nuñez Feb. 17 upon his return to Honduras from attending the tribunal as a special invited guest. Milla, who in the past has worked with European and U.S. priests in a program of radical action, was carrying \$40,000 whose origin or purpose he could not explain. The Mexico press openly asked if it had come from Méndez Arceo.

With judges like these

The Permanent People's Tribunal is the direct descendant of the famous Bertrand Russell Tribunal of the late 1960s, which used the cover of "judging" U.S. involvement in Vietnam as the basis for knitting together a large number of smaller terrorist capabilities into a unified, higher-level structure.

In 1978 it was a Russell Tribunal-sponsored "human rights fact-finding mission" which touched off the final phase of the operation to install Khomeini in Iran.

The Italian terrorist connection moved to prominence when, in a mid-1979 reorganization, the tribunal was re-named the Permanent People's Tribunal and its headquarters shifted to the Lelio Basso Foundation in Rome. The recently deceased "independent socialist" Lelio Basso pioneered in the establishment of Second International terrorist capabilities, and his name surfaced prominently last summer in connection with both right-wing and left-wing Libyan-financed terror and the Billygate scandal.

Leading terrorist controllers on the Tribunal's board of directors include Richard Falk of Princeton University; the Colombian writer Gabriel García Márquez; Noam Chomsky, anarchist and brainwashing theorist at MIT; and François Houtart, S.J., Belgian sociologist at Louvain University who has the dubious distinction of personally training the most celebrated priest-martyr

of the Colombian left, Camilo Torres, and who is the brains behind rightwing Jesuit deployments of the region, Roger Vekemans.

The Tribunal's team fielded to Mexico was crawling with Liberation Theologists. Most prominent among them, in addition to host Méndez Arceo, was Harvey Cox, one of the most significant international figures on the Protestant side of the network; and Philip Wheaton, director of Epica, a Jesuit think tank in Washington, which coordinates support for Central American guerrillas in radical U.S. church layers. Approximately half of the 22 "witnesses" called to give "testimony" during the proceedings were nuns or priests.

The acting president of the Tribunal was Harvard Nobel biologist George Wald, who left for Iran immediately after. A rabid environmentalist who was a leading spokesman for the proterrorist Seabrook rally in 1979, Wald described himself to the Mexican press as an "anarchist" and termed science "fundamentally a religious vocation." Wald called on "all countries to break relations with El Salvador" and heatedly denied that the Salvadorean insurgents were Marxists: "some of the most important groups in there are members of the Socialist International."

According to eyewitnesses, the three days of taking "testimony" consisted largely of alleged torture victims sitting behind folding screens and sobbing so uncontrollably that no actual words could be heard. From this procedure came Wald's saintly insistence that the conclusions were of necessity "impartial" and "above politics." Never once was any hint of the Jesuit role coordinating the "right" as well as the "left" side of the carnage brought in; nor any mention of the complicity of the left Jacobin forces with their ostensible enemies in implementing genocide policy of the sort associated with the Pol Pot regime in Kampuchea.

From the Tribunal, the "witnesses" and "judges" are now fanning out back to their home territories to build for disruption and terrorism "in the name of our El Salvadorean brothers and sisters." Declared Sorbonne professor Armando Uribe just before his return: "I am now sure that the Old Continent will move when it finds out about so much misfortune unleashed on one small and poor nation." U.S. sociologist James Petras spoke similarly as he decamped: "I believe that for the first time the American people will be able to learn in depth of the barbarity which is occurring in El Salvador."

The final "verdict" pronounced by Méndez Arceo and former Algerian minister Amar Bentoumi: "The accusations presented to the Tribunal are such that they legitimize insurrection . . . based on the El Salvadorean constitution itself and the U.S. Declaration of Independence."

Profile

The bishop who says 'the guerrilla is a Moses'

"Red Bishop" Méndez Arceo started his ecclesiastical life as a bombthrower—but of the right-Jesuit-molded coloration, not the left. He joined the Cristero movement, which in the late 1920s launched a general terrorist uprising against the Mexican secular state in the most backward areas of the country. At least one chronicler of the period places Méndez Arceo personally at the scene of one of the bloodiest actions of this guerrilla war, the dynamiting of a civilian train.

He soon became the personal protégé of the archbishop of Guadalajara, Francisco Orozco y Jiménez, one of the pillars of the Cristero revolt, a member of the Knights of Malta, and a strong protector of the Jesuits. Under Orozco y Jiménez's sponsorship, Méndez Arceo went to Rome in 1933 for study at the Pio Latino collegium.

It was under this "right-wing" coloration that the churchman rose through the Mexican hierarchy over the succeeding 25 years. As late as 1960 he achieved notoriety when he led a campaign against Mexico's free government textbooks for being "communist."

His appointment to the diocese of Cuernavaca was a natural outgrowth of these early activities and associations: Cuernavaca in the same years became the favorite Latin American nesting-place-in-exile of Italy's "black nobility," most notably scions of the Pallavicini dynasty and the House of Savoy claimants to the Italian throne.

Then Méndez Arceo moulted his feathers. In the early 1960s he put Gregorio Lemercier and Ivan Illich under his protection, and rapidly made the Cuernavaca diocese into a worldwide center of "left" countercultural and terrorist brainwashing.

Belgian priest Lemercier had already achieved fame for his theory that priests must undergo intensive group psychoanalysis of sexual fantasies in order to overcome the psychological scars of taking vows of celibacy. Local police in the mid-1960s twice broke up parties hosted by Lemercier at residences of Bishop Méndez Arceo, which featured monks parading as women.

Lemercier accompanied Méndez Arceo to Rome in 1965 for the Vatican II deliberations as his theological adviser, where Méndez Arceo made his first waves as a spokesman for what later became identified as the Theology of Liberation currents. Méndez Arceo's other chief

collaborator at this time was the Jesuit José G. Vergara.

Illich came to Cuernavaca on Méndez Arceo's invitation in 1961, direct from Jesuit training in New York City and a deployment to arrange sterilization of women in Puerto Rico. In 1962 Illich founded the Centro de Información y Documentación (CIDOC), which for 14 years indoctrinated a full generation of young European priests headed for assignment in Latin America, together with a steady stream of student radicals from throughout the Americas. The curriculum: drug parties, "deschooling" programs, antiscience crusades, "liberation" and "people's war." By 1969 these activities had stirred an official investigation by the Vatican; Méndez Arceo personally undertook Illich's defense in the higher Church councils, and successfully kept CIDOC open.

A year later he began the export of his work directly into the United States, journeying to San Antonio, Texas, for the investiture of the first Chicano "liberationist," Bishop Patrick Flores.

Méndez Arceo joined with leading Jesuits in a meeting in Salvador Allende's Chile, which launched Liberation Theology as a defined continent-wide conspiracy, making him a founder of the conception of the "Christian-Marxist dialogue." During the same period, he arranged publication of the Jesuit liberationist magazine of Mexico, *Christus*, as the official publication of his diocese. In February 1978, he became one of the principal protagonists of a meeting that month in Havana with Fidel Castro, which arranged closer Cuban cooperation with liberationist networks in Latin America.

The content of this "dialogue" for Méndez Arceo? Pure dark ages ideology. "Marx let himself get taken in by the idea of progress," he wrote in 1977. "We Christians can perceive with more penetration how much the expansion of capital and advanced industrial techniques have damaged the nature base of well-being."

After personally directing proto-terrorist anarchist currents of the 1968 student rebellion in Mexico, the Cuernavaca bishop turned "mediation" in terrorist kidnappings into a virtual profession during the 1970s. During his fifth such "mediation," in February 1977, he insisted on keeping a large ransom sum "for other members of the gang" when terrorist kidnappers were nabbed by police before the ransom payment had been completed! The leader of the guerrilla group involved: "El Güero" Medrano, trained by Méndez Arceo and Illich at CIDOC a decade before.

He aptly summed up his terrorist protection activities a year ago when asked to comment on the terrorist M-19 seizure of the Dominican embassy in Bogotá, Colombia: "The guerrilla is a Moses, reacting to the mistreatment of his brother," Méndez Arceo pronounced. "He has a wrenching mystical experience and sees with clarity that an uprising of his people is the response of God to the clamor reaching his ears."

The PLM exposes Méndez Arceo

Much to the chagrin of its organizers, the Permanent People's Tribunal was unmercifully held up to examination by antiterrorist forces in Mexico and ended its five-day stand with its credibility in shreds.

A week before the tribunal was due to begin, the respected antiterrorist security section of the Partido Laboral Mexicano (Mexican Labor Party—PLM) called a rally at the Mexican interior ministry to publicize presentation to the ministry of a security dossier on the tribunal's scheduled participants. The dossier was accepted on behalf of Interior Minister Enrique Olivares Santana, by the associate director of the Department of Political Investigations, Alfredo Algarin. Two Mexico City dailies, *El Diario de Mexico* and *Avance*, ran prominent coverage of the event the next day, as did the leading paper of Méndez Arceo's base, Cuernavaca.

The dossier was widely distributed to other ministers at the annual "Assembly of the Republic" later in the week in the northwest state capital of Hermosillo.

The PLM followed up with high-profile rallies and leafletings in front of the Del Prado Hotel during the days of public sessions starting Feb. 9, which were further covered in several major newspapers. Members and guests of the tribunal came flooding out to the street during breaks in the proceedings, clamoring for the dossier "everyone is talking about."

Then a widely read evening daily, *Ultimas Noticias*, suddenly printed in full the charges of a long-time Méndez Arceo employee that the tribunal's host had used Church grounds to hide Mexico's two most wanted terrorists of the early 1970s, Genaro Vazquez and Lucio Cabañas.

Knowledgeable sources believe the decision by *Ultimas Noticias* to cover the story was coordinated with elements of Mexico's security forces who were issuing a warning in this form that they were closely scrutinizing the tribunal's activities. More scandals hit scarcely 24 hours later when tribunal organizers, in conversations with the press, revealed that Mexican Foreign Minister Jorge Castañeda had personally made arrangements for the tribunal to be held in Mexico City.

Castañeda, as *EIR* has previously documented, is a close ally of Willy Brandt's Socialist International, whose policy is one of support for terrorism and insurrection in the Third World. Castañeda has gone out of his way to try to force Mexican President José López Portillo to

break diplomatic relations with the Salvadorean junta, and to support the guerrilla insurrection in that country.

When a tribunal official was asked if the idea of having Mexico host the tribunal's meeting was aimed at manipulating López Portillo into endorsing this Castañeda line, she replied, "I believe that when things get so critical as they are in El Salvador, where actual bloodshed is going on, manipulation becomes necessary."

The depth of discrediting the tribunal was evident in the final press conference Feb. 13. Immediately after Méndez Arceo opened the conference, a reporter asked if his support for Salvadorean guerrillas was linked to his history of sheltering guerrillas in Mexico as revealed in that week's press. After a rapid whispered conversation with journalist Luis Suarez, the official biographer of Lucio Cabañas, the Red Bishop paused for a number of seconds in the completely quiet room and then answered "No comment."

The case of the bishop's cellar

The following account of Méndez Arceo's links to terrorism is excerpted from the Feb. 11 edition of the widely read Mexico City evening newspaper, Ultimas Noticias.

Manuel Rodríguez Iturbide, 103 years old, asserted that he will fight like he did during the Mexican Revolution . . . to ensure that Bishop Sergio Méndez Arceo, a protector of guerrillas and subversives and a well-known Cristero fighter, pays him the severance pay he owes him for 37 years of service. . . .

Rodríguez Iturbide used to earn 300 pesos [\$13 U.S.] per month, serving as a sexton, gardener, doorman, and messenger for the Cuernavaca bishop. "All I want now is to receive the compensation I am entitled to according to Mexican federal labor law, for having been unjustly fired. . . . Besides, I saw with my own eyes that Méndez Arceo used Church grounds to hide Genaro Vásquez for 15 days. He also hid him in a house the bishop owns on Humboldt Street in Cuernavaca. He equally helped out Lucio Cabañas and other guerrillas, and he continues to do so for activists and agitators," Rodríguez added.

Juencio Esparza Maldonado, Rodríguez's attorney, stated that his client has now been offered a salary of 2,000 pesos [\$90] per month for the rest of his life, if he will just forget the whole incident.

Riot potential built up in United States

by Jeffrey Steinberg

A spokesman for Reverend Jesse Jackson's Operation PUSH told an *EIR* staffer this week that "Chicago will burn" by the early spring months of this year. "Chicago is the most racist city in the country. . . . A lot of people will be surprised at the new allies that PUSH has made; I mean outside of the black and Hispanic community."

This open call to arms by the Chicago-based militant organization parallels developments in Atlanta and Washington, D.C., and adds new evidence that the Institute for Policy Studies allies of the former Carter administration are moving ahead with plans to present the Reagan administration with a crisis of urban riots.

Washington war room

In Washington, D.C., plans have already been locked in place for a riot, possibly through a municipal strike led by sections of the American Federation of Government Employees. AFGE is run top down by Institute for Policy Studies operatives working closely with Socialist International agent William Winpisinger of the International Association of Machinists.

Sources in Washington report that AFGE officials accompanied Winpisinger late last year on a private trip to Cuba, where several meetings took place with Cuban defense minister Raúl Castro. Those same AFGE officials, the sources report, have set up a Washington, D.C. war room inside the union offices. They have also charted out a net of safehouses in which to house outside agitators from the Anti-Klan Network, who would be brought into the city for anti-Reagan demonstrations.

Danger heightened in Atlanta

The danger of riots in this southern city—tense over the last 18 months' pattern of kidnapping and murders of black children—was heightened this week with the arrival on the scene of a team from the Justice Department's Community Relations Service, otherwise known as the "Community Riot Service."



Communist Workers Party rally in Greensboro, N.C. in August 1980.

The CRS has been exposed by *EIR* as one of the primary agencies responsible for fueling racial tensions to riot proportions. During July 1980, agents of the CRS were caught red-handed in fomenting the Liberty City riots in Miami.

Now the Community Relations Service has deployed to Atlanta to “study the situation,” that is, play the same provocative role there.

At the same time, police commissioner Lee Brown, along with the Atlanta *Constitution*, has suppressed any leads indicating that the murders of black children are *not* being carried out by whites. Instead the Atlanta *Constitution* and certain black organizations are loudly linking the murders to white hate groups, such as the Ku Klux Klan and the Nazi Party.

This week—with the CRS in the city—when police uncovered the body of the 17th victim of kidnap-murder in the last year, the militants in Atlanta’s black community responded with new threats of “retaliation” against whites.

The Chicago, Washington, D.C., and Atlanta situations all have one further common feature. In each case, the actions emanating from militant black groups such as PUSH have been closely linked with the American Ramallah Federation and other proterrorist Muslim Brotherhood fronts in the United States.

Sources report that Bahrām Nahidian, the widely exposed head of Khomeini secret service operations on the East Coast of the United States, has resurfaced in the aftermath of the hostage agreements and has once again begun to gather together a collection of Iranian and American black radicals in the Washington, D.C. area.

Nahidian’s bodyguard, David Belfield, is the suspect in the July 26, 1980 murder in Washington of an anti-Khomeini Iranian leader, Ali Tabatabai.

An immediate congressional and law enforcement investigation of this new “Muslim connection” could be one of the most effective means of short-circuiting the planned urban violence.

German chancellor calls the anti-nuclear bluff

by Donald Baier

West German Chancellor Helmut Schmidt emerged from a bitterly fought meeting of his Social Democratic Party's (SPD) top leadership Feb. 11 threatening to sweep aside the party's radical environmentalist wing, led by SPD Chairman Willy Brandt, and govern on the basis of broad support for his own pronuclear nation-building policies across party lines.

This was the dramatic implication of the remarks Schmidt made on national television Feb. 13. Schmidt emphasized to the citizens of the Federal Republic that as chancellor, his responsibility was to the welfare of the nation. If his own party's policies contradicted that, Schmidt said, he could defy them and call for a vote of confidence in parliament.

Herr Schmidt has his own style, but his bold assertion of republican nationalist principles reminded observers of the late Charles de Gaulle in his prime.

The message could not be misunderstood by the Brandt radicals. Two days earlier, at the SPD executive committee meeting, Schmidt had demanded a change in the party's wishy-washy official position on nuclear energy and failed to get it. Schmidt had argued forcefully that the *federal constitution required him to support nuclear energy, because it mandated the chancellor to prevent damage to the nation*. And without nuclear power, Schmidt pointed out, there will be serious damage to the national economy.

The clear import of Schmidt's televised "vote of confidence" remarks was therefore to call the bluff of the Brandt SPD "greenies," by threatening to take the nu-

clear issue and similar matters outside the party for a decision by parliament and the nation at large, just as de Gaulle used to do when he was challenged.

These developments, documented below through quotations from Schmidt's recent speeches and interviews, have been completely blacked out in the American press. In fact, the *Washington Post* Feb. 15 headlined its coverage of the Federal Republic: "Bonn's Leadership Fails to Follow Through on Nuclear Power Policy." The article cited a speech given by Chancellor Schmidt *last November* to prove how he has been forced to moderate his support for nuclear energy, as a result of party pressures in the Bonn coalition. The *Washington Post's* publisher, Katharine Graham, is an associate of Willy Brandt, a member of Brandt's North-South Commission and a collaborator of the German Marshall Fund.

A strategic shift

Chancellor Schmidt's new feistiness constitutes an important shift with potentially far-reaching international strategic consequences. Since Schmidt was re-elected as chancellor in a landslide vote last fall, the Brandt wing of the party, whose loyalties are to the Socialist International and the zero-growth oligarchy which runs it, has pinned Schmidt down, sabotaging his policies, attacking him personally, and blackmailing him with threatened loss of parliamentary support at every turn.

Countless newspaper articles have spun scenarios of a formal split in the party, leading to the fall of

Schmidt's coalition government, or alternatively the desertion of the SPD's coalition partner, the liberal Free Democratic Party, after Schmidt was discredited by repeated cave-ins to the Brandt forces. The same contaminated news sources have repeated endlessly the theme that "the chancellor is tired, the chancellor is demoralized, the chancellor is depressed."

In all this, the Brandt crowd and their puppet-masters have been playing on Schmidt's psychological profile as "the super-manager of the best-run international trading firm in Europe," a man who, they believe, will quit in disgust at this harassment rather than "break the unwritten rules" of parliamentary politics in the Federal Republic established by the the British during the Allied occupation of Germany after World War II. According to the British "ground rules," mobilizing the republican-nationalist spirit of West Germany's citizens is "outlawed," and that quality of political leadership is equated with "Hitlerism."

Earlier this month, however, a wild card was injected into the situation in the form of a proposal by European Labor Party Chairman Helga Zepp-LaRouche. Calling on all patriotic progrowth Germans to rally to the chancellor's support, Mrs. LaRouche proposed a de facto "grand coalition" of members of Germany's major political parties, including the opposition Christian Democrats, in support of economic development within the framework of the European Monetary Fund and aggressive promotion of nuclear energy.

Brandt sabotage

Schmidt's fighting statements this week were an invitation to such cross-party constituency support for his policies. That support is badly needed to crush the Brandt faction in the SPD.

The SPD executive committee resolution drafted at this week's meeting "supports" the chancellor like a rope supports a hanging man. Defense Minister Hans Apel, a close associate of Schmidt, said bluntly, "This is a formal compromise, no more—the debate in the party will be continued."

The resolution endorsed the standing SPD position adopted in 1979, on nuclear energy as the last resort when coal, "alternative technologies," and all else fails. SPD leftists are trying to rule out nuclear energy altogether. When Schmidt and his supporters demanded a clear statement favoring nuclear energy over coal, they were blocked by Brandt and his erstwhile ally Herbert Wehner.

Brandt also blocked a move to debate the expulsion from the party of ultraradical parliamentarian Hansen for his attacks on the chancellor. When Schmidt's supporters tried to get this onto the agenda, Brandt abruptly concluded the meeting, saying that as it was 3 a.m., everyone was "too tired" for further discussion.

Documentation

Helmut Schmidt on the constitutional mandate

From an interview with Chancellor Schmidt Feb. 13 on ARD television.

Schmidt: The scope for action of the federal chancellor or the federal government has not been impaired or endangered in any way [by the Feb. 11 resolution of the Social Democratic Party's executive committee.] Within the Social Democratic Party there were some who loudly and openly presented their criticism or their dissatisfaction, and it was indeed useful to discuss this and ascertain just where the majority of the party stands. This has been demonstrated and has usefully clarified things.

ARD: Meaning the majority of the party executive. Is this identical with the majority of the party in your view?

Schmidt: Certainly. I believe that the more we tap the base of the SPD membership and particularly the electorate which returned this party with the FDP to the government in October 1980, the more clearly we will see that the electorate and the party membership agree with the party and with the policy of the government. I have not the slightest doubt of this. . . .

As for the freedom of action of the federal government, it must naturally go beyond the resolutions of past party congresses. That has always been the case, during Adenauer's time and during Brandt's. The federal chancellor and the federal government have a constitutional mandate which they must uphold. Naturally they govern themselves as much as possible by the views of their own party, as expressed by party congresses. But their mandate goes beyond that. And it can certainly happen that a government or a chancellor would have to act against decisions reached by a party congress a year or two previously. . . . The federal government has not been jeopardized, but one cannot exclude that problems could crop up in the Bundestag [federal parliament]. This has happened before in the past.

ARD: What would you do then?

Schmidt: I have no intention of resigning—I won't give you more of an answer—but I have sometimes thought of calling a vote of confidence in the Bundestag. This occurred in past years, and might become necessary in the future.

From a Feb. 14 interview with Chancellor Schmidt on the Westdeutscher Rundfunk radio station.

WDR: You and the French president warned recently against striving for military superiority and called for moderation in political behavior. Was this addressed only to Moscow, or was it the position of the Western European allies vis-à-vis the new American government?

Schmidt: It was the position of France and Germany toward everyone. So was the point that one need neither accept a position of inferiority, military weakness, nor should one strive for a policy of superiority or military strength. This too is addressed to everyone. And I am very glad to see that, at the beginning of this week, the Social Democratic parliamentary caucus at its meeting in Berlin unanimously endorsed this joint German-French declaration.

From an interview with Chancellor Schmidt in the Kölner Stadtanzeiger newspaper on Feb. 17.

KSA: Do you believe on the basis of new evidence that the option of rejecting nuclear energy is now out of date?

Schmidt: I think it is extremely improbable that it could ever be rejected . . . yes, extremely improbable. I see the gigantic programs of the Soviet Union, East Germany, France, Belgium, and other countries. These are by no means crazy countries. These governments are of different political composition, but they are all trying to get an accurate conception of what the future world energy supply will be like.

KSA: You said that the situation has changed so much that for you personally the option of rejecting nuclear energy is very improbable or out of the question. This naturally marks a point of contention with not an insignificant portion of your party, as well as undoubtedly a portion of the voters.

Schmidt: Unfortunately, this is the case. But I would indeed be a bad chancellor and a dishonest man if I were to conceal what I believe to be the truth.

The newspaper Mainzer Allgemeine Zeitung Feb. 13 described the position Chancellor Schmidt took on nuclear energy at the Feb. 11 meeting of the SPD executive committee.

In the debate on nuclear energy Schmidt declared: "Nuclear energy plants will be built in every country, East and West." He indicated that he is committed to the party resolution, but that over and above that he is responsible to the whole population and is bound by his oath of office to prevent damage to the German population. And Eppler's policy [Erhard Eppler is a leader of the party left] would damage the German population.

Brokdorf: a key to industry's future

by Rainer Apel

In what is being described in West German political circles as probably the greatest challenge for Chancellor Schmidt and the alliance of West German industry and labor for nuclear energy, the left wing of the chancellor's own party, the Social Democratic Party (SPD) is mobilizing in northern Germany against the construction of the Brokdorf nuclear power station. The completion of the eight-year-old project is not only important for the city of Hamburg and its energy supply, but is vital to the industrial future of all of northern Germany, and has become a symbol for both the pro- and anti-industrial factions in West Germany.

A highly explosive mixture of left-wing SPD members, radical socialists, postindustrial kooks, and youth gangs is mobilizing for a demonstration Feb. 28 of at least 50,000 at the construction site of Brokdorf. The demonstration is intended to give the public kickoff for a nationwide destabilization against the labor-industry alliance that is backing Chancellor Schmidt and his government in Bonn. The idea behind this mobilization, which is supported by the Willy Brandt current of the SPD, is to poison the political climate in West Germany to such an extent that construction of nuclear power stations is halted on a national level, and part of the SPD is rallied against its own chancellor in Bonn. The mobilization against nuclear energy is, therefore, the driving momentum behind what was recently described to *EIR* by U.S. sources as a general destabilization of the Bonn government, a period of "social convulsions of the 1967-68 variety."

Indicative of the high-level coordination of this campaign against Chancellor Schmidt and his allies is that three SPD members of the Willy Brandt faction participated in the December 1980 Washington conference of the Socialist International—Brandt himself, Ulrich Steger, and Horst Ehmke.

This Washington conference decided to mobilize the SPD left wing against Schmidt, France's Giscard, and U.S. President Reagan. Steger and Ehmke both belong to the SPD energy commission that tried to prevent Schmidt from making secret agreements with the gover-

nor of the state of Schleswig-Holstein, where the Brokdorf plant will be located. A letter written by Ehmke warned Schmidt against moving ahead with the Brokdorf project, since this would "certainly unleash the greatest antinuclear-power violence ever experienced in past years."

On the evening of Feb. 2, the day when the Hamburg SPD was meeting to vote on the financing of Brokdorf, Hamburg experienced the heaviest street fighting since 1968, between 2,000 antinuclear demonstrators and police. In this riot situation, a 56 percent majority of the SPD delegates decided to oppose the construction of the Brokdorf plant. Hamburg Mayor Hans-Ulrich Klose, who heads the antinuclear faction in the Hamburg SPD, then used this "majority" to rally seven of the city's senators behind his line one week later, and declared that Hamburg would "delay" for three years making a decision on helping to finance the Brokdorf project. A Feb. 17 meeting with the Christian Democratic governor of Schleswig-Holstein, Gerhard Stoltenberg, to discuss again the future of the project, failed when Stoltenberg refused to give up the project. This situation creates a high level of uncertainty over the energy future of the city of Hamburg, since Mayor Klose has repeatedly stated that he wants a combined program of energy conservation, coal, and alternative energy generation to provide the city with the energy it needs.

Competent experts say that under these conditions the industrial future of the city would be called into question since existing environmental laws make it virtually impossible to build the three new coal power plants in Hamburg that would be required to fill the gap left by failure to construct Brokdorf. The city would have to pay penalties to Schleswig-Holstein for breaking contracts signed for the project until 1983—penalties which are said to reach a total of up to a billion deutschemarks! Klose, however, is convinced that Hamburg citizens would rather pay that sum than "waste two billion for investments into such an unsafe technology as nuclear power."

It remains doubtful whether the majority of Hamburg's citizens will follow Klose's lead. Not only is the majority of the Hamburg SPD rank and file—despite the Feb. 2 decision against Brokdorf—considered to be in favor of nuclear energy, but also half the city parliament's 69 SPD members are said to be willing to dump Mayor Klose, if this is the only way to secure an energy future for Hamburg. On Feb. 24 the city parliament will vote on a motion by the opposition Christian Democrats, to override the three-year moratorium. It is believed that this vote will constitute a two-thirds majority against Klose. If Klose sticks to his policy, events would then move toward a vote of no confidence against the mayor, with new elections likely for the city parliament later this year. This whole process of voting down the city admin-

istration will add to the destabilization of SPD-governed cities and states, like West Berlin, whose government fell earlier this year.

Cross-party potential

The Hamburg situation creates, on the other side, a potential for building a cross-party alliance for industrial progress and nuclear power. In a statement given immediately after the Feb. 2 SPD vote in Hamburg against Brokdorf, Governor Stoltenberg said that "there is no need for stalling on the project, because our state government, the federal government, and the chancellor in Bonn, industry and labor in the north of Germany are all for the completion of the project." Stoltenberg said that a cross-party alliance for nuclear energy is developing against parts of the SPD around Klose and others who oppose nuclear energy. It is no secret in the Federal Republic that Stoltenberg, though a member of the Christian Democratic Party, which is also in the opposition in the Bonn federal parliament, is in close agreement with Schmidt to go ahead with the Brokdorf project even if the Hamburg SPD or administration keeps stalling. Consequently, the Young Socialists—the SPD's youth organization—in north Germany announced at a strategy meeting for the Feb. 28 mass demonstration that their campaign would be directed against both Stoltenberg and Schmidt, as well as "industry and labor interests."

This group of "party dissidents," which forms a minority in the party as well as in the parliamentary caucus in Bonn, is now getting extensive media support. The most prominent media hype is in the Feb. 16 issue of the Hamburg magazine *Der Spiegel*. Fifteen pages of features reviling nuclear energy as a mere profit-making invention of industry characterized the technology of the high-temperature reactor as not feasible, and topped it off with an editorial by the magazine's editor, Rudolf Augstein, who claimed that mankind must choose between nuclear war and the industrial destruction of the biosphere. Augstein claimed that the latter form of doomsday was the more dangerous one, and endorsed the radical environmental resistance against "industrialism," against the interests of industry and labor in Germany.

Chancellor Schmidt's recent statements on the constitutional necessity of nuclear energy are seen by political insiders as the first public attempts by the chancellor to force the party back to the pro-fission line it had until 1975, before the first major violent demonstrations against nuclear energy. Unlike 1977, when the SPD leadership and Schmidt compromised with the antinuclear wing of the party, this year's environmentalist violence will meet stiff opposition from Schmidt that has the potential to defeat the drive for "social convulsions" in West Germany.

Brezhnev takes control

As the countdown starts to the 26th Soviet Party Congress, Rachel Douglas outlines the evidence that the 'radical' faction has problems.

"We will not be in a hurry to draw final conclusions," proclaimed Moscow's *Izvestia*, "about whether [Reagan] is a dogmatic conservative . . . or a pragmatist who takes into account the realities of the modern world."

This moderate assessment of the new administration, widely repeated even in Soviet responses to Secretary of State Alexander Haig's charges that Moscow runs all world terrorism, affirmed Moscow's anticipation that the damage done Soviet-American relations under the Carter administration can be repaired. It also continued a heated foreign policy debate inside the Soviet bloc.

In preparation for the Feb. 23 opening of the 26th Congress of the Soviet Communist Party, the Brezhnev leadership moved to prevent the immediate flaring of several international crises. Even the tense situation in Poland is being subordinated to Brezhnev's purpose of controlling the foreign policy decisions of the congress, as well as the leadership transition that is also at stake.

Brezhnev's practice of protecting stable relations with the West, battered during the last four years, still faces domestic challenges. An entrenched Soviet bloc tendency, encompassing a hefty KGB security agency faction and major foreign-policy think tanks, and patronized at the highest Kremlin levels by powerful Central Committee Secretaries Mikhail Suslov and Boris Ponomarev, favors confrontation and destabilization of the West.

But as the 26th Congress approached, the Brezhnev principle prevailed on several important matters.

- **Soviet-American relations:** Russians involved in making policy on the United States say currently that they expect Ronald Reagan to "turn into Nixon" respecting relations with the U.S.S.R., opening the door to renewed trade, science, and strategic arms agreements.

Following the initial acrimony of Haig's attacks on Moscow and the blunt replies issued by the official news agency TASS, the Soviet foreign ministry turned to unusual forms of open diplomacy to stress the priority of new dialogue between the superpowers. Foreign Minister Andrei Gromyko released an open letter to Haig on Feb. 11, which, after refuting specific charges made by the secretary of state, concluded with a statement of "our readiness for exchange of views on a wide range of issues." Vladilen Vasev, the number-two man in the

Soviet embassy in Washington told a Cable Network News interviewer that Moscow intended to maintain "patience and restraint" and not jump to conclusions about the new administration.

Vasev's boss, ambassador to Washington Anatoly Dobrynin, returned to Moscow early in February to take part in congress preparations. There were rumors, which Dobrynin reportedly declined to put down, that the experienced America specialist—the longest serving foreign ambassador in Washington—was in for a party or government promotion.

- **Polish stabilization:** On Feb. 9, in a Soviet-backed move to stop the merry-go-round of regional strikes wreaking havoc with the Polish economy, the ruling Polish United Workers Party installed a new prime minister, Gen. Wojciech Jaruzelski. As defense minister and a Politburo member, Jaruzelski opposed quashing the free trade-union movement by force; he also won a measure of Soviet confidence as a man who has been at the summit of the Polish establishment for 12 years without becoming terminally embroiled in factional warfare. For Brezhnev, banking on Jaruzelski to stabilize Poland, at least for now, was preferable to sending in Warsaw Pact forces before the Soviet party congress or soon afterwards.

Jaruzelski demanded, and won, tentative support from the Solidarity trade unions, in the form of a three-month moratorium on strikes so that Poland could have some breathing room to reverse a decline of industrial production by as much as 40 percent from 1980 levels. He upheld government compromises with the unions, but also declared a tough law-and-order stance toward the radical wing of Solidarity that created "the threat of economic chaos and fratricidal conflict" by unceasing strikes. Party chief Stanislaw Kania warned that, "if necessary, force should be used to defeat the enemies of socialism."

- **Persian Gulf proposal:** The Soviets chose the week before the congress to relaunch the proposal for an international accord on Persian Gulf security, first presented by Brezhnev during his December 1980 trip to India. In Pakistan, the Soviet ambassador attempted to start diplomatic motion on the proposal, which consti-

tuted an alternative to KGB-fostered Russian support of Islamic fundamentalist and other destabilizing forces in the Middle East.

Brezhnev's Gulf plan seeks Soviet, American, European, Japanese, and Chinese pledges to respect the sovereignty of countries in the region and the right of tankers and other ships to safe transit. It was designed as an overture the Reagan administration could act on without plunging into the intricacies of strategic arms negotiations right away.

The war party

The vehemence of Soviet bloc factional opposition to these policies has not abated. It was voiced on the eve of the conference from several quarters, but nowhere more succinctly than in the East German military publication *Volksarmee*.

Volksarmee, in a mid-February issue, not only compared West German Chancellor Schmidt's policies toward the U.S.S.R. to those of Nazi Germany but sniped at Brezhnev himself. Writing of the government of Schmidt, who together with French President Valéry Giscard d'Estaing has been indispensable to every effective war-avoidance measure of the past half decade, including Brezhnev's, *Volksarmee* asserted that West Germany only "pretends to be peaceful in her official propaganda, but . . . the same economic and social-political forces are decisive now as then [before Hitler's attack on the Soviet Union]: the imperialist monopolies." In the same issue, *Volksarmee* joined the host of Anglo-Americans who dismissed Brezhnev's Persian Gulf proposal as mere rhetoric, by observing that its rejection by Washington and Bonn was inevitable because "peace and détente are incompatible with the nature of imperialism."

A host of opinion-making American publications greeted the Soviet party congress and the Reagan administration with feature articles proclaiming the onset of a Great Russian "chauvinist military tendency" in the Soviet Union, stemming from Soviet economic problems and projected social unrest and leading to an armed-camp Soviet policy posture. Conclusions based on these erroneous findings are being peddled in great number, including through channels aimed into the Reagan administration.

In the version published by retired *New York Times* Soviet desk hand Harrison Salisbury on Feb. 1, the Russian "chauvinist military tendency" is comprised of developments ranging from the circulation of anti-Semitic underground documents, to increased publication of World War II memoirs, to the belief among young officers that a surgical strike against Chinese nuclear missile installations might become appropriate. Salisbury lumped these events together under the summary statement that there is "an emergence of propaganda

elements bearing a strong resemblance with Hitler's National Socialism."

The real relationship among these developments is different.

There exists within the U.S.S.R., in the form of certain dissident organizations, underground Orthodox churches, and groups inside the Communist Party and KGB, a cultish Russian chauvinism which is receiving a great deal of attention from press circles linked to British intelligence. This cultish chauvinism is the Russian strain of "solidarism," the same "solidarism" whose jesuitical Polish variety was the instrument for creating the ideology and institution of Poland's "Solidarity" movement, to the lasting detriment of Poland as an industrial nation. The authors of the chauvinist underground propaganda so emphasized by Salisbury, worship the 19th-century mystical philosophers who founded Russian "solidarism."

These solidarists, committed to worldwide deindustrialization, are coextensive with the networks of KGB operatives—interfaced with those of British and continental European oligarchies—that constitute the Soviet involvement in international terrorism.

They are *not* cut of the same cloth as the rest of the "patriotic" mobilization Salisbury wrote about.

Aside from the thoroughly rotten, KGB-centered faction that seeks collapse and destabilization of the West, there are two other impulses in Soviet foreign policy.

One is Brezhnev's forging of economic ties and war-avoidance collaboration with Western and Third World nations. The other, encouraged by the international crisis of the Carter era, is mobilization for a world war perceived as increasingly probable.

This anticipation has been visible in what Soviet military leaders said in pre-congress discussions. "The danger of war [is] a grim reality of our time," wrote Air Force Commander-in-Chief Marshal Kutakhov in the army paper *Red Star*.

Not only the military, but some of the most sophisticated, outward-looking people in the U.S.S.R. have responded to the world economic crisis and military-strategic instability by backing a campaign to consolidate internal Soviet resources and mobilize the population for economic adversity.

Academician V. Koptuyug, head of the science and economic planning center in Novosibirsk, told the West German business daily *Handelsblatt* frankly that the promise of Western participation in Siberian development had not been realized. Neither the United States nor Japan had taken a role in it, and West German participation had shrunk to one—admittedly large—deal to exchange natural gas for a pipeline. Therefore, said Koptuyug, the Siberians were studying how to conquer their vast frontier using Soviet resources alone.

A government of national reconciliation for Iran?

by Robert Dreyfuss

For the first time since the Iranian revolution two years ago when Ayatollah Khomeini's Muslim Brotherhood mullahs toppled the Shah and instituted their reign of terror, the moderate opposition to the Khomeini regime inside and outside Iran is on the verge of forming one united front.

There are two reasons for the change.

The first is the growing economic crisis in Iran and the reported illness of Khomeini, which together signal that Iran is ripe for a change of government soon.

The second is the inauguration of Ronald Reagan in Washington. Although the Reagan government has not yet signaled publicly its readiness to support—overtly and covertly—the Iranian anti-Khomeini forces, the feeling is virtually unanimous in the opposition circles that the new U.S. government is prepared to consider such support. “At least,” said one former Iranian military officer, “the harassment and intimidation we faced while Jimmy Carter was in the White House is going to be removed. Under Reagan, if nothing else, we will be able to operate more freely.” The officer complained that Carter's officials often threatened Iranian exiles, made it difficult for them to travel, and repeatedly indicated that it favored the current Teheran regime.

Now, in the expectation of changes in Washington, Iranian military exiles, former politicians, and Iranian civil leaders are engaged in an intensive dialogue in order to put together what some Iranian anti-Khomeini leaders call a “government of national reconciliation.” Among those involved in the talks are former Prime Ministers Shahpour Bakhtiar and Ali Amini, Gen. Gholam Ali Oveissi, Bahram Aryana, Gen. Feredoun Djam, and many others in exile in the United States, Western Europe, and the Middle East.

Behind the exiles, and to a greater or lesser extent recognized by the exile leaders as a necessary component of the next Iranian regime, is the family of the late Shah, living in Cairo in virtual seclusion.

Inside Iran, there is a growing momentum behind the movement to topple Khomeini's Islamic Republic and purge the mullahs from power. Military men and the professional classes, merchants and the *bazaaris*, the

various tribal leaders, and conservative clergymen are fast establishing closer ties with the exiles.

Earlier this month, in a Paris press conference, former Iranian Prime Minister Ali Amini declared that he is prepared to make a bid to gather up anti-Khomeini sentiment into a unified movement. In an exclusive interview with the *EIR*, he explained his immediate intentions.

“I am going to propose in a few days a political platform on which everyone can agree in order to liberate Iran,” said Amini. “The economic situation in Iran is really catastrophic.” Amini said that he is calling on Iranians inside and outside the country to “join my initiative.”

Since his press conference, Amini said, “I have received a lot of telegrams from people everywhere; from France, Germany, America, and England.”

During his sole public appearance, Amini showed great reluctance to be specific about his intentions. For instance, in response to one question, he refused to say whether he supported a monarchy or a republic for Iran, saying that “it is too early” to discuss the issue and that it would “divide” the movement. All that he would say is that he intends to save Iran from the communists and that his movement is open to “all Iranians who are not following Moscow's orders.”

According to Iranian military sources, however, Amini is attempting to form a National Reconciliation movement, and he has attracted the support of many younger Iranian officers. Among the organizations said to be considering announcement of support for the Amini movement is the so-called Army for the Liberation of Iran (ARA). The ARA, which publishes a newspaper by the same name, is said to have a rather significant following inside Iran among military personnel, and its newspaper circulates widely, though clandestinely, throughout the Iranian armed forces. Further, many forces inside Iran are expected to rally behind Amini's group, including Ayatollah Shareatmadari of Tabriz and Sheikh Hosseini of Iran's Kurdish area.

Though it has not been publicly announced, in recent weeks Amini reportedly visited Cairo, Egypt, to

meet with the monarchist forces gathered there around young Reza Shah Pahlavi and his mother Empress Farah Diba Pahlavi, widow of the late Shah. In discussions there, Amini is said to have reached a preliminary agreement to support the restoration of the previous, 1906 Constitution. Under that document, which would replace the Islamic Constitution of the lunatic mullahs, the new regime would be a constitutional monarchy modeled on Spain's.

But many Iranians are skeptical of Amini's ability to emerge as a the central figure in an exile movement. Amini is 75 years old and ill, and, more important, he is tainted by the past, reportedly having cooperated with the British secret services and circles around the Kennedy administration from the 1950s and 1960s in working against what many Iranians believed was Iran's national interest at the time. "I would say that Amini might be able to emerge as a symbolic sort of figurehead for the exile movement," said one former Iranian diplomat. "But he won't lead things."

One ex-general described Amini's role this way: "He can do to Khomeini what Khomeini did to the Shah. From exile, he can get the attention of the media and the exile community, and, as an old man, become the rallying point for those inside."

Amini and Bakhtiar

Besides Amini, the other center of anti-Khomeini resistance is Shahpour Bakhtiar in Paris. Bakhtiar, the last prime minister of Iran before the revolution, is said to be exploring the idea of a coalition with Amini. According to Iranian insiders, Bakhtiar and Amini are drafting a document which might serve as a basis for a unified opposition movement.

"A meeting was supposed to have taken place in the United States on Feb. 11," said Amini to *EIR*, "but it has been postponed until the beginning of March so that everyone can be there together. The slogan of this group will be 'the liberation of Iran.'" According to Iranian military sources, between 50 and 100 supporters of Iranian exile leaders have already held preliminary meetings in the United States, paralleling similar discussions in Western Europe.

In his Paris press conference, Amini said that he is willing to hold a joint press conference with Dr. Bakhtiar "and with others," but he hinted that he has political differences with Bakhtiar. According to Iranian sources, those differences revolve around the question of how much power would be restored to the old monarchy and to its inner circle; Bakhtiar, it is believed, is resisting the idea of giving to the monarchy anything more than a symbolic role.

But because Bakhtiar has adopted what to many is a strongly moral, even purist position, he has received strong support from many exiles disillusioned with what

they consider to have been the errors of the late Shah's regime, especially the corruption and venality of the courtiers. For that reason, Bakhtiar has enemies among the aides to the late Shah.

Interestingly, Egypt's President Anwar Sadat seems to be playing a significant role in trying to unite the various Iranian factions. During his recent visit to Paris, for instance, Sadat met with Bakhtiar secretly and invited him to come to Cairo for more detailed discussions on the question of toppling Khomeini, in view of Sadat's upcoming visit to Washington in March. Sadat, host to the young Shah, is said to be cooperating quietly with Jordan, Saudi Arabia, and Iraq to explore the potential for getting rid of the Khomeini plague.

The question of unity among the exiles is crucial in view of the Reagan administration's silence so far on Iran. In the administration and in Congress there are people who want to lend American backing to a bid for power by the exiles, but so far they have not had anything more than a squabbling collection of opposing cliques to contact. If, as expected, the next few weeks sees the emergence of a unified movement, then an entirely new situation will emerge.

"Perhaps the United States cannot do anything in a direct way, but through a third country it might be possible to lend tremendous support to the exiles," said a highly experienced veteran of Iranian politics. Among the countries that might be prepared to cooperate with the United States in that regard are France, West Germany, and Iraq.

But a former CIA official said that Iraq was angry with the United States because of repeated rebuffs from the Carter administration. "When Iraqi Foreign Minister Hammadi came to the United States for the U.N. session last fall, he was prepared to tell Secretary Muskie that Iraq would help Washington get rid of Khomeini," he said. "But Muskie accused Iraq of threatening world peace by its attack on Iran!"

But now with Reagan things might improve. From all indications, the situation in Iran will not wait. "Teheran is now totally paralyzed," said one Iranian who is in regular contact with Iran. "There are food shortages, fuel shortages, rationing of everything. People are fed up."

Another source said that there are daily bombings and demonstrations against the regime. In Tabriz, Iran's second city, rioters burned banks and tore down photographs of Khomeini in a mass outpouring of anti-Khomeini feeling last week, during the second anniversary of the establishment of his Islamic Republic. But such opposition goes unreported generally, since Iran does not allow journalists outside Teheran.

Nevertheless, the writing is on the wall. "The Khomeini regime is nearing the end of the line. It is only a matter of time now," said an Iranian expert.

Tabatabai on exiles' past and future

Mohammed Tabatabai is the president of the Washington-based Iran Freedom Foundation (IFF). In July 1980, his brother, Ali Akbar Tabatabai, was assassinated by agents of the Khomeini regime's secret police, the Savama, in cooperation with Muslim Brotherhood terrorists. Ali Akbar had been the only public spokesman in the United States for the anti-Khomeini movement, and his death was meant to warn others not to undertake political activity in exile. Here, his brother, seeking to continue the work of the IFF, gives an exclusive interview to EIR's Middle East Editor, Robert Dreyfuss.

EIR: Your brother was assassinated in Washington, and yet very little was done to investigate the matter by American authorities. Can anything be done now?

Tabatabai: We have to go back to the case of the hostages and their seizure, which we disagreed with totally. My understanding is, with regard to the killing of my brother, that the United States had been deeply involved with the negotiations concerning their release. Then, the Savama took advantage of the situation with the help of the Muslim Brotherhood terrorist organization, and killed my brother. They realized that the reaction of the U.S. government would not be very forceful—and in that they succeeded.

This is my way of thinking. I don't have many facts on hand. But my understanding was that the government of the United States decided not to follow and not to prosecute those people who were involved in the killing of my brother, at *that* point in time, in order to go on with the negotiations for the release of the hostages. I'm hoping that now, after the release of the hostages, that the government of the United States is going to open the case again, and prosecute those people.

Obviously, we do know, and there are facts on hand, that the international terrorist Muslim Brotherhood organization, for the first time, is coming here. They have opened a U.S. chapter, and they are here in the United States and in the cities of America for the first time.

EIR: Are the Iranian exiles getting organized now?

Tabatabai: For the first time, I do know that a large group of prominent Iranians, technocrats, bureaucrats, the intelligentsia, are trying to get together and form a group of leading Iranians living in the United States. I'm sure that when that happens, which I hope will be very

soon, then we will have a nucleus of power for the first time in two years.

EIR: Some people here argue, though rather unconvincingly, that President Bani-Sadr can befriend the U.S.

Tabatabai: No, that isn't feasible. More than 12 million Turkish-speaking Iranians, 4 million Kurds, 2 million Baluchis, one and a half million Turkomans, and 2 million ethnic Iranian Arabs, as well as 3 million Iranians who are living overseas, are opposing *this* regime and *whoever* brought it into power. I know there are political forces supporting Bani-Sadr and Ghotbzadeh, and they are trying to subvert the government of [Iraqi President] Saddam Hussein in order to project Bani-Sadr as the winning hero of this war. But that will not work. He has been a party to the atrocities brought upon the Iranian nation, and he condoned many, many of them, including closing the universities, burning the books, and purging more than 50 percent of the officer corps.

If he comes to power, his rule will be a very short one. He will be faced with the noncooperation of the intelligentsia, the technocrats, and others. Iran still is going to be in a state of instability.

EIR: What do Iran's exiles expect from the United States?

Tabatabai: Well, let me say that at this point in time we need all the help we can get from our friends in the free world, either overtly or covertly, and I will leave the details to them.

I think the United States should recognize that her Western European allies do have a different interest in the area, which Washington should take into account.

Also, the Soviet Union shares a 1500-mile border with Iran. Western Europe's interest lies in sources of energy, which could be considered their lifeline, and Middle East trade markets. The Soviet Union would be content if the United States comes to an understanding or some form of guarantee not to build a military base on Iranian soil, and not to install any other monitoring devices there.

The Soviet Union's interests lie somewhere else. They have long-term plans and strategies, and so the government of Russia does not have an immediate interest in Iran. They have enough sources of energy, and the headache of Iran is not worth it to them to get involved in such a thing. But if the political forces in Iran are not supported by the Western allies to get there and establish a friendly government—that is, friendly with all nations of the world, including the Russians—based on mutual respect, and I emphasize mutual respect—then we do not have a chance to establish democratic rule over there.

The communists are working with the peasants and workers in Iran now, trying to prepare the basis for a new structure to society for communism. So the Russians do not have an immediate interest.

India pursues peace strategy and economic development for Nonaligned

by Daniel Sneider and
New Delhi correspondent Paul Zykofsky

The “interdependence” of the industrialized and nonindustrialized nations which must defuse the peace-threatening “world economic crisis” dominated the final economic declaration of the foreign ministers’ conference of Nonaligned nations in New Delhi Feb. 9-13.

The “world economic crisis has assumed unparalleled dimensions” and “world peace and security [are] increasingly endangered” as a result, stated the declaration. From this standpoint, under the leadership of Indian Prime Minister Indira Gandhi, the conference assumed a tough, but differentiated approach toward the advanced countries, condemning on one hand the “intransigence” of certain nations, while noting on the other hand that “a large number of developed countries were willing to consider the change implied in giving practical shape to the concept of interdependence” through greater industrialization of the Third World. The document condemns the “conditionalities” policy of the IMF explicitly, calls for a new international monetary system, and proposes new credit arrangements to provide low-interest credit for development.

Exemplary of the document’s intention was its separation of competent from incompetent development strategies. “Unrestricted access of the developing countries to technology, particularly advanced technology [is] indispensable,” it stated. The question of energy development was given special attention in this light. “[T]he policies of nuclear supplier countries denying the legitimate requirements of developing countries to develop their programs for peaceful usage of nuclear energy,” is not tolerable. The Nonaligned Movement’s meeting called for the transfer of energy technology, and for specific measures to ensure energy supplies as a priority for the nonaligned, mostly Third World, nations.

An Indian recommendation to set up a center for scientific research in India was also approved.

The New Delhi meeting, which will be followed by the next heads-of-state summit in Iraq in 1982, was a triumph for the moderate leadership of India in the developing sector. The Indian perspective, shared by countries like Iraq and Mexico—the latter an observer in

the Nonaligned Movement—is to defuse the left-right extremism encouraged by the Brandt Commission on North-South relations. In the past, the intrusion of cold war politics into the Nonaligned Movement had made it increasingly weak. The occasion of the last Nonaligned heads-of-state summit in 1979, a triannual event, in Havana, Cuba, and the ascension of Cuba to the head of the movement, threatened to split it between the left-radical, antitechnology “Third Worldism” of Cuba and the right-radical provocations of Anglo-Chinese assets like Lee Kuan-yue’s Singapore.

In her opening speech to the conference, Mrs. Gandhi forcefully directed the conference toward achieving a strategic cooling-out of the Third World points of superpower confrontation. The power of the economic rejection of “appropriate technologies” and adoption of a high-technology perspective was, however, partially lost in the dust raised over these issues. Even so, on all the key points, the final draft communiqué—modified from the Indian original in a week of intense negotiations—struck a note of compromise.

On Afghanistan: The declaration calls for a “political settlement on the basis of withdrawal of foreign troops and . . . strict observance of the principles of nonintervention and noninterference.” This refers both to the presence of Soviet troops and to the Iran- and Pakistan-based guerrillas.

On Kampuchea: India upheld the decision taken previously to leave the Kampuchea seat vacant, and refused to give visas to the “representatives” of Peking’s former puppet Pol Pot regime.

On the Middle East: The delegates restated their condemnation of the Camp David agreement and called for an overall solution to the Palestinian question.

On the Iran-Iraq war: A special Nonaligned group of India, Cuba, Zambia, and the Palestine Liberation Organization was formed to attempt mediation of an end to the war. Even before the ink was dry, the Iranians rejected any mediation unless Iraq withdraws its forces, despite an Iraqi offer announced at the conference to cease fire and hold unconditional talks.

From Gandhi's statement on the global conjuncture

The following are excerpts from the text of the speech delivered by Indian Prime Minister Mrs. Indira Gandhi to inaugurate the opening of the Nonaligned Foreign Ministers Conference in New Delhi. The speech was delivered on Feb. 9, 1981:

On the historic and magic day when India's independence was proclaimed, my father [Jawaharlal Nehru] declared that India looked at the world with clear and friendly eyes and would cooperate with all nations and peoples of the world in furthering peace, freedom, and democracy. Since then we have worked consistently to democratize international relations, we have supported liberation struggles, we have fought against all foreign domination and racism, and have pleaded the cause of coexistence and the peaceful resolution of conflicts. Peace is not that which teeters on the brink. That is the absence of war, yet it threatens war. Nor can peace be based on outmoded concepts of imperialism, military alliances, spheres of influence or balance of power and competition in nuclear and conventional terror.

Mr. Chairman, many changes have occurred since the Nonaligned Summit was held in your brave and beautiful country 18 months ago. We hear of a crisis of character, a crisis of civilization. What else can we expect when, having so recently seen the horror and heartbreak of war, countries still prepare for a new military confrontation? There is disquiet in Europe, gathering danger in Asia, and new pressures on Latin America and the Caribbean. Nonaligned countries are being asked to stand up and be counted for or against one side or the other. We see the familiar efforts to turn one nonaligned country against another, to weaken our solidarity and the cohesion of our movement. These are backed by economic threats and blandishments on the one hand and military might and bases on the other.

The realities of the world situation—the possibility of a nuclear armageddon by a single lapse or rash act—reinforce the relevance of nonalignment and demand a rededication to peace. From this conference should issue a call to the big powers to de-escalate belligerent rhetoric, to reduce presences in the Indian Ocean and in the various parts of Asia and Africa, and to resume the earnest search for understanding and peace.

We are all deeply distressed at events in Afghanistan.

The unhappy conflict in West Asia between two of our own brothers has had adverse consequences for the peoples of these two countries as well as other nonaligned nations. These developments have given encouragement to forces which work against our movement and have increased the risk of intervention. Let us hope that big powers will not be tempted to take advantage to enlarge local disputes into wider confrontations. In the name of peace and the future of mankind, we plead with the combatants, and appeal to those who are waiting in the wings, to call their young men back to their homes. . . .

Experience has shown that political subjugation and economic exploitation go hand in hand. So, through political freedom, we hoped to achieve economic advance. The economic dimension of the policy of non-alignment is no less important than the political. In Algiers, Colombo and Havana, the conferences articulated the economic content of nonalignment. Yet for most of us economic prospects have been worsening with each passing month. I strongly urge that global negotiations be undertaken without further delay to pave the way for a new international economic order. . . .

Some affluent countries do recognize the interdependence of nations and the need for cooperation. Hence our negotiating positions should be formulated in a dynamic context and our energies concentrated on mapping out our own strategy.

At every meeting of the Nonaligned, big powers seem to redouble their diplomatic and publicity campaign to sow suspicion and division within us. As free peoples we must stand together. Working in unison on the basis of our original principles and purposes will fortify us to withstand pressures. Divided we are vulnerable; united we can and shall prevail. Let this simple truth guide your deliberations in the next few days. Let us not fall prey to suggestive propaganda. We are here not to juggle with words but to find a way to reinforce the authority and effectiveness of the Nonaligned movement.

From the call for nuclear technology and credit reform

The following are excerpts from the final political and economic declarations adopted by the Nonaligned foreign ministers conference. Subtitles are in the original.

Political Declaration

The greatest peril facing the world today is the threat of destruction as a result of nuclear war. The actions of the nuclear weapons states, which are en-

gaged in a new and frenzied round of the nuclear arms race, has created a situation in which mankind seems to have been condemned to live in the shadow of nuclear annihilation. Attempts have been made by some nuclear weapons states to promote the highly dangerous concept of limited nuclear war and to minimize the distinction between nuclear and conventional weaponry. . . .

In the field of peaceful uses of nuclear energy, the ministers criticized the policy of the nuclear supplier countries in denying the legitimate requirements of developing countries to develop their programs for peaceful uses of nuclear energy. The ministers reiterated the conclusions reached at the 6th Conference of Heads of State of Nonaligned countries and noted the conclusions of the first regular meeting of the Nonaligned coordinating countries on peaceful uses of nuclear energy. They particularly expressed the right of each nation to establish its peaceful nuclear program in accordance with its own priorities and requirements as well as the free and nondiscriminatory access to nuclear materials and technology for peaceful purposes. . . .

Economic Declaration

The world economic crisis has assumed unparalleled dimensions, as demonstrated by the growing imbalance in international payments, substantial deceleration in world economic activity and growth, sharp deterioration in the terms of trade of many developing countries, high levels of unemployment, underemployment and inflation, growing burdens of external indebtedness of developing countries, and insecurity and insufficiency of food supplies. In light of this grave situation and its underlying causes, the response of the developed countries has been most disappointing, particularly with regard to the provision of official development assistance and grossly inadequate levels of transfer of real resources to developing countries, the serious hindrances placed on the free access to the requisite technologies, and growing protectionism. . . .

They noted that in the negotiations on economic issues, a few economically powerful countries had been successful in impeding progress toward the achievement of a new international economic order through a restructuring of international economic relations. . . .

The ministers noted with satisfaction that on the other hand, a large number of developed countries have realized the inevitability of interdependence and were willing to consider the changes implied in giving practical shape to the concept of interdependence. They urged these countries to intensify their efforts to convince their partners to recognize the long-term community of interests of the developed and developing countries alike, which would contribute to a real restructuring of international economic relations. They appealed

to those developed countries which are intransigent and continue to resist the necessary changes in international economic relations to realize that the raising of the standards of living of peoples of the developing countries would be of international mutual benefit, and would contribute to the raising of global economic activity. They warned that world peace and security were increasingly endangered by the continuing and widening economic gap between the developed and developing countries. . . .

Money and Finance

The ministers noted with concern the continued absence of a viable international monetary system, which constitutes one of the most critical aspects of world economy. . . . The structure of the international monetary system, through its injustices and lack of adaptability, saddles developing countries with a disproportionate share of adjustment costs. These adverse effects are aggravated and perpetuated by the strict conditionalities built into the rules of the IMF and other financial institutions, which are often unsuited to the particular needs for adjustment assistance to developing countries. . . .

They expressed the view that a new, rational equitable and universal international monetary system should be consistent with the liquidity and development needs of the developing countries. . . . The ministers strongly recommended the institution by the developed countries of an interest-subsidy scheme as a method to link the availability of funds at market terms with the requirements of developing countries for funds on concessionary terms. . . . They noted that the existing financial institutions took little account of the aims and interests of developing countries, and that, on the contrary, the policies and practices of these institutions often had an adverse affect as far as the developing countries' priorities and interests were concerned. . . .

Science and Technology

The ministers expressed their concern over the increasing phenomenon of technology monopolization by the developed countries. They stressed the fact that the developed countries should intensify their scientific and technological cooperation, and stressed as well their cooperation with a view to breaking the barrier of monopoly imposed by the industrialized states. In this connection they reaffirmed that the unrestricted access of the developing countries to technology, particularly advanced technology, and the improvement of conditions for its acquisition were indispensable for accelerating the development of the developing countries by means of substantial changes in the international process for the transfer of technology. . . .

Behind Dayan's outrageous demand

Paralysis of Israel's Labour Party, and an opening for an 'emergency' government, are part of his ploy.

As Israel moves toward its national elections June 30, former Foreign Minister Moshe Dayan has issued a political ultimatum that could potentially throw the country into a dangerous institutional crisis in the months ahead.

Dayan has suddenly begun insisting that he be designated by Labour Party prime ministerial candidate Shimon Peres as the man who will be responsible for all negotiations with the Arab states and for daily administration of the occupied West Bank if, as expected, Labour triumphs in the June elections. Dayan has also demanded that Labour shelve its support for territorial compromise on the West Bank and instead give him the authority to unilaterally declare "autonomy" for the Palestinians on the West Bank and Gaza as enunciated by the Egypt-Israel Camp David accords.

Taken literally, Dayan's demand is so outrageous that it cannot be regarded as serious in and of itself, and not only because Dayan is suffering from terminal cancer. Were Peres to agree to the demand, he would trigger howls of protest from Labour's activists, who regard Dayan as a renegade for having broken from Labour to join the Likud government of Menachem Begin in 1977. To this day, Dayan is not even a member of Labour!

This anti-Dayan mood in Labour underscores the fact that Day-

an is much more popular among American Jews and among the Anglo-American press corps than he is among Israel's citizens.

Furthermore, were Peres to agree to Dayan's ultimatum, he would be agreeing to establish a co-premiership set up in Israel, in violation of all the norms and regulations of Israel's present governmental system.

If it can be concluded, then, that Dayan's demand is hardly serious by itself, it must also be pointed out that Dayan is motivated by more than what Israelis call *chutzpah* (or what Americans would call "gall"). The actual intent behind Dayan's ultimatum ploy is to precipitate a constitutional crisis, thereby fulfilling his longstanding goal of replacing Israel's democratic system with the strongman rule of an "emergency government" composed of generals and military intelligence professionals.

Such a system could be Dayan's last will and testament for Israel.

The way this crisis would unfold is the following.

According to highly placed sources, Dayan has threatened to form a new party if Peres does not meet his ultimatum. This party, either an entirely independent "National Emergency List" or a coalition in alliance with the Rafi grouping of recently resigned Finance Minister Yigal Hurvitz, would have as its only *raison d'être* the siphon-

ing off of 10 to 15 seats in Israel's Knesset from Labour.

This would be enough to deprive Labour of its majority, and possibly to create a complete vacuum of power in Israel.

Then, Dayan would be in the power-broker position to either dictate policy terms to Labour, join in an alliance with the unpopular Likud of Begin, or force into being some kind of anticonstitutional solution to the impasse.

The vast majority of the Israeli population, which recalls with bitterness the fact that Begin was propelled to power because Labour was undercut in 1977 by the synthetic Democratic Movement for Change group, which has no constituency among Israeli citizens, is antagonistic to Dayan's efforts.

He is counting on enough bank-rolling from Anglo-American financiers abroad and on internal support from an entrenched British-connected faction of military and intelligence "old boys" to make his operation a success.

What many Israelis think of Dayan's antics was indicated in a commentary in the Feb. 13 *Jerusalem Post*, entitled "Cynicism in the Supermarket."

"While we have not yet reached the stage of having assorted banjo players, pop tunesters and basketball heroes run for political office," *Post* columnist Yosef Goell commented, "the election campaign for the Tenth Knesset is already marked by the appearance of a candidate whose main purpose is to play the role of spoiler."

Stressing Dayan's "history of inconstancy," Goell labeled Dayan's latest moves against the Labour Party "an example of political cynicism at its worst."

Another U.S.-Mexico summit in April

López Portillo's government has reaffirmed economic development as the basis for foreign policy.

This week the White House and the Mexican foreign relations Ministry announced that Presidents Ronald Reagan and José López Portillo will meet April 27-28 on the island of Coronado near San Diego, California and Tijuana, Mexico. As agreed upon by both presidents during their first very successful meeting Jan. 5, the Coronado meeting will focus not only on bilateral issues but on an exchange of views and coordination in areas of international concern such as the unstable situation in the Caribbean-Central American region.

Although it is still not clear what the two governments have in mind as concrete solutions to the major bilateral issues, in recent days the López Portillo government has moved strongly to relaunch foreign policy initiatives based on economic development deals. This is good news for the all-important oil-for-technology framework that will make or break the prospects for improved relations.

López Portillo himself made this point the lead theme of his speech at the "Meeting of the Republic" on Feb. 5, one of the most important occasions on the Mexican political calendar.

"We have broken the shell of our defensive self-determination, that effort to impede penetration or influence by others on us," declared the president. The speech was

widely regarded here as a snap at radicals who have consistently opposed the oil-for-technology export policy. Much of the left has attempted to portray the decision to rapidly develop oil as a "sellout".

Insiders here also stressed the significance of López Portillo's selection of Pemex director Jorge Díaz Serrano to give the keynote address at the Feb. 5 conclave. Apart from the various implications of the decision in a presidential selection year (which I mentioned last week), it was first and foremost a strong reassertion of the role of oil policy as the cornerstone of Mexico's industrialization.

These actions broke a period of many months in which government figures had appeared increasingly defensive on oil development policy. The Energy Program prepared under the guidance of Industry Minister De Oteyza and released last November, in fact called for an absolute ceiling on oil exports of 1.5 million barrels per day from now until 1990.

The president's emphasis on Feb. 5, while not an explicit repudiation of the De Oteyza ceiling, nevertheless pointed in a different direction. And as everyone knows, the question of whether the ceiling sticks beyond the next year cannot be set by the current administration in any case.

There are a number of collateral indications of the resurgence of an

active oil-for-development policy that bear watching.

De Oteyza was in France this week to conclude a broad range of deals with the Giscard government, all negotiated over the past two years in an explicit oil-for-technology framework. France currently receives 100,000 bpd from Mexico.

At the same time, there's been exceptional activity in relation to the rest of Latin America. Some sources here have told *EIR* that Mexico sees its homegrown oil technology—the most advanced of the Third World—as a means of shouldering some of the Seven Sisters' clout in the region.

At a meeting of the Latin American Organization for Energy Development (OLADE) in Quito last week Mexico won approval for a proposal to centralize and speed up the transfer of advanced energy technologies and know-how throughout the continent. Part of this will be a new fund to finance R&D. Mexico's own contributions in these areas are well known.

The Mexican oil technology deal with Cuba last month, which has been misrepresented in some sections of the U.S. press as an attempt to make an end run around the U.S. trade embargo of the island, is actually part of the same Mexican strategy.

And it should be noted that López Portillo personally gave the wrap-up talk to a Feb. 8-11 gathering of all Mexico's ambassadors in the Central American and Caribbean region. His theme: Mexico's economic role in the region—though our sources indicate that he was not able to fully quash Foreign Minister Castañeda's maneuverings to pull Mexico behind El Salvador's left insurgents.

International Intelligence

Sadat calls for Palestine government-in-exile

Egyptian President Anwar Sadat this week renewed his call for the Palestinians to form a government-in-exile. Sadat made the call days after a tour of Europe and consultations with French President Valéry Giscard d'Estaing.

Sadat stressed that the government-in-exile need not be headed by the leader of the Palestine Liberation Organization, Yasser Arafat, nor necessarily even be dominated by the PLO. He noted that both Syria and the Soviet Union had gained too much control over the PLO. "I have no right to exclude or include Arafat. This is the right of the Palestinians. But Arafat is a compromise leader, not a leader to decide and take the cause of the Palestinians in his hands." Sadat pledged to use his influence to "relieve the Palestinians from the pressures from Damascus, [Syria] and the Soviet Union."

During Sadat's address to the European Parliament in Strasbourg, France last week, he called upon that body to use its influence to achieve mutual recognition of Israel and the Palestinians.

Deployment force sparks Gulf radicalism

On the eve of the first military exercises between the tiny Sultanate of Oman and the American Rapid Deployment Force (RDF), Oman's neighbor South Yemen has reacted with a threat to launch a wave of terror against Oman.

Ali Nasser Mohammed, the president of the Marxist regime in South Yemen, warned last week that he would restart the guerrilla rebellion in the Dhofar province of Oman if Oman went ahead with the exercises.

According to the Washington oil analyst Melvin Conant, the drive by Secretary of State Alexander Haig to force U.S. military presence into the Mideast

will trigger a wave of anti-American extremism.

These RDF exercises are the first with a nation on the Arabian peninsula bordering Saudi Arabia.

A number of radical Arab groups with ties to British intelligence and the Soviet KGB have recently echoed the warnings of South Yemen, in what Mideast analysts see as a dangerous escalation that could threaten the flow of oil exports.

Japan blasts Soviets, Haig pleased

The Japanese government of Zenko Suzuki has launched a series of television commercials attacking the Soviet Union over the "Northern Territories" dispute between the two countries, while complaining of insufficient popular enthusiasm for their anti-Soviet campaign.

The government has also blocked attempts to resume cooperation with the U.S.S.R. on Siberian energy development, despite earlier promises to do so. The development project was stalled when Japan yielded to U.S. pressure for an embargo against Russia following the Afghanistan invasion.

Japan is currently the only industrialized nation that is coordinating its anti-Soviet campaign with the U.S. State Department's "all terrorism comes from Russia" operation.

The Japanese foreign ministry leaked to the press that their Soviet policy is currently in direct coordination with Secretary of State Alexander Haig, and expressed "full support for Reagan's tough policy" and "its 'security-first' Asian policy."

State Department sources indicated their pleasure to *EIR* with Japan's new turn. "Business pressures to resume trade with the U.S.S.R. will not affect the government position. Japan is going along with the U.S., not Europe, on this question," said a source.

Soviet response was harsh and swift. General Kiriyon told Japan's Kyodo

wires, in an unprecedented statement that "If Japan tries to settle the issue by force, we have to respond. It would naturally lead to war, which would be unnecessary and dangerous for Japan."

Iraq starts new offensive against Iran

Iraqi President Saddam Hussein declared last week that his country will escalate its war against the outlaw regime of Iran's Ayatollah Khomeini. Following a visit to the front lines in western Iran, Hussein revealed that fresh Iraqi troops are presently being deployed to the war zone.

Sources report that the Soviet Union has begun resupplying Iraq with arms for its heightened offensive, dispelling rumors that Soviet arms shipments had stopped. In this light, Hussein this week stated, "we now have more tanks, planes, and guns than we had at the start of the war."

Hussein warned Iran that Iraqi forces are prepared to overrun more Iranian cities in the western provinces to force Khomeini to "kneel and plead for peace."

Concomitant with reports of new Soviet arms shipments the Soviet daily *Izvestia* this week broke the Soviet Union's silence on the Gulf war and, for the first time, leveled harsh criticism of Khomeini. *Izvestia* attacked the ayatollah's poor economic management of Iran and his ongoing repression of minorities.

French nuke enrichment unveiled in Mexico

Bernard Jampins, representing the French Atomic Energy Commission to the Third Nuclear Conference of the Pacific Rim Countries which took place in Acapulco, Mexico last week, announced that France is in the process of developing a new chemical enrichment process

Briefly

● **FRENCH MINERS**, led by the Communist-linked CGT union have threatened to strike over a plan by the nationalized coal industry for shutdowns. In Germany, the UAW-linked metalworkers are threatening strikes over wage demands.

● **SPANISH** police officers have resigned en masse in the Basque region over an affair involving torture of an imprisoned member of the Basque autonomist organization ETA. In addition to the resignation of some 200 policemen, five department chiefs dealing directly with security also resigned.

● **LE FIGARO** columnist Paul Marie de la Gorce denounced Eurosocialist Anthony Wedgwood Benn as a disciple of Nazi Finance Minister Hjalmar Schacht, Feb. 12. Benn may pose as a peacenik, but, said the French journalist, "what is the economic logic proposed by Wedgwood Benn?" He concluded, "This policy was [the same] in the old days of Dr. Schacht in Germany after 1933."

● **PRINCE SIHANOUK**, former ruler of Cambodia, has been persuaded by his Chinese masters to join the "united front" of the ousted Pol Pot regime. The "clown Prince" has expediently forgiven the murder of some of his own children in Pol Pot's death camps.

● **ROME POLICE** arrested two prominent lawyers and a left-wing newspaper editor on charges of propagandizing for the Red Brigades terrorist organization on Feb. 13. Warrants have been issued for other suspects, but the names have been withheld until the arrests are carried out.

● **ORTIZ MENDOZA**, spokesman for Mexico's Popular Socialist Party, angrily denied rumors of an alliance between his group and the Mexican Communist Party. They are, he said "penetrated by Trotskyism and homosexuality."

for uranium that will make any future embargo on enriched uranium impossible. "If someday a country suffers an embargo on enriched uranium, it can calmly go to 'the store next door' and strike another enrichment deal," Jampins told the participants. He added that, with French technology, a nuclear plant can be built in only six years.

The French government is ready and willing to transfer nuclear technology to Mexico "without blackmail of any kind," Jampins repeated several times.

Jampins stressed the importance of nuclear energy not only for France and Mexico, but also as the solution to the energy crisis in the "poorer countries" of the Third World. Nuclear energy is already an immediate necessity and will be even more urgent in the near future, he said. "There are many poor countries which are going to need energy to survive."

Brazilian radical meets Poland's Lech Walesa

Luis Ignacio da Silva, known as "Lula," a leader of Brazil's metalworkers' union, recently met with the head of Poland's dissident Solidarność, Lech Walesa, as part of a move to export economic disruption to Brazil. The meeting was part of a tour Lula undertook, during which he conferred with Social Democrats and Jesuit-linked labor leaders from nine European nations and the United States.

After a two-hour meeting, Lula and Walesa agreed on the similarity of their situations, and to coordinate activities. In Italy, Lula met with Pope John Paul II, who encouraged him to "follow the path of the Polish workers."

The background of Brazil's impending labor "solidarism" also parallels Poland's. Brazil has embarked on an ambitious industrial development plan with Western Europe and Arab nations. During a trip last month to France, Brazil's President Figueredo signed economic deals for approximately \$1.5 billion.

São Paulo's prestigious daily *O Esta-*

do São Paulo commented that Brazil's relations with France are a model for North-South cooperation.

In the United States, Lula met with labor leaders from the UAW, the machinists, and the National Association of Social Workers—all linked to the Socialist International's recent "Eurosocialism and America" conference call for "social convulsions'."

Indira Gandhi holds rally of two million farmers

In one of the largest mass rallies ever held in the world, over 2 million farmers converged on New Delhi Feb. 16 to hear Prime Minister Gandhi rebuff Socialist International-linked oppositionists' attempted incitements against her government.

In her 40 minute speech, Mrs. Gandhi stressed that "economic development should be balanced, with all sectors of society marching forward," as she pointed out the important role of industry in upgrading and improving agriculture. "For example," she stated, "farmers need mechanized implements, clothes, and fertilizer to increase agricultural production and their standard of living."

Responding to charges that the administration has placed more emphasis on industry and not enough on agriculture, the Indian Prime Minister told the huge audience, "how is it then that our agricultural production has increased three times, and we have become totally self-reliant in food grain production in such a short time? Nowhere in the world has any country, whatever its ideology, succeeded in achieving what India has achieved."

The rally, held by Gandhi's Congress Party (I), required special trains and buses to bring the vast number of people to the India Gate lawn where it was held. Farmers from nearly every state in India came, pressing into service any transportation they could, even ox-drawn carts. The lawn, entirely covered with rally participants, is a mile long.

Stockman builds political scaffold for Reagan

by David Goldman

President Reagan's Feb. 19 budget message to Congress is a well-crafted political trap. On paper the budget reduction program is indistinguishable from the April 1979 program of British Prime Minister Margaret Thatcher, and will have the same murderous consequences for the traditional supports for the U.S. economy that the Thatcher program did in the U.K. But the short-term significance of the President's gigantic, avoidable blunder is to give the "British" faction in his administration the chance to break him on the anvil of opposition in the Democratic-controlled House of Representatives.

Under the implied scenario, Federal Reserve Chairman Paul Volcker will become de facto economic czar, preempting the negotiations of the executive and legislative branches of government through "independent" use of monetary policy. The President's worst error was to recognize the Fed as a virtual fourth branch of government:

"Now we fully recognize the independence of the Federal Reserve System and will do nothing to interfere with or undermine that independence. We will consult regularly with the Federal Reserve Board on all aspects of our economic program and will vigorously pursue budget policies that will make their job easier in reducing monetary growth."

The bottom line of this concession is \$30 billion of budgetary red ink. Volcker's current monetary stance implies interest costs on the nearly \$1 trillion national debt of more than \$20 billion per annum in excess of the previous year's—and considerably more than that, com-

pared to debt service following the right kind of monetary stabilization. Additional depression-related costs, including mostly social insurance items, bring the total cost of capitulation to the Federal Reserve to over \$30 billion.

Stockman's axe fell most heavily on the capital-improvement features of the federal budget, i.e., the portions of federal spending which most contribute to future economic growth and productivity. Worst hit are energy R&D, the space program, agriculture, inland transport, and infrastructure generally.

The cuts include:

- A 20 percent reduction in highway building;
- A 33 percent reduction in airport construction;
- A 20 percent cut in water projects (from the already truncated level Carter had proposed);
 - An initial 6 percent cut in the National Aeronautics and Space Administration budget, becoming (under the projections) a worse than 50 percent after-inflation cut by 1985;
 - A 30 percent, or \$2.1 billion, reduction in Exim-bank authorizations for the next two fiscal years, endangering about 100,000 industrial jobs;
 - A \$100 million reduction in Farmers Home Administration loans, which will accelerate the more than 1,000 per week rate of farm abandonments;
 - A 64 percent reduction in price supports for the dairy industry, undermining the one agriculture sector where parity price supports have succeeded in maintaining relatively stable prices;

- \$2 billion in “users’ fees” for the use of federally built inland waterways and airports, raising the cost of inland transport—against every principle of industrial economics.

On the positive side of the ledger, the Reagan program does, in fact, throw out substantial waste, including \$500 million in synthetic fuel grants; 60 percent of Carter’s proposed \$583 million in solar energy subsidies, and virtually the entire array of “soft energy” programs offered by the Carter Department of Energy, including small hydro-electric plants, conservation and environmental studies, “gasohol” subsidies, and geothermal energy.

However, the net result of Reagan’s cuts in the capital account of the Federal budget is disastrous. The one area that has not yet been specified is the high-technology energy research and development program. Energy Secretary Edwards cancelled a Feb. 19 press conference because the budget allocations for these programs were still under negotiation.

Contrast this to the budget crisis program which the great French economist Jacques Rueff prepared for President de Gaulle of France at the peak of the 1958 national crisis, in the midst of a budget and currency disaster several times worse than anything Reagan faces. Rueff managed to increase capital-account investment by 28 percent in real terms in a single budget year, by convincing the French nation to finance a deficit arising from spending on behalf of greater industrial productivity.

The combination of high interest rates and truncated federal support for the traditional means of improving heavy-industry productivity—of which the inland-transport users’ fees are the most egregious—will ruin American heavy industry. Last November, former German Bundesbank President Otmar Emminger warned that American industry could not survive six months at the then- and still-prevailing interest rate level. Industrial construction, auto, steel, housing, and other basic industries will not be able to use the accelerated depreciation tax breaks offered by the President, for the simple reason that they will not be able to obtain the capital for investment purposes in the first place!

In itself, the Reagan tax program’s 10-5-3 (10-year depreciation schedules for structures, 5-year depreciation for equipment, and 3 for vehicles) formula is crude, but more effective than the frankly Benthamite approach of the “supply-side” Kemp-Roth bill. The latter bill assumes that the combination of lower marginal tax rates and tight money will magically increase producers’ will to produce, and generate more wealth out of the sharpened motivation to earn more. In fact, since the supply-side program assumes the elimination of new credit generation, it means that those industries with high cash

flow, or advantageous relative price positions, take the entire cake.

Nonetheless, Reagan’s departure from the doctrinaire supply-side tax formula is more than outweighed by the composition of budget cuts. The industries who will enjoy the benefits of the depreciation plan include military producers, electronics, telecommunications, and business equipment. The industries who will not include auto, steel, chemicals, rubber, and construction.

The first blasts of opposition to the Reagan plan came from the Feb. 18 meeting of the AFL-CIO’s executive board, and from the House and Senate Democratic leadership. The AFL-CIO cited the expected cuts in social programs and warned that it would “do battle” with the administration over income-support reductions. House Speaker Tip O’Neill said to reporters, meanwhile, “You bet there are inequities,” while Democratic Senate leader Robert Byrd warned of an alternate tax package.

The budget’s income-maintenance cuts powerfully affect some of the strongest, and worst-aggrieved, constituencies in the country. The \$1 billion per year in trade-adjustment assistance Reagan proposes to eliminate forthwith is now an indispensable source of income to 300,000 unemployed auto workers, whose supplemental unemployment benefits and regular unemployment insurance benefits are now running out after a year of unemployment. Most of these unemployed auto workers responded to the President’s frank and direct appeal during the campaign, and voted for him. Now over 10 percent of the population of the State of Michigan is on welfare—one of the most industrialized states in the nation reduced to the demographic condition of New York City! The trade-adjustment assistance cuts would mean brutal hardship for the layer of the workforce with the biggest set of grievances against Carter economic policy. The leadership of the United Autoworkers Union, meanwhile, is committed to the Second International strategy to destabilize the Reagan administration.

In addition, the \$4 billion the administration proposes to save by phasing out the Comprehensive Employment and Training Act promises to induce several hundred thousand layoffs in cities already operating at the edge of budgetary disaster (see Economics on the Boston situation). The CETA program itself is, undeniably, one of the worst-designed and most wasteful programs in the budget, but it provides a prop for a section of the economy that cannot afford to lose it at this point.

These legitimate grievances, and those of farm and other constituencies threatened by the Stockman cuts, will make the deliberations on the Democratic House side of Congress murderous. Reagan faces, rather than the swift action he wants, protracted trench warfare amidst a worsening depression—the worst of all possible political worlds.

Princeton's Gottlieb honored for 'impossible' fusion gains

by Vin Berg

Three generations of fusion scientists, and over 350 supporters of the U.S. fusion research program, gathered at a New York hotel banquet Feb. 6 to honor Dr. Melvin Gottlieb, the retiring head of the Princeton Plasma Physics Laboratory. All of the participants, nuclear industry representatives, fusion scientists, labor leaders, Department of Energy officials, International Atomic Energy Agency spokesmen, legislators, and corporate officials, had a political purpose in being there.

Dr. Gottlieb has spent 25 years in the fusion-research effort, from a time when almost everybody thought fusion energy an impossibility, through the last few years of stunning scientific breakthroughs, leaving no doubt that this power source of the stars can be harnessed by man. Under his leadership, the fusion program at Princeton achieved a 60 million degree temperature in a device called the tokamak—high enough to ignite fusion reactions, and much hotter than the sun.

By honoring Gottlieb, who Fusion Energy Foundation director Dr. Morris Levitt called "an authentic American hero," the assembly was making a kind of political announcement. No environmentalists, no media misinformation, and no budget cutters will be allowed to get in the way of fusion-energy development.

"This banquet is but a small part of what the Fusion Energy Foundation has done," said Dr. Gottlieb. The New York-based foundation, sponsor of the dinner, is only six years old, but already the largest nonprofessional scientific organization in the country with 15,000 members. "The FEF did a simply magnificent job providing support to get Congress to enact Mike McCormack's fusion-energy legislation. The FEF has provided real leadership in educating the public, Congress, and scientists in other disciplines about fusion."

Dr. Levitt asserted: "This banquet represents the kind of political muscle we need to ensure that we turn the mandate of the 1980 fusion legislation—a prototype fusion reactor by the year 2000—into a reality."

The banquet itself represented only a cross-section of the "political muscle" to which Dr. Levitt referred. At

one point, he read more than a dozen telegrams of support from congressmen, senators, and others unable to attend. Former Rep. Mike McCormack, the initiator of the Magnetic Fusion Energy Engineering Act of 1980, which Dr. Gottlieb called "a turning point in history," wired the following message: "Even as you read this, we are entering upon a new struggle to obtain recognition of the importance of full funding for the program. Any suggestion that the federal budget be cut below \$525 million for fiscal 1982 must be met with overwhelming pressure from all walks of American life, with the result that the administration and the Congress will acknowledge the broad base of public support for moving forward aggressively with our magnetic fusion engineering and development program and with the political necessity of funding it at appropriate levels."

Why fusion?

Fusion energy results from fusing, rather than as in fission, splitting, the nuclei of atoms. Stars amount to large fusion reactors, colliding and fusing hydrogen atoms through gravitational force; scientists on earth use the implosive force of lasers or other high-power beams or magnetic fields to initiate the same process in the laboratory. Thanks to breakthroughs in heating and controlling plasmas, the hot gases in which fusion reactions occur, at Princeton and elsewhere, a fusion reactor can be put into operation within the next two decades—the goal of the McCormack bill.

What will that mean for energy? One gallon of ordinary water, fusion's fuel, can produce energy equivalent to 300 gallons of gasoline. The fusion process itself can be used to break materials down into their basic elements, which can be recombined to produce desired new materials. Obviously, the promise of fusion energy totally redefines mankind's future, and the current energy policy debate. No wonder that hundreds of people gathered to honor Dr. Gottlieb.

A sense of the long years of effort that brought us to the verge of the fusion era was given by Dr. Robert

Moon, an official of the Fusion Energy Foundation who was Dr. Gottlieb's college physics teacher at the University of Chicago. Moon related vignettes of Chicago's first cyclotron during the 1930s, when, lacking the \$2000 to put the magnet together, the scientists constructed it by hand.

"The journals of that time were already lamenting that by the end of the century the U.S. would run out of liquid fuel and be wondering what to do about it," he reported. "Melvin Gottlieb has demonstrated that we're ready for fusion energy. . . . In heating a plasma to millions of degrees, he asked what it would do. . . . It set the world on fire, and gave us great hope."

Dr. William Ellis, head of the DOE's mirror-device research, emphasized Gottlieb's "work in the trenches," his "political will" to get the job done when fusion energy's promise was unrecognized, or being suppressed. Even at the time of Princeton's August 1978 temperature breakthrough, Dr. Gottlieb and his colleagues received praise from the international community, but had to contend with the derogatory statements of then Energy Secretary James R. Schlesinger, whose arguments for "energy conservation" lost even the semblance of credibility in light of fusion progress.

Fusion's future

Earlier than afternoon, Dr. Gottlieb was interviewed by the press at the FEF's New York offices. *New York Times* science editor Walter Sullivan asked: "How can the fusion program cut its budget? The space program—to use the Galileo Mission, for example—took one thing and dropped it to meet their 10 percent cut. Is the fusion program amenable to this sort of thing?"

Gottlieb said no. "You could decide to narrow the efforts. In my view, this would be extremely premature and would represent a diversion. One could say that the system that is furthest ahead, the tokamak, should be the focus—'let's put all our eggs in that basket.' But the tokamak is not ready to receive those eggs. We're not ready for such a step. It would be a serious error."

Alternatively, Dr. Gottlieb continued, "you could simply insert delay in the program. . . . One would do all the things already under way . . . but slower. That would also have a very serious effect on the program."

Any delay, he indicated, would result in a significant loss of scientific manpower. "We have many people, very good and well-trained people. I have seen this develop over the years. They are now fully engaged, and we have begun to engage industry as well. The people in industry have their own skills. But those skills must be, shall we say, fine-tuned. It takes a period of training before these people are indeed useful, as they now are. To disengage them at the present time would dissipate those efforts that have already been made. These trained

people would move to other activities. They would no longer be available."

The physicist emphasized that now is the time for "the effort required to get into technology." "Certainly there are many things required for a successful fusion reactor. One among them is, of course, the physical aspect of being able to heat a gas to a high enough temperature and keep heat losses to a sufficiently low level. . . . But it alone doesn't build you a power reactor . . . to that must be added a great deal of work on the engineering and technological aspects . . . before you have a practical reactor. We are just getting into that phase," and can afford no funding cuts. "This is a field in which the technology and the science are so interdependent that they must be developed together."

"There are substantial improvements that can be made in the tokamak, many modifications that might in the end prove simpler, cheaper, or more reliable. And there are different approaches like the mirror, or hybrids between the two—for example, the Elmo Bumpy Torus, which is a sequence of mirrors arranged around a ring. These take time to work out. And unfortunately, this research is not cheap."

The *New York Times* editor asked him how he thought the fusion program would fare under the new Reagan administration. "When one looks for portents," Gottlieb replied, "the only thing I think one can say is that the administration has been speaking favorably about the importance of research and applied research. From that policy standpoint, one would expect a favorable view to emerge. Of course, the budget pressures are also working, in the opposite direction."

Can it be done?

One implicit question was: "Is fusion really possible?" Dr. Gottlieb summarized his own thought. "Ten or 15 years ago, fusion seemed almost impossible. We were frustrated. But then, everything started to work, probably because of better control of the technology at the same time that we got better control over the physical ideas.

"Now, I am sure that it is achievable. I can't tell you what the costs will be. . . . We have to get the costs down to where fusion will be competitive. Here, too, I have no doubt that it can be done, whereas in the past, I doubted it.

"The change I can only describe this way. Back in the beginning, the theorists were working in one place, the experimentalists in another place, and it almost seemed as if they weren't even speaking to each other. . . . Now, both are addressing the same points. . . . It's a solid science. Now, we can even talk about new ideas with confidence. . . . It is as different as day and night. That is the change of the last years. It made a great deal of difference in my life."

Global 2000 pushed as 'national security'

by Lonnie Wolfe

On cue, the subcommittee on International Economic Policy of the Senate Foreign Relations Committee announced last week that it would hold hearings later in February on the issues in the Global 2000 report.

Global 2000, prepared by the Carter State Department and the White House Council on Environmental Quality, recommends that the world population be lowered by more than 2 billion people. It is backed by an international conspiracy, including members of the U.S. State Department—most notably Secretary of State Alexander Haig—and members of Congress, and assorted environmental and population groups, whose members and sponsors include the leading black nobility of Europe and its American retinue. *EIR* revealed last week that the conspirators intended to use the Congress as a vehicle for brainwashing the American population to accept genocide as inevitable and necessary. Senator Mac Mathias, the subcommittee chairman from Maryland, a supporter of population control, was specifically targeted as a “man who could be used.”

In addition, the Global 2000 backers are counting on significant help from Rep. Paul McCloskey, who heads the Congressional Environmental Study Group. McCloskey, a self-professed creature of the prophylactic lobby, says that he wants to guarantee wide discussion of Global 2000—especially its population “time bomb.”

It is vital to the success of the Global 2000 effort that such discussion on an international scale start immediately, said Don Lesh, the director of the U.S. Association for the Club of Rome. Lesh is an interface between national security and State Department networks, including circles around Haig and former Secretary of State Henry Kissinger who are coordinating the Global 2000 push. A former foreign service officer with an area specialty in Russian studies, Lesh worked on the staff of the National Security Council under Henry Kissinger. Along with Helmut Sonnenfeldt and William Hyland, Lesh helped establish the NSC's Eastern European operations. From the NSC, Lesh was deployed by the same black nobility networks that run Henry Kissinger into the Club of Rome, the rabid zero-growth organization which is itself an offshoot of NATO.

This begins to trace the Global 2000 document to its

actual sponsors and authors. As the Lesh connection would indicate, the genocide policy is in fact a “national security doctrine”—a fact confirmed by the direct input and support given to the project under the Carter administration by National Security Adviser Brzezinski.

Termining population policy a “vital national security question” Lesh described the Global 2000 doctrine.

“I see the world being saturated population-wise at about 8 billion people. There are already about 4.5 billion people. According to several estimates, even if we reach 6.35 billion or a little less by the year 2000, we still are dealing with very serious population momentum. It cannot be broken by birth control and similar actions alone. That will take time. . . . I predict that there will be population-crisis-caused wars and famine based on resource and food shortages. It is going to be quite messy. Hundreds of millions of people will die over the course of the next 50 years. We will, however, one way or another, keep population at the levels projected in Global 2000.”

Lesh is one of the founders of the soon-to-be-renamed Citizens Committee for Global 2000, an umbrella organization of more than 27 environmental and population groups which helped put the “arm” on Senator Mathias to organize his hearings.

Lesh said this week that the doctrine of Global 2000 has its roots in various documents published by the Club of Rome, most directly the 1972 *Limits to Growth* report and the 1974 book, *Mankind at a Turning Point*.

Both Lesh and the State Department concur that existing programs will keep *nearly 2 billion people* in the Third World from being born by the year 2000.

“Our goal must be to do better, to keep more people from being born,” said Lesh. “This may anger the American in the Midwest with 11 kids who thinks that it is his right and everyone else's to have as many children as he wants. . . . Our first goal is to get these people to see that we must do this to the Third World or we will run out of resources and their 11 children will starve and go cold. Then, hopefully, we will get such people to back a population policy for this country.”

According to Lesh, any development of the Third World “which even suggests a new population explosion” should be ruled out. Limited resources and “environmental considerations” make industrial development of the Third World an impossibility. The production of cheap energy, especially by nuclear power, is to be ruled out.

“Global 2000 makes an important point, that development policy can be used as a weapon to keep population down,” said Lesh. Lesh and his supporters of Global 2000 bristle at suggestions that this is genocide. “We are not talking about killing anybody, we are talking about people who will not be born. . . . War arises out of scarce resources, not by design.”

Rep. McCloskey: growth means war

The following are excerpts from a recent interview with Rep. Paul McCloskey (R-Cal.) made available to EIR.

Q: Are you familiar with the Global 2000 document, particularly the implementation proposal, Global Future?

A: I have not seen the second part of it, but the document that was published last fall by the Council on Environmental Quality. Our staff of the Environmental Study Conference had our first organizational meeting last week, and decided to make it a top priority.

Q: What do you see as Global 2000 issues?

A: My focal point is on the population question and tying population growth to the development rate in a way that doesn't make the two inconsistent in looking at them on a long-range rather than a short-range basis. This is different for each country. When you are trying to dispense contraceptives and contraceptive advice, as AID tries to spread condoms all over the world, you have to question if that is a valid program. It works in some countries; in other countries the political system may have a lock where you can't sell them over the counter without the druggists' getting 1 percent. I have the great dispensers of prophylactics in my district, so I know about this. I have the guy who invented the pill. Take the country of Egypt, for example, which has 4 percent land that is arable—the Aswan Dam may be the biggest mistake they ever made. These are Global 2000 issues.

Q: You are a cosponsor of a bill with Representative Ottinger to give the United States a national population policy?

A: Yes, I was the key, way back in 1970 when we established the first population commission that Laurance Rockefeller later headed, and that went through my committee in the House, the Government Operations Committee, and this is really a follow-on to that early work in the population area.

Q: Do you agree with the concepts embodied in the original Global 2000 report?

A: I found it valuable as a factual document. I don't

fully endorse everything. . . . I personally feel that the population explosion in the world is possibly as dangerous as the nuclear proliferation. Of the two of them, Paul Ehrlich, who wrote *The Population Bomb*, has been at the center of this type of thinking. I've gone to two of the international population conferences, trying to follow up on the Bucharest Doctrine of 1974.

And the concept that a great deal of this rests on women's rights, because so many areas where the population is exceeding the development rate is partly because the women have no rights to claim anything. My daughter, for example, is running the first family planning clinic in Spain, so far as I know, where they've started performing vasectomies for the first time. And that runs counter to Spain's macho heritage. . . .

Q: Do you think that there should be an effort by the United States, perhaps by the State Department, and certainly by the world organizations you're talking about, to steer development toward the proper course?

A: Now when you say "steer a proper course," it's like the professor from Santa Barbara who said, "Sure, go ahead and give all the food and health care to India in this decade, and in the next decade, there are going to be so many people born because you artificially stimulated their anticipation of food and health, that people are going to starve." Those are very tough questions. And they differ from country to country, and there's no way the United States or any world organization can do any more than assist another country. . . .

So it's fine to talk about Global 2000 and world goals, but we haven't solved the question of dealing with the Mexican labor question. It's so delicate because we depend on the Mexicans to do our work, and they depend on us to employ illegal Mexicans, and there's a conspiracy of American business, labor, and government leaders not to enforce the laws. And if we start talking about unilateral U.S. action, quite clearly the Mexicans are entitled to be consulted.

The Pope went down to Mexico and told the priests to get out of politics, but the Catholic Church frowns on abortion, and while you don't consider abortion a tool for population limitation, if you deny the right to abortion, you are certainly enhancing population growth. No government can even negotiate on that subject, and yet it may be the crucial one. . . .

We're going to have 6 billion people in the world, that is the incredible fact that the thing is trying to come to grips with—and how each country develops or contributes to that population growth, and that population growth makes it a potential war-making nation on its neighbor because the physical resources don't measure up to the expectations of the number of people. We have the same problem in this country.

Rep. Railsback discusses House antidrug plans

Thomas Railsback, a Republican from Moline, Illinois, will become the ranking Republican on the House Select Committee on Narcotics when it is reconstituted within a month. The committee, under the chairmanship of former Rep. Lester Wolff (D-N.Y.), played an important role in the fight against drugs, but its mandate expired at the beginning of January. Its re-establishment has been hotly contested. As Representative Railsback indicated in this exclusive interview with EIR's Barbara Dreyfuss, it will probably survive and play a very active part in trying to end the drug crisis.

EIR: I understand that the Select Committee on Narcotics will be reconstituted. How soon do you expect it to be finalized?

Railsback: I think on the 18th of this month, there is a likelihood that we will go before the House Rules Committee to get a rule to take it to the floor of the House. That means in the next month it will be reconstituted. You can't say with absolute certainty because in the past there has been some antipathy to But the prospects are good that it will be reconstituted.

EIR: Who will head the committee?

Railsback: Probably Leo Zeferetti of New York. And I will be the ranking Republican.

EIR: Senator Biden at recent confirmation hearings talked about the money flows from the narcotics trafficking. Will you be looking into this?

Railsback: I would think that will be one of the areas relating to illicit drugs we will pursue. There was a financial task force of our committee that was investigating the financing of drug trafficking. One thing I know they were very much concerned about was the involvement of some of the banks in Florida and Central America and I think in Panama in particular. We know the drug traffickers are involved with large sums of money and oftentimes it's cash. They have to deposit it, and sometimes it's possible to trace the large deposits.

EIR: What else will you be doing in the committee?

Railsback: We're going to be involved in everything from trafficking itself to questions of how you combat production of drugs, which gets you into the use of paraquat to destroy crops. It gets you into the activities

of various federal agencies of the government. We will get into the problem of licit drugs as well as drug abuse. There have been misuses, excessive prescription of licit drugs especially for women. We will get involved in the issue of rehabilitation and treatment.

But the single most important role we can play is to monitor and supervise the activities of various federal agencies that have primary responsibility for the problem—that's the DEA, NIDA, Customs, and the Coast Guard.

EIR: The budget of the DEA was severely cut last year, the Paris office was closed. Will you look into this?

Railsback: Absolutely. One major function we are concerned about is the cuts, not only in DEA but also the State Department. Mathea Falco's division was cut too.

EIR: One of the problems in fighting the drug trafficking has been the lack of coordination among agencies. Do you favor some coordinating mechanism such as a Director of Intelligence for Drug Trafficking?

Railsback: Some of us favor reconstituting or strengthening the White House effort in drug abuse by having a high-level person in the White House be involved in drug abuse. But I'm not sure, that's premature. Some of us have written to the new President and his wife. Apparently Nancy Reagan wants to be involved in the drug problem. We discussed in the letter the magnitude of the problem and how important it is for the federal government to be involved in combating drugs.

EIR: Do you favor the Percy Amendment prohibiting foreign aid funds for the use of paraquat to stop marijuana trafficking?

Railsback: It has to be reviewed. It's very controversial. Chairman Wolff felt strongly about it, he disagreed with the Percy amendment.

EIR: Would you favor a treaty with France, Germany, Mexico, India, and the U.S. to impose economic sanctions on countries that allow drugs to be grown or produced?

Railsback: I strongly see the need, and favor making the drug fight an international one, and I even favor strengthening Interpol. Countries like Germany are having an increasing drug problem with their borders.

EIR: The Prime Minister of Jamaica, Edward Seaga, has called for legalizing marijuana.

Railsback: I hope he doesn't. I don't know if this was discussed when he met with President Reagan.

EIR: Would you favor withholding aid from them?

Railsback: I think it's something that we ought to explore. And I'm aware of his statement on marijuana.



'Is progress our most important product?'

One of British Prime Minister Maggie Thatcher's most trusted troubleshooters, personal secretary Michael Ryder, slipped into Washington, D.C. last week to accept an honorary fellowship in public policy at the Heritage Foundation. Ryder follows in the footsteps of Kemp-Stockman mentor, "supply-slide" economist Lewis Lehrman, who recently joined the board of trustees of the same foundation.

What Ryder, Lehrman, and Heritage have in common is an abiding attraction for budget-cutting supercabinet member David Stockman.

Stockman's black book is now known to contain on-budget and off-budget reductions which might even cause Ryder's boss, Mrs. Thatcher, to cringe. Mrs. Thatcher, whose budget-cutting/high interest-rate policy has led to unprecedented increases in unemployment and inflation, and similarly remarkable decreases in productivity, hesitated to go after certain areas of government expenditure which OMB's Stockman currently includes on his target list.

Stockman's cuts would drasti-

cally curtail, and in some cases eliminate, such "Hamiltonian" programs as NASA, the National Science Foundation research program, the fusion energy program, and the Export-Import Bank. Off-budget cuts in federally sponsored concessionary loans for agricultural and industrial infrastructure could force President Reagan to eat the words of one of his earliest sponsors, "progress is our most important product."

Certain well-placed Capitol Hill sources are already scratching their heads, reporting that the science-oriented and infrastructural cuts don't make sense from a simple budget-cutting perspective.

A Senate Democratic budget-watcher has predicted an all-out fight on the proposed NASA cuts, citing figures that show that for every dollar NASA spends, there is a \$14 spinoff benefit to the real economy. One House Democratic source reported that Stockman's proposed cuts in concessionary loans to the Tennessee Valley Authority would cost the TVA \$200 million a year.

In addition, high-level Republican Senate sources have indicated they will sponsor a move to overturn proposed cuts in the Export-Import Bank, citing a significant loss in productive jobs if the cuts go through. In fact, several sources have expressed total befuddlement, wondering how President Reagan could sanction cuts that would have bankrupted most of his influential political supporters if they had been enacted earlier.

White House sources have reported for the last several weeks that the concern of Reagan and his White House intimates has never been the necessity for sizable budget cuts, but only how to sell them to

Congress and the general population, prompting even the often silly White House press corps, which is not known for its focus on substance, to grumble about "government by photo-opportunity."

Where to cut was left up to Stockman, and his cuts were only countermanded by Reagan's political counselors if they were judged to be politically costly. White House sources have also reported that Stockman's intention to cut science R&D and basic infrastructural development was given maneuvering room when Reagan's political intimates came up with the Carteresque public relations gimmick of selling the cuts by making them "across the board." This prompted the President to remark privately to Phyllis Schlafly, "With regard to this program . . . if misery loves company, then everybody better love everybody else, because we didn't overlook anyone." Then, at last week's final cabinet-meeting extravaganza on the budget. Most of the meeting was turned over to David Stockman.

Sources close to the administration continue to report that Reagan and his White House advisers consider Federal Reserve Board Chairman Paul Volcker and his high interest-rate policy a calamity. Democratic sources predict that when the budget cuts dust settles in June, there will be a serious move to dump Volcker and reform the Fed.

White House sources are giving a late April to June target date for forcing Volcker out. However, while Capitol Hillers scratch their heads and wonder if the U.S. economy can survive the current heavy dose of Stockmanism added to several more months of Volckerism, some in Washington wonder if they still have the luxury of wondering.

Iran coverup brewing in Congress?

The House and Senate Foreign Relations Committees opened hearings on the U.S. Iran hostage release agreement on Feb. 17, amid signs that a coverup of the entire Iran episode is in the works.

Former Secretary of State Edmund Muskie and former Deputy Secretary of State Warren Christopher testified in the Senate committee, where committee Chairman Charles Percy (R-Ill.) announced that "with the permission of the State Department, I have advised my colleagues on the Foreign Relations Committee that the Reagan administration intends to fully implement the agreement reached with the Carter administration and the government of Iran and the government of Algeria."

Percy's announcement followed an early morning meeting, also attended by Sen. Jesse Helms (R-N.C.) and Secretary of State Alexander Haig at which the administration's decision to accept was communicated.

With the sole exception of California Republican S. I. Hayakawa, the entire committee stuck to the administration line, and occupied itself with praising the negotiating skills of Muskie and Christopher and asking minor questions about the implementation of the agreement.

Capitol Hill insiders had indicated that Helms would signal whether the New Right would demand a serious investigation of the entire Iran affair or not. Helms told Christopher, "I think you did a splendid job."

Only Senator Hayakawa attacked the agreement, saying, "I do not believe that our honor requires

that we adhere to this dreadful and disgraceful agreement with terrorists, extortionists, and hoodlums. . . . The fulfillment of an agreement made under duress does not uphold our honor, but it signals our utter humiliation." Hayakawa also drew out the fact that, under the agreement, the United States would act as policeman for the hoodlums in Iran in helping to locate the late Shah's assets.

Senate hearings continued on Feb. 18, with the testimony of five lawyers representing corporations holding claims against Iran. While there was widespread acknowledgement by lawyers and senators alike that constitutional questions were at stake, committee members indicated their intent to let the agreement with Iran ride and allow the courts to ultimately decide the issue.

The House Foreign Affairs Committee heard from chief negotiator Harold Saunders on Feb. 17. Chairman Clement Zablocki (D-Wis.) opened the hearings. "From the review I have made so far of the agreements, I offer my commendation.

"They preserve the honor of the United States and they secured the safe release of our hostages. No ransom has been paid and, most, if not all of the interests will be protected."

Other committee members occupied themselves with diatribes against the alleged Soviet and Palestine Liberation Organization role in Iran.

Pressure appears to be heavy to confine the investigations to a review of the actual hostage-taking and analysis of future relations with Iran, rather than an investigation of Carter administration

policy in setting up the Khomeini regime.

The only opposition to this approach has surfaced in the House with Rep. George Hansen (R-Id.), who is charging that "strong evidence now suggests that the hostages were trapped by big bank politics—that the crisis could have been avoided and that it could have been terminated honorably on several occasions during the ordeal. . . .

"America is entitled to know what happened and why—and what will be done to prevent special interest groups from again dragging the nation to the brink of disaster in the future."

Shortly after the hostage seizure, Hansen visited Iran. On his return, he denounced the complicity of Carter officials in "precipitating" the crisis.

SPIS relaunches war against labor

On Feb. 17, Sen. Sam Nunn (D-Ga.), reopened the Senate Permanent Investigations subcommittee with hearings concerning "Corruption on the Waterfront—The Gulf Ports and the East Coast." These hearings, which are a continuation of Senator Nunn's war against the traditional labor movement, specifically target the International Longshoremen's Association for "labor racketeering."

The targeting of the ILA on the East Coast is completely in line with information received by *EIR* from sources close to U.S. Attorney Thomas Puccio of the Southern District of New York, that indictments will be handed down shortly against both the Longshoremen and the Laborers Union

in a continuation of Puccio's Ab-scrammingoperation.

In his opening statement, Nunn, who chaired the hearing despite the fact that the chairmanship has officially passed over to Sen. William Roth (R-Del.), made it clear that he intended to introduce legislative reform designed to make it easier for the federal government to intervene in trade-union activities.

Should Congress, demanded Nunn, allow a union official to remain in his post while he was going through the lengthy appeal process, or should Congress make it easier for the federal government to put a union in receivership?

In the questioning that followed the testimonies of FBI Director William Webster and Miami Organized Crime Strike Force head Michael Levin, Nunn backed the latter approach by attempting to establish that it is the failure to remove a union official from his post, once convicted, that is responsible for the reluctance of both management and rank and file to cooperate with the FBI "organized crime" investigations.

Informed sources in Washington believe that the hearings will additionally be used to feed into ongoing attempts to "watergate" President Reagan.

According to these sources, Walter Sheridan, Senator Kennedy's staff director on the Senate Labor and Human Resources Committee, is attempting to orchestrate a series of exposés designed to trap Secretary of Labor Ray Donovan into some kind of "coverup" of his knowledge of organized-crime activities in business and labor. This is intended to feed into an atmosphere

of allegations that President Reagan's supporters are connected to the mob.

At his confirmation hearings, Donovan was repeatedly accused by Senator Kennedy of having organized-crime connections.

These allegations, however, resulted in an FBI investigation of Donovan that completely exonerated him.

During the course of the Permanent Investigation hearings, Nunn made it clear that he would play into this scenario by attempting to box Donovan in on this precise issue through forcing the Department of Labor to investigate his allegations of labor racketeering. If the DOL fails to do so, Nunn intimated, the subcommittee would have to look into the reason why.

Melcher introduces alternate farm bill

Montana Democrat John Melcher, a member of the Senate Agriculture Committee, introduced the Food and Agriculture Act of 1981 on Feb. 16. Melcher's bill, S. 480, is meant to serve as an alternate approach to the yet-to-be introduced administration omnibus farm policy bill from the administration.

Melcher seeks to "return some market stability and certainty to the farmers' lives, and to ensure that as we export millions and millions of tons of grain, we do not sell it overseas for less than it costs to produce."

In a floor statement accompanying introduction of the bill, Melcher attacked the "budget balancing" and "free enterprise" pol-

icies which have undercut agriculture in the past.

"You will hear from some that such an approach [of price supports] will increase federal spending when the budget must be balanced.

"We will hear from the naysayers who say it is time for Congress and the country to ignore agriculture producers and the prices they receive. Well, to that I say nuts. . . .

"We Americans have sacrificed our steel industry, our auto industry, our shoe industry, our electronics industry—we have sacrificed these all on the altar of the free market. Those markets are not free, and they have not been for many years."

The budget-balancers came under attack two days later in Senate Agriculture Committee hearings held on the appointment of Richard Lyng to be deputy secretary of agriculture. Senator Mark Andrews (R-N.D.) asked Lyng what input the U.S. Department of Agriculture had into the budget recommendations.

He cited Office of Management and Budget Director David Stockman's assertion that increasing the interest rate on certain categories of Rural Electrification Association loans from 2 to 5 percent would save the federal government \$175 million over the next year.

Andrews charged, "I was the sponsor of that loan program and I can tell you that it will only save the government \$4.5 million. I don't know what kind of stuff they have been smoking over at OMB, but I want to know if you had any input into the generation of those estimates?" Lyng was unaware of the estimates.

National News

Mottl blasts high interest rates

Congressman Ronald Mottl (D-Ohio) attacked the high interest-rate policy of the Federal Reserve Board last week and introduced a House resolution demanding that the Fed "reverse its present policy" of artificially high rates and instead "pursue a policy of stable interest rates at lower and affordable levels."

Introduced as "House Concurrent Resolution 44," Mottl, stating the crucial economic points, charged that the high interest rates have "not had the desired effect of lowering the rate of inflation, but have, in fact, increased the rate of inflation. Spending and investment by businesses and consumers," has been inhibited Mottl said, "to the detriment of long-term economic growth and increased productivity."

House Majority Leader Jim Wright (D-Tex.) followed this on "Face the Nation" Feb. 15 with a blast at the Federal Reserve Board for throwing last year's budget-balancing attempt out of kilter when it "arbitrarily and inexplicably raised interest rates. That added \$13 billion in debt service to the budget."

Dorgan vows interest-rate fight

In a speech on the floor of the House of Representatives Feb. 19, Representative Dorgan (D-N.D.) attacked President Reagan's budget message for proposing a sorely inadequate remedy for inflation. He said that budget and tax cuts are only "chapter 1," and that Reagan omitted "chapters 2 and 3" that must deal with energy and monetary reform, without which Reagan's program won't work.

Dorgan is the sponsor of a bill to give Congress the power, by a 60 percent vote, to remove the chairman of the Federal Reserve. He strenuously opposes the high interest policies of the present Fed chairman, Paul A. Volcker.

In an exclusive interview with *EIR*, Dorgan revealed that he is presently circulating his bill to gather additional sponsors, and plans to actively seek support in the Congress for forcing a lowering of interest rates by the Fed.

In defending his view, he said that while he is not a "supply-sider," low interest rates is actually a supply side approach because it puts credit in the hands of people, especially small businessmen, who will use it to expand production. He said that pro-"supply side" defenders of high rates have failed to respond to this argument.

He also said that he has gotten letters "from all over the country" backing his campaign to retire Paul Volcker and lower interest rates.

Reuss tries to wreck U.S.-West German ties

Rep. Henry Reuss (D-Minn.), the outgoing House Banking Committee chairman, told the West German daily *Handelsblatt* today that "high interest rates in the United States are having catastrophic consequences on the international market and putting heavy pressure on our European partners." According to Reuss's aides, his staff will shortly issue a report making the same argument. The report will cite the results of monetary policy in four European countries, arguing *against* the monetarism Reuss personally has represented for the past decade. (Reuss has consistently argued for an ultra-Friedmanite approach to monetary policy, including a fixed annual ceiling on money supply growth.) What Reuss now is backing is a policy of "directed credit." By this, his aides said, he means a two-tier credit system that will drain credit from the "Chryslers" and pump credit to "sunrise industries"—the opposite of the two-tier credit system proposed by Lyndon LaRouche to foster economic growth.

Reuss is putting himself forward as the U.S. spokesman for West German concerns on the interest rate question in

order to wreck the prospects for a Reagan-Schmidt agreement on lowering interest rates. The object of the new Reuss report, his staff said bluntly, is to enrage the administration and Republican Senate leadership in advance of Chancellor Helmut Schmidt's April trip to the United States by misrepresenting the ferment against Federal Reserve head Volcker as a Second International proposal on both sides of the Atlantic.

Democrats moving on economic growth issues

Congressman John Dingell (D-Mich.) is planning to hold hearings on the relationship between productivity, capital formation, and investment, and a reindustrialization policy. Through the Oversight subcommittee of the House Energy and Commerce Committee, which Dingell chairs, the hearings will explore the horrendous state of U.S. industry and expects to make recommendations on how to reverse the present slide of economic production.

According to Capitol Hill sources, many individuals close to Dingell want to make the fight for economic recovery, raising basic U.S. productivity rates, increasing the rate of investment and capital formation, as the "Democratic issues" for the next election. "Budget cutting won't solve" the economic crisis, one source said, "and we want to get the Democrats out front with serious proposals to cure our fundamental economic problems" like inflation, declining productivity, and lack of energy.

AFL-CIO executive board hits high interest rates

Meeting in Bal Harbor, Florida, the executive board of the AFL-CIO adopted a policy resolution Feb. 16 attacking the credit policies of the Federal Reserve. Building trades leaders in particular had been pressuring federation president

Briefly

● **WILLIAM PROXMIRE**, the ranking Democrat on the Senate Banking Committee, told a reporter recently that there was "no way to lower interest rates" and therefore "it makes no difference what European leaders may propose to the Reagan administration on bringing interest rates down." He also attacked the Western European nations for "predatory financing policies on their exports."

● **CAPITOL HILL** sources report that Western Republican members of Congress are telling President Reagan that they will not accept OMB Director David Stockman's proposed cuts in federally supported water projects.

● **GEORGE GILDER**, an economist who was called in by OMB Director David Stockman to help write President Reagan's budget program, told the *Washington Post* that he is a firm believer in ESP. "ESP is important to me," he said. "I learned that it absolutely exists . . . The trick is you have to have faith." Gilder is director of the International Center for Economic Policy Studies, founded by CIA Director William Casey in 1976.

● **THE NATIONAL** Anti-Drug Coalition held the second of six weekly Philadelphia town meetings on Feb. 16, drawing over 400 local citizens. Speakers included Marco Fanini of the Italian Anti-Drug Coalition, antidrug activists Edward Christian and Josephine Stannish of Philadelphia, city council members Anna Cibotti-Verna and James Tayoun, State Senator Francis Lynch, and Philadelphia Registrar of Wills Ron Donatucci.

● **MARYLAND** introduced a resolution to remove Paul Volcker as Fed chief into its state legislature on Feb. 19. This is the seventh state legislative action to halt Volcker's policies to come up for a vote.

Lane Kirkland to take action to reverse the homebuilding and industrial downslide and acute unemployment.

The resolution, adopted unanimously by the 33-member board, states in part: "High interest rates are the result of the monetary policies of the Federal Reserve Board, which are counterproductive as weapons in the fight against inflation. They are inflicting both long- and short-term damage to the economy without reducing the inflationary force of energy, food, housing, and medical care. One of the leading sources of inflation is the high interest rates that add to the cost of everything, causing particular hardship to small business, homebuilders and consumers. . . . Interest rate payments on the federal debt contribute to the [budget] deficit and divert funds needed for other vital programs," the resolution continues.

The AFL-CIO proposes that credit be channeled into unspecified "high priority areas of the economy" and that credit be curtailed for "speculation." To accomplish this the federation proposes use of the Presidential powers authorized under the Credit Control Act of 1969. Finally, the AFL-CIO resolution calls for the channelling of union pension funds for home mortgage loans to help revive the housing industry.

Committee for the Free World branch formed

A founding meeting took place of the American branch of the "Committee for the Free World" on Feb. 10. Earlier that day, the committee's European branch also held its founding session in London.

Among the 400 members and attendees of the committee are British spook Robert Moss; British Islamicist Bernard Lewis of Princeton University; Anti-Defamation League social democrat Irwin Suall; AFL-CIO President Lane Kirkland; British Heritage Foundation controller Hugh Thomas; *New York Times* "planned shrinker" Roger Starr; and subhumanist Sidney Hook.

Also members are several appointees of the Reagan administration, including Jeane Kirkpatrick, U.S. ambassador to the United Nations; Michael Novak; Kirkpatrick assistant Michael Gershan, former head of the Social Democrats U.S.A.; National Security Council adviser Richard Pipes; and State Department officer Elliot Abrams, formerly a staffer for New York Senator Daniel Moynihan.

Beyond the 1950s cold-war rhetoric among these social democrats, two important aspects of the group are its planned support for Alexander Haig and its explicit intent to promote the philosophy of Aristotle. Coverage is upcoming in *EIR*.

Vance sends Soviet leadership a message

Former Secretary of State Cyrus Vance sent a message to Moscow through indirect channels last week that they will find "no real friends in the Reagan administration" and that the anti-Soviet sabre-rattling by Alexander Haig "reflects President Reagan's thinking."

A source close to Vance revealed that the message was sent during a meeting in Vienna of the Palme Commission on International Disarmament, a Socialist International-linked body to which Vance belongs, along with Austrian Prime Minister Bruno Kreisky, former British Foreign Secretary David Owen, and German socialist leaders Willy Brandt and Egon Bahr. The message was communicated through Georgii Arbatov (head of the U.S.A.-Canada Institute within the IM-EMO think tank in the Soviet Union) who is also a member of the commission.

Arbatov reportedly told his Socialist International colleagues that at the late February Soviet party congress, Brezhnev would "hold out the olive branch to Reagan" and make "a strong bid for the renewal of détente." Vance was reportedly trying to counter the Soviet view that Reagan could turn toward an even more pro-détente policy "than Nixon."

New U.S. fight over nuclear power

A major test has emerged of the Reagan administration's seriousness about energy development.

Energy Secretary James Edwards is wasting little time in declaring his firm commitment to reverse the disastrous Carter administration policy of nuclear "malign neglect." He told a public gathering earlier this week that "we can shift electric generation to nuclear and coal," thereby saving gas and oil for "higher priorities." He lashed into the previous administration for putting the U.S. "about four years behind. We've lost our leadership in nuclear energy," he rightly emphasized.

In recent conversations with some of this nation's most experienced nuclear industry representatives, I pressed for an assessment of what will be needed to repair the damage of the previous administration. One senior executive of a leading nuclear construction firm told me bluntly that "Carter has managed to completely stop nuclear development in its tracks, especially the fast breeder." He emphasized the role of the stalemated Nuclear Regulatory Commission, which, he stressed, is central to implementing the Edwards-Reagan policies. For months, the five-member NRC has been deadlocked.

This deadlock was hit in testimony before current NRC chairman John Ahearne. When Ahearne asked a representative from Boston Edison why utilities are not building nuclear power plants, he replied that "Double-digit inflation and accounting requirements of building the interest costs into the final

costs, with the uncertainty of when that comes to an end" make active resumption of nuclear orders impossible for utilities at this time. In other words, as long as we maintain the economic tourniquet of usurious interest charges on the economy, combined with the self-contradictory absurdities of recent NRC behavior, malign neglect will be the result!

Let me amplify the importance of a forceful pronuclear policy. I outlined in this space several weeks ago the damage just in terms of nuclear orders canceled as a result of vacillation and NRC bottlenecks. Last year, not one single order for a new nuclear plant was placed in the United States. Even more alarming is what is being set up now for the next 19 years.

The Electric Power Research Institute, the prime research arm of our nation's private utilities, has made calculations of the projected need for the nuclear share of electric power generation by the end of the century. I won't go through the details of the assumptions underlying the EPRI report, "Overview and Strategy: 1981-1985." Suffice it to say, they were based on an extremely conservative growth assumption of 3.3 percent, and this not in real output growth, but inflated GNP terms. Even using this metric, assuming a hefty 17 percent rate of energy conservation, EPRI warns of a *deficit* of 485 gigawatts of nuclear capacity, the equivalent

of almost 5 billion barrels of oil per year!

Now, this deficit even assumes that national coal output by 2000 will be almost two and a half times the 1979 levels, along with necessary replacement of mines, rails, and infrastructure to gear up the presently decrepit domestic coal industry. With the legacy of four years of unbridled antinuclear advocates in top government policy posts, we have no time to lose.

Dr. Linn Draper of Gulf States Utilities, a multistate electric utility based in Beaumont, Texas, told me that the "most vexing problem" faced by electric utilities is not regulations per se; "We can live with stringent regulations." It is the regulatory uncertainty that is killing the U.S. nuclear industry despite the fact that nuclear power generation still is our cheapest energy source.

A recent study by Gibbs and Hill, Inc., an international construction and engineering firm, makes the useful comparison of costs on the BTU per barrel of oil equivalence for motive power delivered. At 30 percent diesel efficiency, a \$35 per barrel of oil costs \$115 compared to \$16.35 for coal and \$13.65 for nuclear.

A crucial test will be the congressional response this March to the report on proposed development of a 1,000 megawatt fast breeder project at Clinch River, Tennessee. Carter tried to bury this project, but Sen. Jim McClure of Idaho and a broad-based, industry-wide engineering team have come up with a design proposal which they feel could help get the United States back into the breeder effort now dominated by the French and the Soviets.