

EIR

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A turning point for Abscam/Brilab
Peace movement buildup: its real goals
Currency chaos targets Western Europe

**Can the U.S. credit markets
survive Volcker's new crunch?**



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EIR

From the Editor

Businessmen often ask me, "Is Volcker really so dangerous?" Our Special Report this week, written by *EIR* financial specialist Richard Freeman, provides an extensive "Yes" to that question. First, we survey the renewed climb in U.S. interest rates and the precarious industrial situation they collide with. Then we document the extent to which corporate and household debt have come to loom over the economy since the 1960s. By every measure of business health—including liquidity ratios, profits, and debt maturity schedules—the situation is acutely unstable. And it has worsened in the extreme since Volcker took office. The Federal Reserve's latest moves will bleed an illiquid patient to death.

This is a picture no one else has provided to decision-makers. I think it should be a manual for each congressman and industrial spokesman.

Our International section opens with a discussion by *EIR* founder Lyndon H. LaRouche, Jr. of the historical framework for the question of Israeli interests and the World War II Holocaust. International coverage also includes the first installment of Luba George's series on the new peace movement; she identifies the church networks (exemplified and directed by the Archbishop of Canterbury) who see antiwar protest as a vehicle against science and technology. The next installment will expose the "secular" peace-movement operatives in the West and the East bloc who run, and are run by, the Socialist International, including Cyrus Vance.

I'd like to call to your attention the interview in the National section with Michel Halbouty, one of the world's most skilled petroleum geologists, who served as a leading light on the Reagan energy transition team. And you can look forward to the upcoming LaRouche-Riemann study of the effects of the administration's budget package.



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Washington's currency warfare against Europe

by Kathy Burdman

Federal Reserve Board Chairman Paul A. Volcker's latest round of unprecedented interest-rate hikes is aimed squarely at provoking maximal economic and political chaos in Western Europe, Washington commentators agreed this week.

West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing have for the past month led world calls for the U.S. to lower its rates and ease off on the depressed world economy. Volcker and his collaborators at the New York Council on Foreign Relations and the City of London, however, want Schmidt and Giscard to "get off that kick," as one Washington source put it. A new round of world interest-rate tightening is meant to tip European economies over the brink into serious recession, greatly weakening the domestic positions of Schmidt and Giscard and undermining their ability to negotiate international economic growth programs in upcoming meetings with President Ronald Reagan.

The Fed chairman acted this week to put world rates onto a new high plane, by moving the Federal Reserve's discount rate up by 1 percent to a historic 14 percent and tacking a 4 percent surcharge onto large city banks that would bring the effective discount rate for large borrowings up to 18 percent "I'd call that a stiff rate," Treasury Secretary Donald Regan told the press approvingly. With federal funds trading in the 17 to 19 percent range this week, the major banks immediately moved the prime lending rate up to 19 percent and further moves are expected.

"I don't think the prime will go as high as 24 percent," Secretary Regan told a press briefing, but he

forecast several more months of current-level interest rates.

With European currencies already experiencing capital flight under the prospect of a Mitterrand Socialist government in France, the effect of Volcker's actions was electric. The French franc immediately plummeted by 5.2 percent to a 10-year low against the dollar the week of May 7 to 5.41 per dollar. The West German mark dropped by 5 percent to 2.28 per dollar, and the Italian lira fell 4.4 percent to 1,130 per dollar. Foreign exchange traders and U.S. multinationals are widely expecting the German mark to test the 2.30 floor. "The Fed is going crazy," a high official at West Germany's Dresdner Bank told *EIR*. "The mark may fall to 2.50, a complete disaster, but we are actually now contemplating U.S. rates rising well into 1982."

It was the worst foreign exchange market chaos since the U.S. dollar was toppled from the gold standard on Aug. 15, 1971, the expert agreed. "But it's not the dollar which is in trouble this time, it's everybody else," said Richard Erb, U.S. executive director to the International Monetary Fund (see interview).

In order to stem the capital flight into the dollar, said Mr. Erb, Europe will have to "raise their [interest] rates or suffer falling currencies." The Banque de France this week did move its discount rate up 1 percent to 13.5 percent, and the West German Bundesbank is reported contemplating a near-term Lombard rate hike of 1 percent to 13 percent.

The crisis could greatly weaken West German Chancellor Schmidt and French President Giscard, now preparing for major economic negotiations with President

Reagan. Schmidt arrives in Washington for a bilateral summit with Reagan May 20-23, and the world's seven leading heads of state will meet in early July at the Ottawa economic summit.

The Volcker offensive could badly destabilize and eventually even topple the Schmidt coalition government, said Harold van Buren Cleveland, chief international economist of Citibank, this week. When Schmidt arrives in Washington, the President will be forced to tell him that "the Federal Reserve is pursuing a restrictive monetary policy and they aren't likely to change it." If Schmidt complains, the Fed's response would be "Mr. Schmidt, that's *your* problem," he stated.

Treasury Undersecretary for Monetary Affairs Beryl Sprinkel, an ideological supporter of Volcker, is in fact trying to engineer a confrontation at the May summit between Schmidt and Reagan which "could have terrible consequences for U.S.-West German relations," a White House source complained this week. Sprinkel, an associate of the fervently monetarist Mont Pelerin Society, "is telling the President to confront Schmidt with a fait accompli."

Sprinkel's argument is that the United States has determined for purely domestic reasons to have extremely tight money to fight inflation here, no matter what the consequences for the international economy.

Volcker is out to force a destabilizing realignment of the European Monetary System, which is the cornerstone of trade and economic stability in Europe, the *London Guardian* reported recently.

To further the need for EMS realignment, Undersecretary Sprinkel has also announced a return to the old Michael Blumenthal policy of "malign neglect," in which the Treasury intends to halt most intervention to support currencies on the markets altogether (see Foreign Exchange). "Any stress on the EMS will have to be handled by the Europeans themselves," said a Treasury spokesman. "Defending the EMS is their business."

Volcker's offensive is about to plunge the United States into a deep recession, which could also wreck the political future of President Reagan—and the White House is well aware of it. A backroom, cabinet-level policy fight has broken out on the Fed's policy.

Led by Treasury Secretary Donald Regan, members of the cabinet associated with the secretive Swiss-based Mont Pelerin Society, which promotes monetarist ideology, have come out supporting Volcker with both guns blazing. "The Fed knows what we want," said Regan, explicitly endorsing the new tightening. "It takes quite a fight by the Federal Reserve to control the money supply."

"If it leads to short-run problems, it's well worth the prices we're paying," Sprinkel told the press. He said he is urging the Fed to tighten faster, although it will slow the economy and cut "production, jobs, and income for

about half a year." The Fed's action was also endorsed by Council of Economic Advisers Chairman Murray Weidenbaum in a New York speech May 5. "We support the Federal Reserve's perseverance in restraining excessive money supply growth," he stated, "notwithstanding any short-term repercussions on interest rates. . . . We're no longer in the stop-and-go policy mode."

The White House, however, is not so sure. The White House, syndicated columnists Evans and Novak reported this week, called an emergency closed-door cabinet meeting April 30 on the collapse of the nation's financial markets induced by rising interest rates. The aim, White House sources said, was "to put the blame squarely on the Federal Reserve, headed by Paul Volcker." White House officials were said to be worried about a "financial panic" later this year, with "failing lending institutions and bankrupted small businesses."

Key administration officials want a "quick, well-publicized Oval Office meeting where Ronald Reagan would deliver a 'Dutch uncle' lecture to Chairman Volcker. . . . The spectacle of the Fed paying homage to the President might sweeten the temper of the financial markets," they wrote.

The level of economic recession which is about to hit Europe as a result of Volcker's new crunch should be enough to destabilize any European government.

Domestic recessions have induced severe trade deficits in Germany and France, which are exacerbated by the fall in their currencies against the dollar and hence a soaring oil import bill for Europe. Germany, for example, paid 15 percent more for oil in the first quarter this year than last, about \$5.7 billion—although because of its recession, the oil imported was 20 percent less in volume terms. The economic ministry, which believes consumption will continue to decline all year, is still projecting a \$27 billion oil bill for 1981. Germany's overall first quarter 1981 current account deficit was \$4.2 billion, much of it accounted for by oil.

The same situation is occurring in France, where the trade deficit is projected to rise to \$11 billion, on top of \$10 billion in 1980, and the current account deficit to rise to \$8 billion after \$7 billion in 1980.

The wider the European deficits, the faster their currencies are being hit.

Treasury's Beryl Sprinkel and Franz Scholl, foreign director of the West German Bundesbank, are arguing that Germany should allow the deutschemark to fall to as low as 2.50 or even 2.70, in an attempt to cheapen German exports and lessen the trade deficit. "This is crazy, and will never help German exports, because at these world interest rates no one can afford to buy them anyway," the Dresdner Bank official told *EIR*. According to Jörg Schill of Deutsche Babcock, the heavy machinery manufacturer, the interest rates now being charged by the Bundesbank for export finance are so

high that foreign orders for machinery have fallen in real volume terms by 5 percent from the end of August 1980 to the end of January 1981.

The West German economy depends on exports; Chancellor Schmidt is in trouble if this trend continues.

Interviews

Citibank, Treasury, and White House comments

Federal Reserve Chairman Paul Volcker's latest increase in interest rates will enforce economic austerity and political chaos in Western Europe which could collapse the government of West German Chancellor Helmut Schmidt, said Harold van B. Cleveland, senior vice-president and chief economist of Citibank this week.

Mr. Cleveland is the leading international monetary economist of the Council on Foreign Relations, a board member of the NATO Atlantic Council, and chairman of the OECD's Task Force on International Monetary Policy.

Q: Will Chancellor Schmidt succeed in convincing President Reagan to lower U.S. interest rates when they meet in Washington in June?

A: No. I think he'll try, but I really can't see that Reagan, in his position with the Federal Reserve, can do anything about it. The Federal Reserve is pursuing a restrictive monetary policy and they aren't likely to change it. We're in a very bad spike of interest rates; the markets are putting interest rates up and the Fed is going to have to tighten.

Q: Aren't the Europeans screaming pretty hard about the Fed's actions?

A: Yes, because of the effects on their currencies, but there's nothing that can be done about it.

Q: Special Trade Representative Bill Brock has just accused high rates of wrecking the U.S. auto industry. Is the White House getting cold feet?

A: No. Even if they got cold feet, what could they do? I don't think anybody's getting cold feet. They aren't going to be panicked by another rise in interest rates. It's just a phenomenon we've got with us now. They're going to hang in there and wait out a fall in inflation.

Q: What if Chancellor Schmidt complains this will topple his government?

A: They'll just have to say, "Mr. Schmidt, *you* are the Chancellor of Germany and that's your problem." What else can they say? They will make some pious commentary about getting rates down by curing inflation first.

Q: Do you expect the currency markets to continue chaotic?

A: Yes, as long as interest rates in this country continue to gyrate, the same will be true of exchange rates. They'll just have to get used to operating in this kind of market.

Q: What about the July heads of state economic summit in Ottawa? Will they accomplish anything on interest rates?

A: Name me the last summit that accomplished anything. That's not the real world.

Q: Might they not agree on a joint policy to lower rates at Ottawa?

A: I cannot imagine Reagan agreeing to any reflation program. In the area of monetary policy and interest rates, nothing, but nothing, will happen which will support the general desire of both governments—both the German and the U.S. government—to lower rates, given inflation.

Q: But Schmidt is facing the West Berlin elections and he cannot take this recession.

A: I don't know what else he can do. He's not going to force the U.S. government to do something that it doesn't want to do and that it doesn't think will be effective. There will be a communiqué, which will say nothing; it will describe the situation and then say that our priority is to lick inflation.

Q: French President Giscard, if re-elected, has promised to use the EMF [European Monetary Fund] to expand the European economies.

A: I don't see how Europe can pursue an independent policy. If they expand credit, their currencies will fall further. I think they're stuck, and not for the first time. The Europeans have had to follow our policy for the past ten years. They can't do anything else. This situation can continue ad nauseum.

The following excerpts are from a May 4 interview with Richard Erb, the U.S. Treasury's executive director at the International Monetary Fund.

Q: What does the new U.S. currency policy mean for Europe?

A: It's not the dollar that is in trouble this time, it's everybody else. Mr. Sprinkel's statements mean that U.S. interest rates will continue high for some time, and this

will continue
their rates or suffer falling currencies.

Q: If the dollar does rise and puts pressure on the EMS [European Monetary System], will the administration act to help the EMS from being pulled apart?

A: No. It is likely that any stress in the EMS will have to be handled by the Europeans themselves. It is our position that defending the dollar by fighting inflation is our business, and defending the EMS is their business.

Q: Does the current politically motivated run against the French franc constitute "disorderly markets" in which you'd intervene?

A: No. These are not disorderly markets.

Q: But the franc has just fallen by 3 percent.

A: There are underlying economic reasons for this. We have wound down our intervention since the beginning of the year; we're not intervening now, and I see no prospect of our intervening.

Q: The Europeans are putting tremendous pressure on the United States to lower interest rates.

A: Haven't you noticed that their complaints have been muted lately? I haven't heard anything in a few weeks. The reason is that Mr. Sprinkel and the administration have made it clear to them that the U.S. must and will have high interest rates to fight inflation here as a first priority for a long time, and there is absolutely nothing they can do to move us from that position, nor should they try if they are serious about fighting inflation. The Europeans are now satisfied that we are not going to do anything on the basis of what they say, and they've stopped pressing the case.

Q: Won't the Europeans press for "interest-rate disarmament" at the June Ottawa economic summit?

A: I doubt it. There is very little to coordinate on. We have our policy, and it's our policy. We do intend to bring up the question of IMF surveillance of interest and foreign exchange rates, but to get that implemented is very farsighted at this point. All we can continue to do is to make our case that our domestic policy of tight money is primary.

From a May 6 interview with a highly placed White House source, provided to EIR.

Q: Regarding reports of a closed-door U.S. cabinet meeting April 30 at which the President was urged to censure Fed chairman Paul Volcker's high interest rates, is there someone in the administration who has begun to take the part of West German Chancellor Helmut Schmidt in his call for lower U.S. rates?

A: No. There is disagreement between the monetarists

led by [Treasury Undersecretary] Beryl Sprinkel, who say that the Fed is printing too much money, and others who say the Fed is doing the best job it can. But there is no fundamental dispute with the idea that we have to ignore interest rates, and ignore foreign exchange rates, and continue tightening until we control monetary expansion. I would say that Schmidt's pleas have fallen on deaf ears.

In fact, Undersecretary Sprinkel, who has been doing most of the communicating with West Germany, is telling the President that Schmidt will have to get off his kick of calling for lower rates, and recognize that real international stability depends on the U.S. tightening credit and strengthening the dollar.

Q: I thought Sprinkel had no real stature in international affairs.

A: It's true that he knows nothing about it, but he regards this as a virtue. His position is that the U.S. will do what it has to do for domestic reasons and there isn't a damn thing that the Germans can do about it, that what they think doesn't matter in the least. He's telling the President to confront Schmidt with a *fait accompli*. This could have terrible consequences for U.S.-West German relations. In fact, I've been working on White House and State Department officials to get them to impress upon Sprinkel that what people like Chancellor Schmidt think does matter. He just doesn't believe it.

Sprinkel is telling the President that Schmidt just doesn't have a good case, that his argument that high U.S. rates are causing Germany's economic troubles is full of holes. Too much federal spending, low investment, and a terrible trade and current account deficit. So naturally the *deutsche mark* is weak, and there is no reason to blame U.S. interest rates for that. In fact Sprinkel is telling Reagan that Schmidt should just let the *deutsche mark* go, let it devalue, it will improve their exports. The danger is that the President will believe this by the time Schmidt gets here, because there is no one else of any stature on international monetary affairs.

Q: Can't Schmidt go directly to the President?

A: The President listens to his advisers, and Sprinkel is an ideologue. You have to realize that we have already had half a dozen high-level meetings, leading up to the recent London finance ministers' summit with the Germans and other Europeans, and at every meeting the U.S. delegation has told them flatly that we will not budge.

At every meeting, they come in and scream, and we politely but firmly explain our policy. But now what worries me is confrontation. We're not going to change our policy, but we have to at least give them the idea that we care what they think. The fact is, Sprinkel does not. The judgment now is that there are no possible retaliatory measures the Germans can take, and therefore we can, in effect, ignore them.

The new 'malign neglect'

The Treasury's pool of foreign exchange is unencumbered by agreements with other central banks.

Following the mid-April Treasury Department announcement that the United States will no longer practice intervention on foreign exchange markets, it cannot be excluded that some time in the foreseeable future the United States may begin to disgorge \$6 billion worth of foreign exchange holdings onto the open markets.

The signal that such an invitation to complete foreign exchange pandemonium might occur was delivered May 4 by Treasury Undersecretary for Monetary Affairs Beryl Sprinkel in testimony before the Joint Economic Committee of Congress. Sprinkel noted that now that the U.S. has returned to the 1976-78 posture of restricting interventions only to extreme crisis situations—a policy then dubbed “benign” or “malign” neglect—it no longer has need for the foreign exchange resources it has at its disposal on the basis of an assortment of agreements with central banks around the world.

During his testimony, Sprinkel also noted that once central banks get out of the market, the way will be paved for a more active role for the International Monetary Fund in “monitoring” Western governments’ foreign exchange rate and interest-rate policies. As *EIR* subsequently learned from leading IMF officials, the IMF bureaucracy is delighted with the Treasury’s return to “neglect” of foreign exchange rates, and is prepared to

take full advantage of the crisis scenario which U.S. dumping of its foreign exchange holdings would unleash.

Jacques Pollack, a veteran IMF executive and former head of the IMF’s research division, stated recently, “I fully agree with Sprinkel; let the market tell us what it feels the value of currencies should be. . . . A few years ago, the French and Germans were concerned that wild fluctuations not occur. . . . [But] what is happening now is not new. For example, the dollar-deutsche-mark rate fluctuated wildly in the first quarter of 1980 . . . and the Germans lived through it.”

The threat of a sudden outburst of extreme foreign exchange instability arises from the fact that in the final months of the Carter administration, the Treasury squirreled away about \$6 billion in foreign currency reserves, allegedly to finance broad intervention agreements quietly worked out by the world’s largest central banks.

This \$6 billion is a separate pool from the more than \$10 billion in reciprocal swap agreements the U.S. Federal Reserve has maintained with the German, French and other central banks. During his testimony, Sprinkel revealed that both the Treasury and the Fed have been assigned to work up independent assessments of how these reciprocal swaps can be terminated. The swaps are two-way, standby credit lines which have allowed the

Federal Reserve to borrow foreign currency only when needed for intervention, in return for dollars. Since the participating foreign central banks, such as the German and French, have large permanent dollar reserves, termination of the swaps will not formally hurt their ability to intervene, since they can draw dollars down from their reserves.

The Treasury’s \$6 billion pool, however, is different. The Carter administration bought up the foreign currencies without linking them to any agreements with other central banks. Now the monetarist ideologues in the Reagan administration, whose latest round of interest-rate tightening sent the German mark and French franc plummeting this week with a velocity reminiscent of the 1976 currency storms, no longer want them.

As Pollack dryly commented, “Well, the Treasury bought that currency on the open market . . . why not sell it on the open market?” Asked whether this might not suddenly weaken the German mark, he answered, “Sure, it might have some impact for the mark. Conceivably Washington would talk to the Germans,” but the danger of a mark collapse would in no way influence Treasury’s decision. In 1976, the “benign neglect” maneuver drove the dollar down to 1.70 marks before a gradual recovery began. On May 5, 1981 the mark plummeted 5 pfennig in a single day of trading, hitting 2.28 to the dollar at one point.

A leading Treasury official recently justified the reactivation of “benign neglect” by telling an interviewer, “It’s not the dollar which is in trouble this time, it’s everybody else.”

No mortgages yet from Merrill, Lynch

Treasury Secretary Regan has openly announced plans to restructure the banking system along British lines.

Treasury Secretary Donald Regan told the Senate Banking Committee April 28 that the condition of the nation's savings and loans (S&Ls) "does not warrant" any sort of legislation to help prevent the bankruptcies now threatening these institutions. Regan told the first round of oversight hearings on the state of the banking system that the Treasury is only "monitoring the situation."

Regan made his statement in spite of the fact that some 100 to 200 S&Ls are projected to go under this year in bankruptcies and forced mergers, and the industry is forecast to lose \$1.5 billion this year, a result worse than predictions made for the auto industry.

Regan actually went so far as to announce that the Treasury believes a purge of the ranks of the S&Ls would be good for the banking industry. "The administration and the Congress share the responsibility," he said, "to resist protecting the parochial interests of some institutions. We must place greater reliance on market force to determine the character and structure of our financial system."

The "parochial" interest of the S&Ls to which the secretary refers is the U.S. homebuilding industry, which could not survive without the savings and loans.

Senate Banking Committee Chairman Jake Garn (R-Utah) was so taken aback by Regan's comments that he asked the secretary if

American homebuyers were to depend in future on Wall Street giants, like the Secretary's former firm, for housing finance. "I never got a mortgage for my house from Merrill, Lynch," said Senator Garn. "That's right, Mr. Chairman—not yet," Regan snapped.

Although Merrill, Lynch will never make as many mortgages as the U.S. savings and loan system, Secretary Regan is not concerned about homebuyers. He simply wants the nation's biggest financial institutions to be totally deregulated, so that Merrill, Lynch, Citibank, and Prudential Insurance can take over not only the home mortgage market from failing S&Ls, but also expand out of New York and other major cities across state lines and take over entire sections of the regional U.S. banking system.

In short, as I charged in this space April 28, Regan is using the S&Ls' crisis as a "foot in the door" for regulatory and legislative changes to deregulate and *cartelize* the entire U.S. banking system. His model is Great Britain, where five huge commercial banks, not 20,000 as in the U.S., dominate the banking market, and 100 or so "building societies" exist, compared to the almost 500 S&Ls in the U.S.

The bankruptcy of several S&Ls is meant to trigger a controlled panic in which atmosphere Congress will be stampeded into revoking broad protective banking legislation now preventing such na-

tionwide cartelization.

Regan, in fact, specifically called for a congressional debate later this year on the "future" of these regulations, such as the McFadden Act and Douglas Amendment, which prohibit big commercial banks from going across state lines to buy smaller banks, and the Glass-Steagal act. Glass-Steagal separates banking from brokerage activities—and keeps Merrill, Lynch out of banking.

"There needs to be an early review of the current laws governing depository institutions," he told the Senate Banking Committee. "The delivery of their services must be as effective as possible, which may even involve *some consolidation of institutions*." That is, change the laws and let the big institutions buy out the smaller.

The real need, said Regan, is for a top down "restructuring of financial markets and financial institutions." Americans can no longer afford to have specialized institutions, like S&Ls for mortgages, brokerages for stocks, and commercial banks for business loans. "It is a desirable objective to put all institutions on an equal competitive basis," Regan said. "At some point, all the institutions must have the same powers to perform the same types of business."

Already, Citibank and other financial giants are using Regan's free-for-all atmosphere to bend the regulations against interstate banking. Citibank, Chase Manhattan, and Manufacturers Hanover announced April 30 that during the month of April they had begun to solicit deposits from small depositors, in the form of \$2,000 to \$5,000 deposit certificates, with 14 percent interest rates, all around the nation.

Spotlight on exports

With the grain embargo ended, Hill committees are beginning to move farm export expansion programs.

Days after President Reagan announced an end to the embargo on grain sales to the Soviet Union imposed by Jimmy Carter in 1980, the Senate Agriculture Committee voted up a grain producer-backed plan to establish a revolving credit fund to help finance farm exports. According to the plan, proposed by committee chairman Jesse Helms (R-N.C.), and included as a plank in the 1981 omnibus farm bill, the fund would be chartered through 1984, and authorized for government support of \$500 million in 1983, and \$700 million in 1984.

The grain embargo had made a mockery of U.S. market development efforts, since it marked America as an unreliable supplier. But now the Reagan administration can make good on the large potential for expanded farm exports. It is doubtful that full advantage will be taken of the opportunity. The budget-cutting hysteria has placed a cloud over even practical and ultimately money-making programs, such as the revolving fund, that create a new budget line.

While the Senate has at least provisionally included the revolving fund in its omnibus bill, the House Agriculture Committee so far has not. Both committees are now busy marking up the final bills, to be presented to the respective houses on May 15. Some Capitol Hill observers believe that if the revolving fund is left at all in the final legislation, it will only be in

the form of "authority" delegated to the Secretary of Agriculture to set up such a fund "at such time as the funds become available"—a dodge that will satisfy the budget-cutters while still keeping alive the concept, possibly for full separate treatment on its own merit later in the year, in the view of House sources. Knowledgeable sources on the Senate side, however, think that passage of the proposal in that form will guarantee that it does not materialize for at least a year or more.

The administration is not likely to move dramatically against the plan, and Senate Agriculture Committee counsel Dick Clark has told reporters that the administration would not try to defeat the bill, even though they would not endorse it. Secretary Block, before the congressional committees and elsewhere, has chosen his words carefully when speaking of the export credit programs. So far, Block has emphasized the expansion of the \$2 billion Commodity Credit Corporation export credit *guarantee* program by \$300 million.

Reportedly, OMB Director David Stockman would not allow the USDA to approve the policy concept of a revolving fund. But President Reagan has also assured farm producers "100 percent of parity in the marketplace"—and expanded exports is the key to making good on that one. Since the greatest potential for market expansion, by far, exists in the so-

called developing sector where oil bills are high and foreign exchange short, programs such as the revolving fund—meant to replace the intermediate credit program, GSM-5, killed by the Carter administration—are critical.

On the House side this week, the subcommittee on Department Operations, Research and Foreign Agriculture approved an extension for all three titles of the PL-480 Food for Peace program through 1985 which incorporated the administration's proposed \$100 million reduction in the long-term credit programs of Title I and III and raising the ceiling on Title II donations from the present \$750 million to \$1 billion. Elimination of Title I and III, advocated by Stockman and the Heritage Foundation, has so far been rejected by both Congress and the administration.

While the full committee has not yet considered adoption of a revolving fund provision, the subcommittee for cotton and rice has reportedly attached the House version of the proposal, a bill introduced in early March by Representative Stenholm (D-Texas), to their segment of the omnibus bill.

The Stenholm proposal has the unique advantage of not requiring the appropriation of new funds; it would be based on loan repayments coming in to the CCC from the three to five year GSM-5 loans issued over the past several years. "History has proven that initial entrance and market presence in developing economies are of immeasurable benefit in terms of maintaining markets in later years as these economies mature and become regular and dependable export customers," Stenholm said in introducing the measure.

Water for México's agriculture

A political decision has been made to move ahead on the northwest canal and irrigation project, report Patricio Estevez and Eduardo Quiroga.

Executive Intelligence Review presents here Part II of an ongoing series on the development potential of Sonora, one of Mexico's richest and most advanced states. Coverage of the preparations for Sonora 81, a state-sponsored industrial/agricultural fair set for this October led off the series in last week's issue of *EIR* (May 12, 1981).

One of the principal themes of that fair is the science and technology of water management and irrigation. The detailed program for upgrading the PLHINO, a proposed central hydraulic plan for the entire northwest region of Mexico, presented below, was prepared by two engineers of the Mexican Association for Fusion Energy (AMEF), and exemplifies the "think big" planning that is now dominating in Mexico.

One month ago, the governors of the Mexican states of Sonora and Sinaloa, in the northwest of the country, agreed to immediately implement one of the most ambitious water resource projects in Mexico's history. Called the Northwest Irrigation Plan or PLHINO for its Spanish acronym, the project will bring substantial quantities of water to the arid northwest, permitting the conversion of the entire region into Mexico's breadbasket. Already, Sonoran agriculture leads the country with its yields in the areas where modern irrigation and other high-technology inputs have been introduced; but with the PLHINO in place, a vast expansion of such modern agriculture will now occur.

This is good news for Mexico, whose backward subsistence-agriculture sector is the most severe drain on its economy, and whose government is urgently trying to achieve self-sufficiency in food production. But it is also good news for American agriculture and industry, which has the modern technological inputs the PLHINO and related projects will call for.

The major political break to achieve the PLHINO's implementation came last April 6. "You and I, before our terms are up, will link the water systems of Sonora and Sinaloa to make the PLHINO a reality," Sinaloa Governor Antonio Toledo told his Sonoran counterpart, Dr. Samuel Ocaña, at a summit meeting between the two.

But within days, political opponents to the plan,

including environmentalists ensconced in Mexico's Ministry of Agriculture and Water Resources (SARH), tried to put a damper on the enthusiasm with which the news was received by the state's agricultural sector. Top officials of the SARH launched the counterattack against the PLHINO by putting out a deliberately narrowed version of the program in an attempt to sabotage its implementation. Leonardo Aguilar, the technical secretary to the SARH's representative in Sonora, told a local paper, *Información*, that "if it is possible for the PLHINO to reach Sonora, it would only reach the Fuerte-Mayo zone" in the southern part of the state, arguing that the surplus water in Sinaloa was insufficient for the scope of the plan as announced. His boss, Roberto Osoyo from the SARH, repeated Aguilar's limited formulation and prognosis for the plan.

The governor of Sonora, Ocaña García, responded immediately, giving a strong interview in the state's largest circulation daily, *El Imparcial*. President José López Portillo has given instructions, Ocaña García pointed out, that the planned PLHINO water works be "carried out vigorously," extending from Nayarit on north.

The "pessimistic" projections of the SARH officials are not based on technical, but *political* objections to the PLHINO. Unfortunately not an isolated or accidental case, the SARH officials' opposition represents the viewpoint of a Malthusian political current in the country which extends into the Mexican government bureaucracy. Usually operating under a "radical" cover, like the so-called Committee for the Promotion of Rural Development led by radical Maoist Gustavo Estéva, these Malthusians oppose outright the modernization of Mexico's agriculture because it would expand the country's food production—and then its population.

What is the PLHINO?

Even many Mexicans are not aware of the full scope of the PLHINO, nor what its effects on food production will be, thinking of it as a mere regional public works project.

The scarcity of water is the most severe limit on

Mexican food production today. The efficient utilization of water resources must, therefore, be treated as a matter of highest national importance. Through the proper combination of the capture of major river runoff, the application of modern technologies for irrigation, such as closed piping, aspersion, or drop-by-drop irrigation, and the adequate purification and recycling of water, can be implemented in the National Irrigation Plan so that the country's use of water resources is maximized. The PLHINO, by massively expanding water utilization in the agriculturally rich lands of the northwest, must play a central part in such an overall irrigation plan.

The PLHINO is a hydraulic system which will collect and distribute the waters of more than 20 rivers and streams in the states of Sinaloa and Sonora. Its construction will provide thousands of jobs in steel, cement, and construction. The effect on agricultural production will be stunning.

For example, in Sinaloa's El Fuerte Valley, a practically unused underground aquifer could provide ap-

proximately 200 million cubic meters of water a year, and if added to the water to be stored in the Huites Dam, could open up a total of 180,000 new hectares for cultivation in the area between the upper El Fuerte Valley and the Mayo Valley in Sonora.

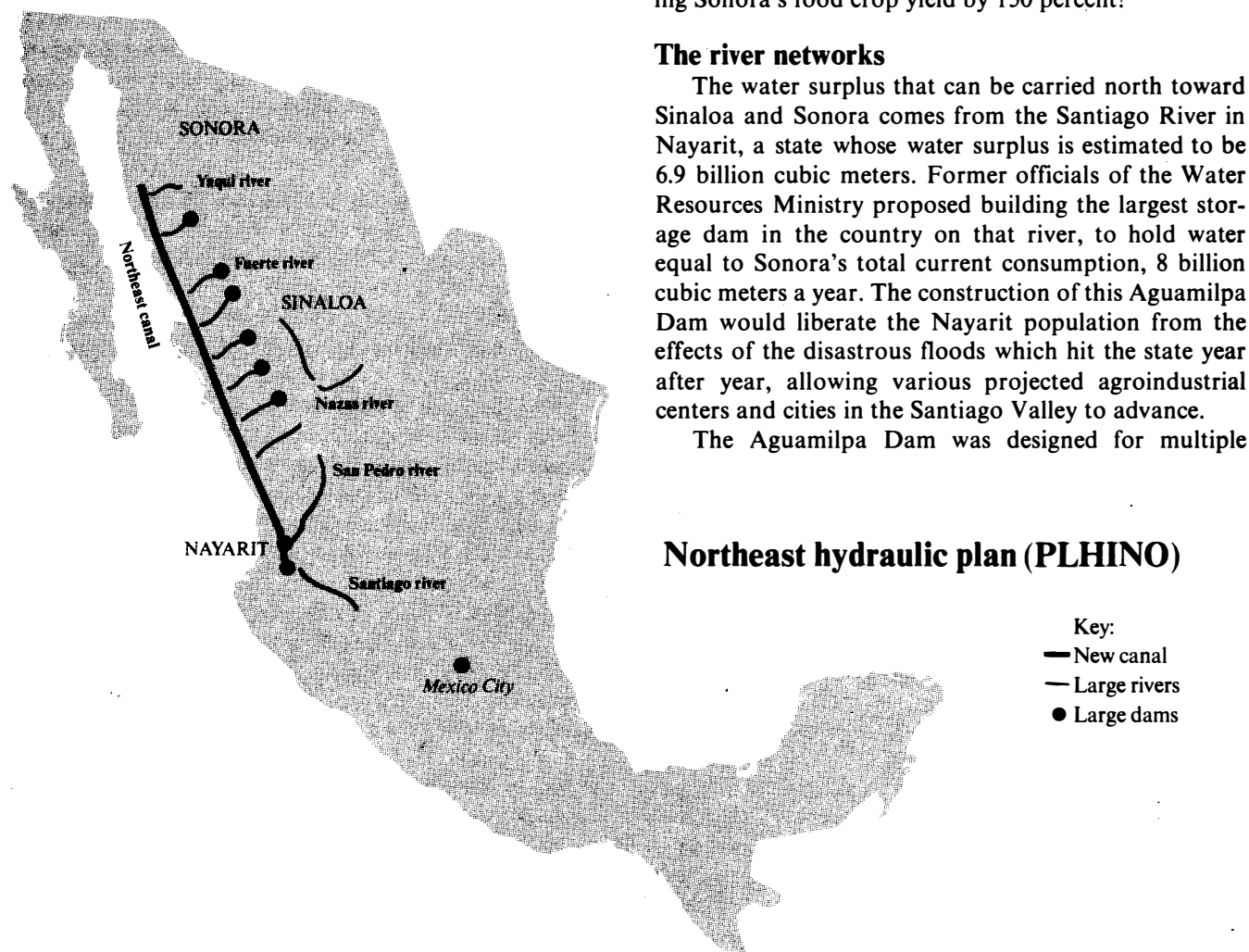
Efficiency of water use in the northwest, at the same time, is still very low, even though it is the most productive agricultural area of the country. A study prepared by the Water Resources Ministry concluded that 2.3 billion cubic meters of water could be saved in the presently irrigated areas of Sonora and Sinaloa just by cutting seepage in canals, and wastage in the irrigation process—a figure equal to *all* the water currently stored in the Alvaro Obregón Dam which irrigates the Yaqui Valley, one of the biggest water districts in the country!

If the water surpluses from Nayarit, southern Sinaloa, the new Huites Dam, the underground aquifer of El Fuerte Valley, and the gains from increased efficiency in Sinaloa and Sonora are added up, there would be enough water to irrigate an area one-and-one-half times the presently irrigated fields of Sonora, thereby increasing Sonora's food crop yield by 150 percent!

The river networks

The water surplus that can be carried north toward Sinaloa and Sonora comes from the Santiago River in Nayarit, a state whose water surplus is estimated to be 6.9 billion cubic meters. Former officials of the Water Resources Ministry proposed building the largest storage dam in the country on that river, to hold water equal to Sonora's total current consumption, 8 billion cubic meters a year. The construction of this Aguamilpa Dam would liberate the Nayarit population from the effects of the disastrous floods which hit the state year after year, allowing various projected agroindustrial centers and cities in the Santiago Valley to advance.

The Aguamilpa Dam was designed for multiple



Northeast hydraulic plan (PLHINO)

- Key:
- New canal
 - Large rivers
 - Large dams

uses, ranging from flood control to electricity generation, urban-industrial water supply, irrigation, and aquaculture, as well as the transfer of water to the northern part of the Pacific Coast. But since Mexico has an abundance of energy and a shortage of food, priority should clearly be given to the flood control and irrigation functions of the dam.

This dam will be completed in 1985, provided that its construction, which has been stalled, is resumed immediately: Over \$5 million has already gone into studies and site preparation.

Northward into southern Sinaloa, dams on the Presidio, Baluarte, Elota and Piaxtla Rivers are scheduled to come on line in 1983. These will be the most important dams in Sinaloa when completed, scheduled to dispatch a billion cubic meters of water per year to the arid plains of central and northern Sinaloa. Combined with the 6.9 billion cubic meters in surplus water from Nayarit, a total surplus of 7.8 billion cubic meters would be available at the level of the city of Culiacán, Sinaloa.

Dams nearing completion on the San Lorenzo and Sinaloa River will then finish the northward linking of irrigation systems—tying together northern Sinaloa to the Sonora border.

Since the PLHINO requires that the water needs be met first in the states through which the irrigation system passes, not all the surplus water will reach Sonora. But even including a 20 percent evaporation loss from the 8 billion cubic meters of surplus in the system, some 6.4 billion cubic meters will be available to irrigate new lands in Sonora and Sinaloa.

The Pro-PLHINO Front

Despite the vocal enemies of the PLHINO, the plan has the support of most people in the region. To ensure the governors stick to their promise, a "Pro-PLHINO Front" has been organized among area peasants and farmers to build the support required to see the project through.

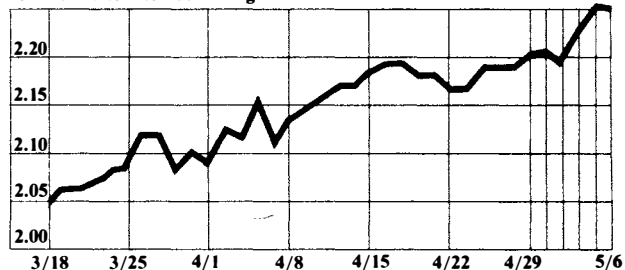
The founding meeting of the Front was attended by representatives of 15 ejidos (cooperative farms) from the Mayo and Yaqui irrigation districts and from the National Peasants Union. The meeting passed a resolution to organize the authorities and population of Nayarit to support the Pact of Palapa agreed on by the Sonora and Sinaloa governors.

A second resolution called upon the governor of Sonora to found an Institute for the Study of New Water Resources, at which teams of specialists in hydrodynamics, hydrology, irrigation, and related fields could conduct the most advanced studies in hydrodynamics, including finding more efficient ways to desalinate sea water, so that Mexico's huge deserts can one day become new food sources.

Currency Rates

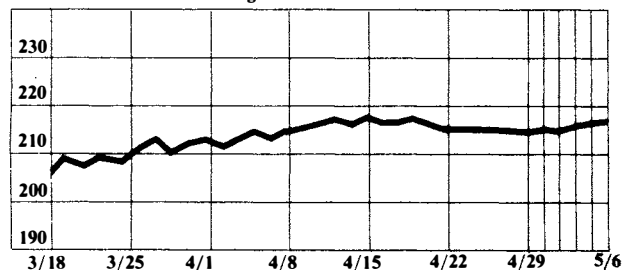
The dollar in deutschemarks

New York late afternoon fixing



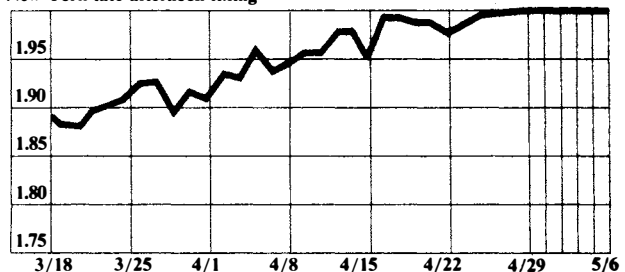
The dollar in yen

New York late afternoon fixing



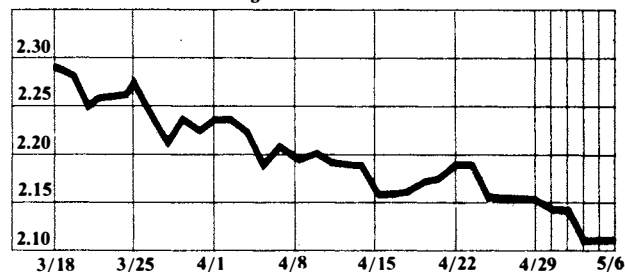
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$1.3 bn.	Argentina from Japan	Argentina has awarded contract for improvement and electrification of Roca Railroad to Japanese consortium led by Marubeni. The army's Fabricaciones Militares and Argentine subsidiaries of several Italian groups will get \$188 mn. share of \$460 mn. first stage. 156 electric cars will be made in Japan; 36 in Argentina.	Japanese Ex-Im Bank financing \$434 mn. of \$460 mn. first stage at 6.5%. Hard bargaining forced Japan to cut total price by \$54 mn. and give longer guarantees.
\$356 mn.	Argentina from U.S.A.	Dow Chemical building ethylene and polyethylene plant in northern Patagonia with local partners.	Will run on natural gas.
\$424 mn.	Australia/ Europe	Australia has been offered a partnership in next European Airbus plane, the A-320, now in planning stage. Current British and French Airbus partners would give Australia 2-3% of work on the 1,000 A320s they expect to produce.	A-320 will compete with DC-9 and Boeing 727/737-sized craft, starting 1985.
\$178 mn.	U.S.S.R. from Italy	State-owned Italsider has sold Soviets 400,000 tons welded steel pipe to be delivered during 1981.	Similar German deal going through; but Japanese producers blocked by their govt.
	Italy/U.S.S.R.	ENI-Soviet technological cooperation pact extended for another 5 years. Italians expect to help Soviets recover marginal oil deposits. Soviets may increase crude shipments to Italy.	Italy will import only 3.3 mn. tons crude from Soviets in 1981.
\$129 mn.	Iraq from U.K.	British Metro Consultants Group won contract to design and supervise construction of Baghdad subway. First two lines expected to cost more than \$1 bn.	Opening for British into booming Iraqi projects market, which has gone to French, Germans, Japanese, Brazilians, etc.
\$139 mn.	Indonesia from Denmark	Privately owned PT Semen Padang ordered 600,000 tpy addition to its Padang, Sumatra cement plant from Schmidt of Denmark.	Danish export credits; Indonesian govt. loans.
\$131 mn.	Indonesia from India	PT Semen Padang ordered another 600,000 tpy cement plant from India's Projects and Equipment Corp.	\$54 mn. Indian govt. exports credits.
	Mexico from U.S.A.	Excalibur Technologies of Albuquerque will supply computer hardware and software for new Chihuahua city water system.	
\$66 mn.	U.S.S.R. from West Germany	Lurgi will build plant producing 2 mn. tpy of pure potassium chloride near the Urals.	Output used for fertilizer.
\$300 mn.	U.S.A. from Abu Dhabi	Fluor won order for designing and managing construction of facility to gather and sweeten high-sulphur gas.	
\$30 mn.	Iraq from Canada	Iraqi govt. ordered another 3,500 Chevy Malibus from GM of Canada, in addition to 10,000 worth \$90 mn. ordered last month.	Cars will be assembled in Canada.
UPDATE			
\$244 mn.	Morocco from U.K.	Mixed export credit arranged for steel plant won by Davy. Innovative feature is that Morocco can repay export credit in either deutschemarks or dollars.	\$155 mn. from Morgan Grenfel-led bank consortium with ECGD guarantee, plus \$40 mn. without it; \$24 mn. U.K. govt. low-interest aid funds.



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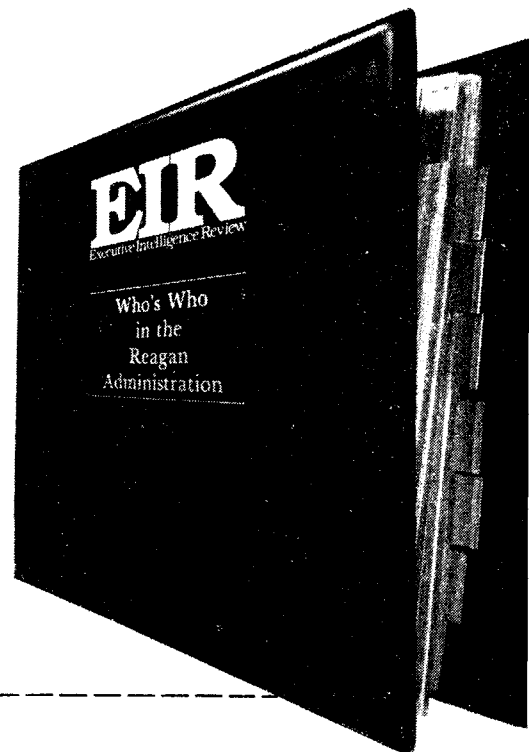
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Business Briefs

Transportation

Conrail workers accept two-year pay freeze

The office of Rep. James Florio (D-N.J.), which wrote the Conrail legislation six years ago, reportedly engineered the "give-back" settlement agreed to by Conrail employees last week.

Conrail's 72,000 operating workers agreed to defer \$230 million in wage increases each year for the next two or three years so that Conrail can be turned over to competing private railroads or remain intact as a private railroad. Conrail workers will get Conrail preferred stock, most of which is currently held by the federal government.

The rail workers, whose bargaining agent was the Railway Labor Executives Association, gave back more than Conrail had demanded in its March 31 Labor Report to Congress. The report had demanded \$200 million a year, plus a week's vacation, holidays, and the dismissal of 10,000 more workers. Conrail has reduced the operating workforce from 91,000 to 72,000 although management employment went up by 12 percent.

Florio has threatened the Conrail workers with loss of up to 40,000 jobs if they did not accede to Conrail's demands. Fred Kroll, chairman of the United Transportation Workers, the largest rail union, and chairman of the Labor Executives Association, said that labor agreed to the give-back "to avoid the horrendous social costs if the railroad stopped operating."

International Credit

Bolivia debt talks snag on narcotics scam

Commercial banks have failed to reach agreement with the Bolivian government on a plan to reschedule \$206 million in unpaid debt due, following a breakdown of talks between Bolivia and the International Monetary Fund. Earlier this year,

the banks expected to wrap up the re-scheduling by the end of April, but after talks with the IMF broke down, the banks—which often make debt reschedulings dependent on IMF accords—suspended the negotiations.

What appears to be holding up the resolution of the debt problem is Bolivia's strong economic dependence on \$1.6 billion annually in sales of illegal cocaine.

Following a statement by the U.S. State Department that the United States would withhold recognition of the Bolivian military dictatorship unless it took action against known international drug traffickers resident there, political instability in the country worsened. Colonel Gary Prado, a prominent military commander assigned to hunt down some of the narcotics operators, was nearly assassinated. Brazilian newspapers claim that drug circles have even threatened a counter-coup.

There is no evidence the IMF is supporting the crackdown on drugs. But, it appears that the political confusion fermented by the drug industry's long-term strength in Bolivia has rendered unenforceable the IMF demands for renewed austerity conditionalities.

Agriculture

Congress votes up industry bill for dairy

Both houses of Congress have repudiated the administration's proposals to pull the ground out from under the federal dairy programs, and instead voted up the price-support package advanced by the industry as a compromise. Both agriculture committees are now working on marking up the new four-year farm legislation to be presented on May 15.

On April 27, the Republican-controlled Senate Agriculture Committee voted to adopt a "flexible" price support regime that would range from 75 to 90 percent of parity, depending on projections for surplus stocks accumulation. The following day, the House Agriculture Subcommittee on Livestock, Dairy

and Poultry adopted the same package.

The administration, in its proposed farm bill, had asked for authority to in effect set the dairy support level at any point from zero to 90 percent of parity, depending on whether "the Secretary determines that the Commodity Credit Corporation is accumulating, or has accumulated excessive quantities of milk or milk products." On March 30 President Reagan signed into law a bill eliminating the scheduled April 1 adjustment in the dairy price support, after a tough battle in the Congress.

The farm legislation will have to be "reconciled" with the new budget provisions to be voted up this week.

Banking

S&Ls call for interest-rate cap

The U.S. League of Savings Associations has called for a halt to further rises in interest rates on savings accounts in a major statement asking the rollback of the interest-rate deregulation provision of the March 1980 Depository Institutions Deregulation Act.

U.S. League Chairman Rolland Barnard, in a letter to the Depository Institutions Deregulation Committee, which is administering the act, said that further lifting of interest-rate ceilings "would compound the operating difficulties of thrift institutions in the current environment." Rising market interest rates mean that, if deregulated, the S&Ls would have to pay much more than they could possibly afford for deposits.

Already, the S&Ls executive stated, high market rates being paid by unregulated money market funds have attracted away savings needed by the S&Ls to finance the U.S. homebuilding industry. "Our estimates show a decline of \$9 billion in fixed-rate, consumer-sized saving certificates at S&Ls for the first three weeks of April alone." The MMFs pay an average 15 percent on an average 30-day maturity to depositors, and the S&Ls simply cannot afford to pay these rates,

because most of their earnings come from 20- and 30-year mortgages already on their books at 8 to 9 percent.

The U.S. League has asked instead for the reinstatement of the so-called housing differential allowing S&Ls to pay one-quarter percent more interest than commercial banks, who are also restricted to lower rates on savings by law. The housing differential was removed by the D IDC last year, causing a deposit outflow from the S&Ls.

Domestic Credit

Donald Regan joins the Mont Pelerin Society

Treasury Secretary Regan's ringing endorsement of Paul Volcker's latest interest-rate rise makes it clear that the secretary has linked up squarely on the side of the Mont Pelerin Society faction in the administration. The secret Swiss-based society was cofounded by liberal Walter Lippmann and archmonetarist Friedrich von Hayek of Vienna, and numbers among its cothinkers Treasury Undersecretary Beryl Sprinkel, Undersecretary Norman Ture, Council of Economic Advisers Chairman Murray Weidenbaum, and Domestic Policy Adviser Martin Anderson.

Secretary Regan endorsed Volcker's actions in a press briefing following the Fed's hike in the discount rate this week, saying "It is like bitter medicine that you have to take. Temporarily, we will have a slowdown in business, while high interest rates are in force. . . . There is no way to get inflation down with interest rates coming down at the same time. We have to go through this painful process."

Regan acknowledged that high interest rates have swollen the U.S. budget deficit, which he now says may reach \$60 billion or more this year because of interest-rate payments on the federal debt. He said that the administration would rather cut another \$5 billion from the 1981 budget. That would fall entirely in the second half of the 1981 fiscal year, which has only three months to go.

Foreign Exchange

Bundesbank assumes quiet stand on mark decline

West German central bank officials do not expect to run large-scale interventions on the foreign-exchange markets for the time being, despite the precipitous decline of the mark. The mark hit 2.27 to the dollar on May 7, after a week of hectic trading triggered by a sharp upturn in U.S. interest rates, which has led to a dangerous outflow of capital from the mark into dollar investments.

Last year, when U.S. interest rate rises in the first quarter also sent the mark plummeting, the Bundesbank hurled a total of 20 billion marks in interventions against speculators.

Washington Federal Reserve officials assert that the Bundesbank so drained its reserves last year that it simply no longer has the foreign-exchange clout to defend the mark in the same way. Following last year's interventions, Fed sources say, the mark stabilized, but at levels below pre-intervention rates. The cost of stabilizing the mark at a lower level is too great to be tried again.

In addition, a public political fight has broken out between the head of the Bundesbank, Karl-Otto Poehl, and Chancellor Schmidt. Schmidt has temporarily backed off on demands that Poehl lower interest rates, which hit record highs on May 7 when a 10-year bond issue for a semiprivate bank was marketed at 10.5 percent. The current stalemate between Poehl and Schmidt has contributed to a wait-and-see stand on the mark.

Finally, bankers expect the mark to hit a "natural" floor between 2.30 and 2.40 to the dollar, due simply to the large volumes of mark holdings in the portfolios of major banks and companies worldwide. It cannot be excluded that at the point that the mark nears this bottom, Schmidt would force the Bundesbank to deliver a single heavy blow against speculators to shift the floor level several points higher than the market would allow.

Briefly

● **REP. HAMILTON FISH** (N.Y.), Margaret Heckler (Mass.), James Sensenbrenner (Wisc.), Vin Weber (Minn.), Judd Gregg (N.H.), Raymond McGrath (N.Y.), Claudine Schneider (R.I.), and Jim Dunn (Mich.) were the eight Republicans who on May 7 allied with antinuclear Democrats to cut off all funding for construction of the Clinch River breeder reactor. The House Science and Technology Committee vote against the breeder may give way to restoration in the full House or the House and Senate compromise. Staffers for the committee chairman, Marilyn Bouquard (D-Tenn.), say she will consider strong floor action on behalf of the breeder if she has presidential backing. Senate Majority Leader Howard Baker of Tennessee, the site of the breeder, quickly issued a statement stressing that the vote "is not the final word on this project."

● **FRENCH PRESIDENT** Giscard emphasized in his May 5 television debate with Socialist candidate François Mitterrand that Mitterrand's proposal for hiring 200,000 new government employees and bureaucrats would cost taxpayers a fortune. Mitterrand replied that since the budget has been quite well balanced in recent years, France could afford a large deficit. Giscard noted that the budget had been balanced thanks to his economic policy.

● **THE DOE** has issued a report, commissioned at the request of Rep. Richard Ottinger (D-N.Y.), which states that U.S. energy consumption could be cut by 50 percent of currently predicted levels by the year 2000. According to the April 24 issue of *Science* magazine, the 1,000-page document prepared by the Solar Energy Research Institute projects that energy demand will decline to 62 to 66 Q (quadrillion BTUs) by the year 2000 from the present 80 Q level.

Will the American economy survive a new credit crunch?

by Richard Freeman

Federal Reserve Board Chairman Paul Adolph Volcker's decision to boost the Fed Board's discount rate to 14 percent May 4—18 percent for large money center banks—puts the U.S. economy on a collision course. The Wall Street money-center banks pushed the prime to 19 percent within hours of Volcker's announcement; a prime of 21 to 25 percent within weeks is clearly possible.

Volcker's latest assault will wreck the U.S. economy, and the Reagan administration, if it continues. Crocker National Bank economist Ted Gibson commented May 1, "If the prime rate stays at that level over the next three weeks, the economy will not be able to withstand the shocks." President Reagan will face a new depression and a ballooning budget deficit fed by high interest rates and economic collapse. The stage will then be set for "social convulsions" in major American cities directed against Reagan.

Budget trap

Volcker began pushing hard for higher interest rates during the last several weeks, because, as he realizes, there is a tremendous vacuum in economic policy-making in Washington, D.C.

Inside the Reagan administration, the President is held hostage to the high interest-rate policy, not only by supermonetarists like Beryl Sprinkel, but by the President's foolish support for the simplistic and highly destructive budget-cutting approach advocated by quack economist Milton Friedman and budget director David Stockman. Volcker and his City of London controllers plan to use Reagan's commitment to this budget-cutting approach to trap the President.

Many Wall Street economists have already commented that the 1982 fiscal year program may produce another outbreak of inflation. They say the administration understates the cost of financing the public debt; the budget contains heavy expenditures for nonproductive but necessary military hardware; and an untargeted 30 percent Kemp-Roth tax-cutting plan that will further reduce revenues without any necessary growth in industrial output.



Franken/Sygma

Federal Reserve Chairman Paul Volcker: "an arsonist."

"This is a Lyndon Johnson liberal Democratic guns-and-butter program," Goldman Sachs chief economist Gary Winklowski went so far as to claim on April 30, predicting that the Stockman budget deficit will be \$50 billion in 1981 and another \$50 billion in 1982. By 1984, the budget deficits may be up to \$100 billion a year, wrote *New York Times* editor Tom Wicker May 1. "President Reagan may have set himself up for a fall."

At the quarterly closed door meeting of the Treasury Department Refinancing Group—which the heads of top U.S. investment and commercial banks attend by invitation only—the bankers told the Treasury point-blank they thought the federal budget deficits were too large. On April 30, Stockman, on the advice of these Wall Street bankers, announced that this year's federal deficit—not the 1982 budget now being debated—would be cut an additional \$5 to \$6 billion.

Backlash scenario

This stringent approach to budget-cutting is bound to fail if interest rates climb higher and the economy collapses. Under such circumstances, the budget would go even more sharply into deficit because the interest on the public debt would go up another \$2 to \$3 billion. As one banker put it, "Government revenue would fall while the expenditures would rise, due to inflation."

This would put Reagan in a dilemma—either he rushes to implement antirecession countercyclical spending programs for increased unemployment benefits, more food stamps, more public works, etc., in which case his restrictive budget approach is entirely discredited along with Reagan himself, or else he refuses

to undertake such an antirecession program, and the economy slides out from under him while the Socialist International uses its current assets in the labor, minorities, and environmentalist movements to organize anti-Reagan riots in the streets.

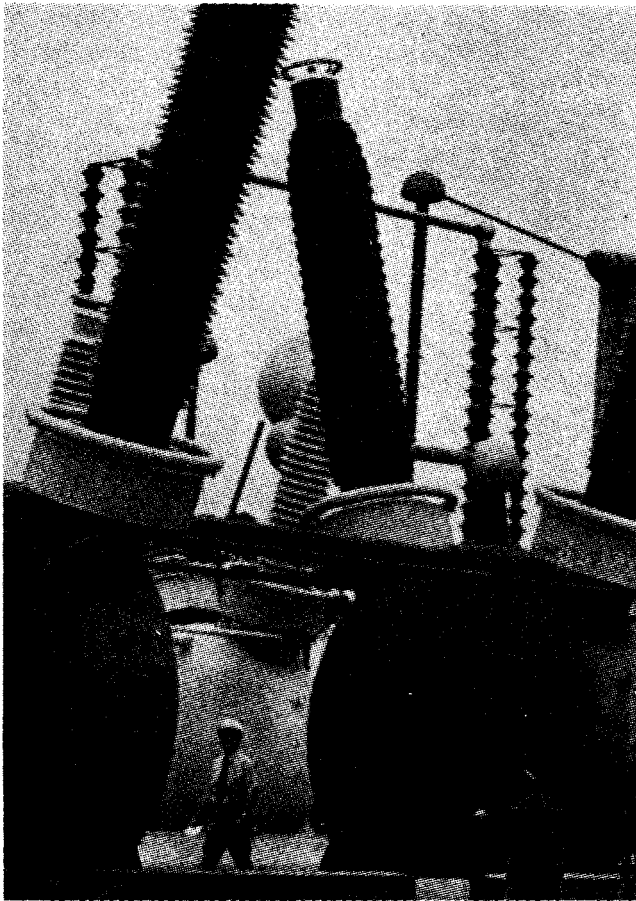
Laying out this scenario, Harrison Raines, a columnist for the *New York Daily News*, wrote May 1, "There will come a time when Ronald Reagan is no longer the beneficiary of good fortune and cannot act to improve himself." Raines added, "The interest rates created by the Federal Reserve Board have the strength to undo any of the stimulation to the economy that a tax cut might bring."

Volcker's blackmail

To hasten this scenario, Volcker began raising interest rates to precipitate the crash. On April 18, the federal funds rate, at which banks trade excess reserves overnight and which sets the basis for the prime rate, was 15.67. By May 1, Volcker, by withdrawing funds from the banking system, had put it up to 19.5 percent, a fantastic jump of 4 percentage points in 4 days.

Volcker said that he tightened interest rates because the money supply (M1B) is exploding at a 13.5 percent rate for the last three months, twice the Fed's target range of 5 to 6 percent.

While the deposit and remittance of the Treasury Department's tax and loan account had something to do with the recent runup of money supply, *it is Volcker's incompetence and the complete bankruptcy of monetarism as a strategy, overlaid onto the heavy indebtedness level of the U.S. economy, that explains why money supply is*



Debt service is draining funds from capital investment.

out of control. Here is the proof.

First, to set aside the problem of the Treasury's tax deposits at banks. In early March and then again in early April and into the middle of that month, the U.S. Treasury deposited tax receipts garnered from the federal tax April 15 filing date at commercial banks around the nation. Because these deposits require compensating reserve requirements, but banks have to set aside reserves only two weeks after they have taken in deposits, a crunch developed in late April. At this point, banks were forced to increase their reserve requirements two weeks after the fact at the very time that these same banks had been remitting these deposits back to the Treasury Department and thus could not draw on these extra deposits as part of their reserve balance. This squeeze forced the banks into a desperate need for cash. In the midst of this process, Volcker began playing games with the banking system. Volcker actually *drained* funds from the banking system on Friday, April 24, promising to replenish these funds the following Monday, April 27. But that Monday came, and Volcker lied about his promise. Volcker did not return funds to the banking system until Wednesday, April 29. At that point, the federal funds market was stretched tight as a

drum and Volcker had succeeded in manipulating the federal funds rate to above 18 percent.

Yet the tax deposits, which eventually wash out of the credit system, only created the basis for the federal funds rate increase; *they do not account for or explain the increase in the money supply.* The answer is to be found in the obvious: Volcker and Milton Friedman's (as well as Beryl Sprinkel's) brand of monetarism is outright failure.

Consider for a moment what Volcker is doing. He has abandoned attempts to influence money policy by interest rates per se and has resorted to the "management of bank reserves," the strictest form of monetarism possible. The idea behind this approach is that the Fed manages the amount of reserves that banks put aside to cover reserve requirements. Since money supply is simply reserves times some multiplier, the reserve management theory holds, if reserves are held constant and the multiplier is held constant, money supply should remain the same. If reserves are made scarce, then money supply should fall.

This theory is blown to bits by what actually happened in the U.S. economy. On Jan. 1, adjusted bank reserves were almost \$47 billion, according to figures supplied by the St. Louis Federal Reserve Bank; on April 1, they were \$46.5 billion: that is they didn't rise (and even fell slightly) during this period. Yet, during the first quarter M1B grew by nearly 9 percent. Even more startling, in the month ending April 22, M1B, which includes currency and interest-bearing and non-interest-bearing checking accounts, expanded at an annual rate of 18.8 percent, even though reserves in the banking system declined at 6.7 percent annual rate!

What, then, is causing the blowup in the money supply? The basic illiquidity of corporations has given corporations a tremendous need for funds, which is only minimally being satisfied. These funds are needed to stay afloat. For example, corporations are currently paying 25 cents out of each new borrowed dollar just to pay off interest owing on previously built up debt. So when Volcker kept the prime rate at above 17 percent for the whole first quarter, corporations were forced to borrow at the slightly cheaper rates available to them by taking their loans at the London Interbank Offered Rate (LIBOR). Thus, commerce and industry loans at weekly reporting banks in the United States grew at negative \$5 billion during the first three months of the year. But corporations borrowed at LIBOR outside normal channels: they borrowed \$5 billion from foreign banks operating in the United States and another \$5 billion from the overseas offices of U.S. banks. None of this shows up in official statistics, but the \$10 billion does show up in the U.S. money supply.

Likewise, U.S. corporations are effectively looting their foreign subsidiaries in order to stay afloat, and

remitting the money home. For example, Ford Motor Company's West German subsidiary may borrow from Deutsche Bank, while Ford headquarters postpones payment to its West German branch for Pinto engines turned out at Ford's plant in Cologne. On top of this, there is the flood of hot money that old European families are sending in the United States through various channels to gain higher interest rates—such as the flight capital leaving France and Germany (see Economics). All of this swells the money supply. Volcker is clamping down on a money supply that he himself has sent careening out of control.

With corporate debt service now more than 60 percent on internally generated funds, as will be documented below, the money supply is growing just to roll over a portion of this debt. By cutting back money supply, Volcker must cut back on production. Currently, plans to integrate the domestic with the international money markets, through interfacing Fedwire to the Clearing House International Payments System (see *EIR*, May 5), and with the planned introduction of international banking facilities (IBFs) sometime this fall, the central bank's ability to control money through reserve management or any other method will be reduced to minimum.

Production debacle

But the effects of the cutoff of credit to the economy are already foreshadowed by the following developments:

- On May 4, General Motors announced that it was delaying its five-year, \$40 billion capital-spending program because of the crunch in auto sales. In April, when the Big Three automakers withdrew their earlier cash rebate program, auto sales occurred at a 5 million units annualized rate, far down from their nearly 10 million units per year sales rate of a few years ago.

- Mortgage rates reached 15.82 percent, the Federal Home Loan Bank Board announced May 4. The FHLB announcement a few weeks ago that it is allowing a greater increase in variable rate mortgages offered by savings and loan associations means that interest rates for housing will go up, not down, in months to come. Housing starts which dropped precipitously by 25 percent during the first quarter to a 1.2 million starts per year may fall below 1 million soon.

- The rate of bankruptcies among small and medium-sized businesses, already 50 percent higher than last year, will accelerate under the new environment Volcker has created.

- Take-home wages, corrected for inflation and taxes, have been plummeting, and will fall even further.

- The household rate of savings, down to 3.7 percent in March, the lowest level in 20 years, will perhaps go even lower.

The debt time bomb Volcker has triggered

While the Federal Reserve Board has in its possession all the raw data needed to present the picture of the crushing debt level corporations and households now operate under, *EIR* assumes that the Fed has either neglected to assemble the information we display below, or has suppressed it. Any public with an awareness of the actual debt picture in the United States would not tolerate Fed Chairman Volcker's current credit tightening for another week.

Volcker's interest-rate strategy is like an arsonist reaching for a match: he has no regard for what he destroys, nor does he comprehend the staggering damage he will ultimately do.

Right now, the per capita debt load in the United States is heavier than it was during 1929—or 1974-75, when the oil hoax threw the economy into deep recession. This debt increase is built up against, and has contributed to the fall in, household income and real corporate profits.

What happens, then, when Volcker's interest rates contract production while feeding the costs of financing corporate debt? Starting with small and medium-sized firms, this signals an illiquidity panic and mass bankruptcies. At that point, it is simply a matter of lack of confidence and cash reserves—the latter are down to almost nothing—before the illiquidity problem turns into a conflagration. Companies like Chrysler, Massey-Ferguson, Braniff, Eastern Airlines, Conrail, and General Public Utility are swept into the crisis. Before long, the far from secure Fortune 500 companies, whose balance sheets show major illiquidity weaknesses, are drawn in as well.

Financially overextended families will be wiped out as Volcker's recession drives the current 7.5 million level of official unemployment to the 9 million range. The household savings rate is already at a 30-year low, and savings will not preserve many families from bankruptcy.

The illiquidity scope

The most striking feature of the overall corporate picture is the inability of liquid assets to keep up with long- or short-term debt growth, and the increasing shortening of maturities on corporate debt. Figure 1

Figure 1

Comparison of corporate liquid assets, long-term debt, and short-term debt

(billions of current dollars)

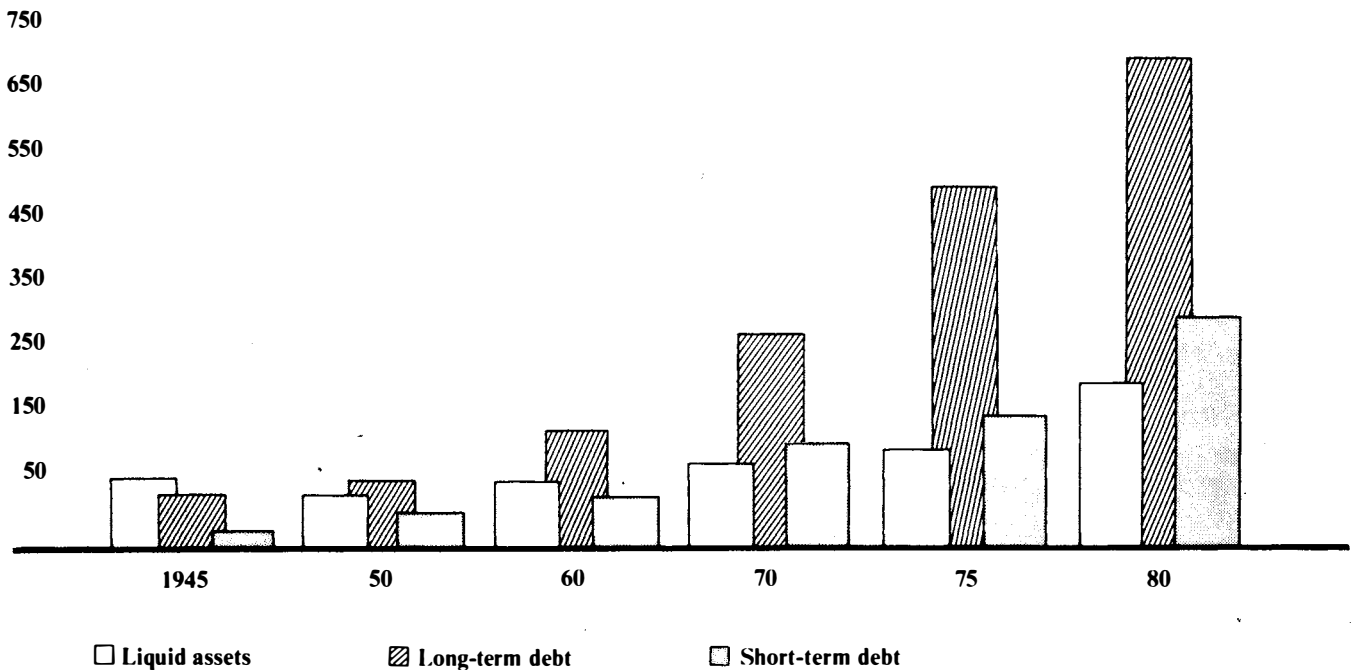


Figure 2

Liquidity ratios

(I-IV = billions of current dollars)

(V-VII = liquidity ratios)

Year	I Liquid assets	II Long-term debt	III Short-term debt	IV Total short-term liabilities	V Ratio I/IV	VI Ratio I/III	VII Ratio II/III
1945	\$ 38.7	\$ 35.5	\$ 8.0	\$ 33.1	1.17	4.84	4.44
1950	44.0	56.4	14.5	64.7	0.68	3.03	3.89
1960	51.4	122.1	31.9	109.6	0.47	1.62	3.84
1970	69.5	281.8	88.6	261.8	0.27	0.78	3.25
1971	78.8	318.3	91.2	278.5	0.28	0.86	3.49
1972	88.0	352.6	104.2	313.6	0.28	0.85	3.38
1973	101.0	393.9	127.9	378.6	0.27	0.79	3.08
1974	105.4	441.3	158.5	349.3	0.30	0.66	2.78
1975	125.2	477.2	152.2	347.0	0.36	0.82	3.14
1976	139.0	515.8	163.1	379.0	0.37	0.85	3.16
1977	141.0	566.2	190.0	426.2	0.33	0.74	2.98
1978	151.3	624.5	221.2	507.5	0.30	0.68	2.82
1979	170.2	693.7	264.6	617.3	0.28	0.64	2.62
1980	193.2	758.1	289.9	667.2	0.29	0.67	2.62

Sources for tables and graphs: the Flow of Funds Accounts series, 1946-81, published by the Board of Governors of the Federal Reserve System; statistics supplied by the Banking Department of the Federal Reserve, Washington, D.C.; The Economic Report of the President, January 1981, published by the Council of Economic Advisers; and the Bureau of Labor Statistics.

Figure 3

Relationship of corporate debt to internal funds

(billions of current dollars)

Year	I Corporate interest debt service	II Gross corporate internal funds	III Ratio of I/II
1946	\$ 1.19	\$ 7.83	15.2%
1947	1.34	12.61	10.6
1948	1.53	18.77	8.2
1949	1.61	19.29	8.3
1950	1.73	17.82	9.7
1951	1.93	19.71	9.8
1952	2.21	21.16	10.5
1953	2.42	21.14	11.5
1954	2.53	23.45	10.8
1955	2.75	28.80	9.6
1956	3.13	28.66	10.9
1957	3.71	30.40	12.2
1958	4.12	29.59	13.9
1959	4.54	35.03	13.0
1960	5.28	34.69	15.2
1961	5.74	35.28	16.3
1962	6.32	41.58	15.2
1963	6.94	44.54	15.6
1964	7.61	50.13	15.2
1965	8.64	56.09	15.4
1966	10.82	60.49	17.9
1967	12.43	61.27	20.3
1968	15.31	62.34	24.6
1969	19.99	61.67	32.4
1970	23.36	58.85	39.7
1971	23.75	73.50	32.3
1972	26.91	85.00	31.7
1973	36.72	91.70	40.0
1974	49.66	85.60	58.0
1975	46.72	119.70	39.0
1976	49.44	134.20	36.8
1977	56.09	156.10	35.4
1978	70.62	171.90	41.1
1979	93.10	190.60	48.8
1980	115.29	197.00	58.5

shows the overshadowing of liquid assets by debt. In 1945, at the end of World War II, when there was heavy corporate borrowing, corporate liquid assets—currency, checking accounts, and short-term holdings—were still larger than either long- or short-term debt aggregates. This was the last time that would be the case. By 1950, long-term debt already exceeded liquid assets of all U.S. corporations. By 1970, short-term debt was also larger than liquid assets.

If at any one time corporations had to cover all their short-term debt out of their liquid assets, how successful would they be? In 1945, the liquidity ratio—liquid assets divided by short-term debt—was 4.84. For every dollar

of short-term debt, a corporation carried \$4.84 of liquid assets, meaning that it could set aside one-fifth of its liquid assets to cover its short-term debt, and it would still have approximately four-fifths left to meet other needs. Under today's conditions, one can see how radically this has changed: a corporation does not even have enough in its treasury to cover its short-term debt. Currently, the liquidity ratio is 0.67, meaning that liquid assets can cover only two-thirds of each dollar of corporate debt. The liquidity ratio declined in 1976-80 from 0.85 to 0.67, a drop of over 20 percent.

Even more telling is a broader liquidity ratio measuring liquid assets against short-term liabilities, the

Figure 4
Relationship of interest to corporate debt

(in billions of current dollars)

Year	I Corporate credit*	II Annual growth in corporate credit	III Annual growth in interest debt service paid	IV Ratio III/II
1960	\$ 152.2	\$10.4	\$ 0.73	7.0%
1961	160.1	7.9	0.47	5.9
1962	173.9	13.9	0.57	4.1
1963	186.7	12.7	0.62	4.9
1964	200.2	13.5	0.67	5.0
1965	220.1	19.9	1.02	5.1
1966	244.0	23.9	2.12	9.1
1967	270.2	26.2	1.61	6.2
1968	302.0	31.8	2.88	9.1
1969	336.7	34.7	4.67	13.4
1970	372.1	35.4	3.37	9.5
1971	406.1	33.9	0.39	1.2
1972	452.7	46.7	3.16	6.8
1973	515.0	62.3	9.80	15.7
1974	589.9	74.9	12.93	17.3
1975	615.7	25.8	-2.94	-11.4
1976	660.6	44.9	2.72	6.1
1977	733.7	73.1	6.65	9.1
1978	819.2	85.5	14.53	17.0
1979	915.6	96.4	22.47	23.3
1980	1,002.3	86.7	22.19	25.6

*Nonfinancial corporate business borrowings of corporate and mortgage bonds, bank loans, commercial paper, and finance company loans.

latter including short-term bank borrowings but also other categories of short-term debt, primarily commercial paper and some corporate trade paper. This gauge is more accurate because under present circumstances most corporations rely on many short-term liabilities other than bank loans.

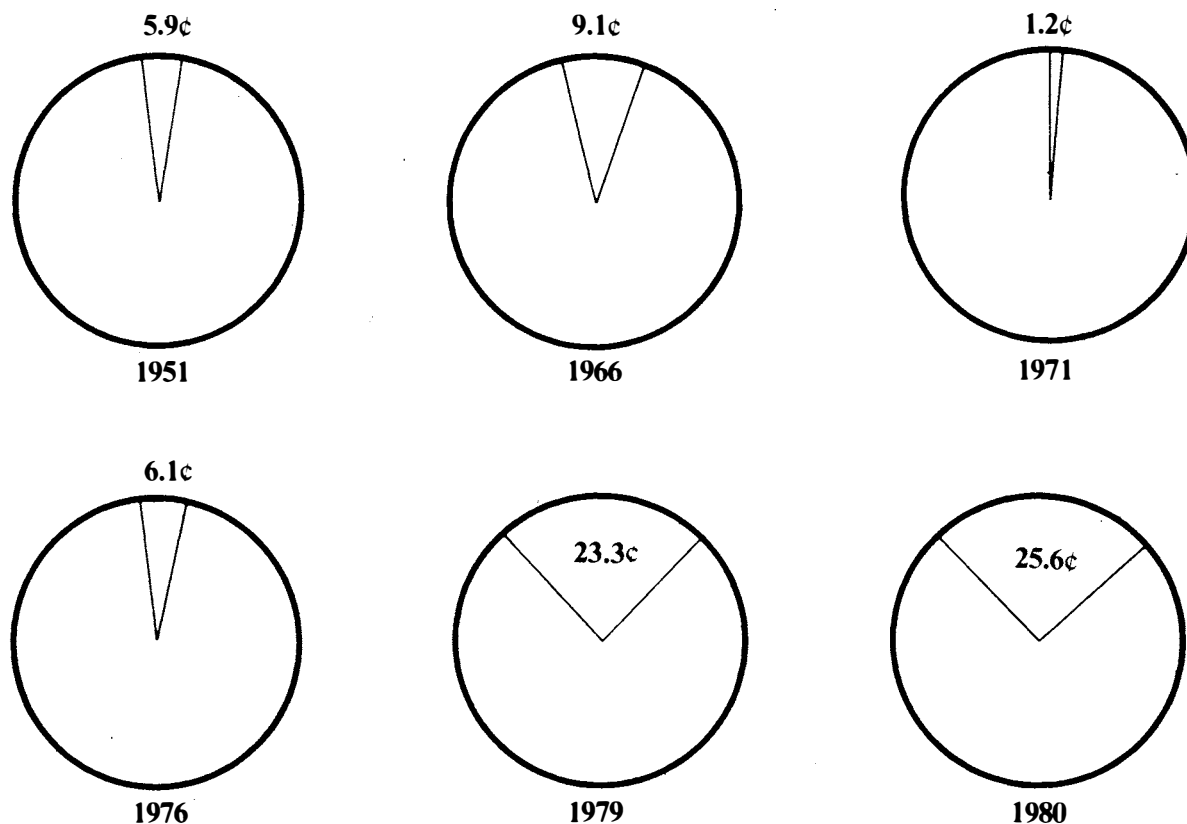
In 1945, corporations had \$1.17 in liquid assets to each dollar of their short-term liabilities. In 1980, they had only 29 cents in liquid assets for every dollar of short-term liabilities. Corporations could only cover roughly the first quarter of their short-term liabilities. When it is considered that the averages presented in Figure 2 include all U.S. corporations, including the relatively cash-rich Exxons, ITTs, IBMs, and General Electrics, one can appreciate how poorly financed the small and medium-sized corporations in the U.S. are, with liquidity ratios in many cases of 0.10 or less. Moreover, one realizes that the averages of the big corporations themselves are not all that impressive. In short, one sees *how illiquid the entire U.S. corporate structure has become, especially since Volcker took office in the autumn of 1979.*

While the growth of short-term liabilities is outstripping the size of liquid assets, a second development is making matters even more dangerous. U.S. corporations, under the Volcker high-interest regimen, are being shut out of the long-term markets: corporate bonds, corporate mortgage bonds, and long-term loans from banks, or term loans (about 40 percent of all bank lending to corporations is for more than one year). This year, for example, there is a huge pileup of corporations waiting to go to market for long-term bond offerings for capital formation; but they can't afford to pay 14 to 16 percent for 15 to 40 years, which is the range into which Volcker has driven quality long-term bonds.

To compensate, corporations are forced to borrow short-term, even for some long-term needs. Short-term debt is, of course, more volatile and more expensive, and must be rolled over more frequently, sometimes 5 to 10 times a year. This corporate nightmare is indicated in the drop of the debt maturity ratio from 4.44 in 1945—\$4.44 of long-term debt to every dollar of short-term debt—to 3.49 in 1971 and 2.62 in 1980. This situation makes financing more expensive while reflect-

Figure 5

Amount that new interest consumes of one dollar of new corporate debt



ing the magnitude of the illiquidity crunch.

Volcker's policy has accentuated this shift with a vengeance. Paul Volcker is directly and intentionally ruining the balance sheet of American corporations. This further opens up corporations to takeover by anti-industrial firms, and destroys the profitability, productivity, and output levels of American corporations. Council on Foreign Relations member Volcker, in a 1978 speech in Leeds, England, acknowledged this policy to be "controlled disintegration."

Interest-rate wizardry

Given the deterioration of American corporate balance sheets, it is crucial to observe two developments: the growth of corporate debt in general, and the specific growth of interest payments on the debt, sometimes called interest debt service.

The steep upward climb in interest rates, especially after Volcker took over the chairmanship of the Fed in August 1979 and launched his Columbus Day weekend interest-rate massacre six weeks later, has had the following effect on debt levels. In 1978, the average prime

lending rate was an already high 9.06 percent; in 1979 it skyrocketed to an average of 12.67 percent, registering most of the increase after August of that year. In 1980, Volcker shot the prime rate average to 15.27 percent, and kept it even higher, at almost 18.0 percent, for the first quarter of 1981.

Correspondingly, the amount of interest on corporate debt—corporate interest debt service—was \$1.73 billion in 1950 (Figure 3). This rose to \$5.28 billion in 1960 and \$23.36 billion in 1970. By 1975, the level was \$46.72 billion.

In 1978, the corporate interest debt service was \$70.62 billion. By 1980, under Volcker, it had leapt to \$115.29 billion, an increase of 63 percent over two years. As a percent of gross internal funds (roughly, profits with some adjustments for inventory and depreciation valuations), corporate interest debt service rose from 41 percent in 1978 to 58.5 percent in 1980. The equivalent of 60 percent of all corporate funds are going to pay for interest payment on the debt.

The effect of this explosion can be better appreciated when one compares the annual increment of interest

Figure 6

Relationship of household debt to disposable income

(I, II and IV = billions of current dollars)

Year	I Sum of household debt*	II Disposable Income	III Ratio I/II	IV Interest debt service on I	V Ratio IV/II
1945	\$ 20.462	\$1,491.1	13.8%	\$ 0.974	0.07%
1950	56.701	206.6	27.4	2.623	1.3
1955	112.391	275.0	40.9	5.553	2.0
1960	180.408	352.0	51.3	9.893	2.8
1965	285.634	475.8	60.0	16.190	3.4
1970	393.158	695.3	56.5	27.952	4.1
1971	435.400	751.8	57.9	29.172	3.9
1972	491.800	810.3	60.6	33.051	4.1
1973	560.800	914.5	61.3	42.937	4.7
1974	605.500	998.3	60.7	52.088	5.2
1975	651.400	1,096.1	59.4	51.985	4.7
1976	734.600	1,194.4	61.5	58.129	4.9
1977	864.800	1,311.5	65.9	70.373	5.4
1978	1,013.800	1,462.9	69.3	91.162	6.2
1979	1,158.300	1,641.7	70.6	119.321	7.3
1980	1,242.900	1,821.7	68.2	140.324	7.7

*Household debt equals the sum of consumer installment credit plus household mortgage debt.

payment on corporate debt to the increment of the total debt service. In this case, one fully comprehends the geometric quality of interest rates: interest can multiply debt faster and faster, until the interest increment spins wildly out of control and the interest increment is consuming more and more of the growth of the debt as a whole.

In 1960, the increment of *interest* debt service divided by the increment in total debt was 7 percent (see column 4 of Figure 4). This means that 7 percent of the new debt incurred for that year was represented by the amount of new interest paid that year above the level of interest paid the year before. Another way of stating the same point is that 7 cents of each new dollar of debt incurred in 1960 was new interest paid for debt built up prior to 1960. By 1980, this level was 25.6 percent, meaning that over a quarter of each dollar in new debt that corporations took out that year went to pay for new interest on debt (Figure 5).

Consider what this means: in 1960, a corporation borrows \$100 million. Ninety-three million dollars of that could be used for capital investment, payrolls, and so forth. But in 1980, a corporation that borrowed \$100 million had to put \$25.6 million toward paying the increment of interest on old debt. This left \$74.6 million to spend.

The fact that this critical ratio went from 17.0 percent in 1978 to 25.6 percent in 1980, an increase of

50 percent, confirms exactly how destructive Volcker's policy has been.

Household income

Household income has likewise been ravaged. One way to calculate this is to divide total household debt—mortgage plus consumer debt—by U.S. population to get a per capita debt picture for every citizen in the U.S. This calculation yields the following result. The average household debt per capita is:

1970	\$2,152
1975	\$3,343
1980	\$6,104

That is, per capita debt in the U.S. tripled over the last decade. Even considering that there was a 100 percent inflation rate for the decade of the 1970s, this still means a doubling of per capita household debt in real terms.

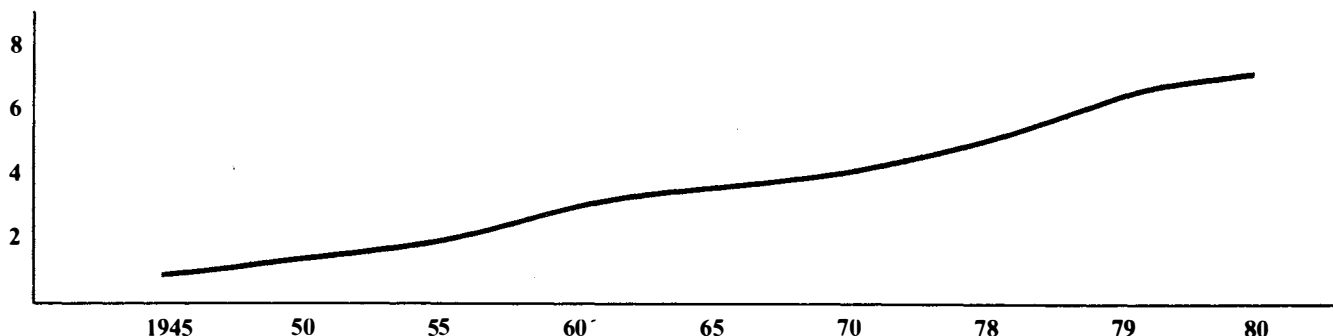
This debt increase must be seen against a background of falling real wages. When adjusted for taxes and inflation, the average weekly disposable income for a worker with three other dependents, according to the Department of Labor, ran as follows:

1970	\$90.20
1975	\$90.35

Figure 7

Interest paid per dollar of disposable income

(current cents)



January 1980	\$85.90
December 1980	\$82.64
February 1981	\$81.80

That is, between 1975 and January 1980, real income fell by 5.0 percent. *Over the next 13 months, real income fell another 5.5 percent.*

This occurred at the same time that the savings rate of households fell from over 6.0 percent to 3.7 percent, that is, the average worker was saving less, but also consuming less.

What role did interest rates play? This can be estimated in two ways. First, interest debt service as a percentage of real (i.e., tax-adjusted, but not inflation-adjusted) disposable income rose from 0.07 percent in 1945 to 7.7 percent in 1980, with a hefty 25 percent

growth in the ratio occurring during Volcker's tenure (Figure 6). This means that 7.7 cents of each dollar of disposable income goes to pay the interest component on debt service (Figure 7). For many households, the current level is closer to 15 to 20 cents' interest on every dollar.

As for the increase of the interest component of debt service in relation to the increase in total debt service, this ratio for households closely mirrors the ratio for corporations, moving from 12 percent in 1960 to 24.8 percent by 1980 (Figure 8).

Volcker is inflationary

The chief feature of Volcker's high interest rates is not only the destruction of liquidity positions and productivity of corporations, but the fact that *high*

Figure 8

Growth in household debt and interest

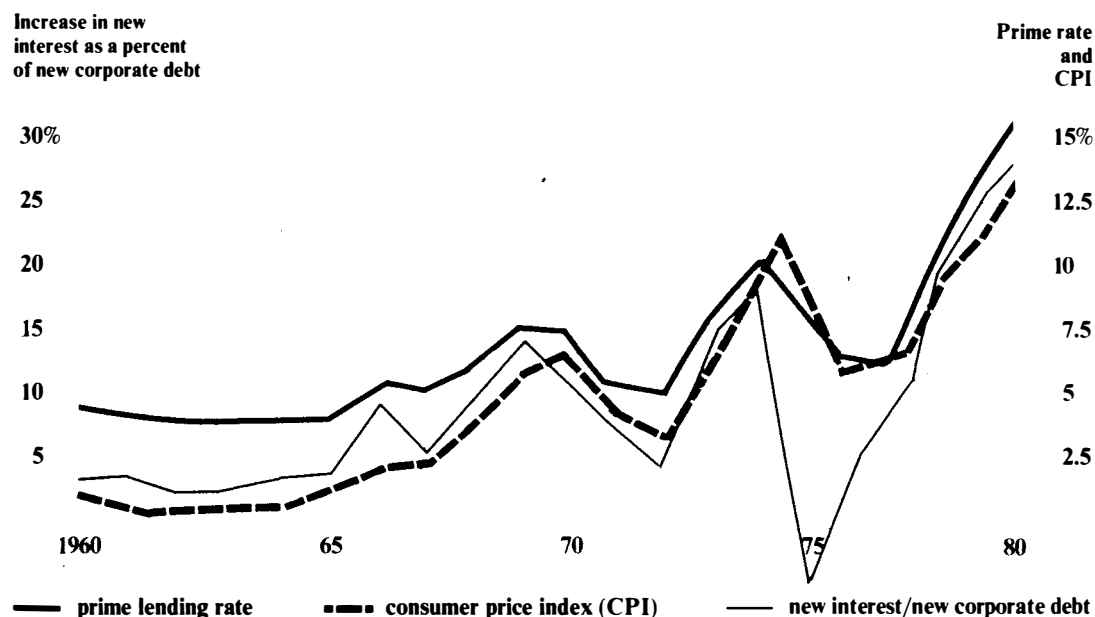
(billions of current dollars)

Year	I Annual increase in household debt *	II Annual increase in interest on debt	III Ratio of II/I
1960	\$ 15.306	\$ 1.842	12.0%
1965	25.281	1.538	6.1
1970	19.498	1.964	10.1
1975	45.900	-0.103	-0.2
1976	83.200	6.194	7.4
1977	130.200	12.194	9.4
1978	149.000	20.789	14.0
1979	144.500	28.159	19.5
1980	84.600	21.003	24.8

*Household debt equals the sum of consumer installment credit plus household mortgage debt.

Figure 9

Comparison of prime lending rate, CPI, and ratio of new interest to new corporate debt



interest rates are the engine of hyperinflation. The wild-eyed, money-printing Keynesian could not have increased the rate of inflation as fast as Volcker has managed to do, *nor swollen the money supply as fast.*

As Figure 9 shows, the relationship is extremely close between 1) the prime lending rate, 2) the percent of new corporate debt required to pay new interest on old debt, and 3) inflation as measured by the Consumer Price Index. Plotted against different scales, these three data series grow at almost precisely the same rate during the past two decades. The comparison tells us that inflation is intimately related to the growth of corporate debt burdens. Inflation compels corporations to assume additional debt, in order to finance increases in the prices of inputs, and also compels them to pass on such price increases and some of their additional debt service costs to consumers. Conversely, the growth of debt service, particularly short-term debt, feeds price increases.

By adding a violent kicker to the geometric growth rate of corporate debt costs, higher interest rates increase the rate at which corporations must raise prices to push up their cash flow income. When higher interest rates decrease production, then this enlarged base of debt must be refinanced out of a smaller production base, which leads to higher prices—despite the recessions—or internal looting of corporations. In 1980, oil

prices did not rise much, but the CPI shot through the ceiling at a 13.5 percent rate.

A similar exemplification of this point is that while it took about \$500 million increase in deflated new corporate liabilities to produce a 1 percent growth in the Federal Reserve's industrial production index, in 1980, it takes about \$9 to \$10 billion increase in new corporate liabilities to move the same industrial production index up one point.

Figure 10 shows that in the 1967-68 recession, the 1973-74 recession, and the most recent Volcker recession the amount of new interest payments that borrowers had to make for that year consumed over 30 percent of the money supply. Put another way, in each of the three years, 1978-80, the money supply M2B, grew more than \$100 billion during the year (Figure 11). But of that increase, an average of 35 percent during this period is attributable solely to the *new interest costs incurred in the process of financing old debt.*

However, while the average ratio of new interest payments to new money supply was stable at less than 10 percent during the early 1960s, that ratio "stabilized" at 20 percent or more for the 1970s.

Given this tremendous U.S. debt burden, a burden Volcker's policies are intensifying, an abrupt inability to refinance the debt will have the most destructive effect conceivable.

Figure 10

Annual increase in corporate and household interest debt service as a percentage of new money supply (M2B)

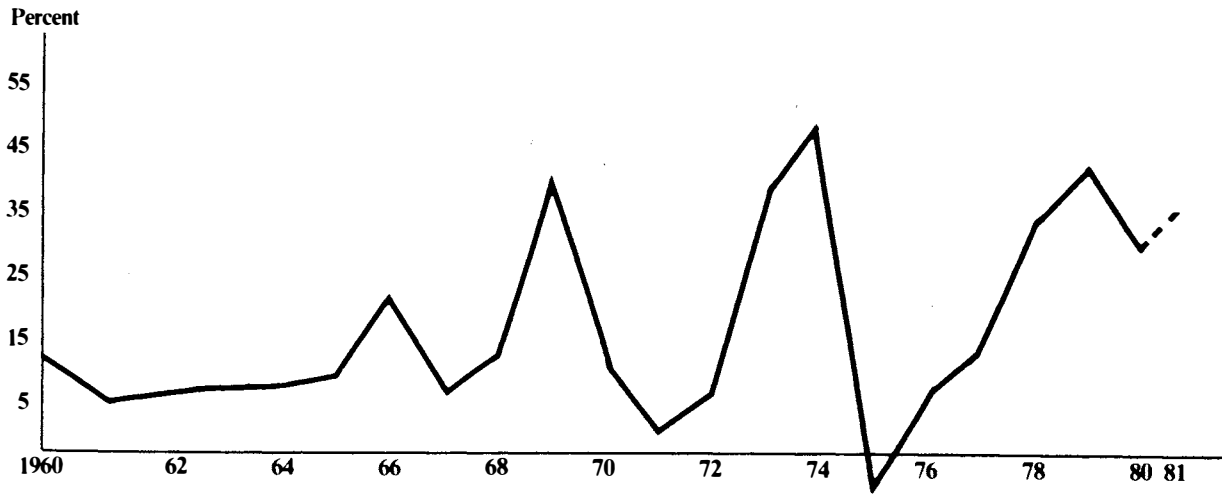
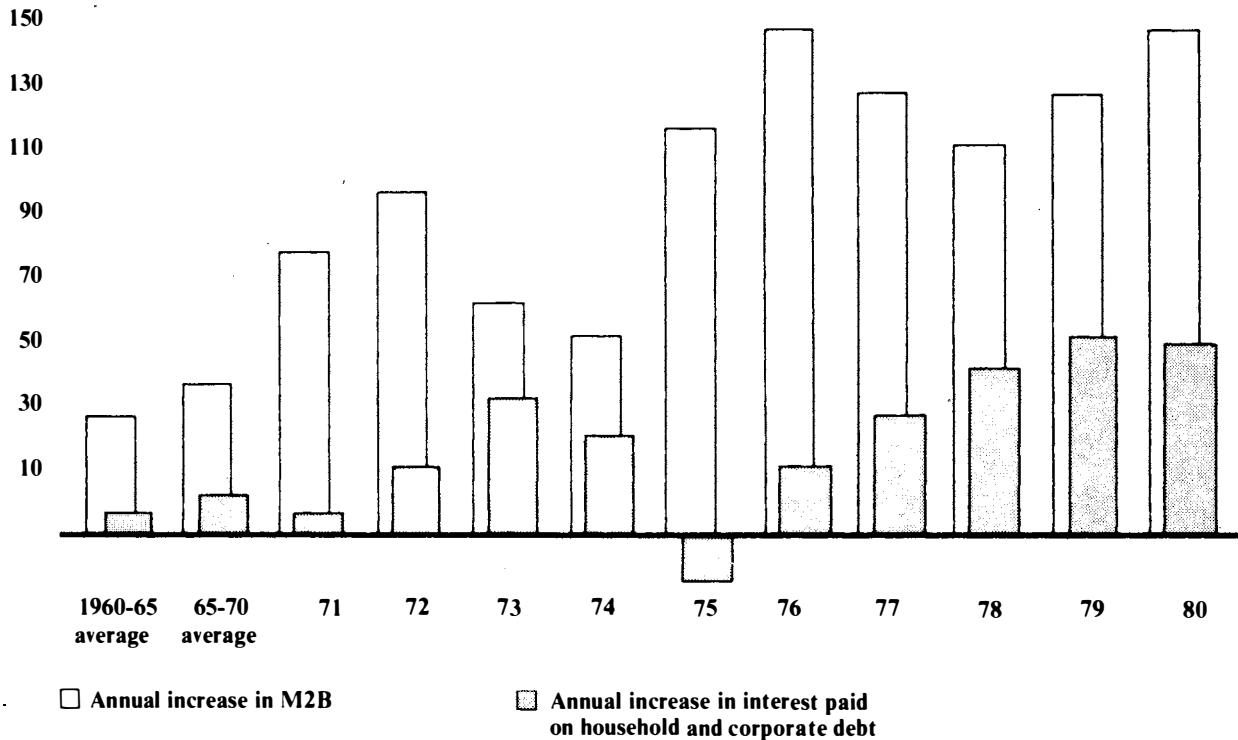


Figure 11

Annual increase of interest debt service and annual increment of money supply

(billions of current dollars)



The 'LaRouche Doctrine' on Israel and the Holocaust

by Lyndon H. LaRouche, Jr., Founder and Contributing Editor

U.S. Democratic Party figure Lyndon H. LaRouche, Jr. responded directly to what he described as "the clearly implied, and vicious attack on President Reagan" contained in the "slandrous, obscene" attack on Chancellor Helmut Schmidt by Israel's Menachem Begin.

"The time has come," LaRouche noted, "to adopt a two-point policy concerning the future of Israel and the issues for today embedded in the lessons of the Nazi holocaust. I have good reason to believe the majority of citizens of both the United States and Israel will tend to concur with my proposals on both points."

Concerning the implicit attack on President Reagan, LaRouche pointed to "the excellent and powerfully moving address" the President delivered on the subject of the Nazi concentration camps. "What clearly enraged Begin in that address was President Reagan's reference to the case of the German villagers which Reagan's military unit brought to witness the horrors of the concentration camp that unit had liberated."

LaRouche added: "The reaction of German government spokesman Kurt Becker was directly to the point." Becker noted that slander is apparently a feature of Israel's election campaigns. Begin faces the prospect of defeat by Shimon Peres's forces in the forthcoming elections in Israel.

"Begin's only hope to stop Peres is to gain actual or virtual dictatorial powers. To accomplish this, the fanatically power-hungry Begin requires general chaos in the Middle East region, and also chaos in Western Europe.

"President Reagan has acted effectively to hold back

the new Israel-Syria war—which both Begin and Syria's Hafez Assad sought to launch. Chancellor Schmidt and President Giscard of France have acted to promote stability in that region. Begin is on a monstrous rampage against all three statesmen, and was clearly driven into a state of ideological frenzy by President Reagan's accurate insights into the Nazi holocaust.

"The truth about this dangerous fanatic Begin must be brought into the open. It is not adequate merely to expose Begin for his de facto alliance with Libya's Colonel Qaddafi. We must state clearly a counterpolicy on both the subjects of Israel and the policy-questions implicit for today in the Nazi holocaust."

LaRouche followed those prefatory observations by submitting to public circulation the following policy declaration.

The 'LaRouche doctrine': a policy statement

The only acceptable policy for the United States on matters including the subject of Israel is a policy consistent with the principles embedded in the establishment of the Constitution of the United States. These principles were and are, then and now, the common commitment of all men and women of good-will throughout the world, and therefore constitute the only practicable basis in matters of decision pertaining to international law and policy of honorable nations and peoples.

Therefore, the policy of the United States and other



Menachem Begin and Moshe Dayan, on a 1977 visit to Egypt.

nations concerning Israel and the lessons of the Nazi holocaust today must be proven to be consistent with those principles, as the history of the struggle for such principles demonstrates.

1. The fundamental foreign policy of the United States

The United States of America was founded as a constitutional republic based on the inseparable principles of untainted sovereignty of nation-state republics, and technological progress as the indispensable precondition for the development and freedom of the individual personality.

The roots of that constitutional policy were transmitted to the shores of North America by the Commonwealth Party of England, the party of the poet, scholar, and statesman John Milton. Like the majority among the leading figures of the American Revolution, the English Commonwealth Party held these principles in common with the Commonwealth Party of France. The latter was the current, sometimes named *les politiques*, identified by such figures as Jean Bodin, Henri IV, Richelieu, Mazarin, and Jean-Baptiste Colbert. The same principles were those of the widespread networks established throughout most of Europe by a great protégé of Colbert, the scientist-statesman Wilhelm Gottfried Leibniz.

The establishment of the United States was accomplished under the leadership of the great scientist and statesman who emerged as a leading world figure of the

period preceding and accompanying the American Revolution, Benjamin Franklin. Franklin, selected and groomed early in his adulthood to become the leader of the Commonwealth Party forces in America, made the United States possible by allying directly with such coconspirators as Joseph Priestly in Britain and the great Vergennes in France. These European fellow-conspirators of Franklin's reached far beyond Britain and France, chiefly through networks earlier associated with Leibniz in Italy, Germany, Scandinavia, and Russia's St. Petersburg.

The relatively vast technological and military aid for the American cause from France, the creation of the League of Armed Neutrality against Britain which made the United States' victory possible, and the indispensable and substantial portion of European military figures in the senior ranks of the Continental Army and Navy, attest to Franklin's greatness and to the common principles shared among the forces so represented.

These international forces of republicanism, led by the great Franklin, rallied to the American cause, to establish in America the first model of a new form of sovereign republic, a republic to be a beginning for the successful spread of the same principles among the nations of the Old World.

Although those Founding Fathers and their allies have been wickedly defamed by subversive British agents and accomplices, such as the "revisionist" Charles A. Beard, the institutions set into motion by those forces which continued the principles of the founding of the constitutional republic have mediated the commitment to policies of sovereign republics and technological progress in the overwhelming majority of the citizens of the United States to the present date. This is true, even a decade and a half after the accelerated introduction of the policies of the enemy forces of neo-Malthusian world-federalism into elements of national government under Presidents Johnson and Carter and the Kissinger administrations.

These policies, and their bearing upon the foreign policy of the United States, were most emphatically reaffirmed in the form of the 1823 Monroe Doctrine.

The policy formulations shaping that doctrine were submitted successfully by Secretary of State John Quincy Adams, earlier the personal protégé of Benjamin Franklin. President Monroe accepted fully Adams's doctrine, and rightly so. That doctrine, *properly understood*, is a direct extension of the principles of the founding of the republic, and is a model for the proper foreign policy of the United States and of all other like-minded nations and peoples.

Secretary of State John Quincy Adams rightly argued that the United States could make no treaty of alliance with Britain, because the United States shared no *community of principle* with its continuing adversary,

Britain. This was not only the general case, but applied most emphatically to the emerging new nations of Latin America at that time.

The hideous, murderous initiative of Lords Palmerston and John Russell, both in conspiring to destroy the United States, and in directing the imposition of the evil regime of the puppet Hapsburg Maximilian upon Mexico, provided the most abundant and conclusive demonstration of the wisdom and foresight of Secretary Adams.

The foreign policy of the United States is consistent with its own Constitution only to the extent that the applications of that policy conform to *the doctrine of community of principle*. The Constitution of the United States recognizes an implied community of principle only with those nations and peoples which share a commitment to inviolable principles of sovereignty of nation-state republics, and to the promotion of technological progress as the precondition for fostering the development and freedom of the individual personality.

The United States can rightly promote no policy contrary to that, and engages in strategical and tactical enterprises of contrary form only as unavoidable forms of "Machiavellian" expedients which efficiently promote those objectives of community of principle.

Rightly understood, such policies persist today not only as the constitutional foreign policy precepts of the United States, but as the adopted policies of the United States' closest neighbor, the Republic of Mexico, and the precious ally of the Lafayette tradition, the Fifth Republic of France.

These are also principles to which all nations and peoples of good will aspire throughout the world.

All nations and peoples sharing such an implicit community of principle with the forces establishing the United States as a constitutional republic, have only one range of policy options respecting the state of Israel and respecting the implications for today of the Nazi holocaust itself.

2. The principle of the sovereign nation-state

The principle of the modern sovereign nation-state republic was developed, beginning with the work of Dante Alighieri, by the forces which organized the Golden Renaissance of 15th-century Italy. Through aid of those forces in Italy, including the coconspirators Leonardo da Vinci and Niccolò Machiavelli, the first modern form of sovereign nation-state was established and consolidated in France during the late 15th century under Louis XI. Shortly afterward, forces allied with

President Reagan speaks about the Holocaust

The following remarks were made by President Ronald Reagan at a White House ceremony commemorating the Holocaust on April 30.

This meeting, this ceremony has meaning not only for people of the Jewish faith, those who have been persecuted, but for all who want to prevent another Holocaust. . . .

Today, yes, we remember the suffering and the death of Jews and all those others who were persecuted in World War II. We try to recapture the horror of millions sent to gas chambers and crematoria. And we commemorate the days of April in 1945 when American and Allied troops liberated the Nazi death camps. The tragedy that ended 36 years ago was still raw in our memories because it took place, as we've been told, in our lifetime. We share the wounds of the survivors. We recall the pain only because we must never permit it to come again. . . .

And I remember April '45. I remember seeing the first film that came in when the war was still on, but

our troops had come upon the first camps and had entered those camps. And you saw, unretouched—and no way that it could have ever been rehearsed—what they saw—the horror they saw. I felt the pride when, in one of those camps, there was a nearby town, and the people were ordered to come and look at what had been going on, and to see them. And the reaction of horror on their faces was the greatest proof that they had not been conscious of what was happening so near to them. . . .

As a matter of fact, it was the Pope at the end of World War II when the world was so devastated, and yet, we alone remained so strong, who said, "America has a genius for great and unselfish deeds, and into the hands of America, God has placed an afflicted mankind." I think that that was a trust given to us that we should never betray. It is this responsibility as free people that we face today. It's this commitment among free people that we celebrate.

The hope of a ceremony such as this is that even a tortured past holds promise if we learn its lessons. According to Isaiah, there will be a new heaven and a new earth and the voice of weeping will be heard no more. Together, with the help of God, we can bear the burden of our nightmare. It's up to us to ensure that we never live it again.

Erasmus of Rotterdam established the second of the modern sovereign nation-states in Tudor England under Henry VII.

Although it is arguable that the modern form of sovereign nation-state republic is therefore an innovation, it is no less a matter of durable *principle*.

The holocaust of the late 13th and 14th century was characterized by conditions analogous to the process of destruction of Iran under the theocratic obscenity ruling there today. Half of the parishes of Europe were destroyed by a combined economic devolution, and resulting famine, epidemic and homicidal conflicts raging over the period from the defeat of the Hohenstaufen in 1268 A.D. into the third quarter of the following, 14th, century. *The modern nation-state was a scientific discovery of principle*, a discovery designed to prevent the future recurrence of such cruel degradation of humanity.

The central flaw in the preceding order of Europe, which fostered the "Black Guelph" success in causing the holocaust of the 14th century, was the use of the hieratic Latin language for matters of administration and cultural policy of society. This arrangement fostered the degeneration of the popular spoken languages into collections of local, brutish, illiterate dialects. The people generally lacked, therefore, the power to receive and communicate what the poet Shelley described as "profound and impassioned conceptions respecting man and nature."

Just as ignorant, irrational, and superstitious masses of people were key instruments in the genocidal destruction of Kampuchea under Peking's puppet Pol Pot, so the same lunacy, reminding us today of early-to-middle 14th-century Europe of the "New Dark Age," permitted the evil usurers of Paul Volcker's "Black Guelph" predecessors of Venice and Genoa to destroy civilization in Europe during the late 13th and 14th centuries.

The Golden Renaissance was designed by Dante Alighieri and his successors of the Augustinian tradition, a design centered around the transformation of brutish dialects into common sets of literate languages. This was the directed function of the classical literature, the classical revolutions in painting, sculpture, and technologies during the course of the 14th and 15th centuries.

The development of mankind as a whole required the establishment of sovereign nation-state republics based on the common use of one of the newly developed literate forms of language. People who shared both that literate language-culture and common moral purposes for self-government were defined on principle as the basis for sovereign nation-state republics.

For example, the United States, although sharing a common language with Britain, rightly separated from that nation because the Americans had a fundamental

difference in morality within the ruling forces and government of Britain.

Two points of clarification flow directly from these summarized facts.

The principle of the sovereign nation-state republic has no efficient basis in notions of ancient religious, ethnical, or related hereditary distinctions among people. Nations are not defined as petty egoisms, each in a Hobbesian relationship to one another, of "each against all." The purpose of the sovereign nation-state's existence is to provide an indispensable instrument for the self-government and self-development of humanity as a whole.

Each sovereign nation-state committed to fostering development and freedom of the individual personality through preconditions of technological progress, is an individual member-state of a community of principle. Each state, with all such states in concert, is dedicated to fostering the same principles for all humanity. That community of principle is the positive content of the foreign policy-making of all such states.

Therefore, our proper policy toward such a case as the state of Israel does not depend upon whether or not that state is *already* qualified, fully or otherwise, as a sovereign nation-state republic. Just as the forefathers of our community of principle created sovereign nation-states in the past, we serve that principle by not only maintaining, but continuing to create such forms of sovereign nation-state republics in the present. *We are committed to what the state of Israel must become*. That is the essence of our proper policy toward the state of Israel today.

3. General policy perceptions concerning the state of Israel

Our proper policy toward the states of the Middle East is that *each shall be or become* a sovereign nation-state republic, including the state of Israel, and that all such states shall enjoy relations among one another consistent with a community of principle.

We are content if the internal order of such a state is either a constitutional monarchy, a presidential form of constitutional state such as France, Mexico, and the United States, or a parliamentary form of government. The question whether the state is of some different form, such as an authoritarian form, is essentially an internal affair of that nation.

We situate the question of forms within the topic of development of the peoples and institutions of nations. It is the process of development we are committed to foster, in collaboration with sovereign states, and it is that process, rather than the immediately existing form of internal constitutions, which is our principled concern.

The rights of the state of Israel are defined not by

what it is, but by what is required to enable it to become a sovereign nation-state republic situated peacefully in a community of principle among its neighbors.

We consider it immoral, respecting principles of human rights, that political disabilities should exist in Israel or any other nation by means of discrimination involving ethnic-origin or sectarian religious tests.

The dogma of "Greater Israel" is an utter abomination before international morality. To the extent that any party or government of Israel may adhere to such a dogma, no action or policy flowing from such a dogma can be tolerated under international law.

Despite such actual and potential disqualifications of the state of Israel, *we are governed by commitment to what the state of Israel must become*, and treat such actual or potential disqualifications as secondary practical matters.

Except as this bears upon remedies to be provided to those who continue to suffer from consequences of that past history, the 1947-1967 developments establishing the present state of Israel are irreversible in principle.

Every modern nation came to occupy its present territories, with the present ethnic stocks represented, chiefly by force of arms and similar measures, including the territory of Greater Han China on the mainland of Asia today. These past migrations cannot be reversed. No good purpose can be served by the lunatic proposal to reassert the populations of the world, conceding to each the precise territory occupied at one time or another by its supposed ancestors.

The concentration of Jewish persons in the territory of Israel today is a minority of the world's Jewish population, a minority which came into embattled occupation of its present territory under extraordinary circumstances not chiefly of the making of that population or its immediate forebears.

During the 19th century, a growing and evil spread of racialism occurred throughout Europe, influenced by the Anglo-Saxon racist obscurities, spreading from the Ossian hoax concocted by David Hume during the 18th century. This was spread through channels including the abominations of de Gobineau in France, Houston Chamberlain and his circles in Bavaria, and else-

Menachem Begin calls Schmidt a pro-Nazi

Israeli Prime Minister Menachem Begin has taken aim at West German Chancellor Helmut Schmidt following the latter's trip to Saudi Arabia, where he concluded large-scale bilateral economic deals that will have a significant impact on future peace negotiations in the Middle East.

Speaking to a rally of cheering political supporters, Begin charged that "from a moral point of view, Schmidt's statements [supporting Palestinian self-determination] certainly rank as the most callous ever heard. It seems that the Holocaust had conveniently slipped his memory, and he did not make mention of a million and a half small children murdered, of entire families wiped out.

"The German debt to the Jewish people," Begin shrieked, "can never end, not in this generation, and not in any other. The entire nation cheered on the murderers as long as they were victorious. But what do we hear? We hear of a commitment to those who strove to complete what the Germans started in Europe. . . . I have never pardoned the German people collectively. I will never pardon them, for they carry a

collective responsibility."

In a radio interview Begin accused the West German leader of personally being a Nazi, two weeks before Schmidt's visit to the United States to meet with President Reagan, stating that Schmidt was effectively still loyal to Hitler.

"All I know," he said, "is that [Schmidt] served in an army that was ordered to surround cities and maintain order while other special units entered to liquidate Jews.

"He was a good officer, a good fighter, until he was taken prisoner by the British. He never broke his oath of allegiance to the Führer Adolf Hitler."

The German government has officially protested Begin's remarks.

The Israeli prime minister, whose continued tenure is threatened by the propeace Labour Party group around Shimon Peres in the June 30 elections, went on to vent his spleen against other international forces. Of French President Giscard, he said Giscard has "no principles whatsoever." On a peace plan that would bar Israeli overflights over Lebanon in exchange for the removal of Syrian missiles, he said, "I never heard of anything so stupid." Saudi Arabia, which initiated a \$6.5 billion loan to France and West Germany that is expected to result in significant technology exchange toward the Middle East, he dubbed "a wretched country still in the 16th century."

where, and leading into such expressions as pogroms in Russia, fascist anti-Semitic persecutions in pre-1939 Poland, and the emergence of the Nazi phenomenon out of Houston Chamberlain's circles in Bavaria.

This racialism, accelerating anti-Semitism and persecution of Jews in Europe, overlapped the activities of British Secret Intelligence Service during and following the Napoleonic Wars in the Middle East, including the settlement of a handful of Christian converts from among Jews in and around Jerusalem.

These circumstances were those conditions of background under which Zionism emerged as a militant minority among the Jews of Europe during the latter part of the 19th century, fed by circumstances of anti-Semitic outrages within Czarist Russia. The rise of Hitler to power in Germany accelerated the influence of Zionism among Jewish communities of many nations, winning many more to Zionism, and creating either sympathy or at least toleration for Zionism among numerous others, Jews and non-Jews.

However, it was not chiefly Zionism which caused the migration leading to the establishment of the state of Israel. It was chiefly the combined effect of two forces.

First, Jews driven from the horrid memories of Nazi-occupied Europe, and perceiving themselves wanted by no nation, had no visible prospect of relief from their profound fears of new outrages of anti-Semitism but the prospect of a Jewish national homeland in Palestine.

Second, the continuing commitment by elements of British intelligence to exploit Jewish settlement in the Middle East as part of a continuation of the "Great Game" the British had been conducting in that region since the beginning of the 19th century. The British intended the Jews to be an added factor of destabilization in the region, and British forces played Jews against British intelligence's Arab Bureau networks in the region, to orchestrate the conditions of conflict which have become institutionalized in that region as the Israeli-Arab conflict of today.

The object of the proper foreign policy of the United States and its allies is to bring to an end both the British "Great Game" in that region and the bloody irrationalities which have become institutionalized in consequence of that "Great Game."

It is our proper object to establish the region including Turkey, below the Soviet Union's borders into India, as a zone of great-power neutrality, a zone of development of sovereign nation-state republics, of nation-states coming increasingly into a condition of mutually advantageous economic cooperation with one another.

It is our particular proper object to aid Israel in utilizing its relatively special competence to assimilate and mediate technology to promote both its own inter-

nal prosperity and peaceful cooperation with its neighbors.

4. Failures in policy toward Israel

Repeatedly, from within Israel, there has emerged to a leading position some political faction determined to change the situation, to move developments into directions consistent with the policy we have outlined.

Each time, Arab leaders who should have encouraged this have bent to pressures, and have failed to make the public response required to foster this effort from within Israel. More significantly, the great powers, including the British-influenced United States, have failed to provide the credible, required, open support for such ephemeral Israeli initiatives.

In practice, Israel has been left to maneuver by extreme Machiavellian expedients within the circumstances defined by the continuing, bloody heritage of British intelligence's "Great Game" in the region. This is best understood in examining the history of the tiny nation of Israel under the leadership of David Ben-Gurion. Lacking credible outside support for peace-oriented policy initiatives from among its own political forces, Israel's policy has been chiefly one of expedient strategic maneuver within the terms of the "Great Game" rigged chiefly, in turn, by the cupidity or other form of folly of the great powers. Israel has existed predominantly by functioning as a virtual "multiple agent" of the principal factions of the great powers in that region, playing off the follies of one or another patron (including the Soviet Union) against those of others.

There can be no effective, proper foreign policy toward the Middle East unless this pattern of behavior by the great and lesser powers toward the Middle East is changed.

Essentially, the principal powers must give credible forms of support to those political initiatives from within Israel's leading political circles which strengthen them, by reinforcing the impulses within Israel, toward the objectives we have broadly identified above. When a Begin attempts to follow courses of action to destabilize the Middle East situation, credible and efficient deterrents must be quickly applied to the included effect of discrediting that impulse within Israel. Contrary to the record of past great-power performance generally, whenever political initiatives from within Israel are even tentatively *in the direction* needed to effect genuine solutions, the electorate of the tiny nation of Israel must have credible evidence that such initiatives from Israel will have full and efficient support.

In this, we must be blind to all arguments on behalf of Zionism, but fixed on the objective of the forms of *Israeli nationalism*, which are consistent with the principles of the sovereign nation-state.

The keystone of efficient policy toward Israel today is the interrelated matter of Israel's foreign debt and internal inflation. The key to strengthening Israel's capacity to become a sovereign nation-state republic in outlook, is to aid it in achieving the *internal conditions of life* consistent with a sovereign nation-state dedicated to technological progress. The debt must be reorganized, a "heavy currency" reform instituted as part of that package, and sufficient credits for technology provided to enable Israel to export needed categories of technology for the economic development of those among its neighbors which desire improved technologies in water, nuclear, and other categories.

That sort of assistance to a *political leadership seeking to change the patterns of Middle East relations* will provide indirect benefits of inestimable great value to the nations which act in concert to bring peace to the Middle East on this basis.

That assistance, if combined with action to terminate at last the old British "Great Game" in the region, is the concrete policy we must seek the opportunities to implement.

5. The lessons of the Nazi holocaust

During the Nazi period, especially the 1943-1945 period, two categories of Jewish persons were murdered systematically. The first category, perhaps 1,500,000 persons, was simply killed outright under policies such as Hermann Goering's "Green File" operation, or the mass extinction of Hungarian-Romanian populations made prominent by the Eichmann and Kastner cases. The second category includes countless persons who died under Nazi classification as "Jews" at the immediate direction of Albert Speer, as discarded salvage from the slave-labor processes. This was a mass of persons classified as "Jews," murdered in relative or absolute anonymity, together with millions of (predominantly) Slavic populations of Eastern Europe and the Soviet Union.

Although the mass murder of Jews has special prominence in this evil process, recent history demonstrates that it is a dangerous error to isolate the Jewish victims of this mass murder from the more numerous Slavs and others of non-Jewish classifications. Today, the same policies of depopulation which created the Nazi slave-labor system are afoot, under such rubrics as the Club of Rome, World Wildlife Fund, and the Global 2000 doctrine issued by the Carter administration. Tens of millions of persons are presently dying because of the influence of such population doctrines in Africa alone. The policies of genocide conducted under direction of Peking planners, by the Pol Pot regime in Kampuchea, are another instance of far more ambitious Nuremberg classification "crimes against humanity" than were accomplished by the Nazi administration.

Even elements of the U.S. executive branch, and institutions within the U.S. Congress, are presently contaminated by Johnson administration, Kissinger administration, and Carter administration holdovers within important, influential nooks and crannies of the U.S. government. The Office of Population Affairs of the U.S. State Department and the Ad Hoc Population Group of the National Security Council are exemplary of such Johnson-Kissinger-Carter holdovers. There are institutional elements of the United Nations Organization also functioning to catalyze genocide on such or larger scales over the course of the remaining decades of this century.

Insofar as references to the Nazi holocaust do not fix primary emphasis on the need to crush the policies of cothinkers of the Club of Rome today, the lament for the dead of the past becomes a monstrously evil form of hypocrisy.

The lesson of the past Nazi holocaust, is that such policies must be, so to speak, crushed in the cradle, before the mass murder becomes institutionalized. Those who have not learned from that past experience to correct the error of the 1930s, and to crush the promotion of genocide now, when it has already become almost adolescent in its development as an institutionalized force, are the meanest and lowest of hypocrites, if they profess to reflect on the Jews killed by the Nazis. If that experience does not efficiently inspire one to crush the influence of the evil Club of Rome and like-minded agencies, then one's concern for the memory of the Nazi holocaust is indeed the meanest, lowest form of hypocrisy.

This applies in a corresponding degree to those political forces which are not consciously promoting genocidal doctrines such as the Global 2000 obscenity, but who promote the policies by which genocide is being made a reality in many parts of the world already.

Among those unwitting accomplices of modern Nazism are those who:

- 1) Oppose the development and proliferation of the agricultural and other modern technology needed to provide at least 2,000 to 2,400 calories of balanced diet or better per person to those who face genocide through famine, epidemics and regional warfare in various parts of the world.

- 2) Oppose the thousands of gigawatts of nuclear energy production, without which it would not be possible to produce the technology needed by developing nations, or, to use the technology, once it were delivered to those nations.

- 3) Condone the spread of the rock-drug counterculture, now transforming cities such as New York into not only "crime capitals" of the world, but transforming whole nations, such as Italy, and perhaps the Federal Republic of Germany next, into parodies of the British

nightmare-film "Clockwork Orange."

4) Propose and implement those monetarist policies of austerity, with aid of usurious interest rates, which create, directly and indirectly, the conditions of genocide, in developing regions of the world.

The monetary policy aspect of this is crucial for policy deliberation today.

The Nazi regime had two principal features.

The essential feature was a monetary policy conduit into Germany from Montagu Norman of the Bank of England and the Genoa-sponsored Swiss Bank for International Settlements. As the late Jacques Rueff documented the matter, it was this built-in monetary policy feature of the Nazi regime—analogue to the doctrines to the Mont Pelerin Society and the Fabian Society's Heritage Foundation today—which turned the inherent inflation of the Nazi system "inward against the economy and population," leading to the condition under which the value of the Nazi mark was based—as Hitler himself emphasized—on the slave-labor system of genocidal mass murder.

The second feature of the Nazi regime was the Nazi movement. The essence of the ideology of Nazism is that documented by the official Nazi cult doctrinaire, Alfred Rosenberg, and otherwise expressed by the superstitious cultisms of General Professor Karl Haushofer, Rudolf Hess, and Hitler himself. The essence of Nazi ideology is *irrationalism*, a subspecies of existentialism. It is the proposed "triumph of the irrational will" or the anarchist-existentialist over the opposing forces, viewed by existentialists as representing the "tyranny of reason."

It was not inconsistent that Italy's fascism was a product of the Socialist Party of Italy, and led by the leader of that party's anarchosindicalist left, Benito Mussolini. Hitler's Nazis had a similar social origin, largely the youth counterculture movement of 1920s Weimar Germany.

Today, it is the forces of antinuclear rabbles, of prodrug and prodrug-legalization ferment, pivoted on the spread of the increasingly homosexual youth rock-drug counterculture, which is proving itself to be the new fascist social battering ram in Italy, in Germany, in France, and in the United States.

Are we entirely lacking in the capacity to learn anything of importance from World War II? Are we fools, that we profess to lament over the murder of the Nazis' victims, and yet permit the State Department of Alexander Haig to openly promote Socialist Party leader Bettino Craxi as the new Mussolini of Italy today? Is it not ironic that the pressures on Italy's leaders in support of Craxi as the new "Il Capo" of Italy are identical with those coming through the channels of the Soviet KGB?

Let us continue to denounce the Nazi holocaust?

Absolutely. Let us not forget the victims? Absolutely. But, let us not degrade such reflections to those of mean, debased hypocrisy. Let us learn the lessons from that experience. Let us crush the recurrence of proposals for genocide, the re-emergence of new fascist-irrationalist social battering rams, now, before it is too late to do so.

That must be our policy concerning the lessons for today of the Nazi holocaust of the past.

Begin's alliance with Qaddafi

According to the widest variety of highest level sources in several European nations, the largest single portion of funds to support Bettino Craxi in Italy and François Mitterrand in France is conducted, chiefly through Socialist International channels, from the Venetian puppet ruler of Libya, Colonel Qaddafi.

Each for reasons of his own, the forces of British intelligence, the Socialist International, the Muslim Brotherhood, Qaddafi, and Soviet KGB, and Prime Minister Menachem Begin, are dedicated to bringing down Schmidt in Germany, Giscard in France, destroying the credibility of President Reagan, and bringing the self-styled new "Il Capo" of Italy, Bettino Craxi, to power. These enterprises are supported in significant aspects by circles of Robert Moss and Arnaud de Borchgrave, and predominantly by the State Department of Alexander Haig.

Menachem Begin may not like Colonel Qaddafi personally, but Begin is of a sort whose closest associations are already Hobbesian in essence. Like paranoids generally, they are essentially asocial, irrational, fixed upon narrow personal goals, and therefore easily manipulated by those varieties of Tavistock psychological warfare specialists who otherwise have developed the technology for transforming disturbed potential homicidal psychopaths into "programmed" Manchurian Candidate assassins. Begin is wittingly collaborating with his putative adversary, Hafez Assad of Syria, and the forces of Colonel Qaddafi.

That is simple fact. They may argue, each of them, that they are "using" the others, but the codeployment against common adversaries remains nonetheless a fact, whatever explanations they might offer for the existing arrangements.

From the standpoint of U.S. policy, the time for Alexander Haig to return to private life—preferably in disgrace—has come and passed. It is urgent that the White House replace the wretched saboteur of its policies, Haig's crew, by a secretary and undersecretaries qualified to clean out the next of Kissinger and Carter holdovers from key positions. On that basis, the United States and its allies would be better able to implement competent, effective policies concerning both Israel and the lessons of the Nazi holocaust.

Britain's anti-technology networks sponsor new disarmament campaign

by Luba George

The past few months have witnessed a well-planned resurgence of the antiwar, prodismament movement internationally. February saw a demonstration of 15,000 in Frankfurt, West Germany against the Reagan administration and U.S. involvement in El Salvador, followed by a protest demonstration against the construction of a nuclear power plant in Brokdorf, near Hamburg.

Demonstrations were staged in March throughout Great Britain involving several hundreds to thousands; in Newcastle, protesters chanted "Away with Ronald Reagan, Away with Ronald Reagan, Jobs not Bombs."

On Easter, 6,000 marched to NATO headquarters in Brussels in opposition to the stationing of medium-range missiles in Western Europe, and calling for a European-wide "nuclear-free zone." Demonstrators came from 12 European countries.

In the United States, 12,000 antiwar demonstrators gathered in New York City protesting U.S. involvement in El Salvador. The April 24-26 weekend saw a wave of demonstrations throughout the country; about 60 "events" were planned targeting nuclear weapons facilities and construction sites. A May 3 march on the Pentagon brought 20,000 peace movement members to Washington from all over the United States.

The planners

The impetus for this reactivation emerged after Ronald Reagan's electoral victory, when a conference of the leaders of the Socialist International took place on U.S. soil for the first time, under the sponsorship of Averell Harriman's German Marshall Fund. The explicit goal was to undermine the incoming U.S. administration and orchestrate 1968-style "social convulsions" against the governments of France and West Germany as well. It was here that the revival of the Bertrand Russell ban-the-bomb movement was planned.

The international disarmament movement is, as it was under Bertrand Russell, an extension of the anti-

technology ecology movement created as an instrument of population control. The leaders and institutions of the "peace" effort are the same individuals who over the years have deployed, with the connivance of the mass media, to undermine American and European nuclear energy development, the U.S. space program, and general scientific and high-technology development.

During the same week in December the Socialist International conference was held, an important strategy session between Fabian church leaders and Euro-socialist spokesmen took place. E. P. Thompson, British historian and leader of the newly formed European Nuclear Disarmament (END) movement—an offshoot of the Russell peace apparatus—came to New York to plan "a course of action" with Riverside Church leaders, based on Thompson's manifesto entitled "Protest and Survive."

Thompson had arrived in the United States in late June, when Reagan's nomination was certain and his election a probability, to begin setting up the revived antiwar movement.

In 1968, the Riverside Church was in the forefront of Columbia University's "left" experiments, social engineering projects, and war resisters' movement. Reverend William Sloane Coffin, senior minister of the Riverside Church, set up a series of classes on "The Politics of Disarmament" in December 1980 at the offices of the Democratic Socialist Organizing Committee, together with Thompson.

Coffin's Disarmament Program also organized the recent march from Columbia University to the United Nations to protest massacres in El Salvador, whose featured speakers included terrorism advocate Abbie Hoffman. Cora Weiss, assistant director of the Riverside Church Disarmament Program, cochaired the Agenda Eighties conference held at the church last August; the Agenda Eighties is the domestic U.S.

“deindustrialization” counterpart to the *Global 2000 Report*.

Other key churches and religious institutions involved in the new disarmament movement include:

- **The World Council of Churches**, of which nondenominational Riverside Church is a leading member. Dominated by Episcopalians, the council originated the “global village” concept popularized by Marshall McLuhan, which promotes appropriate technologies, postindustrialism, and population control.

- **The Inter-Church Peace Council** maintained by nine Netherlands churches, including members of the Society of Jesus; it was the first religious council in Europe to take a strong disarmament and antinuclear stand.

- **Pax Christi International**, a long-standing group headed by Cardinal Alfrink, the key religious spokesman for the European disarmament movement. The secretary of the British Pax Christi, Monsignor Bruce Kent, a “progressive and Jesuit,” is the new leader of the Russell-founded Campaign for Nuclear Disarmament (CND).

Kent works closely with E. P. Thompson and Lord Fenner Brockway of the World Disarmament Campaign. Pax Christi is involved as well in “political prisoners” work, criminal justice, housing protests, and other radical issues. A branch of Pax Christi was established in the United States in 1977.

The case of Archbishop Runcie

Archbishop of Canterbury Robert K. Runcie, leader of the Church of England, is attempting to mobilize Americans into a Bertrand Russell-style antiwar movement during his current three-week tour of the United States. The archbishop is one of the most consistent international advocates of nuclear disarmament, curbs on atomic energy, and population control.

In a Washington, D.C. speech to the National Press Club on April 28, Runcie stated that “the world is dangerous because all regimes in varying degrees . . . deal in lies and propaganda which create the possibility of doing the unthinkable, destroying human life and civilization.” He called for the formation of a world disarmament movement to force a ban on tactical nuclear weapons, a complete freeze on nuclear testing, and strict nuclear nonproliferation.

Runcie’s subordinates in the United States are pursuing this effort. Seventy-six Episcopal bishops from both wings of the church sent a letter to President Reagan on April 20 demanding the immediate cessation of all U.S. military aid and economic assistance to the government of El Salvador. And when 20,000 protesters marched on the Pentagon May 3 with the same demands, hoisting “ban the bomb” slogans as well as voicing support for the El Salvador insurgents, the turnout was

to a large degree the result of organizing by Protestant churches, with the Episcopalians as the dominant force.

The Episcopalians are collaborating at various levels with the Society of Jesus, their predecessors in forming test-tube “movements.” The present form of Episcopal-Jesuit alliance in this sphere came out of the Interreligious Peace Colloquium (IRPC), a church-related strategy planning group founded in 1975 by former U.S. Secretary of State Cyrus Vance, himself a leading Episcopalian. Under Episcopal-Jesuit guidance, the organization also comprises Jewish and Islamic religious leaders. It was established for the purpose of “encouraging leaders in the faith communities to develop social doctrine, and sensitize their own people with respect to the prophetic teachings reflecting on the outstanding social problems of our times—the misuse of technology, disarmament, problems of mass poverty, human rights, the role of private property, quality of life . . . and the sharing of information across faiths.”

Vance founded the IRPC in Bellagio, Italy, while he was still an advisory council member at the Ditchley Foundation, a post he formally left when he took over Carter’s State Department. Ditchley is an elite London-based institution a couple of notches above the Council on Foreign Relations or Trilateral Commission. During the pre-Carter years, Vance also served as coordinator of the *CFR 1980s Project*, a 30-volume report that set the parameters for his State Department’s Global 2000 project.

To achieve the *1980s Project* Global 2000 goal of vast cutbacks in industrial capacity and population potential, the IRPC perceived that traditional apostolic church doctrine—the Augustinian doctrine of the perfectability of man through ever-increasing mastery of nature and “human nature”—had to be replaced by fundamentalism, or irrationalism.

The IRPC’s 1977 Lisbon conference on “World Faiths and the New World Order” issued a new credo:

We reject the facile credulity accorded exclusivist rationalism and the scientific method during the past century throughout the West, and infecting now most of the globe. Toward this narrow approach to religion, we who believe in God declare ourselves “the new skeptics.”

Religion as a “movement” under charismatic leaders has usually proved more creative and effective than “church religions.”

This manifesto sheds additional light on two phenomena: 1) Vance’s subsequent complicity in placing into power the Ayatollah Khomeini and his “Islamic fundamentalism” to supplant former projects for Middle East modernization in Iran, and 2) Vance’s role as co-founder of the Vienna-based Palme Commission on Disarmament, an East-West body established in 1980.

Western powers leave Teheran up for grabs

by Thierry LeMarc

It has been blacked out by the international media, but the Iranian Revolution has now entered into a new phase. The power is up for grabs in Iran and whoever emerges the strongest from the expected clashes, will have it—even if it means only a tiny portion of the national territory of the country. This was announced a few weeks ago when, after the deaths of two of their militants, the Mujaheddin-e-Khalq were able to pull 100,000 to 200,000 demonstrators onto the streets of Teheran to protest against the policies of Ayatollah Beheshti's Islamic Republican Party "and its goons, the *hizbollahi*." Since then, the protests have spread, especially in the provinces. Based on the successes of the Mujaheddin in seizing the Caspian sea town of Larijan for a full day as a symbolic gesture, the Mujaheddin are reported to have developed nearly full control of that sensitive region, only miles away from the Soviet border.

While the Mujaheddin appear to be the driving force behind such outbursts of revolt, most demonstrators have nothing to do with the Mujaheddin, but rather are chafing against the policies of the mullahs, the no-war, no-peace standstill with Iraq, and the disastrous economic situation which has raised unemployment to the 6 to 7 million range. The collapse of Iran's infrastructure recently stood out when a flood in the Khuzestan province killed dozens—though there is suspicion that it was deliberately brought on as a "natural" weapon against the Iraqi army stationed in the region. The central government doesn't exist anymore, and nothing has been heard from either President Bani-Sadr or Prime Minister Rajai. Only the still-existing shadowy figure of the Ayatollah Khomeini seems to be able to prevent a total breakup of the country into full-fledged civil war.

Western policy vacuum

Out of this process of decay, Iran can only fall deeper into the dark age that seized the country two years ago. The responsibility lies directly on the shoulders of the Western governments, especially France, West Germany, and the United States. According to well-informed observers, Washington simply doesn't have any policy option at all toward Iran. Networks are active, documents are written, but the fierce opposition

of outlook on this question between the White House and the Haig State Department has prevented the Reagan administration from even thinking of acting in the present situation. For different reasons, France and West Germany have adopted a wait-and-see attitude, decisively favoring no one faction at all. As in the old days, Britain and the Soviet Union have been left with a free hand to decide the future of Iran.

And in contrast to the American nonposition, Britain has already developed various policy options around the emerging strength of the Mujaheddin. The confrontations are to be used to pull a coup of some sort, putting the country under the leadership of a "liberal" military dictatorship manned by long-standing British assets. This would be a triumvirate of leading Iranian exiles, including former Prime Minister Ali Amini, former Gen. Feredoun Djam, and Admiral Madani. Their policy perspectives have been outlined in a series of letters addressed by Madani to Khomeini, where the admiral presented himself as the only potential leader able to rule the country. His latest proposal includes the suggestion that an "Iranian Islamic National Popular Republic" be established, smacking of Libyan ideology.

Madani, Amini, and Djam are viewed with hostility by many anti-Khomeini Iranians because of their apparent readiness to compromise with Khomeini's fascist "Islamic Republic." Madani, for instance, long served under Khomeini as governor of Khuzestan and minister of defense. Now, this trio is lending support to the Mujaheddin "Islamic Marxists."

Outside of the regular contacts, as between the anglophile Djam and British intelligence, the key agency which mediates such "deals" is the Socialist International. Intelligence sources have singled out Gerhard Ritzel, formerly the personal secretary of Socialist International Chairman Willy Brandt and West German ambassador to Teheran until earlier this year, and who took part in Carter's hostage deal. Ritzel was apparently the one who mediated Madani's escape from Iran to Germany, where he is presently based.

The "Islamic Marxist" Mujaheddin has also been developing contacts with the Socialist International and its left-wing apparatus over the recent period. The group's leader is presently touring Europe and visibly consolidating contacts first developed by Mujaheddin "observers" at Socialist meetings. And a meeting with Madani also seems to be on his agenda.

According to another of the triumvirate, Amini, the Mujaheddin's struggle will have no other purpose than to allow his own "National Reconciliation" group to seize power. The program may go so far as to include political personalities such as Bani-Sadr and Bazargan, and some notable ayatollahs, Shareatmadari or Qomi—an Islamic "liberal" government, minus the archreactionary mullahs, plus the military.

Trudeau takes aim at Quebec's waterway expansion program

by Pierre Beaudry

Plans by the recently re-elected Quebec provincial government to revive the region's economy by creating three St. Lawrence River superports, are under attack by Canada's Prime Minister Pierre Elliot Trudeau.

Since May 1, the Trudeau government has levied a tax on fuel for ships involved in international trade that has shipbuilders and owners alike fearful for the future of their industry.

Expansion of port facilities at Montreal, Quebec City, and Sept-Iles and an upgrading of shipbuilding capacity was a centerpiece of Quebec Premier René Lévesque's election platform. Creation of the Canadian superports would open the St. Lawrence Seaway for oceangoing vessels, cheapening shipping rates from Canada's prairie provinces as well as the U.S. Great Lakes states.

To quash the growth plan, Trudeau, a promoter of the Socialist International outlook of zero growth and population reduction, has put in place a tax-looting mechanism that raises by about 40 percent the prices ship operators must pay for fuel. He is supported in this move by Canada's energy czar, Marc Lalonde, and Transport Minister Jean-Luc Pepin, a member of the Trilateral Commission.

Trudeau is also using the superport issue to pit province against province, and head off a progrowth fever that has been spreading from Quebec to other regions of Canada. In the case of Nova Scotia, he has already had some success. A few weeks ago, John Buchanan, the premier of that Atlantic coast province, had endorsed Lévesque's economic program against Trudeau, and joined Quebec in a constitutional fight between the progrowth elements in the provinces and the central government.

Last week, however, Buchanan wrote a letter to federal Transport Minister Pepin complaining that better freight rates in other provinces were causing two major shipping companies to move out. Buchanan then charged that Ottawa's transport policies were intended to "develop Montreal at the expense of other ports."

Trudeau's aim in this scheme is to win back provincial support for his constitutional package, which will insti-

tutionalize an across-the-board "equalizing" of federal management of resources. This would mean the end of provincial government ownership of resources. No province would be permitted to "develop at the expense of others," as Trudeau's supporters argue.

The fuel surtax has drawn fire from both shipping interests and labor. Shipowners of the Dominion Marine Association charge that "the Canadian inland shipping industry's market share on the Great Lakes may be eroded." This, they say "will increase industry costs at a time when the federal government has reduced its shipbuilding support program and increased seaway tolls, seriously influencing the supply of vessels to meet the anticipated increase in Canadian grain exports."

Donald Montgomery, secretary-treasurer of the Canadian Labor Congress (CLC), indicated that this federal move will force more unemployment, and will deliver "a major blow to Canadian shipping." He termed the policy "an outright violation of the basic principles of the federal budget with its pledge to keep energy costs below 85 percent of the international price for Canada." The export tax has also encountered opposition in the House by Conservatives who claimed that "the tax will jeopardize the capacity of Great Lakes ships to work at an economical and advantageous commercial rate."

According to Roger Murray, president of Cargill Grain Co., Ltd., "an estimated 20 percent increase in grain traffic can be expected on the Great Lakes-St. Lawrence Seaway system by 1985 and a 40 percent increase by 1990." Murray also indicates that even with new ships planned to come on stream by that time, there will be a shortfall of 6 to 7 million tons by 1990, unless the capacity is seriously increased.

Export grain is loaded at the western end of the Great Lakes at Thunder Bay Ontario, then shipped to the St. Lawrence River ports 1,250 miles away. This route also draws hundreds of millions of tons of coal, coke, limestone, cement, gypsum, and other miscellaneous bulk cargo annually, making the Quebec superport expansion and shipbuilding a necessity if the Canadian economy is to recover from the present depression and meet world requirements in the decade ahead.

Armand Hammer plots against Riyadh

The battle against lower oil prices requires disruption of supplies from the Gulf.

Behind a statement this week by Occidental Petroleum Company chairman Armand Hammer predicting that world oil prices will soar to \$100 a barrel by 1985 is a scheme involving Libya, the Soviet KGB and certain British and Italian interests that could spark a wave of terrorism to shut down Persian Gulf oil.

Hammer predicted a three-fold jump in oil prices in a speech before a meeting of the Foreign Policy Association in New York. Less than two weeks before, Saudi Arabian Oil Minister Ahmed Zaki Yamani told the same body that his country intended to use its oil to force the OPEC price down from its ceiling of \$40 a barrel.

Hammer and his allies, who have been manipulators of skyrocketing world oil prices, are not about to allow the Saudis to get in the way of continued price hikes. Hammer arrived in New York fresh from a private visit with various Soviet leaders in Moscow, having overlapped with the visit of his protégé, Libyan strongman Muammar Qaddafi.

Arab sources report that Qaddafi went to Moscow to plot a strategy of terrorism against the Persian Gulf oil producers, with the prime target being Saudi Arabia.

Both Hammer and Qaddafi, closely associated through Occidental's oil business in Libya, share an alliance with the faction of the Soviet leadership that backs an-

archy and terrorism.

This faction, associated with KGB General H.A.R. Kim Philby and the Soviet think tank IMEMO, supports radical liberation movements on the Arabian peninsula aimed at undermining oil flows.

Since Qaddafi's 1969 takeover, Libya has been a playground for interests behind terrorism, notably certain private Italian intelligence agencies, the Jesuit Order, British intelligence, and the Soviet KGB.

Occidental, now the nation's 20th largest company, would have remained an insignificant California independent but for Hammer's longstanding Libya connection, giving him the name Mr. Libya in oil industry circles.

The day before Hammer's New York address, former Federal Energy Agency director Frank Zarb testified before the Senate Government Affairs subcommittee on energy that a shutoff of Arab oil through the Gulf was inevitable. Zarb stated that the next oil crisis would not be triggered by an embargo like 1974, but would result from a wave of terror.

Like Hammer, Zarb predicted a massive increase in future fuel costs. Zarb stated confidently that U.S. gasoline prices would reach the astronomical \$10 a gallon level by the turn of the century. Zarb, an outspoken advocate of Malthusian energy austerity, called for emergency preparedness to meet the next Persian Gulf oil cutoff.

Even before the arrival of Hammer and Qaddafi in Moscow, the IMEMO crew had put out the word that certain OPEC oil producers would soon get the Iran treatment. In a provocative article, Aleksandr Belchuck wrote in IMEMO's journal last month that Saudi Arabia's monarchy would face a similar fate to the Shah of Iran.

Earlier this year, Qaddafi announced his intentions of funding liberation movements to challenge the Saudis. Qaddafi works with the Marxist regime of the people's Democratic Republic of Yemen and certain powerful pro-British elements within the Kuwaiti leadership.

Hammer himself is playing a high-risk game with the centrist, pro-détente faction of the Soviet leadership around President Leonid Brezhnev, demonstrated by Hammer's refutation of claims that the Soviets will soon run out of oil.

If world oil prices were to reach \$100 a barrel, the vast Soviet reserves of tar sands and other crudes that are extremely expensive to exploit could be made profitable. In tandem with future Soviet gas exports, which are to be at near parity with oil prices, this would net the Soviets a substantial return of foreign exchange. The proceeds could be used to aid the faltering East European economies.

This is one argument Hammer and his Philbyite allies are making to win a full-scale commitment from the Kremlin to go in for the kill against Saudi Arabia.

But as any sane economist knows, forcing oil prices to such a level would probably depress consumption to the point that neither Libya or the U.S.S.R. would find buyers for their petroleum.

Restricting imports, stepping up exports?

The U.S.-Mexico summit is on again. Will the trade issue help or hurt future relations?

As most of you know by now, the López Portillo-Reagan summit, originally set for San Diego and Tijuana April 27-28, has a new time and place: June 8-9 in Washington. This is excellent news, and puts the tasks of improving U.S.-Mexico relations back on the front burner.

As we have highlighted in *EIR* many times, an explicit oil-for-technology trade framework between our two countries would add immeasurably to both economic prospects and general good will. Mexico is currently the third-largest trade partner of the United States; at the phenomenal current growth rate of up to 35 percent per year in volume terms, it can be the biggest U.S. partner by 1990.

I was pleased to see that Reagan's undersecretary of commerce, William Morris, took the same upbeat approach in his speech to a San Antonio symposium on U.S.-Mexico trade the first week in May. Morris pegged the U.S. share of import-export trade with Mexico by 1985 at \$100 billion, a figure similar to *EIR*'s projections. "The opportunities during this period are tremendous," he stated.

But there are problems. Morris also issued a veiled threat that there will be "conflict" if Mexico tightens up import restrictions. Mexico is in fact moving in this direction. It eased import restrictions at the beginning of the López Portillo term, when an undervalued peso made imports expensive. Now, as the

peso goes up in value, imports are flooding in.

Mexico is not cutting into these imports across the board. In line with the Hamiltonian policies that lay behind Mexico's rejection of GATT, its selective efforts help protect fledgling industries.

It would be a big break with Carter's disastrous trade record with Mexico if the Reagan administration refrained from British-style "free-trade" arguments against Mexico on this issue. But there's more trouble brewing from the trade warfare specialists.

On April 10, the U.S. Commerce Department slapped on a 5 percent countervailing duty on American imports of Mexican leather goods. You probably have not heard much about this, since it involves all of \$26 million of dutiable goods and was based on "lack of information" rather than a finding that Mexico's tax deferral program for exporters, called CEDI, was counter to U.S. law on foreign subsidies.

But the British press, particularly the *Financial Times*, has seen fit to make the issue into one of "imminent trade warfare." Washington sources tell me the State Department is also spreading dark warnings that the issue is "sensitive" and "could blow up." Officers at the U.S. embassy here report that the United Autoworkers has made inquiries about the leather goods "precedent" to see if the much larg-

er area of Mexican auto parts manufacture may fall under the countervailing duties code.

The CEDI program works much like the DISC program in the United States: it discounts internal taxes when the finished product is bound for export. In a 1979 decision, the U.S. government ruled it okay. It hardly seems worthwhile courting a blowup with America's fastest-growing trading partner to haggle over the concept now.

I use the term "trade warfare specialists" advisedly. I remember talking to a U.S. business acquaintance, exactly a year ago, who reported that University of Texas's Sidney Weintraub was warning American businessmen to brace for a trade blowout. Weintraub, who specialized in trade warfare issues at Brookings and was furious at Mexico for rejecting GATT, assiduously spread the word that he expected U.S. firms to challenge Mexican "subsidies," and that "this issue will be big."

John Plunkett, an official of the American Chamber of Commerce of Mexico, followed directly in the Weintraub line in comments at the same San Antonio conference William Morris addressed last week.

Plunkett portrayed Mexico as under a sword of Damocles: to spur lagging non-oil exports, Mexico either had to devalue its peso at an accelerated rate or increase subsidies. And if it increased subsidies, it would run foul of the Commerce Department, "as shown by the leather apparel decision."

So keep your eyes open for those attempting to heat the trade issue. They are no friends of a potential \$100 billion market, and you can expect them to be very active between now and June 8.

International Intelligence

'Deep-rooted' plot in Gandhi murder try?

Indian Home Minister Zail Singh charged before the parliament on May 4 that the sabotage of Prime Minister Gandhi's plane recently was part of a "deep-rooted conspiracy."

Contradicting rumors circulated in the press, the Home Minister said that Mrs. Gandhi's aircraft had definitely been selected for her foreign visits prior to the sabotage. Noting that the plane would have made several trips before Gandhi boarded for her flight to Europe, he stated that the sabotage had been specifically arranged such that the cut cables would cause a failure after a time lapse.

The Home Minister also commented that it was too early in the investigation to tell if a "foreign hand" were involved, as had been suggested when four arrested Air India mechanics were arraigned.

Following the May 4 arrest of a fifth Air India mechanic, investigations are continuing. Investigators are concerned, however, that given the widespread press coverage and lapsed time since the sabotage, the trail of the conspiracy may cool. Nevertheless, the reference to a "foreign hand" provides useful hints as to lines of investigation.

Schmidt's Saudi trip reported to Bundestag

West German Chancellor Helmut Schmidt delivered his report on May 7 to the Bundestag on the results of his trip to Saudi Arabia and the United Arab Emirates. He refused to respond to the rantings of Israeli Prime Minister Menachem Begin that he is a Nazi.

"The Arab states expressed their interest in a long-term permanent relation with the Western industrialized countries. Discussions concerned collaboration beyond the 'age of oil,'" he said. "These countries see long-term collabo-

ration not only in terms of trade but also in terms of global economic and political collaboration. . . . The Saudis think they can ask Europe to help them, because of their moderate oil policy and their contribution to reducing tensions. . . .

"The Saudis and I believe that the more the West isolates the PLO, the more they will be pushed into the arms of the Soviets."

The chancellor also proposed that the European Community's Venice declaration could become a basis for renewed peace efforts "in case" the Camp David arrangement fails.

East African disintegration set

The withdrawal of 10,000 Tanzanian troops from land-locked Uganda gives the green light to a further decade of bloodshed and chaos in the three East African countries of Kenya, Tanzania, and Uganda. Tanzanian troops have ostensibly been providing security in much of the lawless northern areas of Uganda following the overthrow of dictator Idi Amin, and oversaw the election of President Milton Obote last December. Now bankrupt and famine stricken, Tanzania can no longer afford to maintain troops in Uganda and President Julius Nyerere is being forced to withdraw them. This withdrawal has sparked loud predictions that Uganda is set for civil war and the Obote government will fall.

For two years, tribal and guerrilla fighting in the north and on the Tanzanian border have been festering. Obote's chief opponent is Yoweri Museveni, who claims he has launched a civil war and has raised the banner for a united front of all guerrilla groups, including the remaining bandits loyal to Amin.

Obote's problem is that the underpaid and undisciplined Ugandan army is incapable of providing military support against such brigandage. Their response to the hit-and-run tactics of the guerrillas is to terrorize and loot civilians. Obote is seeking outside support from Sudan and

is calling for reconciliation. His minister of information, who opposes reconciliation, has told reporters that "If Kampala [the Ugandan capital] has to be reduced to the level of Ndiameña [the capital of war-torn Chad], so be it."

Mitterrand gets dubious backing for bid

Following the televised debate between incumbent President Valéry Giscard d'Estaing and Socialist International candidate François Mitterrand, in which the latter made a fool of himself by, among other things, admitting he didn't know the value of his nation's currency, Mitterrand picked up some dubious support for his presidential bid.

The first endorsement came from the Corsican autonomist party, headed by Edmond Simeoni, the Union du Peuples Corses (Union of Corsican Peoples—UPC). The UPC, tied to British intelligence through the wartime resistance *maquis*, includes the support networks of the terrorist Franc-tireurs et Partisans that claimed the bombing attack on the island's airport in an attempt to kill Giscard.

The second endorsement comes from the New Royalist Action Party chief, Renouvin, who denounced the president as an "impostor."

Powdered milk row aimed at population control

The decades-long battle initiated by veteran Malthusian Margaret Mead to promote breast feeding over powdered milk for infants as a cheap and effective method of birth control has finally caught a victim.

The East African country of Kenya has made a concession to the birth control advocates who promote breast feeding because lactating women are less

Briefly

likely to conceive. Kenya's birth rate is one of the highest in the world and is viewed by population control agencies as a situation that must be brought under control immediately.

For five years the United Nations has been urging Kenya to act at the government level to encourage birth control through breast feeding.

Last week the government issued a code of ethics which claims that breast feeding is best and that the makers of baby formula should say so on the label. This will in effect work as a ban on all powdered baby food and set an international precedent.

The basic argument against infant milk power is that it endangers children, because most Third World women are illiterate and cannot read the instructions regarding the amounts of formula to give their babies; moreover, hygienic conditions are such that bottles and nipples cannot be sterilized. The same illiterate mothers who cannot read baby formula instructions, of course, also cannot read the new warning against using the products.

Soviet systems analyst stumps for Peccei

Djerman Gvishiani, deputy chairman of the Soviet State Committee on Science and Technology, publicly joined the Global 2000 club at a recent meeting of the International Institute for Applied Systems Analysis (IIASA) in Vienna, Austria.

Gvishiani introduced Aurelio Peccei, head of the Club of Rome, by praising his "humanistic approach to the problems confronting the contemporary world. His conviction is that humans are essentially good."

The Russian systems analyst is also pushing the recently published Russian translation of Peccei's book *The Human Quality*, which he helped edit. "I hope more of his work will be published all over the world, thus contributing to a

better mutual understanding and a closer cooperation among peoples and nations," he said.

The Vienna-based IIASA was established in the 1960s through collaboration among Peccei, Gvishiani, and McGeorge Bundy. It has served as a conduit for zero-growth ideology into the Soviet Union through systems analysis methods applied to economics.

U.S. enforcement group: 'stop drugs at source'

The State Drug Enforcement Alliance, (SDEA) comprised of 20 state drug enforcement agencies, called for the U.S. to commit itself to international cooperation in stopping the drug plague at its May 5-6 conference. The President should "give strong direction to our State Department to negotiate foreign agreements" to include "effective eradication programs in the source countries," said a conference communiqué. The SDEA also urged that Congress "express the resolve of this country to control illegal drug trafficking" by promptly passing legislation to allow the use of foreign aid monies for paraquat spraying of marijuana fields, currently prohibited under the Percy Amendment.

State Department official Diego Asencio, former ambassador to Colombia, spoke on his efforts to stem drug exports from that country. "My basic thought in interdiction is to go where it grows. . . . There is roughly \$1 billion spent per year by the U.S. on drug control . . . and 95 percent is spent domestically. There is something drastically wrong with that approach." The former ambassador said that, collaborating with the government of President Turbay and operating on a mere \$16 million budget, they were able to seize three times as much marijuana and six times the cocaine that the U.S. had been able to capture.

Asencio pointedly noted that this international success went uncovered in the U.S. press.

● **THE ITALIAN** government may soon come under pressure from the Reagan administration to expel Libyan diplomats from Italy, reported the Italian newspaper *Giornale Nuovo* May 7. This would be a major blow against the pro-Libyan head of the Socialist Party, Bettino Craxi, who is now seeking to become Premier.

● **FRANCE**, which recently surpassed Japan in installed nuclear power, is also making rapid progress toward the 1984 completion of its 1,200-megawatt Super-Phénix at Créys-Malville, which will be the world's largest fast breeder reactor. At the end of 1980, 22 percent of France's electricity was supplied by nuclear, the highest of any country. By the end of 1985, when the Super-Phénix will be operating, 43 percent will be nuclear-generated.

● **MOOREHEAD KENNEDY**, former American hostage in Iran, has just been appointed director of a new Cathedral Peace Institute established by the Episcopalian St. John the Divine cathedral in New York. Top fundraiser for the Institute will be former U.S. Secretary of State Cyrus Vance.

● **GEORGETOWN'S** Center for Strategic and International Studies is holding a secretive conference on the creation of a new "Middle East Development Fund" potentially involving the World Bank and similar institutions. Speakers and participants at the meeting will reportedly include Felix Rohatyn, Evelyn Rothschild, Arthur Burns, Robert McNamara, Israeli central bank chief Arnon Gafny, Washington consultant Robert Nathan, Bank für Gemeinwirtschaft official Walter Hesselbach, and French bankers Pierre Uri and Bernard Escombart.

Foreign policy progress and an array of traps

by Richard Cohen

Close observers of Reagan administration foreign policy believe that the President's upcoming meetings with West German Chancellor Schmidt May 20 and Mexican President López Portillo June 8 and 9 may be the turning point in establishing U.S. foreign policy for the next three and a half years.

The importance of these meetings intensified last week as the Reagan administration came under two dramatic foreign policy time limits: the possible defeat of French President Valéry Giscard d'Estaing, which could collapse positive European initiatives worldwide, and an Israeli time limit on a surgical move into south Lebanon to eliminate Syrian-installed SAM missiles, which could seriously polarize the Middle East.

Sources in the White House and other departments have indicated that the President has personally elevated the López Portillo visit to a status above other foreign policy considerations. Further dramatizing the importance of the Schmidt and López Portillo meetings, other Reagan administration moves which surfaced last week in Central America, Africa, and Asia show the administration is falling into potentially disastrous traps. These activities have been encouraged by Secretary of State Alexander Haig and Second International "holdovers" from the Carter administration.

While press headlines this week touted a Haig "policy victory" in obtaining presidential agreement to enter into negotiations with the Soviet Union on weapons reduction, informed sources noted that he was merely stating what had already been announced by presidential counselor Edwin Meese III last week on national televi-

sion. Meese indicated that Reagan would be prepared to enter into negotiations with the Soviets on arms reduction and other matters at the earliest possible time. The Meese announcement, however, indicated that such talks could only take place if the Soviet Union were not to invade or threaten Poland, and would gain momentum only if the Soviets were to withdraw from Afghanistan.

These were the same conditions Haig repeated to the NATO foreign ministers' meeting in Rome on May 4-6. In fact, sources close to the White House report that Haig is on a short leash, reading a script on his European visit. Before Haig left, Reagan had also sent a letter to Soviet President Leonid Brezhnev, the contents of which are yet to be revealed. The letter was a response to a letter sent by Brezhnev to all heads of state of NATO countries and Haig announced its delivery during the NATO meeting.

Other NATO members, most prominently the Schmidt government through Foreign Minister Genscher, exerted verbal pressure on Reagan to respond positively. The importance of the Reagan move lies in the opening of a dialogue between Presidents Reagan and Brezhnev—encouraged by European pressure.

Such positive moves by the administration, however, were overshadowed by the deepening crisis in Lebanon. Sources close to the administration report a desperate level of diplomatic activity, starting with the recent meeting of Soviet Ambassador Dobrynin and State Undersecretary Stoessel, followed by a National Security Council meeting, and ending in a series of meetings involving Reagan, Haig, and U.N. Secretary-General Kurt Wald-

heim. Administration concern has led to reports of "strong diplomatic efforts" to restrain Israel from deep moves into Lebanon to knock out Syrian missiles. Prime Minister Begin sent out signals that remarks made last month by Haig and earlier by National Security Adviser Richard Allen provided justification for an imminent Israeli move against the new Syrian capability, thus complicating matters, and causing great consternation in the White House.

Under these conditions, the State Department was forced on May 1 to warn Israel against misreading the Haig and Allen statements. The department simultaneously announced an investigation into whether U.S. weapons were used in Israel's downing of two Syrian helicopters earlier in the week. However, the warnings to the Israelis and the diplomatic moves vis-à-vis the Syrians and Soviets bore no immediately visible fruit as the increased desperation led to the deployment of retired (Kissinger and Vance) State Department official Philip Habib to the Mideast, whose presumed credentials for this time-buying mission are his acceptability to all parties.

But this series of activities, according to analysts, only indicated the administration's particular weakness in the Mideast at this point. It is now clear that any escalation of the crisis would benefit the Begin regime, up soon for re-election, Syria's Assad, and the Soviets—to the detriment of the Reagan administration. It is now believed that only last-minute efforts aimed at bringing Soviet pressure to bear on the Syrians, and U.S. pressure to bear on the Israeli commitments to Lebanese Christian forces, could resolve the crisis.

Trap in Namibia and Angola

With respect to Reagan's policies for the rest of Africa, two crucial factors can contribute to extricating the administration from blunders which could encourage black Africa to look more to the Soviets. One factor is the meetings the President will have with Schmidt and with López Portillo. The other is the clear policy ascendancy of close Reagan political advisers over cabinet officials such as Haig.

If these factors do not combine to shift policy, then we are likely to see disasters like the one made last week at the NATO foreign ministers meeting, where Haig promoted a shift toward South Africa to accommodate the "fears" of Prime Minister P. W. Botha on the Namibia question by giving South Africa a voice in the Namibian constitution prior to elections. This—combined with the invitation to Botha to visit the United States—has not only led to potentially serious deterioration of U.S. relations with black African countries, but also is attached to a policy which was announced by administration officials last week to promote a "united government" in Angola, bringing in rebel leader Jonas

Savimbi, that would further worsen U.S. relations with the continent.

Guatemala-Honduras situation

Back in the Western Hemisphere, reliable sources in Washington reported last week that Socialist International-inspired and Cuban-supported guerrilla efforts in Guatemala have escalated drastically over the past month. Intelligence reports streaming into the administration indicate that the logistical possibilities provided guerrillas in El Salvador were now present in Guatemala. Acting Assistant Secretary for Inter-American Affairs Bushnell (of the Carter administration) announced at hearings this past week that the United States is now considering military aid to the dubious right-wing Jesuit regime in Guatemala, that could only lead to civil war. Front-page *Washington Post* stories this week proclaiming that Honduras has planned to invade Nicaragua emanated from William Bowdler, a former prominent State Department official tied into an entire Socialist International press network at the *New York Times* and *Washington Post*. The activation of these stories now, according to sources, was aimed at "heating up" the situation.

Likewise, the potential of the Reagan-López Portillo meeting for addressing the Central American problem from a different standpoint was made evident by Vice-President Bush after a meeting with his Mexican counterpart. The United States would consult with Mexico on all policies regarding Central America, Bush announced.

Far East troubles

Finally, Reagan's Asian policies seem destined to undo any of the positive moves being made with the Giscard-Schmidt prodétente axis in Europe. Recently revealed U.S. moves in Kampuchea to secure a united front between Son Sann's 3,000-man forces and the 35,000-man genocidal Pol Pot forces will result in giving U.S. support to Peking's political control over the movement that is trying to oust the Kampuchean government (see article, page 48).

State Department officials this week in Washington attempted to intimidate a reticent Son Sann to enter into agreement with the Chinese-dominated Khmer Rouge forces in order to forge a front against the Vietnamese-supported Cambodian government and put pressure on the Soviets. This policy is being sold to the White House on the basis of anti-Sovietism and an absurd proposition that the United States could ultimately control such a united front instead of Peking. At present, the White House is aware of this operation and has refused public comment. But the mere fact that such a policy is being entertained is sufficient to suggest the real vulnerabilities of the Reagan administration.

China Card faction boosts Pol Pot

by Richard Katz

Alexander Haig and the Carter leftovers in the State Department are attempting to use a proposed "united front" between the Chinese-dominated Khmer Rouge and the much smaller Cambodian forces of Son Sann and Prince Sihanouk as a means to force a China Card policy on a resistant White House.

Thus far, President Reagan has kept under indefinite "review" any attempt at more direct increases, through arms sales and so forth, in the U.S. security partnership with Peking. But the White House has done nothing to halt the process leading to active U.S. backing for Pol Pot's mass murderers.

During the first week in May, while American officials met with Sihanouk in Peking, Assistant Secretary of State for East Asia John Holdridge pressured visiting Khmer Serai leader Son Sann to join a front with Peking's Khmer Rouge. Giving the Khmer Rouge a figleaf from Sihanouk and Son Sann would pave the way for direct U.S. arms and logistical supplies to the Khmer Rouge, under this State Department scheme.

Arming the Khmer Rouge

With Son Sann controlling only 3,000 men to the Khmer Rouge's 35,000 men, Son Sann feared the Pol Pot forces might murder their allies as in the 1975-78 period. He insisted that the U.S. build up his forces with arms and supplies before he joined efforts with the Chinese-dominated Khmer Rouge.

"I told the U.S. officials," Son Sann related to sympathetic Washington figures, "that they were trying to put me in a cage with a tiger. I didn't want to go in the cage, but if I had to go in, I wanted to be given a stick first. But the U.S. officials said I had to get into the cage first and then they would give me the stick."

Holdridge's assistant Dennis Harter told *EIR* that Son Sann would not get arms supplies from the U.S. until he formed the united front and that Son Sann was informed accordingly. "There is no united front at this time. So to give arms to one group and not another would be inappropriate. . . . Once a united front is made, then I don't see any reason why we shouldn't consider supplies."

Washington sources opposed to Haig's scheme revealed the process by which Haig and the Carter holdovers are putting Ronald Reagan in the position of aiding the Peking puppets who murdered 2 to 3 million of Kampuchea's population. Back in February, prior to the appointment of former Kissinger NSC staffer Holdridge, two Carter holdovers presented Haig a memo on Southeast Asia policy. They were Acting Assistant Secretary of State Michael Armacost, now Holdridge's deputy for North Asia, and John Negroponte, another Kissinger associate who is now deputy to Holdridge for South Asia.

In their memo, the two Carter holdovers complained that Carter had been content to let China run the anti-Vietnamese show in Indochina. They proposed more direct U.S. support for the Khmer Rouge by pressuring the tiny forces of Sihanouk and Son Sann to join a united front with the Chinese proxies. According to the sources, the long-time China Card advocacy by Negroponte and Armacost explains why they rejected the alternative of building up Son Sann and Sihanouk independently of the Khmer Rouge. The two also reportedly believed heating up Indochina would keep Southeast Asian nations in a pro-Peking "mode."

During the first week in March, CIA Director William Casey made a secret trip to Asia to chair a meeting of CIA station chiefs in Asia and to meet with Japanese Prime Minister Zenko Suzuki. The two subjects of the meetings, according to Washington sources, were an assessment of the stability of Deng's regime and the prospects for getting Sihanouk and Son Sann to join a united front with the Khmer Rouge.

By April 29, the State team felt sufficiently confident to have department spokesman Dean Fischer tell the press that the United States is "encouraging the formation of a united front in Kampuchea" and "is considering arms supplies to the noncommunist elements of the front." Harter then corrected this statement to indicate possible supplies to the entire united front once it was formed. The following Sunday, *New York Times* reporter Bernard Gwertzman cited State Department sources as saying, "the U.S. has decided to support efforts by China and other Asian countries to put together a more unified resistance against the Vietnamese-backed government now in control of Cambodia."

The stability of the Heng Samrin government in Phnom Penh makes it very unlikely that the resistance groups, either together or separately, can dislodge or seriously destabilize it. The united-front gambit simply provides China Card factioneers in the United States with an excuse to arm China's proxies in Kampuchea and escalate an alliance with Peking. It remains to be seen how far the White House will let Haig and Casey go in this operation.

'U.S. policy is population triage'

The RAPID planners commissioned by the State Department, writes Lonnie Wolfe, are confident about their Global 2000 program.

Former State Department officials told reporters last week that State Department policy toward the developing sector is based upon a policy of triage which calls for "writing off" hundreds of millions of people in the Third World.

Philander Claxton, Jr., the member of the Population Crisis Committee who was the State Department's Coordinator for Population Affairs in 1966-74 and who is currently working for the State Department as director of the Resources for the Awareness of Population Impacts on Development or RAPID program, commented to a reporter that for some time now State Department policy has been predicated on the claim that it is impossible, no matter what is done, to prevent a population holocaust of proportions hundreds of times worse than Hitler's in the developing sector. U.S. policy has therefore been to write off non-viable sections of developing nations' populations in a policy that Claxton termed "horizontal triage."

Other State Department sources say that the original first draft of the *Global 2000 Report*, prepared under the direction of Gerald O. Barney, overtly reflected this thinking. It was rejected as being "too doomsday," according to former Carter administration Population Coordinator Marshall Green. The rejected draft reportedly stated that no matter what measures were taken, a billion people "would not make it."

Though Global 2000 was rewritten, the original assumptions remain actual policy. These assumptions are not based on scientific evidence or any other real parameter. They are based on a political decision that development of the postcolonial sector is undesirable.

This defines the purpose of the RAPID program. It is aimed, as Claxton and others have stated, to shift the developing-sector leadership away from the perception that economic development is necessary and feasible, and to convince them that their primary concern must be to reduce population.

The message of RAPID—the real content of Global 2000—is presented to developing sector leaders through a video display computer program. The program was designed by Claxton, working with the Washington,

D.C.-based Futures Group under State Department contract. The program is designed to be simple and persuasive. As Claxton states, it is a program that Parson Malthus, the 18th-century ideologue of population reduction, "would love."

Spokesmen for the RAPID program say that they have been instructed by people like Claxton to not make any direct connection between their program and the *Global 2000 Report*. Global 2000, they have been told, has already developed a bad name among most developing sector leaders.

The sponsors of RAPID, which is funded through a \$4 million line in the State Department's International Population Programs budget, boast that they will influence virtually every developing-sector nation. They will not waste their time with the ministries of health, because such individuals are interested in keeping people alive. They will focus primarily on capturing the development and finance ministries, because as Claxton relates, this is where overall policy is made.

It this way, through the use of simple psychological manipulations around the population question, they hope to tilt the policy balance toward Global 2000, despite the fact that the Reagan White House is known to reject this doctrine.

Interviews

Philander Claxton, Jr. and Marshall Green

From an April 30 interview with Philander Claxton, provided to EIR:

Q: Why did you choose the RAPID approach to reach people in the developing sector?

A: We needed a new way to get to people and make

them understand the kind of issues raised in the *Global 2000 Report*. . . . These are hard things for many of the Third World leaders to grapple with. We are telling them some very unpleasant things and they don't like to hear it. Population perspectives have always run up against this. . . . The computer as a tool in shifting people's perceptions is something that I have been working on for a long time. It is really an effective and cost efficient device. We will, or should I say, can, do more with something like RAPID than with hundreds of millions of dollars of educational money to convince peasants to use contraceptives.

The reason RAPID is more effective is because it is designed to go after the elites, the people who actually run these countries, the people who make policy. . . . I am not saying that we don't need the other money, but quite frankly, if you don't capture the leaders, you won't be very effective. . . .

Q: The RAPID program is then aimed really at leadership people. It seems also to be fairly straightforward and uncomplicated.

A: That is right. Our presentation is designed to be comprehensible to some very unintelligent and unsophisticated people who happen to run countries. You have corporals and sergeants, postal clerks, who become heads of state. These people know so little and have so many misconceptions. We have to educate them. . . . Before we make any presentations, we try to work with top people in the development ministries and finance ministries. We try to avoid working with the ministries of health. They are interested in doing things on lowering infant mortality and the like. If you work with the health ministries, you get tracked into family planning. That is not what we want.

We want the development and finance ministries, because that is where policy is made and that is what must be controlled and changed. We don't want this [RAPID] to be a family planning venture. It is much bigger than that. . . .

The computer terminal, the little Apple terminal, sells the whole thing. It is really quite simple and damn impressive because of it. . . . We had these psychologists tell us that we should use color because it would be more dramatic, so we have done this. . . . I've done several presentations. You have this declining green line that represents food supply appear on the screen. Then you have this rapidly rising red line that represents population growth. The red line crosses the green line and gobbles it up. . . . Malthus would really love this. It is quite shocking. It opens up these people's eyes and minds. . . .

Q: Isn't it true, though, that no matter what is done with

programs like RAPID, that people like yourself feel that hundreds of millions of people will die because of the population crisis? This is what *Global 2000* implies.

A: Yes, I believe that is true. I was just talking to people about this today on one of the groups I am involved with, the Global Tomorrow Coalition, which backs the *Global 2000 Report*. I work with the Population Crisis Committee, and we were the people who helped steer this effort along. We worked to set up a leadership conference of environmentalists and population people with the help of the Audubon Society and Russell Peterson. I helped make sure that this conference focused on *Global 2000*. . . . This group comes from this effort in part.

A number of countries are already headed in short order for the kind of things that happened in Iran and El Salvador. Most of the countries of Africa and Latin America are headed there. They are really beyond hope. There are built-in population momentum factors that are just going to overwhelm them.

This doesn't appall me. Before the U.S. began to get into the population activities—and I was assigned the job by Secretary [of State Dean] Rusk to create the population office in State—it was already apparent that many countries were on a course where they were going to experience chaos and death. And I don't see all that we have really done has changed things too much. . . .

Now a country like Mexico happens to have oil resources, and they can buy food for a large number of people from the U.S. if they want to do it. But they can't charge for it. They have to give it away. But what happens when the oil runs out or our food supplies get lower? . . .

Q: But in most countries that is not going to be the case. . . .

A: No. Most countries don't have the resources to buy food or other things they need. So the only choice they have, their only hope, is that somebody will buy food for them. But there is really not that much food to go around. Look, a lot of countries that were once exporters of food are now importers. And their deficits keep increasing. Theoretically, at this point in population growth, there is not going to be enough to go around. We can say that. . . .

Q: So, no amount of economic development, according to you, can solve these problems?

A: That is right.

Q: Is it foolish to tell people that technology will solve their problems?

A: Absolutely. It makes things worse. . . . There is a very important point here. People in the developing sector say, "Look at the European countries. They had eco-

conomic and social development and they reduced their populations eventually." Well, there are several vast differences between what happened to Europe and what is happening now. One of them is that the death rates in Europe came down slowly, beginning with the smallpox vaccination. The industrial revolution had already started by that time. This is the beginning of modern scientific medicine and modern sanitation. These developments took place very slowly over a period of a hundred years or so. And the birth rates came down very slowly. But population growth rate through all this never really went above 1 percent. A lot of this growth was absorbed in industry and agriculture. And where it could not be absorbed, they went to America or went to war.

But now in the developing countries, they have had a massive reduction of their death rates . . . through all the advantages of modern medicine, especially since the war. Birth rates have hardly come down at all. Industry and agriculture in these places cannot absorb all the people. And there is nowhere for them to go. . . .

Q: So are we going to see what Maxwell Taylor sees happening—more than a billion people being written off, dying from one cause or another because of the population crisis?

A: I am not inclined to put numbers on things. But yes, there will be such a disaster. Certainly in the many scores of millions, maybe in the hundreds of millions or even billions. . . .

Q: Some people say that we should not waste resources saving people who can't be saved. . . .

Q: You mean triage. We probably can't do it as official policy. But we are doing it in another sense. There are two kinds of triage. Vertical triage is where you separate out whole countries and let them sink under. What we are doing is a form of horizontal triage. This is where we let certain economic strata go under. We are providing certain levels of assistance to countries so that parts of their population will survive and other parts, in some cases, most, won't. That we are doing with all countries, where certain numbers of their population will survive while others die. This is U.S. policy in the State Department. Eventually we may have both vertical and horizontal triage. . . .

Q: Isn't this a national security question for the West?

A: Yes, most definitely. Global 2000 and related studies have very real national security implications.

From an interview made available to EIR with Marshall Green, population coordinator for the State Department from 1977 through 1979, and former diplomatic representative to several Asian nations.

Q: Who in the United States is getting out the message on the *Global 2000 Report*?

A: The State Department and the Council on Environmental Quality [CEQ] have a program for trying to follow up on Global 2000. I just don't know if the Reagan administration is going to give it very serious consideration.

Q: Who's been working on the followup?

A: We at PCC [Population Crisis Committee] did a long, long paper giving our views on what followup should be, and they had a State Department committee. Dr. Dick Benedick was deeply involved in it. I have not been, though I was involved in the original report, from the demographic side. And I will testify in hearings on the Hill in two weeks.

But I just have a feeling that the Reagan crowd is not focused on this. One of the things is that they've knocked all the pins out from under the CEQ. They're the ones who originally brought this document together. The State Department had a secondary role. We tried to draft the thing in a more balanced way. The original draft was pretty much doomsday. It didn't wash. Lindsey Grant and some others took over, and redrafted the job. I think it was unfortunately too long delayed. Had it come out when it should have come out, which was 1978, then the Carter administration could have done something. The President clearly thought about the report in his farewell speech, which was full of longer-range, global things. New administrations, they come in and don't think about these kinds of things. After a while, they will.

Q: Perhaps Global 2000 thinking can be spurred faster outside the United States than inside at this point.

A: Oh yes, I think it can. I've just gotten back from a trip to India, Pakistan, and Bangladesh. I met with Zia of Pakistan and with the president of Bangladesh, Ziaur Rahman, for over an hour, a very good man. And before that, I met with Sadat for an hour and a half.

On these trips, we've been using computer technology to demonstrate our points. Then we have followup. Try to get the leadership person the ammunition to convince their own people, show why it's in their interests.

Q: How does the computer element work?

A: That's a project called RAPID. They have a think tank up in Connecticut called Futures. They're the ones who put this thing on chips and into a portable computer. They use the host country's data, or if that's lacking, U.N. data, or the best demographic projection available. They take their plan—most of them have five-year plans or something like that—and then they show how realization of those plans is absolutely impossible, under current population growth. Conversely, lowering family

size to two to three child families would make a real improvement in the situation.

This program has a real impact. It's been used in Nigeria, Kenya, Tanzania, Sudan, and many other countries. When I was in Pakistan with Zia, I did not show him the program; it's not needed to convince *him*, but he needs it to convince his own people. In Egypt, we're working on popularizing these ideas in a nationwide TV program, to show dramatically why they have to bring the birth rate down faster—or else.

Q: Zia, then, is aboard?

A: Yes, he's aboard. He's got a very good assistant. She has put forward a very ambitious program, but hasn't coordinated with the other ministers in an effective way.

The question of organization is very important. You don't want to put a population program in the Health Ministry, there's too much concern with MCH—maternal/child health. They aren't really interested in other considerations. You want a broader interministerial group. Then the question is, if you find organization problems, how do you deal with them? We try to find out different ways to get the ideas across. The computer helps here, with their own data.

Q: So the computer serves to work on the doubters, those suspicious of the data?

A: That's right. When they challenge data, they say they have other data, they tend to say, 'Well, all that's invalid.' What you're able to do with the computer is put in whatever they say, change all your charts and graphs. It happens automatically. And there's no appreciable dent in the problem. You're able to show the inconsequence of these minor variables that people are fond of bringing up. That's one of the great advantages.

For example, when I was in Egypt, I made two major presentations to the Supreme Council, and the Minister of Education challenged our data on primary school attendance. We used his data; all the charts changed; it made no difference. But it was dramatic, I was glad he raised the question. It exposed what I call the "variable crowd."

Q: Is there any place in Latin America where the RAPID program may go into effect?

A: Yes, in Colombia. But the program is largely aimed toward Africa, and to some extent, Asia.

Q: It appears to be in a strong implementation phase.

A: Yes, but they don't have enough staff to expand. Where it has been used, it has had tremendous impact. But it's sometimes hard to tell how deep it goes. For instance, the Cameroons; it had a tremendous impact in the Cameroons. But you don't know if it's working.

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The next stage for Abscam/Brilab

Scott Thompson assesses potential moves against the Reagan administration and its allies in the wake of the Williams trial.

No sooner did a jury find Sen. Harrison Williams (D-N.J.) guilty last Friday of all nine counts stemming from his Abscam frameup than the Senate Ethics Committee voted unanimously to hold disciplinary hearings that may result in Williams's expulsion from Congress. The committee took this action despite the fact that crucial questions involving Justice Department violations of Sen. Williams's constitutional rights through his Abscam entrapment have not yet been resolved in the courts.

At a press conference on May 5, Ethics Committee chairman Malcolm Wallop (R-Wyo.) admitted that this hasty action had been "spurred" by pressure from the House Committee on Standards of Official Conduct, which voted to expel four members because of Abscam. Wallop added that Senate hearings would be carried out "with as much dispatch as possible" and would not await the outcome of Williams's appeals.

The gutlessness Congress has shown in preferring to expel a member in "kangaroo court" proceedings rather than investigate why its members have been targeted for entrapment gives a green light to the frameup machine that ran Abscam for further indictments against political and labor leaders. Members of the Reagan administration, which has yet to clean out the corrupt nest of Carter and Kennedy Justice Department holdovers who orchestrated Abscam, may themselves also become targets for smears or indictments by the department's stable of press conduits.

In hearings the House Committee on Standards of Official Conduct on the case of Rep. Michael Myers (D-Pa.), who was among those congressmen expelled because of Abscam, Rep. Austin Murphy (D-Pa.) upbraided his colleagues for their cowardliness in the face of coercion:

I think this committee should look beyond why Mr. Myers and six or seven or ten or twenty other Members of Congress have been targeted for some scam, why are individual members of an elected Congress chosen for special probes? . . .

I shudder to think what might happen . . . if someday a chief executive comes on the scene and

says that "I am tired of dealing with an elected Congress and I am going to get enough of them indicted and they will all make moves against each other and I will dissolve that Congress and the people will agree with me. . . ."

What would happen to we Members of the 96th Congress if we expel him [Myers] and your later probes or the due process conduct of court proceedings points out that there were tremendous illegalities under our constitutional law committed by our Government, yours and mine? . . . What if there is a new trial? What if there is a reversal?

'Outrageous misconduct'

In fact, on Nov. 26, 1980 U.S. District Court Judge John P. Fullam did overturn the Abscam convictions of Philadelphia City Council President George X. Schwartz and Councilman Harry P. Jannoti. Fullam's decision, the only one made so far on Abscam's constitutionality, hit at the "outrageous misconduct" of the Justice Department, which Fullam found guilty of overreaching its power, of entrapment, and of violating targeted victims' due-process rights.

While his decision applied only to Schwartz and Jannoti, Judge Fullam cited the case of Sen. Harrison Williams, whose own due process hearings are pending, as an especially grievous case of Justice Department injustice. Further glimpses of department misconduct emerged this January and February at postconviction, due process hearings of seven Abscam victims before U.S. District Court Judge George C. Pratt.

At the Pratt hearings, two Justice Department officials, New Jersey prosecutors Edward J. Plaza and Robert A. Wier, Jr., revealed further abuses in the Williams case. Among these was the fact that the chief Abscam "sting man," Mel Weinberg, gave "coaching sessions" to the senator, telling him to "come on strong" in a videotaped meeting with representatives of the phony Abscam "sheikh."

Chief prosecutor Thomas Puccio not only stood outside the door to direct this "coaching session," but

in presenting evidence to the grand jury that indicted Williams, Puccio showed only the tape of the stage-managed meeting, suppressing that of the "coaching session." Among other possibly indictable offenses is the fact that the Strike Force permitted Weinberg to carry out "scams" netting over \$200,000 while on the government payroll.

Brilab-Pendorf next?

With all the chief Abscam targets convicted, the frameup machine of corrupt Justice Department hold-overs, lying press conduits, and others that ran Abscam is now concentrating its efforts on such national cases as Brilab ("Bribery-Labor") and Pendorf ("Pension Fund-Dorfman"), as well as dozens of local cases against the Teamsters, Longshoremens, Laborers and other progress-oriented trade unions.

In New Orleans, pretrial motions are already under way in a Brilab case against New Orleans businessman Carlos Marcello, public relations man I. I. Davidson, and local constituency leaders. On May 6, the defense lost a motion to suppress tapes that had nothing to do with the "sting," but contained comments in personal discussions that might prejudice the jury.

Mike DeFeo, the Kansas City-based chief of all strike forces west of the Mississippi and the field coordinator of Brilab, apparently decided to push the New Orleans case despite the fact that his main witness, insurance fraud specialist and "sting man" Joseph Hauser, was severely discredited in the first Brilab case. On Oct. 22, 1980, Texas Speaker of the House Billy Clayton, the first Brilab "sting" victim, was found innocent on all counts of bribery-conspiracy. Comments by jurors after the Clayton trial referred to Hauser as a "liar" and compared the Justice Department conduct revealed in Brilab to "Communist Russia."

Sources close to DeFeo report that if the New Orleans case results in convictions, indictments may be brought against labor and political leaders throughout the South and Southwest who were Hauser's victims.

These sources also report that, while massive wire-taps in Kansas City, Milwaukee, Chicago, San Diego, and Las Vegas did not garner sufficient evidence to permit blanket indictments in Pendorf—a case allegedly probing ties between casino skimming and the Teamsters' Central States Pension Funds—separate indictments may be brought in these cities. The first Pendorf-related indictments, reportedly planned to occur this June or July, will target Kansas City businessman Nick Civella. An attempt may also be made at that time to indict Roy Williams, the Teamster international vice-president considered a frontrunner to replace deceased IBT president Frank Fitzsimmons, even though sources close to DeFeo admit that the evidence is at best circumstantial.

Such frivolous indictments, aimed at tying up labor leaders' time and finances in costly legal defense, as well as besmirching their reputations through "trial-by-press" smears, have become common occurrences since Abscam began. Exemplary is the case brought in New Jersey against Salvatore (Sammie) Provenzano, an IBT international vice-president, Nunzio Provenzano, Teamster Local 560 president, and Mike Sciarra, business agent for 560. On May 1, jury foreman Ed Yakitch stunned the courtroom when he pronounced Nunzio Provenzano guilty of conspiracy and racketeering charges, before clearing Sammie Provenzano and Mike Sciarra on like charges.

The entire case was based upon the charge that codefendant Irving Cotler was taking bribes from trucking company executives and brokers. Cotler acknowledged the fact, adding that he had done so with the Provenzanos' knowledge. But Cotler's admissions were made to a judge, not the jury. In naming him codefendant in the same case, the Provenzanos' were denied the right to cross-examine a critical witness.

The only witness corroborating Cotler's earlier confession was Joe Szapor, a special commodities broker, who was making payoffs to Cotler. Szapor, who had cooperated with the FBI for 20 years, found himself in 1977 facing a potential 16-year prison sentence. Instead, he got a \$100 fine when he agreed to testify that the money he was paying Cotler was really going to the Provenzanos.

On this point, Szapor's testimony was so inconsistent that it drew surprised comments from the judge. Szapor managed to produce four different descriptions as to locales, persons present, and so forth, concerning the one alleged payment he made to the labor leaders.

Reagangate

According to sources close to Walter Sheridan, the former head of the Justice Department's infamous "Get Hoffa" squad under Robert Kennedy and who is now Ted Kennedy's chief investigator on the Senate Labor Committee, the prime obstacle to bringing frivolous labor indictments of the sort thrown against the Provenzanos is Secretary of Labor Raymond Donovan.

Sheridan, who held up Donovan's confirmation before the Senate Labor Committee, is reportedly seeking to maneuver Donovan into a "Catch 22" situation in which his attempts to carry out his constitutionally mandated job of fostering American labor development can be depicted as a coverup of corruption. During Donovan's confirmation hearings last February, Sheridan paraded such witnesses as Ralph "Little Ralphie" Piccardo, whose trial on murder charges was held up as part of a deal for his testimony, in order to smear the Labor secretary both in hearings and the press as "linked to organized crime."

The liberal PACs team up against moderate congressional Democrats

by Barbara Dreyfuss

A group of zero-growth liberals under the wing of elderly éminence grise Averell Harriman is operating in collusion with the "New Right" networks of the Heritage Foundation and William Buckley to undercut the moderates within the Democratic Party. The liberals' strategy, modeled on the McGovern offensive of the early 1970s, is to cut off elected Democratic officials and party leaders from the labor, business, and farm constituencies that have been the party's base for the past half-century, and to work for the defeat of the mainstream Democrats who represent those constituencies.



Pamela Harriman

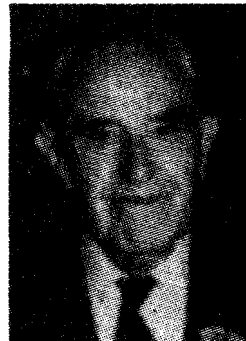
The liberals are operating out of a half-dozen political action committees and associations, known as PACs, including **Democrats for the 1980s**, set up by former Carter administration officials Edmund Muskie, Stuart Eizenstat, Robert Strauss, and Harriman's wife Pamela; the **National Committee for an Effective Congress**, run by environmentalist Russell Hemenway and including

Bishop Paul Moore of the ultraliberal New York Episcopal Cathedral of St. John the Divine, and Barbara Tuchman, whose book *A Distant Mirror* presents a back-to-the-dark-ages perspective; the **Democratic Policy Committee** chaired by former Secretary of State Vance; and the **Americans for Democratic Action**.

In late April, the National Committee for an Effective Congress (NCEC) announced that it intended to force the defeat of 62 Republican and Democratic moderates in the 1982 congressional elections. Their list contains more than 20 progrowth Democrats who have been key backers of nuclear energy development, water projects, and high-technology agriculture, including House committee chairmen Donald Fuqua of Florida (Science and Technology); Kiki de la Garza of Texas (Agriculture); and Jamie Whitten of Mississippi (Appropriations).

The liberal attack on party moderates is aimed at

stripping the Democratic constituency of its progrowth representatives and completing the job begun by that faction known as "McGovern Democrats" under the Carter regime. As Lloyd Cutler, White House counsel under Carter, complained in the fall 1980 issue of *Foreign Affairs*, if the Democratic Party leadership is responsive to its constituency, it becomes difficult to impose severe austerity in the country. That difficulty was witnessed shortly afterward by the defeat of Carter and the McGovernites, in favor of the moderates now targeted.



Averell Harriman

Other liberal political action committees (PACs) have developed similar hit lists, based on their zero-growth opposition to increased funding for nuclear energy, NASA programs, and water development projects including the critical Tennessee-Tombigbee Waterway.

The common denominator of this convergence of McGovernite and ultraright PACs is their control by the same Anglo-American oligarchy that deployed the Carter administration to enforce austerity, aims embodied in the Carter State Department's *Global 2000 Report*.

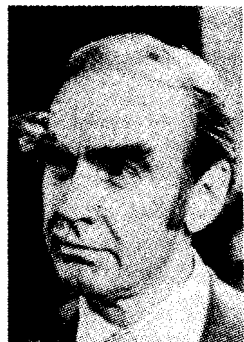
One such group, the Democrats for the 1980s, exemplifies this point. The Democrats for the 1980s is rife with Carter administration controllers, especially the granddaddy of Democratic Party liberalism, Averell Harriman, and his second wife Pamela, the mother of Winston Churchill III. It was Anglo-American patrician Harriman who was crucial in all of the last decade's efforts to destroy constituency politics in the United States. Another of the group's backers is former Secretary of State Edmund Muskie, who gave the first public endorsement to his predecessor Cyrus Vance's *Global 2000 Report* by recommending stabilization of the world population at 3 billion. A Democrats for the 1980s leader is former DNC chief Robert Strauss, whose party reforms secured Car-

ter's disastrous renomination through "closed convention" thuggery. Carter's domestic adviser Stuart Eizenstat is also on the board of directors.

Of special interest is the appearance of House Speaker Tip O'Neill on the organization's board. O'Neill is not simply well known on the Hill for his strident opposition to bipartisan cooperation with moderate Republicans close to the Reagan White House. O'Neill was specifically mentioned by participants at the Socialist International "Eurosocialism" conference in December as the key to turning the Democratic Party into the U.S. front for the Socialists, both because of his own Fabian programmatic bent and his Capitol Hill muscle. True to the Socialists' expectations, O'Neill has warned Hill Democrats that if they move to collaborate with the Reagan administration on the budget, they can fend for themselves in the 1982 electoral race.

NCPAC joins party wrecking

Many conservatives are wondering why the right-wing "ultras" of the National Conservative Political Action Committee (NCPAC) are working to defeat the same mainstream Democrats targeted by the McGovernites.



Jim Wright

forcefully in the fight for a positive economic growth policy; Wright especially has hit hard on the disastrous economic consequences of Federal Reserve Chairman Paul Volcker's high interest rates. Despite NCPAC's claims that these three Democrats are "obstructionists" on the President's economic program, they have in fact led efforts to collaborate with the White House. NCPAC has also threatened to target members of the Conservative Democratic Forum if they do not give unqualified support for the President's tax program. The threatened Forum members are those who have worked out a budget program that is now backed by the White House and have been holding meetings with Republican leaders to work out a similar arrangement on taxes.

While conservatives and moderates are NCPAC's sighted targets, the group has conspicuously refrained from drawing a bead on the ultraliberals, and especially the most outspoken "obstructionist," Tip O'Neill.

NCPAC's convergence on the liberal targeting is especially clear in the case of Rep. Jim Jones (D-Okla.). An official of NCEC declared that his group was delighted that NCPAC had chosen the Budget Committee chairman, because it saved them the trouble of having to do it. "NCPAC has targeted Jones on the budget, so that decided it for us," said an NCEC official. "Now we want to give him a chance to toe the [liberal] line."

NCPAC's work against moderate Democrats parallels that of the liberal Progressive PAC which plans to raise \$1 million in 1981 to go after Democrats who "agree with the program of Interior Secretary [James] Watt" on the need for internal improvements utilizing the nation's natural resources, said one of the group's executives. Democrats for the 1980s, while now reviewing their prospective "defeat list," declared that they will protect congressmen from NCPAC's attacks. They have so far refrained from such defense, except in the case of liberal Maryland Democrat Sen. Paul Sarbanes.

Common issues

NCEC, Progressive PAC, and the other liberal political action committees are using almost identical criteria to determine their targets as NCPAC. "Pork-barrel legislation is an area conservatives and environmentalists agree on," declared Marion Edey, a leader of the League of Conservation Voters, which is run by the leadership of the environmental lobbies. Edey, also a member of the U.S. Association for the Club of Rome, revealed that the League is considering seeking the defeat of Wright, Jones, and Rostenkowski for the same reason as NCPAC—their favorable voting records on nuclear energy and water development. "It could be that NCPAC doesn't like Wright, as his leadership helps the Democratic Party," she admitted.

Similarly, Progressive PAC is "very concerned," according to leader David Abrams, about Jim Wright's and Jim Jones's records on environmental and energy issues, but are evaluating the congressmen's vulnerability before moving openly against them.



Daniel Rostenkowski

NCPAC's activities have caused consternation among leading Republican figures who fear their hate campaign may backlash and help the liberals gain at the polls. Republican National Committee Chairman Richard Richards, a conservative and long-time supporter of President Reagan, told reporters April 27 that groups like NCPAC "create all kinds of mischief. They're not responsible to anyone." Richards intends to establish a task force to review the potential for curbing the

political role of such groups.

The National Democratic Policy Committee (NDPC), formed after the Carter-McGovernite defeat to secure the election of moderate Democrats and seek bipartisan collaboration on a progrowth economic program, has opened fire against both McGovernites and their "conservative" shadows who would drive the moderates out of Congress. "We intend to make sure that these people don't destroy the mainstream of the Democratic Party which is committed to a real economic revival," said an NDPC spokesman. The group intends to make the activities of both liberal and conservative party-wreckers a major issue at the Democratic National Committee meeting in Denver, Colorado on June 4.

A review of the leading liberal and conservative "ultras" among political action committees reveals the source of their control: the Anglo-American oligarchy.

- **National Conservative Political Action Committee**, (NCPAC) was set up by the collaborators of the Buckley family and the East Side Conservative Club in New York City. The Buckley family have long been assets of the British oligarchy beginning with the father of William and James, who worked closely with British Petroleum. Far from being conservative, the Buckyleys' philosophy in fact is rooted in British classical liberalism, as NDPC advisory board chairman Lyndon LaRouche proved in his 1980 book *How to Defeat Liberalism and William F. Buckley*.

William Buckley is a public supporter of marijuana decriminalization and is a board member of the pro-Khomeini Amnesty International. Buckley established his journal *National Review* with the help of Leon Trotsky's former aide, James Burnham, who was himself trained at England's Oxford University.

Former Senator James Buckley, now in charge of the State Department's Bureau of Oceans and Environment has been dubbed by Citizens for Global 2000 as their "asset in the Reagan administration."

The Buckyleys are prominently tied to the East Side Conservative Club, whose chairman Tom Bolan is the law partner of mob lawyer Roy Cohn.

NCPAC was set up in 1975 by Terry Dolan, Charles Black, and Roger Stone, whose political activities are characterized by their relationship to the Buckyleys and Bolan.

Charles Black, for instance, is a former national board member and former head of Florida's Young Americans for Freedom (YAF), which was established under Buckley direction. His business partner Roger Stone helped run James Buckley's campaigns in 1970 and 1976, and has worked with the family in Westchester politics. As Northeast regional director for the Reagan campaign last year, Stone was in close collaboration with its finance official, Tom Bolan. "I know

Bolan very well," Stone recently admitted, while Bolan's office says that the two have a long association. Stone's old college friend Terry Dolan is associated with the same networks.



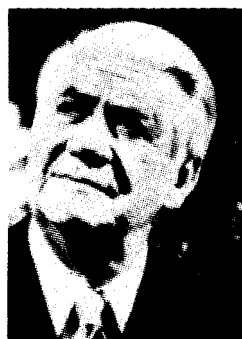
Robert Strauss

NCPAC's current board lists many YAF figures, including former executive director Frank Donatelli.

- **National Committee for an Effective Congress (NCEC)** was set up in 1948 directly by British intelligence to undercut farm, labor, and urban Democratic machines. Its first chairman was Robert Sherwood, who was the World War II liaison between British intelligence's North American chief Sir William Stephenson and President Roosevelt.

NCEC's current director of the national committee, Russell Hemenway, was intimately involved in the "reform" movement of the fifties and sixties and is a leading member of the Sierra Club and the Wilderness Society; the former has launched a campaign against Interior Secretary Watt, and both back the genocidal *Global 2000 Report*.

In electoral politics, NCEC's first campaign was to back social democrat Hubert Humphrey's bid for the Senate, and later backed Estes Kefauver, who pioneered in scandalmongering against the trade-union movement.



Tip O'Neill

On Capitol Hill, NCEC led the 1950s-60s "reform" movement which sought to strip congressional committee leaders of their ability to be responsive to their constituency by forcing through rules changes.

- **Democrats for the 1980s** was established by the same people who forced on the nation the disastrous Carter administration that was so soundly defeated in November. Its backers include Averell and Pamela Harriman; Edmund Muskie; Robert Strauss; and board members Stuart Eizenstat and Tip O'Neill.

Peter Fenn, director of Democrats for the 1980s, confirmed that his group intends to back only liberals in the mid-term elections and that voting records of congressmen will be carefully scrutinized.

- **Progressive Political Action Committee** was set up by Victor Kamber, a Jesuit-trained associate of Socialist International networks in the labor movement. Its executive director Leslie Israel was one of the Democratic Party insiders responsible for installing Robert Strauss as DNC chairman.

Michel Halbouty discusses the U.S. oil exploration potential

The following is an exclusive interview by EIR Energy Editor William Engdahl with Michel T. Halbouty, made in Houston, Texas on May 1, 1981. Halbouty, a past president of the American Association of Petroleum Geologists (AAPG), is one of the world's best-known independent consulting geologists. He has written and lectured throughout the world, and most recently served as chairman of the Energy Policy Task Force and subsequently, the Energy Transition Team for President-elect Reagan.

EIR: Richard Nehring of the Rand Corporation has just published an assessment, commissioned during the Carter administration, that pessimistically states "the petroleum industry is gradually running out of ideas as to where oil and gas may still be found in the United States." What is your evaluation of this Rand study?

Halbouty: This is something that should be stopped in the administration, where we go to consultants and spend billions of dollars every year for these reports, which are absolutely worthless, most of them. This [Rand] report here was made by people who are not knowledgeable in geology and geophysics. They don't have any idea what's going on. They don't know the contents of the earth to begin with. . . . And to have the U.S. Geological Survey and Department of Energy pay for these reports is just throwing our money away.

If the government wants to find out what our future resources are in minerals, and our future resources in energy, they should pay people who are knowledgeable in the field. I have yet to read a Rand Corporation report that has any merit. . . . They are entirely wrong about what we can find in the United States. . . . We can find as much oil and gas in the future in the United States as we have found up to this time, providing the government gets off our back and stays off our back. . . . The people that are with Rand, they just don't understand this. . . . They don't have petroleum geologists who have worked

in trying to explore for petroleum, and I mean real exploration. . . .

EIR: How do you evaluate prediction measures such as the so-called King-Hubbert curve that measures number of feet drilled versus number of barrels of new reserves discovered?

Halbouty: You take the King-Hubbert curve. That man did more damage to the thinking of Congress and in this country than any one man I know. That man was so pessimistic that it just created a pessimistic idea that we weren't going to find any more oil and gas. . . . We're going to find oil and gas way into the 21st century.

EIR: What, in your estimation, are the most promising new methods of exploration?

Halbouty: Seven years ago, if a geologist or geophysicist walked into the office of his superior and recommended



his company should drill into the Western Overthrust Belt, one of three things would have happened: he would have been fired immediately; he would have been put on the shelf and just forgotten; or they would have thought he was crazy. . . . The area was completely condemned. Now it's one of our most

prolific producing trends, extending from Canada all the way into New Mexico. And it's the same thing that's going to occur, in my opinion, in the Appalachian area, 100 miles further east than anybody has expected.

Not only that, we have the so-called subtle trap, which is a stratigraphic trap. We've got the paleogeomorphic trap, which we haven't explored for. And we've got the unconformity-oriented subtle trap which we ha-

ven't explored for. . . . So we've got traps [potential oil-bearing reservoirs—ed.], some of which could lie as little as 1,000 feet in depth. There has been no deliberate attempt to find those traps.

We have new concepts to enhance this exploration. The Landsat is a great, great new exploration tool. I would not be surprised that, with such new interpretative methods, that we can one day find *directly* the area that should be explored. But today, Landsat data is used in conjunction with other geology and geophysics.

Now, also, geochemistry has come back. Thirty years ago, geochemistry was something people looked at with some emotions, pro and con. Today, vilification of geochemistry has receded to the point that geochemistry has become acceptable. . . . Paleogeographic studies, the old relic studies of where the seas were and were not, [we] put all that together with new concepts of geology, geophysics, geochemistry and Landsat.

And you even have new electrical methods, surface electrical methods like the flying magnetometer, in airplanes, and things of this nature. We've got more going for exploration ideas than we ever had before, and a lot of them are brand new. So it's like we've been born again in starting off exploring.

EIR: What, in your estimation, are the most promising areas over the next decade for discovery of new giant basins [larger than 500 million barrels—ed.]?

Halbouty: I think there will be more giant fields found all over the world, there's no question about it. I just completed a study published by the AAPG. From the decade 1968 to 1978, there were 288 giants found in the world. In 1967, if you had asked any geologist anywhere how many giants would be found in the next ten years, he would never have given that high a figure. So the question comes up: how many giants are going to be found in the decade 1979-1989?

Well, if we found 288 giants all over the world in the past ten years, then there's no reason we can't find maybe as many as 288 more—if not more. Because there are areas of the world that have just not been explored. And every country, and there are even developing countries, with prospects to develop giant fields where we haven't even gone in to see what kind of geology those countries can even give.

The fact is, we just haven't even been *interested* in going into those countries. And, in the United States, I think we'll find many more giants. We'll find them, hopefully, not by accident. We'll find them deliberately. A lot of them can be found in the so-called subtle trap.

Now, no one predicted Prudhoe Bay. But I'm not going to say there are no more Prudhoe Bays in the Arctic. If the government will let us drill on those lands instead of cutting them off and saying you can't even work through it—I don't know what the land is going to

be good for—so, if we've got metals and minerals and oil and gas to be found, instead of spending billions of dollars on foreign sources, why don't we find our own?

EIR: There's considerable discussion about the current so-called boom in domestic drilling activity. How do you assess this?

Halbouty: Well, we have about 3,800 rigs running now, as opposed to a low of about 1,700 to 1,800. . . . Frankly, I think the rig count has more or less plateaued out for a while. And whether or not we will get more rigs depends on whether we have continuation of so-called in-field drilling. A lot of these rigs are running in existing fields instead of going out wildcatting [in unexplored areas—ed.] We're not increasing our reserves by drilling like that. I've argued against that for many years. . . . All you are doing is getting the oil out faster by drilling more wells. And you'd be surprised. Eighty-odd percent of our rigs are operating on things of that kind, and very few real honest-to-goodness wildcats.

Now, what I'm advocating is that we get away from doing this in-field drilling and get out there and let's search for these prospects that I as a geologist, and other geologists, know are out there to be found. That's the only way we can increase our reserves.

EIR: What is needed to ensure more wildcat exploration is undertaken?

Halbouty: I was so pleased when President Reagan decontrolled oil since I had advocated it so strongly. We are seeing a movement now of some rigs into wildcat areas. . . . The Windfall Profits Tax [of 1980—ed.], in my opinion, is a disaster. I think it ought to be restructured, or completely eliminated: If I had my choice, I'd take the latter. The reason is that it would give more money to go out and do exploration.

Four and a half years ago, I had some five year leases, and I drilled a well 10,000 feet. And we kept the leases. It was a dry hole. The well cost me \$118,000. Now I have done some geophysics and I found that the geophysics we did before was a little off. . . . Now we're getting ready to drill another well before the lease is expired. My General Superintendent came in and gave me an AFE [authority for expenditure—ed.] on it and I almost fell out of my chair! \$680,000 for the same size well, 10,000 feet deep, in the same area, through the same formation!

Carter made so many mistakes. He probably went through a hundred bills on energy, and every one did nothing but deliberately impede the progress of exploration. . . . All he did was hold back energy, as if you were going to save it for some time in the future. You can't do that. This is what we said in our task force report [Energy Task Force Report, November 5, 1980—ed.]

EIR: Thank you for your thoughts, Mr. Halbouty.

RFC proposed for ailing industry

On April 10 Rep. Frank Guarini (D-N.J.) introduced legislation (H.R. 3218) which would establish a Reconstruction Finance Corporation for industrial aid and would also mandate a \$20 billion tax relief for individuals and corporations. Title I of the bill would set up a Reconstruction Finance Corporation with \$5 billion in tax tools and \$5 billion in nontax tools such as loan guarantees and interest subsidies to aid industry. The RFC would be, according to the bill, administered by a board that would include the Secretaries of Commerce, Labor, and Treasury as well as two representatives each from labor and industry. Warning that "our industrial society is losing ground to a service-oriented economy, and the loss of basic industrial strength bodes poorly for our future defense needs," Representative Guarini has indicated that he intends the RFC to especially aid "older industries that have difficulty obtaining financing, high-risk industries with growth potential, firms competing with subsidized foreign firms, and industries vital to the United States on national security grounds." Capitol Hill sources noted that this would include industries such as steel and rubber, and some of the high-technology industries like computers.

The second part of the bill would provide a tax credit for workers of 20 percent of their Social Security tax. Employers would receive a 5 percent credit for their share of the payroll tax. This is estimated to amount to a \$20 billion tax relief, \$16 billion for individuals

and \$4 billion for employers.

The measure is supported by the AFL-CIO which in their April 18 newsletter ran a front-page article of endorsement. Sources at the AFL-CIO headquarters have indicated that the national labor association would like such an RFC to finance energy programs such as synthetic fuels boondoggles and coal-exporting programs.

There is a lot of concern about the concept of the RFC because it has been largely advocated by those who want to use it to rationalize industry. One of the main promoters of such a proposal is New York investment banker Felix Rohatyn who writes extensively on why an RFC is needed. Rohatyn, as chairman of the Big MAC in New York City was responsible for overseeing the collapse of the city's infrastructure. Although this may not be the congressman's intention in introducing his bill, there is some concern that it will be promoted by those who have other intentions. Congressman Guarini will shortly be asking Rohatyn for his support for H.R. 3218, sources report.

Biden going after illegal drug assets

Senator Joseph Biden (D-Del.) announced April 30 that he plans to introduce legislation to implement various statutory changes in order to enhance federal enforcement efforts to break up illegal drug traffic by going after and seizing the assets of individuals and organizations involved. Biden simultaneously released a General Accounting Office report which he described as "sharply critical" of the

Justice Department's role in seizing only \$2 million worth of assets over a 10-year period as compared with an estimated \$60 billion annual drug traffic.

"Going after criminal assets," said Biden, "was hailed by the Nixon administration in 1970 as the ideal weapon for breaking the back of sophisticated narcotics operations. . . . With these changes in place . . . if assets still aren't being taken, it's not going to be the law's fault—it's going to be because the Justice Department isn't doing its job."

Biden has been highly critical of cuts in the Drug Enforcement Administration budget. Capitol Hill sources report he will introduce legislation to restore the DEA funding.

Revival of defense industrial base sought

In an effort to reverse the decline of America's defense industrial base, Sen. Strom Thurmond (R-S.C.) has introduced legislation to revise U.S. military procurement practices. The Armed Services Procurement Policy Act of 1981, S. 1023, was introduced on April 29 to establish a more flexible procurement policy based on the cost-savings of multiyear procurement, rather than single-year contracts now in effect. Thurmond said in a speech delivered on April 30, "Industry at all levels hesitates to make capital investments funded for only one year. . . . Multiyear funding offers dramatic benefits in defense programming stability."

Thurmond pointed to the near-collapse of the defense industrial base in recent years, citing severe

shortages of technicians, engineers, and skilled blue-collar workers, and the aging and obsolete plant and machine-tool base.

Defense observers noted that Thurmond seemed to distance himself from Assistant Defense Secretary Frank Carlucci's proposal of a week earlier, which also called for multiyear procurement but explicitly sought to freeze defense production into existing technologies and avoid expensive new R&D.

The Thurmond bill's declaration of policy states "that costs to the government [should be] reduced and the contractor [have] an incentive to improve productivity through investment in capital facilities, equipment and advanced technology."

EPA nominee waffles on critical issues

Despite hysteria from major environmentalist organizations and media such as the *New York Times* and *Washington Post*, Environmental Protection Agency Administrator designate Ann McGill Gorsuch gave the opposition very little basis to attack her on at confirmation hearings on May 1.

In fact, Gorsuch gave her proponents very little to point to either, as she refused to take a stand on any major issue. One industry lobbyist expressed dismay after the hearing, noting that Gorsuch is going to have to take a quick and firm control of the debate on issues such as the Clean Air Act revisions in short order or lose enormous political capabilities.

The panel of environmentalists

who opposed the Gorsuch nomination could only complain that Gorsuch was a friend of their arch-nemesis Interior Secretary Jim Watt. Senator Pete Dominici (R-N.M.) chastised the environmentalists, saying "All you have said here is that she might be influenced by the rest of the administration, whose policies differ violently from your own. I consider this the most unfair excuse for opposition that I have ever heard."

The Fusion Energy Foundation and the National Democratic Policy Committee testified in Gorsuch's favor. FEF spokesman Stan Ezrol stated, "We think it's just fine that she is a friend of Jim Watt. It is time that we had policymakers who understand that man is superior to a lousewort or a rock and that man has a God-given right to change, exploit, and develop nature as he sees fit."

Immigration hearings open in both houses

The immigration subcommittees of the Senate and House Judiciary Committees began an unusual series of joint hearings on May 5, to review the findings of the Hesburgh Commission Report on Immigration as a prelude to their planned major revisions of U.S. immigration policy. The two subcommittee chairmen, Sen. Alan Simpson (R-N.Y.) and Rep. Roman Mazzoli (D-Ky.), have yet to announce their own position on immigration policy, but both offered extensive praise to the Hesburgh recommendations which would significantly close U.S. borders. The Hesburgh Commission rules out a "guest worker" pro-

gram, calls for the establishment of employee I.D. cards and allows for only a nominal increase in U.S. immigration quotas.

Theodore Hesburgh, commission chairman, summed up the policy by saying, "We want to close the back door as much as possible and open up the front door a little bit."

Observers noted that President Reagan has spoken in favor of an open-border approach on many occasions and that Hesburgh was perhaps trying to counter such sentiment. A number of congressional allies of the President, such as Senators Jack Schmitt (R-Ariz.), Paul Laxalt (R-Nev.) and Sam Hayakawa (R-Calif.) have introduced various forms of guest-worker programs, aimed especially at facilitating temporary workers from Mexico. Lungren, a member of the House Immigration Subcommittee, noted that he was surprised to see Hesburgh "devote one-third of your testimony to refuting the guest-workers program, since I think your commission gave our proposals rather short shrift."

This initial round of hearings continues for three days, with the last panel on May 7 devoted to "population experts," many of whom were involved in the promulgation of the *Global 2000 Report* which makes population control a cardinal national security tenet. Hesburgh's sympathies in this light became clear as he noted that "I see the huge migrations of peoples as one of the great specters of the future. And I am not only talking about huge pressures on our borders, but I could see hundreds of millions of Indians, for example, marching on Europe if there was a famine in India."

National News

Senators increase NASA budget line

The Senate Commerce Committee on May 6 marked up the FY82 NASA budget and added \$100.7 million to the Reagan budget proposal of \$6.1 billion. Paralleling the House Science and Technology Committee's authorization action last month, the Senate budget would restore funding to most of the crucial projects cut or restrained in the Stockman proposal.

Senator Harrison Schmitt (R-N.M.), whose subcommittee has NASA budget oversight, still takes the view that the original NASA request of \$6.7 billion is excessive, but has ensured that options are kept open. Of the \$100.7 million addition, \$45 million is for space, and the remainder for aeronautics programs. The Upper Atmospheric Research Project is restored at \$10 million, and the spacelab for the Shuttle gets an additional \$8 million. Technology programs, materials processing in space, and other programs Stockman would have cut are kept alive.

While the Senate committee version still amounts to an austerity budget for NASA, committee staffers point out that the language of the bill conveys the committee's intention to commit the U.S. to an International Solar Polar Mission spacecraft, and to pursue a fifth Shuttle orbiter and other programs.

NRC post filled by Palladino?

Dr. Nunzio J. Palladino, dean of the College of Engineering at Pennsylvania State University, is reportedly about to be nominated in the next several days by President Reagan as chairman of the embattled Nuclear Regulatory Commission. Palladino, a professor of nuclear engineering with considerable experience in research and industry design of nuclear reactors, served on the Pennsylvania

commission to investigate the Three Mile Island accident and is a former president of the American Nuclear Society.

If confirmed by the Senate, he would replace interim chairman Joseph Hendrie, who has said privately that he will end his term on June 30. The Palladino nomination would fill what U.S. nuclear industry officials call the most crucial post for unblocking the stalemate in U.S. nuclear construction. Utilities estimate that the 10 reactors nearing completion will cost more than \$15.5 billion in substitute fuels, coal or oil, because of anticipated NRC licensing delays.

If Palladino is named, it will leave the fifth and last seat to fill, which became vacant in December 1980 with the retirement of Commissioner Richard Kennedy.

Episcopalian: Runcie's visit will boost Global 2000

Commenting on the Archbishop of Canterbury's tour of America, the hunger expert of the Episcopal Church, Dr. David Crane, told a reporter, "The archbishop's visit to the United States and the statements he's made so far are a tremendous boon to us. Now we'll be able to use his pronouncements to give authority to the work we're doing in spreading the messages of the [World Bank] Brandt Commission and Global 2000."

Crane revealed that he is working with "many institutions in the church and the Anglican Communion in Canada on a lifestyle modification project. We're using Global 2000 and the Brandt Commission studies [which advocate labor-intensive, low-energy production] as resource documents. We want people to realize that if they don't curb their overconsumption, then the hideous predictions of Global 2000 will come true.

"We're targeting parishes all across the country and in Canada on this. We're telling people that there's no reason the average American should consume so many calories when people in Africa are starving. This is the doctrine of small is beautiful." Crane added that the Episco-

pal Church is sponsoring a project to reverse the Book of Genesis doctrine that man holds dominion over nature.

Archbishop Runcie met on May 2 with Robert McNamara, who as head of the World Bank helped enforce the austerity and lack of credit that led to mass famine in Africa. McNamara, a member of the Population Crisis Committee, contributed to the Global 2000 project.

Paraquat bill passes House committee

A bill to restore the use of the antimarijuana herbicide paraquat unanimously passed the Foreign Affairs Committee on May 7. The bill, H. R. 2364, was introduced by Billy Lee Evans (D-Ga.). It would repeal the controversial Percy Amendment, which prohibited U.S. aid for the use of paraquat by other countries on the grounds that paraquat endangers the health of U.S. marijuana smokers.

The Evans bill specifies that funds already appropriated for Colombia under the Foreign Assistance Act may be used for paraquat spraying. Colombia is estimated to supply 70 to 80 percent of the marijuana consumed in the U.S.

A similar bill has been introduced in the Senate by Sam Nunn (D-Ga.) and Lawton Chiles (D-Fla.), and will soon be voted on in Percy's Foreign Relations Committee.

Pressure for the resumed use of paraquat in the U.S. itself is coming from such places as Colombia, according to federal officials. "Colombia is a little suspicious," said a DEA spokesman. "They're reluctant to start eradicating their marijuana crops if the U.S. doesn't do the same thing."

At a May 7 press conference with Evans, spokesmen for the Reagan administration said that the bill would promote their policy of stopping drugs "at the source."

In Mexico, a mammoth U.S.-Mexico herbicide program cut marijuana imports from 80 percent to 14 percent of U.S. consumption.

Exchange U.S. milk for Mexican oil?

Representative Don Albosta (D-Mich.) and 14 House colleagues have proposed to Agriculture Secretary Block that he exercise his authority to negotiate a direct exchange of milk for oil between the United States and Mexico. In a cover letter to Block dated April 7, Albosta explains that the exchange "would benefit both this country by reducing excess dairy products as well as providing needed food for the Mexican people."

Since Mexico has expressed interest in American dairy products in recent years, and is a significant oil and gas producer, the congressman states, "We urge you to negotiate a barter arrangement with Mexico whereby the United States would exchange dairy products now held in storage by the CCC in direct exchange for oil." Petroleum obtained in this way, the letter stipulates, would go into the national strategic reserve.

As Congress considers the 1981 farm bill, the proposal suggests, "Consumers would see the value to the country of being able to trade an agricultural product for oil that this country needs now," adding that it is time "for creative solutions to national problems."

Among the cosponsors of the bipartisan proposal are Tom Harkin (D-Iowa), Arland Stangeland (R-Minn.), and Millicent Fenwick (R-N.J.).

CEQ staff issues 'last testament'

The professional staff of the White House Council on Environmental Quality (CEQ) finally vacated the premises this week, nearly a month after the whole lot was fired by the White House.

At a farewell party, CEQ staffers spoke bitterly about their firing, acknowledging that it was prompted by the CEQ's role in the production of the Carter administration's *Global 2000 Report*

CEQ staffers prepared a statement, which some compared to a "last will and testament," laying out an environmental agenda for the 1980s. The document, which reaffirmed the staff's commitment to the Global 2000 report, is expected to be chucked by the White House.

However, CEQ personnel report that they have been quietly working with "closet Global 2000 supporters" in the State Department, particularly Assistant Secretary for Security Assistance James Buckley. The CEQ staff has prepared a confidential memo outlining a plan for the implementation of Global 2000's doctrine, regardless of White House disapproval.

Ottinger bankrolled terrorist-linked groups

Richard Ottinger, the sponsor of House bills to decriminalize marijuana and impose zero population growth on the United States, has been involved in funding terrorist and terrorist support groups operating against the populations of the United States, Western Europe, and Israel for the past five years.

According to the annual reports of the Ottinger Foundation, of which Richard Ottinger is vice-president and a director, between 1975 and 1979 the foundation donated \$29,000 to the terrorist-linked Institute for Policy Studies, and another \$50,000 to the IPS funding conduit and front group The Youth Project. Ottinger family money also goes to an array of antinuclear groups, and is closely tied to the Stern Fund, which bankrolls groups directly involved in violent activity against U.S. nuclear power installations.

The Institute for Policy Studies is a left-liberal think tank that has rubbed shoulders with Japanese Red Army, Weathermen, and Palestinian terrorists. IPS's Boston spinoff, the Cambridge IPS, included former Weatherman central committee member Bo Burlingham on its board of advisers, and trained such notorious Weather Underground figures as Mark Rudd, Bill Ayers, and Eric Mann.

Briefly

● **GEORGE KEYWORTH** is expected to be named as White House science adviser. Dr. Keyworth, who heads the physics division of Los Alamos Laboratories, is credited with a major role in revitalizing the U.S. laser fusion research program. Keyworth's appointment has received solid support from the advanced-technology research community, as well as from Sen. Harrison Schmitt.

● **AL D'AMATO'S** resolution for cutting all federal housing subsidies to cities that maintain rent control passed the Senate Banking Committee on May 5. The New York Republican is a close associate of mob lawyer and East Side Conservative Club member Roy Cohn, whose clients stand to reap a bonanza on the real-estate speculations if rent control is repealed.

● **MICHAEL NOVAK**, the right-wing social democrat who serves as the U.S. ambassador to the U.N. Commission on Human Rights, organized a counterdemonstration to the May 2-3 Washington march in protest of U.S. involvement in El Salvador. Novak, like march sponsor Daniel Berrigan, is a Jesuit asset; his counterdemonstration was joined by the Collegiate Association for the Research of Principles (CARP), whose chief sponsor is cult figure Reverend Sun Myung Moon.

● **ROBERT GARCIA**, Democrat of New York, is going ahead with plans to hold hearings on the Carter administration-prepared Global 2000 report in his subcommittee of the House Committee on the Census and the Postal Service. Garcia, who represents the bombed-out South Bronx, is backing Westchester County Democrat Richard Ottinger's H.R. 907 proposal to set U.S. population at 100 million people. Spokesmen for the National Democratic Policy Committee have been invited to testify against Global 2000.

Cleaning out leftovers

On May 4, while Secretary of State Alexander Haig was away in Europe, I saw Edmund Muskie back at his old offices in the State Department. Department spokesmen would not deny that Ed was "in control." The State Department press staff is worried about how to sell Haig's policy of seeking closer friendship with the Guatemalan dictatorship. In a private conversation, one press officer said, "They're the meanest killers around."

I looked around the Council on Environmental Quality building on May 4, the last day at CEQ for most of the Carter administration leftovers who helped prepare the *Global 2000 Report* for the ex-President.

No one said why so many documents were being taken out of the building. Do some of the 80 percent of the CEQ staff who have been unable to find new jobs plan to release "The Environmental Papers" to the *New York Times*?

Those few CEQers who have found jobs are overpopulating the staffs of various radical environmentalist groups. Ex-chairman Gus Speth works for the Conservation Fund here in D.C. and the Hubert Humphrey Institute in Minnesota. Does he commute by bicycle? Jim McKenzie is at the Union of Concerned Scientists (sic), and R. Michael Wright is going to the World Wildlife Fund.

I want to know who got a new staff position at the U.S. Association for the Club of Rome, that organization dedicated to abolishing the Judeo-Christian tradition.

A number of CEQers were up for it. As the CEQ flakes left the building for the last time, they chanted, as a gibe against Interior Secretary Watt, "Mine every mountain, dam every stream, poison every coyote; that's my fondest dream." They should go to Idaho for an education.

State environmental prohibitions against poisoning coyotes have severely damaged the wool industry there. When an environmentalist advised the state senate to castrate all male coyotes, a farmer and senator, shocked at the environmentalist's perverse understanding of the problem, explained, "Ma'am, those coyotes aren't raping our sheep, they're eating them."

Some of these unemployed CEQers might find help at the State Department. Senator Charles Mathias (R-Md.) is circulating a letter telling his colleagues not to worry. In spite of Carter's defeat at the polls, the Haig State Department still supports Global 2000. Indeed, on May 13, State planned a closed session for its personnel on the Carter administration Global 2000 policy. (What was Ed Muskie doing there?) Kitty Gillman, a Global 2000 author, says that Jim Buckley, the "conservative" undersecretary of state for security assistance, is "practically best friends" with Russell Train, chairman of Citizens for the Year 2000 and board member of the World Wildlife Fund. Buckley roomed with Train while looking for a residence in the capital during the transition.

Odds and ends

CIA Director Bill Casey told the U.S. Chamber of Commerce, "The State Department had warnings . . . on Iran . . . They had intelligence . . . there was a failure of more than intelligence in Iran." A former leading member of the Iran

Working Group throughout the crisis has been removed from the Iran desk and placed in a less sensitive position. The reason? "You can only lose a country once in your career." . . .

Seduction is still a widely used technique of political persuasion. At immigration policy hearings, Father Theodore Hesburgh characterized opposition to his "closed border" proposals by saying, "Many people find this guest worker proposal very seductive." Rep. Dan Lungren (R-Calif.), who supports a guest worker approach, replied, "This is the first time I've ever been accused of seduction, and I'm quite surprised, Father, to learn you are the seductee." . . .

At confirmation hearings, John Gavin, the President's choice to be ambassador to Mexico, was asked how an acting career qualified him to be an ambassador. "Mr. Senator," Gavin replied, "I have 40 movies that prove I have never been an actor."

Replacing the tip

I got some tips from the Democratic Party this week. It seems a lot of Democrats wanted to get a tip out.

The way someone near the House Majority leadership put it is, "If [my boss] had called for Tip O'Neill to be replaced because his leadership qualities had atrophied from lack of use, he would have gotten a standing ovation." Does this condition affect only the tip, or has it spread more widely in the party?

Tip got not a feather, but a Byrd in his cap when the Senate Minority Leader joined him in predicting defeat for a Democratic alternative budget. Charlie Manatt, chairman of the Democratic National Committee, is described by a friend as "the kid all the other kids hated at school."