

# EIR

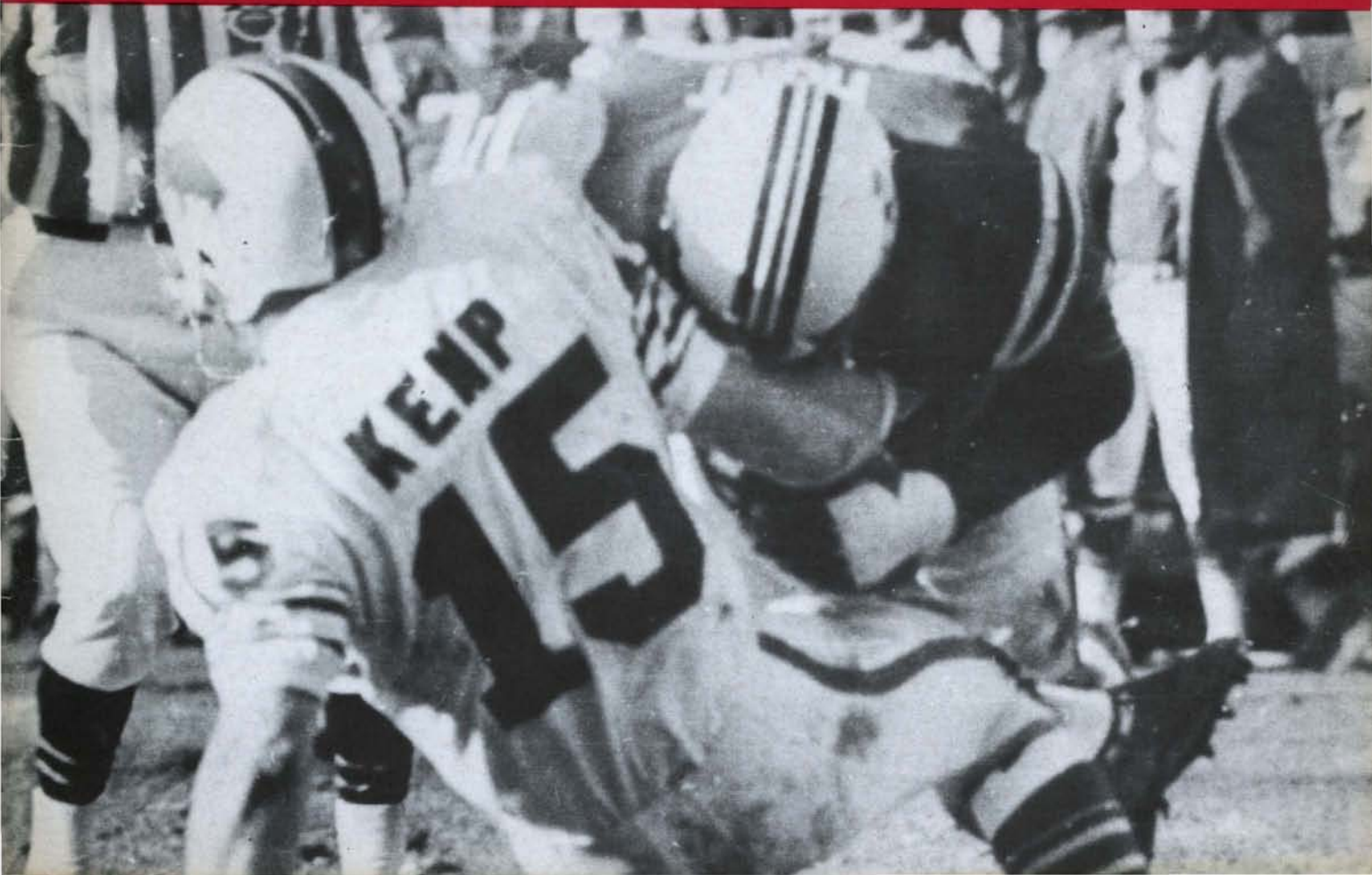
Executive Intelligence Review

June 2, 1981

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Who wanted to eliminate the Pope  
A new phase in the interest-rate war  
Why aid to Zia will destroy Pakistan

**LaRouche-Riemann computer study  
tackles the Kemp-Roth tax bill**



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# EIR

## From the Editor

This journal has explained, and the Kemp-Roth sponsors themselves admit, that the supply-side tax-cut plan is not a plan for net U.S. capital formation, but an income redistribution scheme. Now we have projected the plan through the LaRouche-Riemann econometric model's simulations. The results attest that it is *a specific kind of redistribution*, under which the decline of essential sectors accelerates, and assets are built up in the so-called "sunrise" areas. But, as Economics Editor David Goldman, who directed the report, points out, these latter sectors are inherently overhead sectors; when underlying production is cut back, there is neither demand nor resources to sustain them. The tax policy ends up favoring no one, and nothing, but economic collapse.

The report further shows that the "refundability" and "transferability" alternative proposals by liberal Republicans are a finer-tuned instrument for the same process—hastened by Treasury outlays to corporations that are scrapping assets. A third proposal, the National Democratic Policy Committee's outline of how to "target" cuts to promote high-technology industrial investment, concludes the report.

I'd also like to call your attention to two contributions by *EIR* founder Lyndon H. LaRouche, Jr.: an analysis of the Anglican hierarchy's attempt to destroy the Catholic Church as a repository of prodevelopment principles; and an open letter to Leonid Brezhnev specifying the strategic miscalculations and the "curse of littleness" that must be overcome if the world is to survive the dangerous interlude following the defeat of France's Giscard. In our National section, you'll find a picture of the "shuttle diplomacy" by Alexander Haig and Henry Kissinger that secured Giscard's ouster and escalated the policy war against Reagan.



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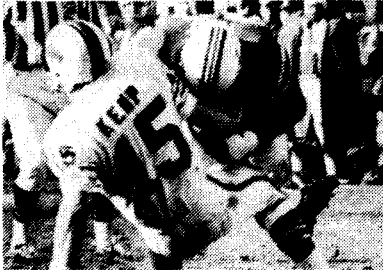
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## New phase in the global war over interest rates

by David Goldman

West German Chancellor Helmut Schmidt's consultations in Washington began May 21 with, according to West German aides, a polite but tough lecture to the American President on the interest-rate problem. Schmidt will tell Reagan precisely what he informed a West German television audience on May 18: that the Federal Reserve's high interest-rate policy has created a self-feeding spiral of rising money supply and further rises in interest rates.

After the electoral defeat of French President Valéry Giscard d'Estaing, the European leader in the best position to influence American economic thinking, Schmidt, and Mexican President José López Portillo are the foreign leaders with the most presence in Washington. They are both telling Reagan the same thing, i.e., that high interest rates are inflationary and therefore self-defeating.

White House counselor Edward Meese heard a similar argument last week from a delegation of the U.S. League of Savings and Loan Associations led by their executive director, William O'Connell, and League President Rolland Barnard. A League release of May 15 said the delegation told Meese that "the federal government should take decisive and dramatic action to promptly bring down today's intolerable interest rates."

Sensitive to the President's concern, Treasury Secretary Donald Regan and Undersecretary for Monetary Affairs Beryl W. Sprinkel spent most of the week of May 11 trying to talk interest rates down, arguing that the Federal Reserve's monetarist policy would successfully lower rates. The markets responded with rising bond and stock prices for all of two successive trading days, May 15 and May 18, before turning down again sharply in

expectation of a further prime rate rise above the present 20 percent level. The predictable failure of the Treasury's bland assurances have made "Paul Volcker the number-one problem we have to deal with," according to a Senate source close to the White House. The events of the past several months make it difficult for the American President to reject, upon reflection, the arguments of the West German chancellor, which have been repeated in a barrage of statements from Mexican government and trade-union officials and newspaper editorials during the past week.

As *EIR* noted three weeks ago, the more than 12 percent per annum rise in the narrowly defined money supply M1B during the first quarter of 1981 is due to a staggering influx of Eurodollars into the U.S. credit markets. Most of the Eurodollar influx is not short-term movement of funds in response to high dollar interest rates—most of this activity has remained abroad in the foreign markets and not affected domestic money aggregates. Instead, the rise in M1B reflects massive foreign corporate borrowing to pay domestic expenses. The auto companies alone, according to a Department of Transportation internal study, have borrowed \$12 billion abroad in order to pay domestic bills during the past 18 months.

In a period where corporate interest costs absorb about 60 percent of internal cash flow, higher interest rates force an increase in the rate of borrowing and the rate of money supply growth.

In an interview with nine American correspondents released May 18, Chancellor Schmidt expressed confidence that the U.S. administration would not revert to the Nixon-period policy of "benign neglect," a reference

to the unfortunate phrase of then Treasury Secretary John Connally. "I think this will not be done again by the Reagan administration. They certainly want to listen to what the French and Germans feel about this," Schmidt concluded.

Whether Reagan will be in a position to reflect on the accuracy of Schmidt's analysis and recommendations, however, is a different story. The Treasury monetarists may have blown their credibility as interest-rate forecasters, but they are by no means out of ammunition. These boys and their ally Paul Volcker—who has actually drawn political strength from the Punch-and-Judy show with Treasury officials—are playing rough.

How rough Volcker can play was made clear during the third week of December 1980. On Dec. 18 Volcker met with the chairmen of the leading New York City banks, and brought their message to Reagan the following week: unless he respects the independence of the Federal Reserve, the banks would destabilize the markets through "loss of confidence."

At the Fed chairman's request, President Reagan met with Volcker again on May 18, and heard roughly the same formulation. The markets have rejected the President's program as inflationary, and are especially disturbed by Treasury Undersecretary Beryl Sprinkel's accusations that the Fed has let the money supply run out of control. Volcker demanded a moratorium on White House criticism of the Fed and, according to the May 21 *New York Times*, received assurances that Sprinkel would keep his mouth shut for the meantime.

That cuts both ways. The Treasury official, a long-time stand-in for monetarist Milton Friedman in Chicago economics circles, had indeed made the only public attacks on the Fed the administration has thus far attempted. But his argument was in favor of even more stringent monetary policy; if implemented, it would produce an immediate collapse of economic activity. A 12 percent per annum increase in money supply during the first quarter barely managed to finance an economy that in real terms was dead flat (the 8.5 percent rise in GNP reported by the Commerce Department is two-thirds statistical hoax and one-third economic fluff). For Reagan to censure the Treasury's house Friedmanite does not necessarily indicate underlying support for what Volcker is doing.

Volcker and the banks have one ploy, and that is to brainwash the President though the specter of "market instability." Reagan's own adviser Alan Greenspan now calls the 1982 budget deficit \$20 billion higher than the OMB's forecast of \$37.2 billion, while the Congressional Budget Office predicts twice the increment. These warnings are unfortunately correct (see Domestic Credit). The President's first response was to take some bad advice from OMB director David Stockman and seek additional budget cuts in the Social Security field. The 96-0 repudia-

tion of this first effort by the Senate showed the President, at least, that Stockman's advice should not be trusted in this situation. But the September budget review, where the genie of higher deficits will come out of the bottle, is still a hurdle that Reagan has no means of facing down at the moment.

Meanwhile events on the financial markets will get worse fast. The extraordinary rate movements on the foreign exchange markets (see Foreign Exchange) of the last several days presage a situation in which the dollar could go back into the barrel. A new prime rate increase appears inevitable for the end of this week, and the stock market will probably continue floundering below the 1,000 mark on the Dow-Jones average.

September may be the trigger point for a conjuncture of events that will blow the Reagan economic program to pieces, including 1) a sharp downturn in real economic activity in response to unsupportable interest rates, 2) the congressional budget review, 3) a probable sharp fall of the American dollar (according to a scenario circulated by Bankers Trust vice-president David K. Sandburg), 4) the possible breakup of the European Monetary System through the exit of the French franc, and 5) difficulties in financing the \$75 to \$100 billion payments deficit of developing countries.

For the past several weeks, the Fed chairman has held President Reagan through a sort of monkey trap, of the type that involves food in a narrow-necked vessel. The tighter President Reagan holds on to the Kemp-Stockman economic program (see Special Report), the more firmly he is held in an economic trap. But he has made a commitment to this program and to advisers who have told him it will work out, and is too stubborn to abandon it "before it has had a chance to work." Volcker and the money-market barons hope to keep him flailing until it is too late to do anything else.

This is what made Schmidt's visit so pivotal. To the extent the West German leader can persuade Mr. Reagan that his complaint against high interest rates is neither a political ploy to satisfy internal West German complaints, nor a matter of narrow West German self-interest, but a question involving the survival of the Reagan administration itself, Schmidt might just do the trick.

Despite dug-in opposition from his own central bank, Schmidt has taken the first steps toward putting on line a form of two-tier credit system in West Germany, involving the proceeds of a DM 6 billion loan from Saudi Arabia, to be lent out through the West German economic development bank at low interest rates to West German industry. With Schmidt's close ally Giscard out of the picture, and consequent smaller leverage against his own domestic opponents, Schmidt's own program is in doubt at home. But he can, at least, point a way out of the crisis facing the U.S. President—something that Mr. Reagan is seeking urgently at this time.

## Aspen: Schmidt will press Brandt policy

*What follows is excerpted from an interview, provided to EIR, with a senior official of the Aspen Institute on the subject of Reagan administration relations with the West German government of Chancellor Helmut Schmidt.*

**Q:** What do you expect to develop on the question of North-South policy and the Brandt Commission?

**A:** Schmidt will have a hard time resisting that. The Brandt Commission, oddly enough—and I had the original discussions with Brandt on this, it's not his thing, you know—has picked up steam and is getting more attention now than when it first came out. . . . An inner compulsion is growing about the Brandt report, not just on aid, but on the arms question, and the arms bill, and being able to help the North-South relationship. The introduction to that report, which Brandt wrote, is the linkage between a trillion-dollar [U.S.] budget for arms, versus the need to strengthen the South.

Also, the Germans took the lead at the U.N., and when Reagan pulled the rug out under the Law of the Sea treaty, they pulled the rug out under the process of these negotiations on resources and trade with the LDCs, they pulled the rug out from under one of the major German initiatives in the broader international scene. Schmidt will say, "Can't you review this, Mr. President?"

**Q:** Why should Schmidt go with anything of Brandt's?

**A:** There's an inner compulsion. The LDCs are not only social and political problems, but they are an enormous area for battleground and conflict. There are going to be 6.3 billion people in the world that we can't support by the year 2000. . . . We are running out of food, water, natural resources; this is becoming a tremendous national security problem, and the U.S. may not realize it yet—some people do—but Schmidt is perfectly well aware of it. . . . Schmidt will tell Reagan to pay more attention to this and say he hopes to spend their next meeting more on North-South problems, we hope you don't slash your

aid program, we hope you let others take care of fighting in El Salvador. . . .

**Q:** Who is pushing the Brandt Commission?

**A:** I had lunch with the Archbishop of Canterbury last week, and he raised the Brandt Commission by name. That wouldn't have happened a while back. McNamara is pushing it. Lambsdorff and the Bundestag members brought it up at the Princeton German-American Council meeting. . . .

**Q:** But Schmidt is one of those people who thinks development can solve everything, and so is Reagan.

**A:** Schmidt is more sophisticated than that. What's made him change his mind is that the U.S. pulled the rug from under Germany in its dealings with the LDCs. Schmidt has his own problems on this at home. He has the growth of the Green Party, and their collaboration with the people who are raising objections to the nuclear weapons and to nuclear energy . . . and I don't think he has the resilience he had two years ago.

How can they export huge amounts of equipment when they can barely pay for the oil and food they're importing? It would have to be a very large system of export credits, and I think Schmidt is smart enough to know that will not fly by itself, without what was being proposed at the U.N.

**Q:** But do you think Reagan will respond positively to a Brandt-type approach?

**A:** He'll have to, given the world situation. Haig, for one, will urge Reagan to be more open to the Brandt Commission report, and to go with it. I saw Haig a few weeks ago on this and he's opening his mind to the approach. He's very concerned not to be seen as just a militant on East-West issues, that backfired on him. Haig met with Archbishop Runcie on this and he took him pretty seriously. Many of his advisers are telling him that the issues raised by Global 2000 and the Brandt report are the real security issues; Walter Stoessel [outgoing ambassador to Bonn] is also advising Reagan of this. . . . Schmidt is a more formidable person to be discussing this with than anyone Reagan has met so far. He's also being advised by Baron von Staden, his principal foreign affairs adviser, that this is the way to proceed with the U.S. Von Staden is tremendously powerful, he knows all the ins and outs of Washington.

**Q:** What will come out of this week's summit?

**A:** Just a general agreement to talk further. . . . The problem will be much bigger [by the time of the Ottawa summit] . . . there are El Salvadors all over the place. . . . Mexico is going to be tumultuous, the development process is getting out of control there, and so is population. . . . Saudi Arabia is going to be in turmoil. . . .



## A case of subversion

*Efforts to pit Reagan against the developing countries are coming from the Brandt Commission.*

In the months leading up to a controversial summit to be held in Mexico this fall on "North-South" relations, the "Brandt Commission" has launched a far-flung international campaign to seize control over that summit.

The recent hoopla at United Nations headquarters in Geneva, Switzerland over a Reagan administration veto of a U.N. program to regulate powdered milk sales to Third World countries is part of the Brandt Commission campaign. The incident fits in with a pattern of accusations from Brandt Commission circles that the new breed of "neo-conservatives" inhabiting Washington has no comprehension of Third World needs. The milk incident and related accusations are aimed at wrecking Reagan administration diplomacy toward countries like Mexico before autumn.

Formally titled the Independent Commission on International Development Issues, the Brandt Commission name refers to its chairman, Socialist International head Willy Brandt. It was formed on request of the U.N. in 1977 to elaborate proposals for governing economic ties between industrial and developing countries.

In summary form, the Commission's recommendations boil down to the following:

- The industrial countries should reach agreement with the oil producers in OPEC for indexed an-

nual oil price rises pegged to Western inflation.

- OPEC should use its constant revenues to finance the deficit of the poorest nations in the world which in recent years have been essentially cut out of the private capital markets.

- Containment of the payments deficits of the poorest nations can then pave the way for increasing the financial resources of the World Bank. The Commission report recommends that the "gearing ratio," the ratio between liquid capital and loans at the World Bank be upped from its present level of \$1 in to \$1 out, to 2:1 or 3:1.

- The Commission is emphatic that the constraints of international monetary problems created by a decade of oil crisis dictate that industrialization of the Third World is impossible. Lending to the developing sector *must* be confined to financing labor-intensive, or "appropriate," technologies.

The Commission's self-serving propaganda about the needs of the poor fails to hide that what this program really amounts to is a fantastic bailout to the international money-center banks. In mid-April, *Far Eastern Economic Review* (FEER), the journal of Hong Kong-British banking elites, endorsed the Brandt Commission recommendations in a cover story which also attacks Reagan and his "neo-conservative" movement. It is

worth noting that the FEER story never mentions the Brandt Commission by name. Nevertheless, the contents of its recommendations are identical to the Commission's study.

FEER states: "forget humanitarian grounds for aid. . . . Simply look at the problems of sustaining some sort of equilibrium in the non-socialist financial world on which international trade depends." As FEER has also recently emphasized, the world banking system is on the verge of dissolution due to a \$100 billion international payments deficit fueled by high oil prices and interest rates. "The era of holding interest rates below the rate of inflation is over. . . . The question is whether there will be adequate cash available in the short run and whether governments will impose the necessary reforms to ensure an orderly retrenchment. . . . Massive capital flows are needed along with the will to enforce politically sensitive austerity programmes."

FEER then goes on to endorse the proposal for changing the World Bank's gearing ratio to 2:1, adding that incoming World Bank chairman A. W. Clausen—formerly head of Bank of America—supports the gearing change.

The problem the Brandt Commission faces is that without a global rise in liquid capital, international banks will go bankrupt. But, if world capital is allowed to expand, they fear, what is to prevent Reagan's administration from opening the floodgates to heavy capital exports to Mexico and other developing countries? To prevent that, the Brandt Commission is emphatic that the World Bank must exercise de facto dictatorial control over world capital flows.

## The prospect of permanent inflation

*NATO planners talk about using inflation as a policy tool to restructure the banking system.*

**I**nflation is like war. It causes a tremendous amount of dislocations, but it can also be used as an *opportunity*," a top official of the Aspen Institute told an interviewer this week. "It stirs things up, it allows a shift of investment."

At the Atlantic Council, NATO's official political arm, and the Organization for Economic Cooperation and Development, NATO's economic think tank, policymakers are beginning to talk openly about the approach that has been the long-term strategy of the old families of Europe.

Inflation, they say, is now a "deliberate policy tool," as the gentleman from Aspen put it. It can strategically shift the allocation of credit through the banking system away from "loser" industries like auto and steel, and into postindustrial industries like real estate and electronics.

The Aspen Institute, until recently headed by a former U.S. Ambassador to NATO Harlan Cleveland, has been one of the key architects of this policy.

The banking system, NATO planners believe, should now be moved to a sort of "two-tier" credit system, in which interest rates remain at double-digit levels for the foreseeable future for most basic industry. The Aspen official predicted a 25 percent Federal Reserve discount rate by summer, yielding at least a 27 percent prime rate on loans to most corporations. Bank loans in the traditional sense will be

stagnant at best.

The corporations favored by these proponents of the postindustrial society, however, will be able to obtain a second, cheaper tier of credit. This credit will primarily be *generated outside the traditional banking system.*

The Aspen Institute and the OECD are now promoting the moving of most auto, steel, and other heavy industrial production out of the United States and Europe, and into the so-called Newly Industrialized Countries (NICs). This is a major aspect of the Brandt Commission report, written by Aspen and published in 1980 by a team of investment bankers and social democrats led by former West German Chancellor Willy Brandt.

Inflation is the NATO planners' tool used to force world governments to shut down heavy industry in the West. "As a result of inflation," said the Aspen official, "we are going to have to make some decisions about where we want to produce cars, for one example. Many of them will have to be produced in Korea and Brazil, and not in the U.S. and Europe. In five years, there are going to be five auto companies left in the world, all producing global cars. Without inflation, people would never have accepted such a situation. It can be used as a crisis to make people do what they ordinarily wouldn't do, for example, letting certain industries go out of business.

That means letting a lot of jobs

go, which can be unpleasant."

According to Frank Southard, the just-retired director of NATO's Atlantic Council, after another six months of 20 percent-plus interest rates, the economies of the West will be in such a state of collapse that central banks will begin a joint reflation program. "Unlike in 1977, however, when we reflated from an underlying inflation rate of 6 percent, we will now be reflating from an underlying 15 percent rate."

The result will be inflation rocketing above 20 percent levels, predicted Southard, rapidly leading to "Brazilian-style indexation" in the U.S. "You index interest rates, you index wages, you index prices, you keep interest rates high permanently, and let the commercial banks charge 30 to 40 percent prime rates."

At these rates, basic industry will be squeezed out of the banking system. Left as bank borrowers will be high cash-flow real estate, microchip, and service companies.

Industry's credit will come through the tax system, as described in this week's Special Report; through the planned program of tax credit "transferability," a new market in tax credits will spring up which will be used by industrial companies like the Chesie System and Chrysler to shift their industrial production mix. In large part, ailing heavy industry will sell its useless investment tax credits for cash, and use the cash to diversify out of its losing operations, auto, rail, and steel, and shift the very composition of the company into new postindustrial sectors. "It could become a whole new banking system," said an aide to Washington tax consultant Charls Walker.

# World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$2 bn.	Mexico from U.S.A.	Mexican Commerce Minister Jorge de la Vega Domínguez in Washington, May 20 to negotiate \$2 bn. U.S. sales of grain and other farm products to Mexico during 1982. Despite expected improvement in Mexican harvest, it will continue to import almost as much as 1980's 10 mn. tons U.S. grain.	Commerce Dept. says bilateral farm pact will be signed during June 8-9 López Portillo-Reagan meeting.
\$178 mn.	Mexico from U.S.A.	HYLSA of Monterrey has signed \$178 mn. credit from Eximbank toward \$1.4 bn. expansion of their Monterrey steel plant from 860,000 to 1,600,000 tpy. Expansion includes port and pelletization facilities in Tampico.	HYLSA is owned by ALFA, Mexico's strongest private group, headed by Bernardo Garza Sada, friend of Mexican president.
\$5-6 bn.	Brazil/U.S.S.R.	Bilateral trade deal worth an estimated \$5-6 bn. has been negotiated between Brazil and U.S.S.R.  Includes: • \$2 bn. Soviet supplier's credit for wood methanol program; Soviets also want to supply Brazil's peat and oil shale alternative energy programs. • Soviet oil prospecting with São Paulo state oil company. • 20% of equipment for Ilha Grande dam. • Long-term purchases of Brazilian grains, breakfast crops, and mineral ores. • Soviet purchases of Brazilian manufactures.	Planning Min. Delfim Netto will sign package in Moscow, July 7-10.  Wood alcohol technology arranged by Brazil's leading antinuclear scientist.  Brazil has authorized Soviet wildcatting  This is the unresolved hard bargaining item.
about \$500 mn.	U.S.A./U.K.	Contract for construction of U.S. Navy base on Diego Garcia Island in Indian Ocean was awarded to John Mowlem of London, Raymond International, and Brown & Root of U.S. They were selected from 15 U.S.A./U.K. consortiums.	Cost-plus basis with performance incentives.
\$500 mn.	U.S.S.R. from Japan	4 Japanese steel companies will ship 750,000 tons of large-diameter pipes to Soviets between this June and March 1982.	Japanese Eximbank and Soviet bank for foreign trade are financing it.
\$36 mn.	East Germany from Japan, not U.S.S.R.	East Germans signed contract for 10,000 Mazda subcompact cars payable in cash. They had reportedly canceled previous purchases of 30,000 Soviet Leda cars on grounds of insufficient Soviet purchases from East Germany. They have imported small lots of many European auto models, causing service difficulties.	East Germans shopping for \$3 bn. purchases from Japan, including 2 heavy crude crackers. Depends largely on Japan's buying from them.
	Zimbabwe from Japan	Mitsubishi will assemble 800 Lancer subcompacts per year in former British Leyland plant.	
\$50 mn.	U.S.A. from Spain	Combustion Engineering won contracts for engineering, steam generators, etc. for 3 Spanish power stations.	
<b>CANCELED DEALS</b>			
	Iran from Japan	Mitsui stopped throwing more funds into the \$3.5 bn. giant Bandar Khomeini petroleum complex in late April. Although the project is 85% complete, there are now no prospects that it will ever turn a profit. Mitsui had put in \$41 mn. on its own risk and was being asked for \$27 mn. more by Iranians.	Complex suffered some damage in war. Mitsui trying to force Japanese govt. bailout, but may end up with even bigger mess.

## The wreck of the EMS

*The European Monetary System may be disbanded—  
or transformed into a vehicle for austerity.*

Unless President Ronald Reagan quickly calls a halt to Federal Reserve Chairman Paul Volcker's upward spiraling of world interest rates, the European Monetary System will most likely be disbanded by early summer.

French President François Mitterrand of the Socialist International is expected by many Paris and New York bankers to "pull the French franc right out of the EMS snake within days," Bankers Trust Foreign Exchange Advisory Service's John Van Belle reported this week, adding that soaring U.S. interest rates will pull flight capital out of Europe for months.

West German Chancellor Helmut Schmidt is "politically committed" to maintain the French franc in the EMS, bankers say, and thus for the last several weeks has directed the Bundesbank not to raise its interest rates. The West German Lombard rate has been held at 12 percent, compared to an 18 percent effective U.S. discount rate, in spite of the fact that this allows a run out of German marks into dollars. It is only the 5 percent differential between the Banque de France discount rate, now at 18 percent, and German rates that prevents a total collapse of the franc against the mark.

Instead of raising German rates, the Schmidt government this week organized a massive attempted "bear raid" in support of all European currencies against the

dollar. On May 20 alone, the West German, Swiss, French, and Italian central banks spent an estimated \$1.5 billion in sudden intervention. "It was an attempt at an offensive move," said Bankers Trust's Van Belle, "to show the resolve of the central banks." European intervention during the week that François Mitterrand took office is estimated at more than \$2 billion.

Schmidt's initiative failed, however, in the face of massive capital flight into the dollar.

"The central banks were simply overwhelmed," said Van Belle, "and the day after the attempted 'bear squeeze' the franc collapsed by 3 percent and the mark by 2 percent against the dollar.

"Our expectation is that the French franc will be withdrawn from the EMS within days of Mitterrand's investiture."

"The bottom line is that the cost of staying in the EMS, given the size of the speculation against the franc, is too high," said another New York banking source. "It will run France over \$5 billion by the time of the June French parliamentary elections alone."

There are other possible scenarios, however, under which Mitterrand and the British government of Margaret Thatcher would attempt to maintain the appearance of life in the corpse of the EMS. By keeping the snake together, advisers such as Chancellor of the Exchequer Sir Geoffrey Howe hope to use the

EMS as a vehicle through which central banks will impose "postindustrial" programs upon Europe.

Howe made the surprising announcement following the Mitterrand election that it was now time for Britain to consider joining the EMS. Sources in London say the British believe that with former French President Giscard out of the picture, Helmut Schmidt is now politically weakened in Europe to the point that Britain may be able to "capture" the EMS.

The British would use the EMS as a "currency bloc" against the U.S. European anger at the Volcker high interest-rate policy would be turned against the Reagan administration, whose new policy of not intervening to support European currencies "looks like giving 'monetarism' the same sort of reputation that Attila gave to the Huns," wrote David Marsh in the *Financial Times* of London this week. Undersecretary of the Treasury Beryl Sprinkel, "who makes foreign exchange pronouncements for the administration," is "displaying gross insensitivity about the effects of the marauding dollar on the rest of the world."

If Britain were to capture the EMS, Mitterrand would stay in according to this scenario, and the EMS central banks would move to take policy away from national governments. They would implement a somewhat "looser" credit policy, such as Socialist Mitterrand might desire, but the central banks would seek to ensure that available credit is turned from nuclear and other high-technology industries, as it now will be in France, and into labor-intensive industries.

That would spell the end of the European economic miracle.

## Reagan should have listened

*The interest-rate add-on to the budget deficit is now being used as political ammunition against him.*

**H**ad President Reagan followed our advice in January, and made Federal Reserve Board Chairman Paul Volcker—and the effect Volcker's interest rates will have on swelling the federal deficit—the major item of his proposed budget-cutting fight, he would be in much better shape today.

Suddenly, this issue has become a hot item. Even members of the Reagan economic team are picking up on it. Allan Greenspan, who was chairman of President Ford's Council of Economic Advisers, and now a member of President Reagan's economic advisory committee, has told the clientele of his economic consulting firm, Townsend-Greenspan, Inc., that his own forecast for the 1982 fiscal year Reagan budget is \$718.8 billion, a figure \$23.3 billion higher than that projected by Reagan's budget staff. He estimates that \$6 billion of these higher expenditures will go for the interest bill of the government.

This view is also shared by the liberal Congressional Budget Office. A CBO staff economist reported May 21 that the net increase in the interest bill will be \$8.1 billion for the federal government in fiscal year 1982, and that the gross interest on the public debt will be \$10.8 billion higher than the Reagan March 1981 revised budget.

The Reagan administration was itself in part convinced of the effects of higher interest rates, since it moved the projection of gross inter-

est on the public debt up from \$92 to \$93 billion to a projected \$98.1 billion for fiscal 1982. (*EIR* had predicted in January 1981, and still predicts, that the gross interest on the public debt for fiscal 1982 could reach \$95 to \$100 billion).

The administration, in its prediction of the gross interest on the public debt, is assuming that for fiscal year 1982, the rate on newly issued 91-day Treasury bills will be 9.3 percent and the rate on newly issued six-year-plus Treasury bonds will be 10.2 percent. The CBO figures new 91-day Treasury bills will be 13.7 percent and six-year-plus Treasury bonds will be 11.0 percent, for a total gross projected interest on the public debt of \$108.9 billion.

Any way you cut it, both liberals and conservatives recognize that the White House's toleration and encouragement of Volcker's interest-rate policy will swell the federal budget by \$6 to \$11 billion, just on the account of the government interest bill (on a net or gross basis).

This already wipes out part of the intended benefits of the budget cuts. The CBO figures that as much as an additional \$20 billion will be added onto the budget expenditures—and the deficit—by increased unemployment expenditures and higher inflation caused by Volcker, and a military buildup. Greenspan foresees a smaller \$17.3 billion added on by these elements and the Kemp-Roth 10 percent per

year, three-year tax cuts.

It was entirely predictable that, quite apart from the effect of Kemp-Roth tax cuts, Reagan's budget, drafted by Office of Management and Budget director David Stockman, premised on the support of Volcker's high interest-rate program would put Reagan into deep trouble. It is interesting that it took the professional Wall Street economists and think tanks so long to catch up with *EIR*'s analysis.

There is more to this issue. First, by a 96-0 vote, the Senate, including all the Republicans, voted against the President's proposed deep cuts in Social Security eligibility and benefits. The mail against the cuts was astounding, congressional offices report. But how could Reagan have miscalculated the mood of the country so badly? The financial and Eastern liberal press have played this up as a big defeat for Reagan that could significantly slow his momentum on the budget and tax issues.

Where does this leave Reagan? From the Wall Street conservative side, represented by Allan Greenspan, the view is that the tax cuts are too large and inflationary, and that personal tax cuts will have to be reduced, while the "refundability tax" scam will be favored (see page 24). The liberals are now using the expected swollen 1982 budget to demand a military cutback.

This could doom Reagan's budget and tax proposals to congressional inertia, while Volcker blows the economy out from under Reagan's feet with his higher interest rates.

President Reagan would not be in this dilemma if he had listened to *EIR*'s all-too-accurate warnings of last January.

# Amtrak on the rail equipment crunch

*The following interview is with L. Fletcher Prouty, retired U.S. Air Force colonel and long-time Central Intelligence Agency official, whose 1973 book *The Secret Team* demanded that the CIA return to the sole function of intelligence-gathering. He is currently public relations director of Amtrak, the national rail passenger service. In his discussion with EIR's Leif Johnson, Mr. Prouty confirms the drain on railroad revenues by the holding companies and their banking associates, reported on May 5, and comments on present rail operations and technology.*

**EIR:** There have been proposals to sell off Conrail [the national freight line]. What effect would that have on Amtrak?

**Prouty:** I'd have to know more than I do now to tell you that, but we have discovered that some of the lines they intend to get rid of contain small segments that we need. Now, another thing I have heard is that they want to cut some sections from a double track system to a single-track system. In a day when freight trains are very long and slow and heavy, they can't pull into sidings, and we would have to tag along after them until they found a siding; a lot of sidings are too short for these trains. A double-track system is essential for us, especially between here [the East Coast] and Chicago. . . .

The freight system in this country is running at an average speed of 20.1 miles an hour, because the trains are so long and heavy. In that kind of environment, the geometric design of the track has to be flat, whereas for passenger trains the track has to be three-dimensional, in order to be banked on a curve to handle centrifugal force. When you flatten track for freight that runs at a slow speed you destroy passenger service. Already, 336 railroads have flattened track. Some of the new track Conrail has put down is already severely worn, because when you flatten track, one of two things happens. When you haul these heavy trains around a curve, obviously one wheel should be going slightly faster than the other. There is about a 19-fold difference in the life of a rail when you

have one wheel dragging and grinding.

Then the costs start running up. That is what destroyed passenger service; it was not a decision to destroy passenger service, it was not the automobile, it was a question of track design. There is no way to surmount the passenger traffic problem without taking care of this.

**EIR:** The new French service has a separate passenger track. Do you advocate that for this country?

**Prouty:** The laws of physics advocate that. All French service today is universal, freight and passenger combined. That's no problem when you design the track properly.

I'll say one thing, although the French system is government-run, it has more independence than we have in this country. It's a matter of definition. For example, the passenger run from Paris to Lyons was funded entirely outside government grants. The SNCF [Société Nationale des Chemins de Fer, the French national railroad company] covered one third of about \$1.1 billion, which covers all the signaling and electrification. The other two-thirds came from a loan that even many Americans subscribed to. Who would invest in railroads in this country when you can get an 18 percent return anywhere?

**EIR:** As I understand it, most of the money goes up to the railroad holding companies.

**Prouty:** Your point is well taken, but it's only partial. You have to define who the holding company is.

**EIR:** The holding company and the railroad board of directors are the same people.

**Prouty:** I know, and who are they? The revenue goes through them into the banks, where on a prime rate of say 17½ percent the railroads buy everything they have, cars and rails that are mortgaged at 100 percent. For the life of those things, they pay prime rate right back into the banks, and today the entire railroad system has an average rate of interest payment across the board on billions of dollars at 13 percent—some old debt, some new debt. So, as it passes from the revenue source, it goes right on out into loans, because the condition in American business today is that the profit is made on the interest side. The return on investment of the railroad industry is about 2 percent, but that is 2 percent above the prime rate. It is really 20 to 22 or 24 percent drained through the company, directly to the banks. So it's very profitable, but not in the classical sense.

Two or three railroads are the biggest energy firms in the world. Burlington Northern is sitting on more energy than Exxon is. You are not just talking about a couple of steel rails on the ground. You know Katy Railroad [Kansas, Missouri & Texas] owns all the shrimp boats; the money flows through them simply as agents of the

banking groups like First Boston, First Chicago, a lot of English banks, and so on. So the roads are simply your agents to make money.

**EIR:** With such a cash flow, why are the railroads slowing down their track?

**Prouty:** The financiers don't do that; in fact they are bewildered by it. The technicians do that, because they have no alternative. What the boardroom says is that labor costs are too high. If you're not able to cut labor costs, you're going to have to make the trains bigger, make the tonnage bigger so that each crew will move more freight than it did before.

That seems to make sense up in the boardroom, but to the engineers that means the cars are too heavy today for the system, and the system is overloaded—so that now costs from this excessive wear and costs from the very slow speeds are beginning to reduce the overall net income of the industry by forcing up costs of car and track maintenance.

There is a 28-volume study by the ICC that primarily shows when a car is loaded over 92 tons it is creating a plastic condition on the rails, so that every wheel of every car of every train is causing the track to melt at that point. Every track we buy that should give us 800 million miles of road service—we have to pull them out at 40 or 50 million miles. Then you have to change the wheels as well.

**EIR:** On another subject: Isn't it true that the Penn Central merger and the creation of Conrail were never really intended to work?

**Prouty:** Let's put it this way. There is 330,000 miles of track on about 200,000 miles of right of way. Now, that whole system was never designed to work, because it was built piecemeal by property developers who wanted to sell land. They didn't think about a national system. What we need is a World War II and a Curtis LeMay to bomb our system out and start all over again. We need to redesign, redirect, regrade our entire system, because nothing is cheaper than running a steel wheel on a steel rail.

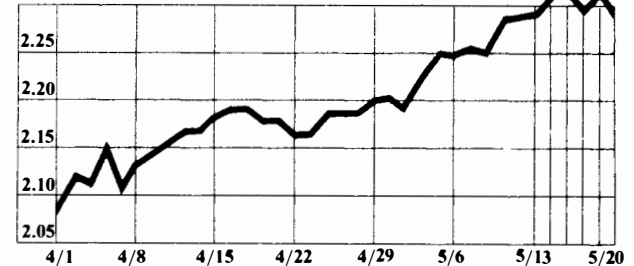
It isn't totally a question of what Chase Manhattan or First Boston is up to, but also the technology today is very different from what it was when the railroads were first built more than a hundred years ago. Many systems were never designed to meet, like Grand Central and Penn Station in New York. You can't go from one to the other.

The thing that bothers me most is the lack of technology. We have gotten way, way behind on technology for the railroads. Our costs are so much higher than they should be. The Europeans and the Japanese are excellent in technology.

## Currency Rates

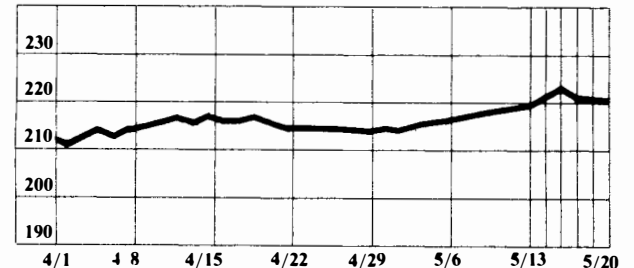
### The dollar in deutschemarks

New York late afternoon fixing



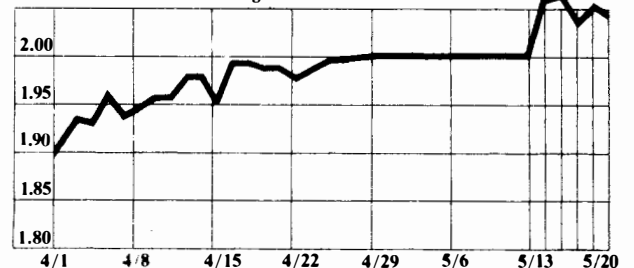
### The dollar in yen

New York late afternoon fixing



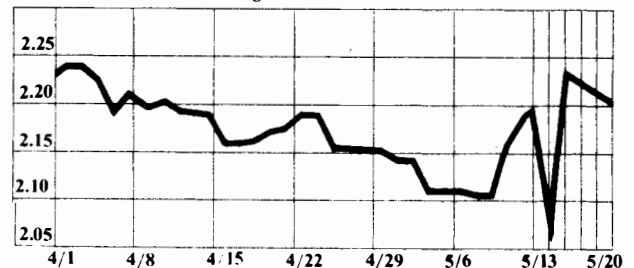
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Business Briefs

## Science Policy

### OECD futurists look to military production

A top official responsible for scientific advice at the Paris-based Organization for Economic Cooperation and Development (OECD) predicted in an interview this week that Western economies will move rapidly in coming years to a clearcut division between high growth rates in military production, and low growth in civilian production.

"There is, and will be, an increasing divorce between performance-oriented military R&D, and the cost-oriented civilian economy," he stated. One of the impacts of this "divorce" will be to contain within the military production sector the investment and R&D spinoffs generated by space programs, according to OECD analysis. Expansion of military goods production will also serve to offset programs for "across-the-board" shut-down of basic industries, which has become a definite pattern in the major economies. "We have to be very, very differentiated" on basic industry shut-down, he noted.

The shift to military economy, in turn, will make populations more "conscious" of the need for population control, the analyst figures. He praised Peking's population program as a "tough, effective" policy.

The OECD's major work in recent years has been on a project called "Inter-futures" which recommends that world growth rates be "equalized" by reducing living standards in the West.

## International Credit

### Banks harden on Poland's debt

Poland's Western private banking creditors appear to be taking a newly tough stance on rescheduling \$2.6 billion in debts that Poland cannot currently pay. That was the indication from the May 20

meeting between Polish authorities and bank negotiators.

The tough position is one consequence of the French electoral outcome. In April, President Giscard's cabinet had succeeded in obtaining Western governments' approval for a lenient eight-year debt rescheduling agreement for Poland. Before Giscard's ouster, it was assumed that the practice of recent years whereby private banks have modeled reschedulings on government agreements (as was the case with Turkey in 1979-80) would be upheld in the Polish case.

On May 21, as the press asserted that the Polish debt talks had broken down temporarily, First Boston vice-president Irving Friedman, a former IMF official and longtime Third World debt strategist, reported at a banking conference in New York that commercial bankers are increasingly skeptical about linking rescheduling agreements to prior negotiations between governments. "It is a mistake to relate public debt to private debt. Foreign aid is a political decision," Friedman said. Since the Turkish reschedulings, more than \$10 billion of unpaid international debt has been covered by coupling such public and private settlements.

## Development Policy

### New York seminar on Brandt Commission report

New York's top law firms discussed the recommendations of the Brandt Commission on Third World development at a one-day conference May 21 sponsored by the New York Bar Association. Speakers included Andrew Quale, Jr. of Coudert Brothers; First Boston's Irving Friedman; Brandt Commission member Lal Jayawardena from Sri Lanka; and Andre Gunder Frank, a left-radical economist.

The conference marks the first time New York's banking elite has given major publicity to the Brandt proposals published last year. One message that emerged was that the commission's de-

sign is too "utopian" for full-scale implementation, especially given the Reagan administration's hostility toward multilateral institutions. At the same time, speakers made it clear that major shifts in international capital flows are now occurring, and world finance will be reshaped over the next decade.

The sections of the Brandt report with the best chance of realization include the "Emergency Program, 1980-85," according to Jayawardena and Frank, who claimed it was appended by the commission in response to the growing danger of an international banking collapse. The recommendations, contained in the last section of the report, emphasize the importance of a petrodollar arrangement between OPEC producers and Western governments as the wedge for the commission's proposals.

## Regulatory Policy

### S&Ls to be turned into commercial banks?

Expected savings bank losses of \$1.75 billion during the first half of 1981 due to the Volcker interest rates have triggered action by the regulatory agencies within the Federal Home Loan Bank Board to destroy the McFadden Act, which prohibits interstate banking.

The regulatory agencies are circulating a bill they intend to submit to Congress allowing commercial banks and their holding companies to acquire failing S&Ls in other states, and permit FDIC sale of assets and liabilities of large institutions in receivership to out-of-state purchasers.

The legislation would also create special federal stock savings banks and emergency conversions of mutual savings and loan banks to facilitate takeover by out-of-state commercial banks or their holding companies.

The money-center commercials don't want S&Ls, which their man at the Fed has driven to the wall. They do, however, want the shells of the S&Ls, which they can convert into local commercial banks



and mop up the regional banking system. In the meantime, they expect the losses in liquidating troubled banks to provide substantial tax shelters.

To dramatize the situation the Federal Savings and Loan Insurance Corporation has asked Treasury for a \$2.25 billion increase in its line of credit to back up its \$6 billion insurance kitty.

### **Fiscal Strategy**

## **'Supply-side' plans for Sweden, Britain**

Olof Palme, chief of Sweden's Social Democratic Party and candidate for prime minister if new elections are held, will campaign on a "supply-side" austerity platform, according to a May 17 *Washington Post* business report.

Ingvar Carlsson, an influential Social Democratic member of parliament and Palme ally, told the *Post* that the party is preparing an electoral "crash program" for "curbing government spending, freezing wages, and taking other steps that would hold down the Swedes' standard of living for several years while shifting money away from wage-earners and the welfare state into investment by industry."

Confirming the convergence between the Social Democrats and the Mont Pelerin Society, Palme himself told the *Post* that his government would allow "no increase in private consumption," and would cut back on subsidies to troubled industries, even if unemployment increased.

In Britain Margaret Thatcher plans to cut the national defense budget by \$22 billion over the next 10 years. The cuts, already approved by the cabinet and Parliament, would seriously reduce the strength of the British Navy, which would lose half of its major surface combat ships and have to reduce its personnel by 30,000. The British Navy supplies 70 percent of NATO's naval forces in the eastern Atlantic and the English Channel. The cuts would reduce those forces by half.

Navy Minister Keith Speed opposed the moves and was dismissed.

### **Taxation**

## **Refundability to promote track abandonment**

Legislation for tax refundability, a plan to give U.S. Treasury checks to rail, auto, steel, and other industries that produce tax losses, will be used by railroads as "a fund to help abandon track," a source at the Chesapeake-Southern Railway System said this week.

Refundability, the rail executive commented, will help railroads run down lines they no longer consider profitable and operate them at a loss. The rail conglomerates will not simply receive a tax writeoff on the loss, but will receive a bonus from the U.S. Treasury for any investments they make in their other operations as a "refundable" investment tax credit.

"We have a very vigorous program of abandoning track," said the executive, who did not wish to be quoted, "as part of our program of diversifying out of antique industries and activities. The availability of refundable tax credits will help add to the pool of funds which we have to help abandon track and rationalize our other activities.

"Besides abandonment, in which we are moving forward quite progressively, we are carrying out an extensive program of rationalization of our remaining lines," the rail man continued. "With refundable credits, we will be able basically to pay 90 cents on the dollar for every locomotive we have in service that is 20 years old and needs to be overhauled. We will be able to improve existing track.

"In short, we will be able to rationalize our entire operation. This has nothing to do with servicing new areas; there are no growing new areas."

The rail executive estimated that refundability would mean \$300 million a year from the Treasury to his industry.

## **Briefly**

● **THE INDUSTRIAL** College of the Armed Forces will hold a private planning session June 4 in Washington to discuss the inability of the U.S. industrial base to meet the needs of the Defense Department's procurement program.

● **THE INTERNATIONAL** Metalworkers Federation meeting in Washington will discuss, according to a spokesman, setting up "dozens of Lech Walesas in Asia, Africa, and Latin America," the German daily *Handelsblatt* reported May 20.

● **PAUL VOLCKER** was so flustered by an encounter with a citizen outraged over interest rates that he tried to run past airport security at Washington's National Airport last week. Police restrained him and made the Fed chairman go back through the checkpoint.

● **PIERRE ELLIOT TRUDEAU** warned of a "confrontation" between North and South unless the U.S., West Germany and Britain stopped "looking inward" and accepted the recommendations of the Brandt Commission at the July industrial nation's summit in Ottawa.

● **GERMAN FIRMS** face liquidity troubles this year if interest rates stay in the 14 percent range. A Cologne bank study warned that 44 percent of construction, 21 percent of retail, and 36 percent of transport sector credit requests so far this year were rejected by banks, the study said.

● **CHARLES HETHERINGTON**, president of the Petrocan-owned Panarctic Oils Ltd., says the Sisco B-66 field may contain twice as many reserves as the 1 billion barrel Hibernia field. Under Trudeau's current "plug the wells" policies, however, he says "there is no way to get oil and gas out of the area at present."

## LaRouche-Riemann model tackles Kemp-Roth bill

by David Goldman

The purpose of the Kemp-Roth tax bill, which would cut marginal tax rates across the board by 30 percent over three years, is *not* to stimulate economic growth as such, but to spur an investment shift from “sunset” economic sectors to “sunrise” economic sectors. Despite the usual garbling of the issue in the financial press, both supporters and detractors of the bill agree on that much. Treasury Undersecretary for Tax Policy Dr. Norman Ture told the National Governors Conference this on Feb. 18, to the consternation of Northeastern governors who obtain most of their tax base from “sunset industries.” House Ways and Means Committee Chairman Dan Rostenkowski accepts Ture’s formulation, but disagrees: the Illinois Democrat is looking for “targeted” tax cuts benefiting capital formation in heavy industries instead.

The tax debate has left out the essential underlying question concerning Kemp-Roth: Is a shift from “sunset” to “sunrise” industries, that is, from auto, steel, construction, and chemicals to electronics, energy exploration, and financial services, *desirable* or even *possible*?

Norman Ture, Jack Kemp, and their academic backers use the Delphic formulation “economic growth” to mean, instead, an aggressive shift of investment into supposed growth sectors, abandoning “smokestack industry” sectors which have fallen under the impact of tight money and depressed capital investment. But the LaRouche-Riemann computer model of the U.S. economy permits us to test their proposal against some basic real-world considerations.

*In fact, Kemp-Roth and its variants will produce an economic downturn.* The reason for this should become obvious the moment we turn from the old “hedonistic calculus” dressed up as “incentive theory” to the real economy.

Cuts in marginal tax rate are an *income redistribution program*, and, when inflationary “bracket creep” cancels out the net tax cut to zero, they are *only* an income redistribution program. Investors in more profitable sectors will recapture relatively more of their profits, and investors in less profitable sectors will not. Therefore Kemp-Roth will shift investments to sectors that



Kemp goes down during a game with the Patriots.

UPI

are now more profitable, away from sectors that are less profitable. That is the ABC of the program, as the administration's chief spokesman on tax policy, Dr. Ture, has stated point-blank.

However, the *monetarist dirigism* practiced by the Federal Reserve has rigged the game in such a way that industries heavily dependent on long-term credit are less profitable in the present environment, especially after the ravages of high energy prices. As Ture stated, these industries stand to be phased out.

The other usual name for this "sunrise shift" is the "shift to a postindustrial society," i.e. an economy flooded with high-speed facsimile transceivers, video telephones, word processors, and computers, which disdains to invest in steel, auto, machine tools, and so forth, except for occasional defense use. This is not unique to the "supply-siders," but fervently espoused by liberals such as Eli Ginzberg and Sen. Daniel Moynihan.

### Where 'sunrise' fails

Where the "sunrise shift" argument turns into pure insanity is made clear by one question: how does the *consumption* of these "sunrise" products help the economy to continue to exist in the future? An economy "based on playing basketball and going to the beach," the ideal economy once projected by chief "supply-side" guru Dr. Robert Mundell of Columbia University, cannot exist, any more than an economy based on administrative functions by consuming electronics.

The LaRouche-Riemann model is uniquely qualified to answer this question in depth. It treats the economy

as if it were an engine, requiring fuel and maintenance, and operating at different efficiencies at different temperatures. To run the engine it is not enough to have a lot of Gross National Product. If this GNP consists of too much services, e.g. casino gambling and McDonald's stands, and not enough tangible goods, the economy will collapse. Eventually there will be no steel to build casinos and no beef to put in the hamburgers. It is also not enough merely to have a great deal of tangible goods. If we stop producing steel and produce electronic-based office equipment—which is what the U.S. economy has been doing for the past two years—we merely add to the tangible cost of the services, or *overhead* sector. We must both increase tangible wealth output and increase it according to the right mix of products. If we do anything else, the economy will disintegrate.

### The productivity question

What is striking about the performance of the U.S. economy, as shown in the Figures 1 and 2 taken from the Commerce Department's 1981 *U.S. Industrial Outlook*, is that the more the U.S. economy has changed in the past 20 years, the more it has stayed the same. The first chart shows "Industry Sectors Ranked by Share of Total Domestic Output," in 1958 and 1978. The black bar represents the 1978 share, the gray bar 1958.

In this first graph, we see roughly the same proportions prevailing in the most important economic sectors as in 1958. Manufacturing has gained a couple of percentage points of relative contribution to the GNP,

wholesale and retail trade have gained about a percent, the financial sector gained a couple of percentage points, and other services about 1 percent. Government lost about three percentage points.

The second bar graph shows employment, and presents a wholly different picture. Manufacturing has lost in the 20-year comparison about 5 percent of the labor force, while services have gained about 5 percent. Government employment has shifted very little.

Productivity growth rates, of course, account for the discrepancy between the two pictures. On average, manufacturing productivity growth rose by 2.3 percent per year in the 1958-1978 period, not a great deal by international standards. In comparison with Japan, or the leading European countries, it is a disgraceful performance. But "productivity" in the services sector, that is, gross national product originating per hour worked, rose by only 0.77 percent per annum. Even though services swung ahead of manufacturing in employment terms with a 10 percent net shift during the 10-year period, the higher manufacturing growth rate

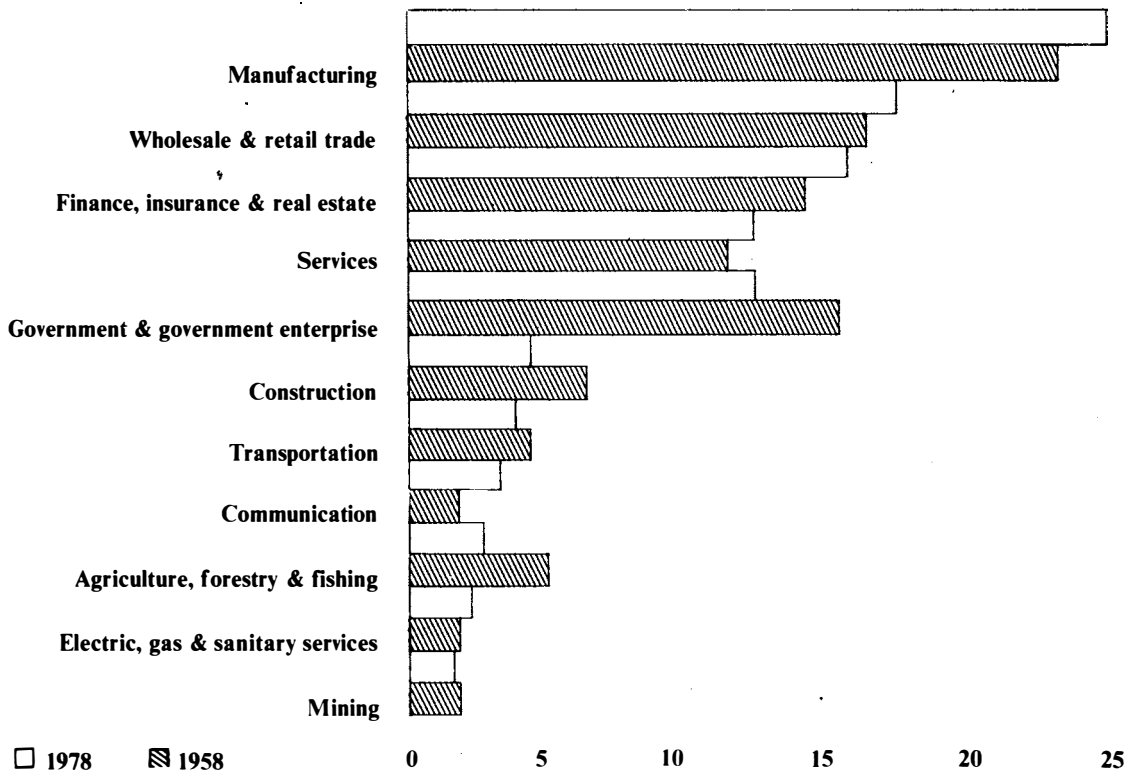
led to an even higher share of gross national product at the end of the period.

This should tell us something, namely, that if we dump large portions of our workforce into overhead, we have only created a growth sitting on top of a productive (tangible goods-producing) sector that has not shifted much in the past 20 years. If we had followed the Japanese example, and put our investment capital into improved industrial technologies and our workforce into higher-skilled positions, we would have seen a substantial change.

However, until the last recession began, the U.S. economy was running on roughly the same technology and product mix as in 1958. For the entire 1958-1978 period, the biggest gainer in terms of output was the auto industry, now the emblem of America's industrial weakness!

Now, Dr. Ture has told us, we will rectify the mistakes of the last generation (one of which is *not*, the numbers show, giving too much of our output to the government sector, which showed negligible change as

**Figure 1**  
**Industry sectors ranked by share of total domestic output: 1978 and 1958**  
 (percentages)



Source: *U.S. Industrial Outlook*, U.S. Department of Commerce Bureau of Industrial Economics.

a proportion of output or employment). We will abandon the unpleasant smokestack industries, and invest in electronics and oil drilling.

Where the "supply-side" model tries to pour reality down the sinkhole becomes obvious, after one simple question: will the "sunrise industries" produce the type of products required for economic growth?

From the vantage point of the physical economy, it makes no difference whether we spent our steel and machine tools drilling for oil in Oklahoma, or importing it from Saudi Arabia. We may wish to drill here for national security and other good or bad reasons, but it costs us steel, drill bits, pumps, pipe, and labor that Saudi oil does not.

If we produce more word-processors and computers, or "smart chips" for military or home-entertainment applications, is it the same as incorporating the same circuitry into numerically controlled machine tools? Obviously not. Using our machine tools to produce tanks, which have no further use in the economy, or to produce capital goods, have very different economic

consequences in the real world.

All this is waved off by the "supply-siders," who are as happy illustrating economic growth with the example of professional football teams as they are talking about new steel mills. This form of economic hedonism, which dates from John Stuart Mill's rejection of the Smith-Ricardo distinction between "productive" and "non-productive" forms of output, punches a gaping hole in the supply-siders' estimates.

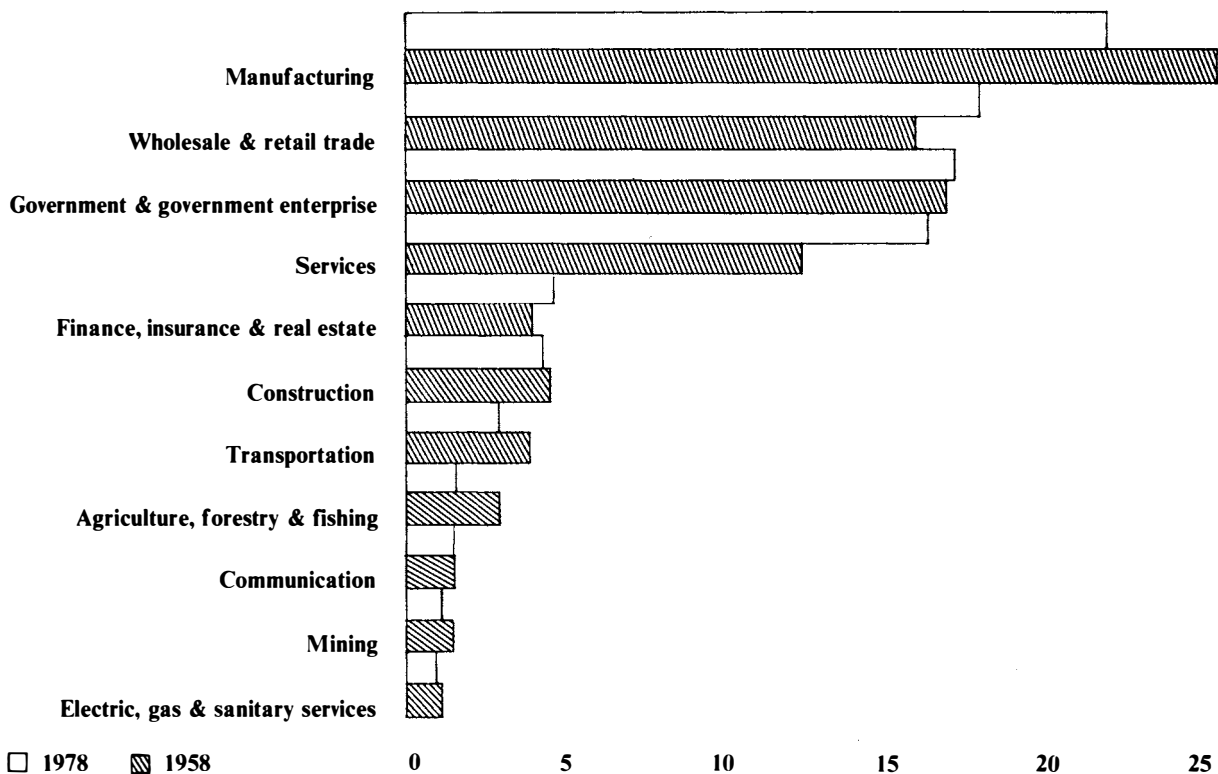
### LaRouche-Riemann projections

*EIR* staff did the obvious to project the consequences of Kemp-Roth tax cuts, the Reagan budget, and the accompanying tight-money environment:

1) Investment was assumed to shift into the "sunrise sectors," e.g. electronic equipment, petroleum and gas, nonelectrical machinery, instruments, and so forth (citing the relevant Standard Industrial Categories distinguished in the model's 30-sector data base).

2) Each of the "sunrise industries" was broken down by four-digit SIC (U.S. Standard Industrial Cat-

**Figure 2**  
**Industry sectors ranked by share of total full-time equivalent employment: 1978 and 1958**  
 (percentages)



Source: *U.S. Industrial Outlook*, U.S. Department of Commerce Bureau of Industrial Economics.

Figure 3  
Surplus, total for all sectors

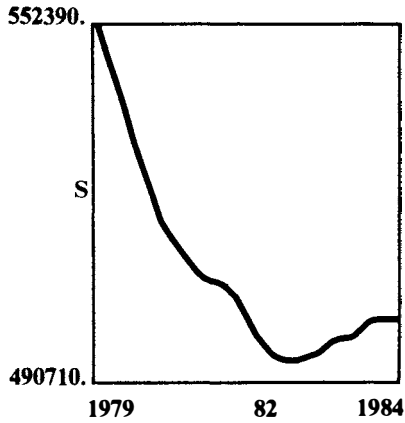


Figure 4  
Overhead costs, total for all sectors

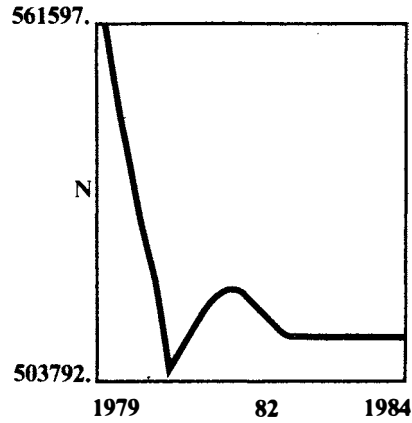


Figure 5  
Reinvested surplus, total for all sectors

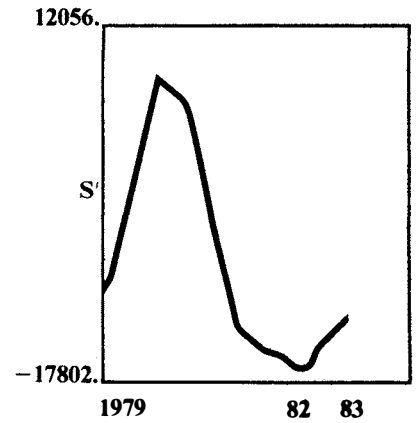


Figure 6  
Labor inputs, total for all sectors

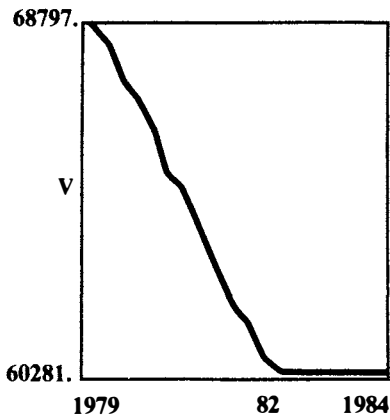


Figure 7  
Productivity (S/V), total for all sectors, average

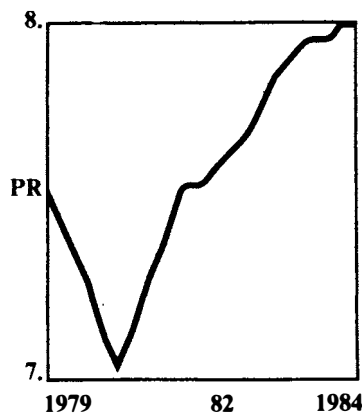


Figure 8  
Circulating capital consumption, total for all sectors

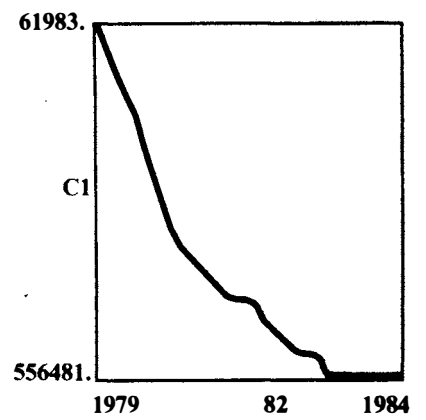


Figure 9  
Net capital investment, total for all sectors

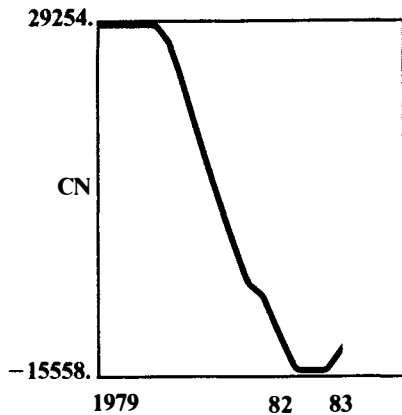


Figure 10  
Rate of surplus (S/(C+V)), total for all sectors, average

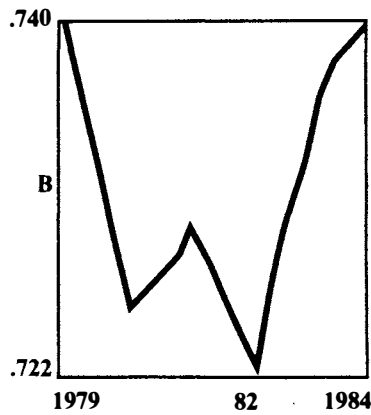


Figure 11  
Rate of reinvested surplus (S'/(C+V)), total for all sectors, average

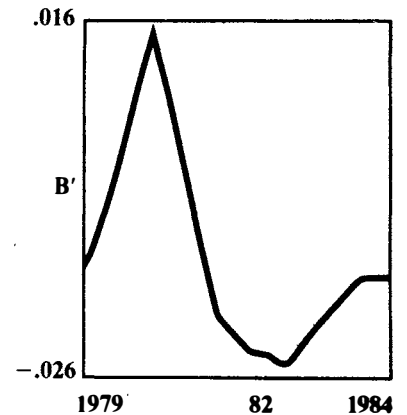


Figure 12  
Surplus, petroleum and gas sector

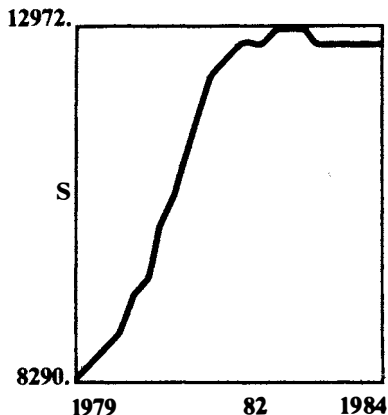


Figure 13  
Factor productivity (S/(C+V)), petroleum and gas sector

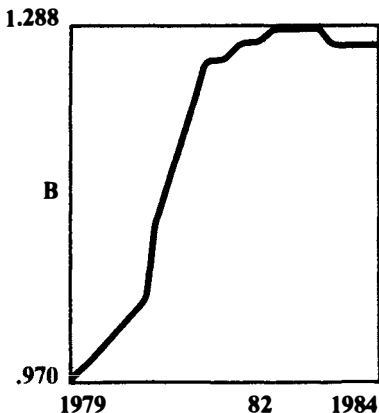
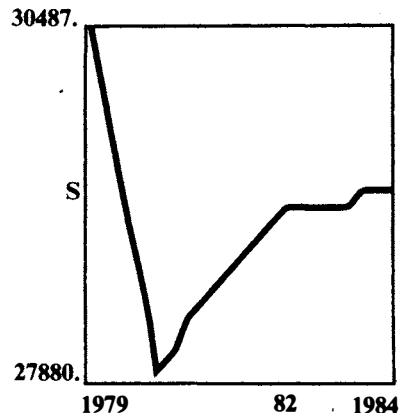


Figure 14  
Surplus, chemicals sector



egory) codes to determine what proportion of its output represented goods that could be invested back into the economy, e.g. machine tools, and goods that represented contribution to overhead, e.g. office equipment.

3) The industrial requirements of the military budget, previously treated separately by *EIR*, were included.

4) The consequences of tight money policy on the most financially vulnerable sectors of the economy were further taken into account.

Programmed with these assumptions, the computer model solved 180 simultaneous differential equations for the U.S. economy, reflecting the output and investment-determining measures of 30 economic sectors. It balanced a rise in productivity—due to the shift in investment from less productive sectors like steel to more productive sectors like electronics—against the increase in production for overhead.

The results are presented in the accompanying series

of computer-generated graphs. Not only does the aggregate economy continue to fall, with a dramatic fall in the performance of the “sunset industries,” but the sectors now enjoying boom conditions do not continue to do so for very long. The most buoyant, e.g. oil drilling and electronics, reach a growth plateau in late 1982 under these conditions. Only the sectors most immediately linked to the proposed rise in the military budget are able to keep rising, and even these rise at a much slower rate.

### The total economy

Figure 3, or total economic surplus, shows that the economy continues to fall through 1981 after the big fall during 1980 (the data shows average annual values, smoothing out short-term fluctuations). The weak recovery starting at the beginning of 1982 does not return total economic activity to even 1979 levels.

Figure 15  
Surplus, electrical machinery sector

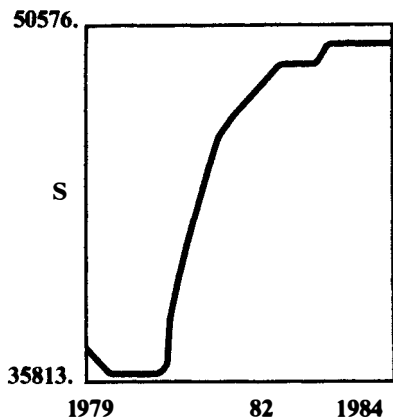


Figure 16  
Labor inputs, electrical machinery

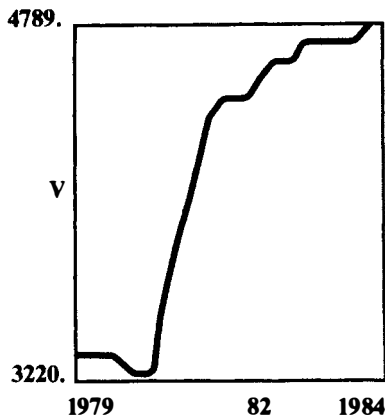


Figure 17  
Factor productivity (S/(C+V)), electrical machinery sector

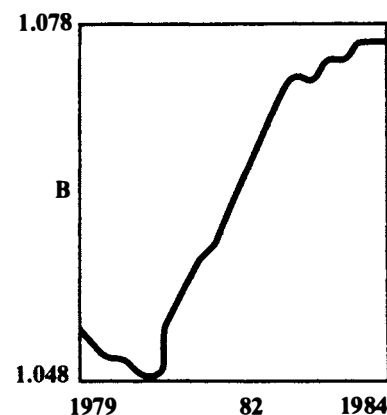


Figure 18  
Surplus, nonelectrical machinery sector

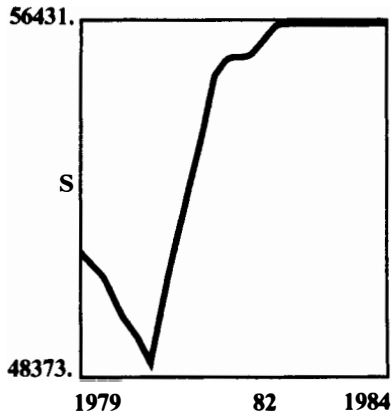


Figure 19  
Rate of investible surplus ( $S'/(C+V)$ ), nonelectrical machinery sector

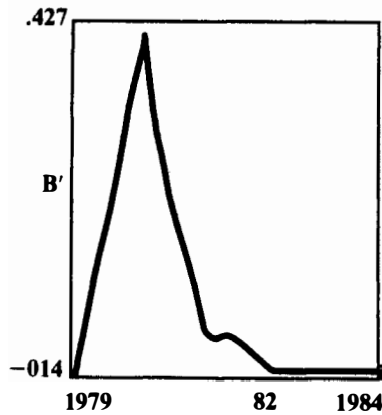


Figure 20  
Surplus, transportation equipment sector (including ordnance)

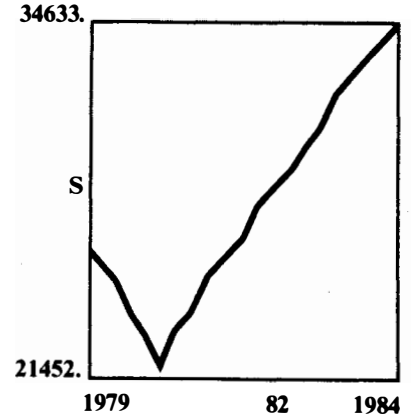


Figure 4, or total overhead expenditures, indicates why the total economy deteriorated despite the large (if short-lived) boost to productivity due to the shift in the investment mix. It shows that overhead costs, after falling during the 1979-1980 recession, continue high while other categories of output fall. In other words, the relative overhead cost increases.

It must be emphasized again that the *average annual values* portrayed "smooth out" fluctuations that may occur from quarter to quarter. Under present financial conditions, *it is likely that the entire drop in output will occur during the second and third quarter of the present year*, followed by a period of little change.

Figure 5 shows net disinvestment in the total economy, or a negative value for investible surplus ( $S'$ ), from mid-1981 onwards.

Figure 6 shows labor inputs ( $V$ ) falling from about \$69 billion constant 1972 dollars to \$60 billion. This

consumption figure translates into a *2 percent rise in the unemployment rate*.

Figure 7 shows the rise in productivity due to the *shift in the investment mix of the economy toward higher productivity sectors*. Productivity, or surplus per unit of labor input, rises from 7.0 to 8.0, an increase of almost 5 percent per year. However, this is an artificial rise in productivity, because it arises from a change in the composition of production and not real capital formation.

Figure 8 shows an absolute-volume decline in raw materials consumption from \$62 billion constant 1972 dollars to \$56 billion.

Figure 9 shows capital investment net of depreciation falling to a disinvestment position of \$15 billion 1972 dollars per annum during 1982, followed by an insignificant recovery.

Figure 10 shows total factor productivity, or surplus

Figure 21  
Surplus, construction sector

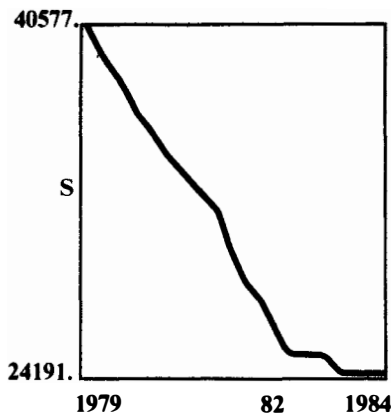


Figure 22  
Labor inputs, construction sector

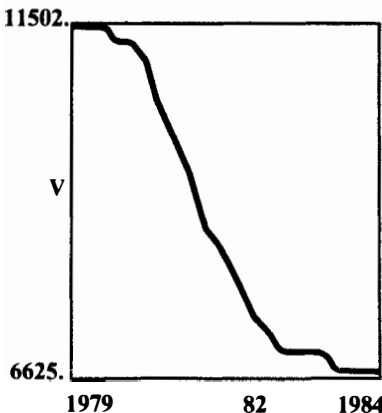


Figure 23  
Net investible surplus, construction sector

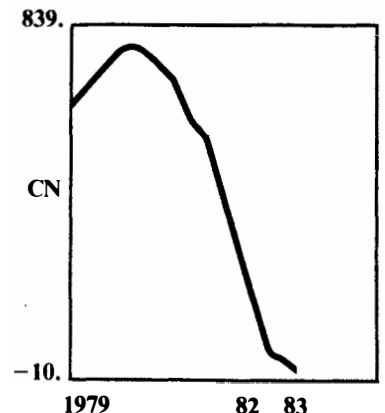




Figure 24  
Labor inputs, vehicles sector



Figure 25  
Net investible surplus, vehicles sector

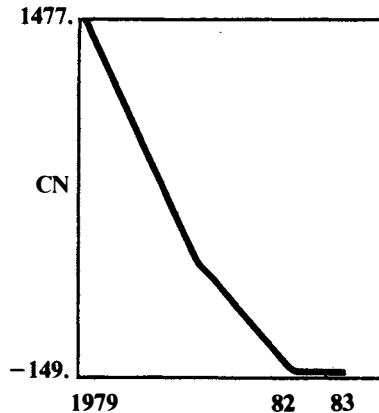
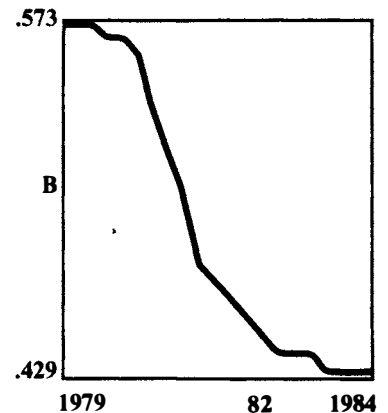


Figure 26  
Factor productivity,  $(S/(C+V))$ , vehicles sector



per unit of capital and labor input. The total growth is only between .722 and .740, a small increase.

Figure 11, or the economy's real growth rate (B') shows a fall to a negative growth rate of about 3 percent bottoming out in 1982, but continuing to fall at a slower rate through 1983.

### Sectoral analysis

Simulation results for the individual sectors show the expected improvements in "sunrise" sectors and declines in "sunset" sectors—but not in the way that might be expected.

Let us review first the "sunrise" sectors, the presumed beneficiaries of the reduction in marginal tax rates.

Petroleum and gas, the boom sector which enjoyed a 60 percent increase in the rate of new drilling in the United States over the last six months, is shown in Figures 12 and 13 of computer-generated graphs.

Figure 12 shows a continued pattern of output gains, in the form of rising sectoral surplus, until 1982, when the increase stops dead. This is followed by a small decline in 1983 and 1984. The reason for the decline is that the economy as a whole, despite the pre-programmed investment preference for this sector, does not have sufficient total resources to maintain the investment program in oil and gas.

Figure 13 shows the leveling off of the total productivity factor of this sector.

Although not normally considered a "sunrise" sector, the chemicals sector is a major beneficiary of the rise in the military budget proposed by Defense Secretary Caspar Weinberger.

Figure 14 shows that total surplus in the chemicals sector continues to rise through the period of simulation, although total surplus does not recover its 1979

level of \$30 billion 1972 dollars. The entire increase is attributable to increased military orders.

Electrical machinery, including computers and electronic components, is the star of the "sunrise industries." It is also the major beneficiary of the Pentagon budget, which will increase the electronic component of weapons procurement from 25 percent to 50 percent during the 1980s, according to industry estimates. Even this sector (Figures 15-17) is not able to sustain growth over the entire four-year period.

Figure 15 shows an initial spurt of growth. After a virtually flat 1979 and 1980, the electronics sector spurts to a 28 percent growth of surplus creation during 1981. But this is followed by a rapid leveling off, apparently because the total economy is not able to sustain continued investment in this sector.

Throughout this period, employment continues to rise, for a 50 percent rise over the entire period 1980-84, as shown in Figure 16. However, so much of the electronics sector's product constitutes an overhead drain, e.g. office equipment or military components, that the rise in this sector fails to stimulate overall economic growth.

Nonelectrical machinery benefits both as a result of the investment requirements of an expanded military budget, and as a result of the shift in investment patterns associated with the Reagan tax program. Projections for this sector are shown in Figures 18 and 19.

Figure 18 shows a strong recovery during 1981 to a surplus level well above 1979 levels, followed by an output stabilization in 1982.

Transportation equipment (excluding motor vehicles) is the only sector under the present simulation to maintain its growth rate under the combined scenario.

Figure 20 shows a fairly constant growth rate of the sector over the four-year period of about 15 percent per

annum after a short dip.

For the sectors of the economy which suffered worst during the last two recession years, the impact of continued high interest rates and limited credit availability is drastic. Construction, auto, and steel, the former standby sectors of the American economy, undergo rapid shrinkage in the computer simulation.

Figure 21 indicates that the construction sector will continue to decline during 1981 at roughly the same rate of fall as in 1979 and 1980, followed by stabilization at a low level in 1982. Largely due to the collapse of the homebuilding sector, the construction industry will produce 40 percent less surplus by 1982. Its employment will fall even more sharply over the period, by 42 percent, as shown in Figure 22. Figure 23 shows that the post-1982 stabilization will enable the sector to make only a negligible contribution (\$302 million constant 1972 dollars) to economic growth, or a rate of investible surplus creation of only 1.5 percent.

Motor vehicles, whose projection results are shown in Figures 24-26, undergo a similar degree of shrinkage. Figure 24, showing labor inputs into motor vehicles, indicates a halving of the auto labor force by 1983. However, Figure 25 indicates that *the fall-off of surplus will be slower than during the last two recession years*; the percentage fall of surplus creation diminishes until the rate stabilizes in 1983. At this point the industry hits an apparent rock bottom, beyond which replacement demands for autos prevents any further decline. By the end of the period, the industry shows a \$553 million constant 1972 dollars net contribution to economic growth.

Although the decline in output stops eventually, the auto industry's capacity to invest is severely diminished. This presumes that the auto industry's ability to run record losses, borrowing the difference, has reached an end. This implies a collapse of the retooling program by sometime in 1982, with grave consequences for the industry's future in the second half of the 1980s.

Iron and steel, not shown here, whose fall during the last recession year of 1980 was precipitous in any event, becomes a national disaster commensurate with the virtual shutdown of British steel under the Thatcher government. The drops in steel output and employment projected are extreme, but no greater than those we already witnessed in Britain during the past two years.

Electrical utilities does not fall into either the "sunrise" or "sunset" category. Its salient characteristic during the past 30 years has been steady growth in output and capital investment, although at slower rates during the energy-starved 1970s. This is as it should be, because electricity production is the most basic ingredient of industrial growth. For the first time during the summer of 1981, electricity consumption may fall below

the previous summer's level—a dangerous state of economic affairs—according to a private study conducted by the Westinghouse Corporation. The utilities cannot maintain capital investment, or even present output levels, when the rate of return on utility investments is 11 percent and triple-A rated utility bonds cannot find buyers at 15 $\frac{5}{8}$  percent.

Source: Figures 3-26, LaRouche-Riemann Econometric Model

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## **Refundability/Transferability**

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# **Federal subsidies to decapitalize the U.S.**

by Leif Johnson

A core of liberal Republican senators don't want the Reagan administration's Kemp-Roth tax cuts, and indications are they will add to the chaos of the coming Kemp-Roth debacle in Congress.

The liberal Republican group includes John Danforth (R-Mo.), a member of the American branch of the elite Ditchley Foundation; John Chafee (R-R.I.), former secretary of the Navy who is the Senate cosponsor of the urban enterprise zones bill; John Heinz, a close associate of the Mellon family interests who is also a member of the Ditchley Foundation; David Durenberger, of Minnesota. Also associated with the group is Democrat Lloyd Bentsen of Texas.

They applauded the Stockman budget cuts. But they don't want tax cuts, because they have a plan to use those federal revenues.

The plan is variously known as refundability or transferability. The idea is to ease the remaining industrial companies out of industrial production and into financial services, real estate, insurance shells, electronic gadgetry, hotels and casinos, leasing, money funds, and other "postindustrial" activities.

Refundability and transferability promise to be such a large drain on the federal budget that they might explain why David Stockman has proposed to begin the phaseout of Social Security, the largest single federal outlay.

The plan is straightforward. Existing tax codes allow for three-year carry-back tax credits and seven-year carry-forward tax credits: companies can offset taxes in profitable years with losses in other years. As such, these provisions are necessary to preserve the capital of indus-

trial companies buffeted by market conditions.

Now the liberal Republicans and their financial backers want to give the losing companies a Treasury check for the amount of taxes they could have saved if they had a profitable year, using the carry-forward or carry-back. This is called refundability. The next step is called transferability—the sale of carry-forward tax credits a corporation could not apply since the corporation never made it into the black.

The potential for internationally created corporate losses is enormous. That is just the point. Industrial companies can be run at losses that are really profits. The greater the losses on the books, the greater the return from the Treasury. With a corporate holding-company structure, losses to the manufacturing subsidiary can be used to gain tax payments or salable credits for the holding company, gains that will fund its nonindustrial investments.

Thus refundability and transferability amount to a plan to use the federal Treasury to complete the deindustrialization of the U.S. economy, allowing holding companies to run their industrial subsidiaries into the ground to enhance the cash flow into financial services, real estate, insurance, and the like.

The implications of transferability go further. If unused tax credits can be sold, they will create a new market. Since industrial losses can be made almost arbitrarily large, the potential for creating tax credits is gigantic. When marketed, it will create an immense amount of new credit. This kind of credit, coinciding with a final wreckage of the U.S. industrial base, could create an awesome rate of inflation. One estimate is that the market in transferable tax credits could grow to \$100 billion in the space of six months.

The plan would be sold as a capital investment credit, with no one caring to explain that the investment might be in an insurance shell in Bermuda or hotels in Monaco.

The corporate sponsors of the refundability/transferability plan include the Chessie System Railroad, United Airlines, Bethlehem Steel, Scott Paper, Ford Motor Company, the Milwaukee Road, U.S. Steel, Phelps Dodge, TWA, Eastern Airlines, and Pan Am. Some of these companies have no difficulty producing a handsome loss, particularly the airlines, who created their own red ink by strongly backing deregulation of their industry. Many of these carriers, particularly TWA, have positioned themselves to take postindustrial flight as soon as they could find a way to absorb the liquidation of industrial or transportation assets. The liberal Republicans' plan would be ideal.

Another important benefit from the deindustrializers' point of view is the effects on labor. With a string of quarterly reports grinding down deeper in the red, it becomes increasingly easier to convince trade unions to

hold their wage demands well below the inflation rate, then accept full wage freezes, then promote wage cuts to maintain their jobs. Although employees may grumble that "this is a hell of a way to run an airline," or whatever, it is hoped that the union leaderships will cast a blank eye on the fact that the losses and eventual shutdown are intentional. This gives the liquidating company additional profits during the phaseout. And, since the nonindustrial profits are highly speculative, profits from those investments must inevitably come from reduced living standards of the population as a whole, whereas speculative drains on the economy have been supported by the industrial sector of the economy.

Deindustrialization has been under way in earnest for over a decade. The paradigm case is the Penn Central Railroad which transformed the assets of the nation's largest railroad into an \$8 billion profit of which \$1.5 billion came from carry-forward tax credits which were applied to the re-emerged Penn Central Company, a conglomerate of real estate, oil pipelines, wax museums, and electronics. The significance is not merely the huge profit made at taxpayers' expense—the Penn Central gouged the localities as well—but the carefully guided transformation into a postindustrial holding company.

One of the key elements in the 1970s deindustrialization was the use of the half trillion dollars in pension funds to stabilize the markets as the industrial losses were run up. It is expected that pension funds will be called upon again to take a major portion of the losses. To this, the liberal Republicans intend to add a liberal dash of Social Security money.

Refundability was first devised by Washington tax consultant Charls Walker, who served as undersecretary and deputy secretary of the Treasury under John Connally and George Shultz from 1969 to 1973, the period when the Penn Central blowout and the post-August 1971 wreckage was in full force. Walker's current assistant claims that Walker was working for the previously named corporations, and it is known that he is currently working closely with the Lazard Frères banking house partner Felix Rohatyn, who is stumping for regional Reconstruction Finance Corporations. Unlike Jesse Jones's New Deal RFC, Rohatyn has no intention to rescue regional banks, but instead use regional government funds to achieve the industrial to nonindustrial transformation. The Rohatyn and Walker plans are seen by their makers as complementary options to present to a Congress dazed by the collapse of Kemp-Roth.

The collapse of Kemp-Roth and the refundability and transferability schemes are also complementary operations. Charls Walker was the head of the Reagan tax policy transition team and his tax schemes are understood to be meant when liberal Republicans moot the existence of "a second Reagan tax plan."

## **An alternate plan for productive tax 'shelters'**

*The following is a policy statement by the National Democratic Policy Committee (NDPC) which reflects, in condensed form, the views NDPC Advisory Council Chairman Lyndon LaRouche expressed in his book A "Gaullist" Solution to Italy's Monetary Crisis.*

President Ronald Reagan's commitment to reduce taxes to get the nation's industrial might producing again is among the best goals of the administration. However, the supply-side mix of untargeted, marginal tax cuts with tight money will have precisely the wrong effect.

The supply-side mix is in fact intended by some of the President's worst advisers to deliberately shut down much of basic heavy industry, and push the U.S. into the "postindustrial" society. Since across-the-board marginal tax cuts are expressly designed to go with an extreme policy of high interest rates, supply-siders freely admit that only the new "information-age" industries that already have high cash flow, such as computers, services, and real estate will get the tax breaks. Already in deficit, America's basic heavy industry—auto, steel, homebuilding, and savings institutions—deliberately receive no tax benefit, and can make no capital improvement given rocketing interest rates.

There can be no economic recovery in fact without reversing Federal Reserve Board Chairman Paul Volcker's high interest-rate regime. Once the Volcker Fed's monetarist policy is accepted as given, the Washington debate on tax policy is reduced to an academic argument, while the Fed goes on leveling our industrial economy.

The monetarists simply lie when they say credit—lower interest rates—would create inflation. The Fed must introduce a "two-tier" credit system, in which basic heavy industry is given preferential credit, while real estate and other speculative markets are "hung out to dry" at continued double-digit rates. As described in the Federal Reserve Reform Act [drafted in 1980 by the NDPC—ed.], this can be done by making loans for the creation of tangible wealth in capital goods, transport, agriculture, homebuilding, and other strictly productive activity *discountable* at the Fed discount window up to 50 percent of the value of the loan.

We contrast this with the "directed credit" proposals of House Banking Committee Chairman Henry Reuss, whose industrial policy is identical to that of the supply-siders. Reuss would use a two-tier credit system to promote the "postindustrial" model, by excluding auto, steel, and other distressed industry from the preferential lower tier, and encouraging "postindustrial" sectors.

Accordingly, any Democratic tax policy must emphasize *targeting* of tax cuts to explicitly promote new capital investments in basic heavy industry. Also needed are deep personal tax cuts on the lower-income scale, to promote family formation.

The recent tax proposals of House Ways and Means Chairman Dan Rostenkowski and the Senate Democratic Conservative Caucus reject across-the-board supply-side tax cuts, and note in theory the need to revitalize basic industry. In practice, however, they fail to establish targeting, and adopt marginal tax cuts just as in Kemp-Roth.

### **The duplicate tax credit**

The present U.S. tax system actively discourages capital formation in productive industry and encourages investment income into real estate and other speculative tax shelters which make no contribution to the tax base. Undifferentiated lowering of marginal tax rates only exacerbates this situation.

Rather, we propose the *duplicate tax credit*, under which, while maintaining high progressive personal tax rates, we create extremely large new "tax shelters" for income invested productively.

The duplicate tax credit works on the individual income side by providing significant tax exemption on income from investment in equity in industrial and agricultural corporations, and other specified production activities creating new tangible wealth.

The duplicate tax credit works in tandem with a targeted 20 percent ITC for every dollar spent specifically on new, high-technology productive investment. This would exclude diversification of steel companies, for example, out of steel and into real estate.

Investors in the equity of such corporations would receive a percentage tax exemption on their investment income calculated based on the corporation's capital spending as a rate of total income. That is, if a company spent a sum equivalent to 100 percent of taxable income on specified capital investment, its stock would pay dividends that were 20 percent tax free. Hypothetically, a company which borrowed to expand investment, such that it spent, for example, a sum twice its income on capital investment, would be entitled to pay dividends that would be 40 percent tax free. That is coupled with a hefty R&D tax credit.

We thus create a situation in which every Wall Street stock analyst finds that his job is now to identify those

companies who plan to move aggressively into new high-technology investments, and recommend their stocks. This in turn will put most corporate finance officers into the position of advocating major capital improvement programs.

For distressed industries such as auto and steel, the program would allow unused investment tax credits to be carried back to be used against 100 percent of tax liability. Again, the credits would be required to be used for targeted, high-technology capital improvements. Equity dividends of such companies would be granted a flat 50 percent tax-free rate to the investor.

This deals neatly with the problem of double taxation of dividends. In short, dividends of stock in a company making approved production investments are taxed neither on the corporate nor on the investor's side—double untaxed. Other corporations will have to suffer with double taxation.

The result could be one of the biggest capital investment booms in the nation's history.

## Specific proposals

### A. Individual tax cuts

1) No reduction in the top marginal tax rates. Maintain current progressive income schedules, and deal with the fact that an estimated \$25 billion in revenue in the 50 to 70 percent tax bracket now escapes taxation by shutting down current tax shelters.

2) Provide the duplicate tax credit available for all taxable income accruing for investment in capital expansion industries. This includes not only corporations, but also investment in agriculture and small business. This should capture the investment flow above, now sheltered unproductively, and guarantee its productive use. Mere reduction in the marginal tax rate would allow income in the 50 to 70 percent brackets to continue to flow into speculative investment.

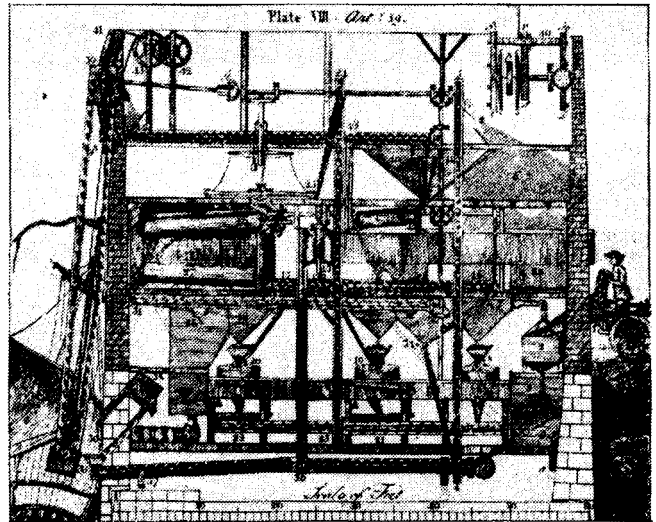
3) Reduce taxes in the lower income brackets to encourage family formation. This requires a much more dramatic reduction than most current tax discussion acknowledges. Present IRS data show that while 79 percent of all households file returns at gross incomes of \$20,000 or under, only 17 percent of these families have four or more exemptions—that is, only 17 percent can support two children. The actual net income of \$17,735 available to a family of four in 1980 at these levels is not in fact sufficient to support a family.

We propose increasing the personal tax exemption to remove all liability up to \$20,000 gross income, a tax reduction in absolute terms of only \$19.3 billion.

4) Eliminate the marriage penalty.

### B. Savings and investment incentives

1) Provide investment tax credit of 20 percent on the margin of new investment above 1980 levels, for



*Oliver Evan's 1795 automated gristmill: Hamiltonian fiscal policies promoted inventions.*

targeted productive investment as described above.

2) Provide accelerated depreciation targeted to productive assets. Simplify the depreciation schedules through classification of all assets into a limited number of recovery periods. Reject 10-5-3 and other supply-side formulations as untargeted and likely to encourage speculative writeoffs of real estate.

3) Provide savings investment modeled on the targeted duplicate tax credit. For deposits in savings institutions and banks, the bulk of whose assets are invested in long-term mortgages and who avoid speculative investment in money market funds and commercial real estate, allow an exemption of 50 percent, or \$1,000, whichever is higher, on savings income.

4) Introduce a dividend reinvestment plan for public utilities. Study the possibility of expanding this plan to auto, steel, and other distressed industries.

5) Provide research and development incentives. A nonrefundable credit would go to business for 25 percent of the amount contributed in cash to a research and development reserve. Limit the maximum credit to 10 percent of the corporate business income. This is liberal compared to current average corporate R&D investment levels of 2 percent of income.

6) Provide unused investment tax credits. Allow credits that are carried back to be used against 100 percent of tax liability, provided that the credit is targeted into new productive capital investment.

7) Reject the rehabilitation tax credit. That program by itself will serve to encourage real estate speculation and diversification of heavy industry into new "postindustrial" fields, in the present high interest-rate environment. It should be replaced by the provisions for duplicate tax credit system outlined above, as specifically applied to new productive investment in the rehabilitation of structures.

## Why the Anglicans want to eliminate the Pope

by Lyndon H. LaRouche, Jr., Contributing Editor

In the effort to deter the present wave of assassinations, it is urgent that the public be informed why the hierarchy of the Church of England has fallen under the gravest suspicion of complicity in the attempted assassination of His Holiness Pope John Paul II.

The suspicion is directed at leading forces within the Anglican Church hierarchy because of the accumulation of three points of evidence. First, the Anglican hierarchy is among those with the strongest avowed motive for achieving the effects of a successful assassination of the Pope. Second, the revelations of the Turkish government concerning the highly protected peregrinations of the assassin point to the footsteps of the late Herbert Waddams. Third, the Anglican hierarchy is proven to be a leading, integral part of the political effort to destroy the papacy at this time.

According to official statements of the Turkish government, that government was tracking the assassin through Europe, with the aid of a force of up to 60 members of the Turkish national security forces. The Turkish government has detailed reports of its information on the assassin's movements made to governments, including the (de facto) Bettino Craxi government in Italy, and has reported failure of those governments to cooperate in a normal manner with Turkish agencies in effecting the detention of the perpetrator.

The ability of one of the world's most wanted assassins to move across so many national borders, enjoying so many safehouse arrangements, and to avoid detection, despite pinpointed warnings to governments by official Turkish agencies, is the outstanding piece of evidence now available. This represents an elaborate and costly

deployment of and on behalf of the assassin. It also represents some powerful influence intervening in many national arenas to neutralize normal law enforcement procedures.

What force has the capabilities to effect all of the detailed items of costly and protected movements of the assassin? What species of beast is identified uniquely by that spoor?

These are the footsteps of the late Herbert Waddams, the same Waddams who is key to the case of KGB General Harold "Kim" Philby, and who is a principal figure behind the present terrorism and urban-riot capabilities in the United States and other Western Hemisphere nations.

The aspect of the Anglican hierarchy identified by the late confessor to the British monarch, Waddams, is an integral part of the political forces behind the current wave of assassinations. The only question concerning its connection to those assassinations and attempted assassinations is whether it is only politically responsible or is more directly responsible for the assassination attempt in each case. That element of the Anglican hierarchy is definitely politically responsible for the operation which the assassinations attempt to aid. The charge of merely highly probable suspicion, as distinct from proven certainty, is limited to the matter of direct connection.

### Proof concerning motive

Let us overlook, for the moment, the connection between the known assassin and cited accomplices on the scene of the crime. A conclusive case can be made by examining the case of the known perpetrator, avoid-



Stuart Lewis/NSIPS

Archbishop of Canterbury Richard Runcie

ing the possibly distracting discussion of other assassins on the scene at the same time.

First, the perpetrator is among the best-known professional political assassins of the Mediterranean region, even prior to the crime.

Second, after his intent to assassinate the Pope was well known to all relevant authorities, this professional assassin was deployed to the scene of the crime by means of an elaborate route of travel from safehouse to safehouse, without efficient action by the law enforcement agencies of any of the nations through whose borders the assassin was moved.

Third, for these reasons alone, it is conclusively proven that the controllers of the elaborate network of safehouse and travel facilities involved were witting accomplices before the fact of action in aid of the attempted assassination of the Pope.

So far, the facts are uncontestable—if we assume candor on the part of official spokesmen of the government of Turkey. Any competent law enforcement or related official who denied such facts and related conclusions would be suspected of deliberate falsehood, and the motives for his false statements would place such an official under other suspicion.

Fourth, those facts being conclusively established (again, on condition we accept the reports of the Turkish government), we have conclusive evidence in hand which circumscribes areas of suspicion both as to *capability* and *motives*. The determination of motive must be based on determination of motive for forces with the degree of capability represented by the facts of the assassin's itinerary.

Fifth, the capability is that of a supranational agency able to prevent efficient law enforcement action in a variety of nations of the Mediterranean region. This eliminates the suspicion that the Soviet intelligence forces could have been the principal authors of the crime, and also eliminates the suspicion that this could have been an act of revenge for the destabilization of Poland. It does not, of course, exclude some degrees of complicity by Soviet intelligence agencies with aspects of the operation, or complicity by forces usually considered KGB or IMEMO assets. The scope and implications of the itinerary reported by the Turkish government indicates a far-flung and powerful conspiracy with included features beyond existing Soviet capabilities.

Sixth, the necessarily very high level of complicity involved proves that the responsible's motives are consistent with the global political consequences of a successful assassination of the Pope at this time.

Effect: The attack on the Pope has occurred in the context of a "Day of the Jackal" epidemic of attempted assassinations against President Ronald Reagan, President Valéry Giscard d'Estaing, Prime Minister Indira Gandhi, and a projected assassination of President José López Portillo, among others. The inclusion of the attack on the Pope in this setting has the psychological effect on governments and populations of chaos in the West—a *chaos provoked by some agencies which cannot be the Soviet Union*.

Effect: If the Pope were to die, the automatic result would be the convening of a College of Cardinals to select a new Pope. This would bring to the fore in the sharpest way all simmering factional struggles within the Roman Catholic Church confession as a whole. *This would bring to the fore the simmering Great Schism being organized under the visible leadership of the Anglican Church*.

Seventh, the agency coordinating the deployment of the assassin was aware in advance of both effects. Therefore, the causing of such principal effects is among the leading motives of the perpetrator.

### **Coincidence of motive and capability**

There is only one agency in the world with such combined motives and capabilities. In the final analysis this can be identified as the long-standing alliance between Venice and the Secret Society of China, the ancient Secret Society whose rule of China today was the featured theme of the public trial of the "Gang of Four." However, the principal institution through which concentric circles of that Venetian power is coordinated today is the inner hierarchy of the Anglican Church.

Within the Anglican Church, ranking above the more visible Archbishop of Canterbury, there are persons of the rank of the late Herbert Waddams who

control the secret-intelligence aspects of the church's organization, and who usually nominate the candidate which the monarch appoints archbishop. These figures coordinate an important faction of the autocephalic Eastern churches—the Monophysites and their allies of Mount Athos.

Through church channels the Anglicans access control of the Soviet KGB, by way of the Russian Orthodox organization, which maintains the same sort of powerful networks within the KGB it formerly maintained within the Czar's Okhrana. Indeed, to understand the "state within the state" features of the KGB, it is more or less indispensable to know the continuity of the Okhrana into the KGB. In addition these networks coordinate with neo-Asharite currents of Islam.

This aspect of the Anglican Church is key to understanding the cases of Donald Maclean and Harold "Kim" Philby.

In the eastern Mediterranean, this network coordinated today by the inner Anglican hierarchy is known as the "magicians," an emphasis on the historical connection to the pagan god Marduk, otherwise known in Western countries as Apollo or Lucifer. In Christian history, this collection is known by the generic title of *Gnosticism*, and is associated both with Arianism and Monophysitism. For example, Simon "the Magician" Magus, the first Gnostic pseudo-Christian ally of Nero fought by St. Peter and Philo Judaeus at Rome, is a prototype for the pseudo-Christianity of the Emperor Constantine fought by the three great Christian fathers at the Council of Nicea. The government of Cyprus recently described an attempted coup d'état in that country as originating with Hapsburg networks and as the work of the "magicians."

Leading Jesuits in Italy, expert in these matters, have described the attempt on the Pope as part of the current pattern of attempted assassinations of heads of governments and others, and attribute the authorship of the attempted murder to "deep forces." They describe these as "forces of the East" determined to destroy the civilization of the "West," and stipulate that the authorship is not Soviet. Those Jesuit authorities were speaking of the same "magicians."

The perpetrators have two principal features. On the one side, they are a network which believes fanatically in the Gnostic tradition, and which works with equal fanaticism to attempt to bring into being a world order consistent with the Gnostic doctrine. On the other side, they are a very powerful force, whose resources included vast real estate and rentier-financier wealth accumulated—tax free—over centuries.

Presently those forces are committed to their final victory over the opposing institutions of sovereign nation-states and technological progress. They view themselves as having successfully weakened civilization

to the point that the establishment of a neo-Malthusian world-federalist order appears to be immediately within their reach. Now, they are moving in literally for the kill.

There is nothing speculative in the commitments which motivate the inner Anglican hierarchy to murder heads of state and kill a Pope. Anglican policy is explicit on these two motives, and at no less a level than the statements and practice of the Archbishop of Canterbury, Robert K. Runcie.

According to Runcie's associates within the Anglican hierarchy inside the United States, the archbishop is committed to aiding a schism within the Roman Catholic confession. The leading purpose of effecting this schism is to remove the obstacle of the papacy to the genocide explicitly proposed in the form of President Carter's Global 2000 doctrine and Willy Brandt's North-South Commission report. Furthermore, the leading Episcopagan spokesmen are explicit in their proposals to eliminate from the Christian Bible those features which disagree with the Gnostic doctrine.

As Episcopagan spokesmen and other supporters of genocide have emphasized widely, it is apparent to them that the papacy is an unchangeable obstacle to genocidal doctrines. Therefore, they propose, the papacy must be broken up.

That action is not possible presently without eliminating the Pope, and using the College of Cardinals as the means to effect the process of unraveling within the ranks of cardinals leading toward a new major schism.

The inner hierarchy of the Episcopagan church is properly viewed not merely as something within the established Church of England, but as a coordinating agency for an array of forces with arms not only among Catholic, Protestant, and Eastern autocephalic denominations. It includes also neo-Asharite Islamic cults and penetrates into Judaism, as well as coordinating overtly pagan cults such as Theosophy, Anthroposophy, and the Ukiah Valley (California) and Zen Buddhist varieties. From behind the "sanctity" of religious covers, it accumulates not only vast financial and real-estate holdings (tax free), but deploys control of operations such as the Socialist International (which it created over the period of the 1870s and 1880s, together with the British Fabian Society). It controls, with complicity of Venice, Libya's psychotic Colonel Qaddafi, and most of the New York Council on Foreign Relations, as well as the psychological warfare and assassination arm of British intelligence, the London Tavistock Institute.

There is one thing with which the Anglican hierarchy has nothing in common—the Christianity of St. Peter, St. Paul, and St. Augustine. To the extent that the papacy represents a rallying point of all Christians and others against the Gnostic destruction of Christian moral as well as theological traditions, the Anglican



hierarchy and its partners view the papacy as a force to be destroyed.

## Implications

By being caught in overt attempted assassinations of a Pope, the forces behind that attack have exposed themselves to suspicion for a wave of assassinations of prominent figures, including the attempts on President Ronald Reagan, Giscard, Indira Gandhi, and others. Recent memories are excited, to look back for comparison and possible connections to the last wave of the "day of the Jackal," during which many suffered, including the repeated attacks on President Charles de Gaulle and the successful assassination, by forces linked to the Anglican hierarchy, of President John F. Kennedy.

The attempted assassination of the Pope strikes into the consciences of masses of populations of many nations in a way beyond the attempt on any secular figure, even the President of the United States. If the Pope were not recovered from his injuries, perhaps the

forces behind the massive deployment of the assassination would succeed in forcing the convening of an implicitly schismatic College of Cardinals, as the Church of England overtly desires. If the Pope recovers successfully, then the attack will backfire against the perpetrators. Perhaps only the Socialist International will be destroyed by enraged Christians and others. One would hope that the Anglican hierarchy, the Socialist International's master, would also be dissolved. In any case, a probable great good for civilization perhaps depends now upon the Pope's successful recovery.

The last Pope to be murdered by open violence was St. Peter. That murder was perpetrated by the Emperor Nero. The next such attempted murder was by a professional political assassin against Pope John Paul II. To these who know history, if the act was directed by the Anglican hierarchy, as it almost certainly was on the basis of the evidence at hand, then it was the forces of the Emperor Nero again. At least, it will be viewed so by all who know both history and the Episcopagan hierarchy of today.

## Herbert Waddams: intelligence strategist

From 1945 until 1959, Rev. Canon Herbert Montague Waddams was the general secretary of the Church of England's Council on Foreign Relations. As one writer described it, the council was expanded to the point that "the Council on Foreign Relations became the password to good relations in all parts of divided Christendom." Between the two world wars, as the sun was setting for the British Empire, Canon Waddams was given the task of reconsolidating and enlarging the influence of the monarchy. Under the guise of the Anglican Church's diplomatic work, Canon Waddams directed the monarchy's personal secret intelligence service.

Canon Waddams and his counselors became the strategic "idea men" for the Empire at the point that British intelligence made one of its most important moves of the 20th century—the recruitment of young "leftist" aristocrats for penetration into the Soviet Union. Soviet KGB General Harold "Kim" Philby was one of Canon Waddams's recruits. Waddams paved the way for Philby's defection in 1963 through his extensive profiling and contact with Eastern Rite Churches. He was a specialist on the Russian Orthodox Church and was the leading figure in the Anglo-

Russian Theological Conference of 1956 in Moscow.

As Canon Waddams rose to the rank of confessor to the Queen, KGB General Philby became a pivotal figure in the Soviet faction that shared the oligarchy's one-worldist feudal view. Philby's KGB faction and their Socialist International friends built support for the Jacobin wings of the Third World "liberation movements" while Canon Waddams elaborated his "Theology of Liberation" in conjunction with Jesuits.

In 1966 Canon Waddams gave a series of lectures on his moral theology "through the eyes of Teilhard de Chardin," who was the first liberation theology theorist. Canon Waddams stated, "The idea of progress, which was popular in the last century and the beginning of this, has been largely discredited. Hardly anyone believes in it anymore. It was a concept of progress for mankind as he secured more and more control over science . . . so as to govern it to the benefit of man. . . . There seemed to be no limit to the riches and success which industry and the advance of technology could bring. But although this attitude is no longer held in these *crude* terms by thinking people, aspects of it are constantly cropping up . . . Some writers appeal basically to the same kind of human self-satisfaction as the original idea of progress in the 19th century. By closely linking technopolis with the kingdom of God, they give to a passing social state, which is the outcome of technical achievement, a semireligious glow, tending to make it good in itself."

## Mumford: 'Catholics a security threat'

*The following is excerpted from writings by Dr. Stephen Mumford, titled "Population Growth and Global Security—Toward an American Strategic Commitment," published in the January-February 1981 issue of the Humanist magazine, whose editorial board is dominated by members of the Committee for the Free World. Mumford, who heads the North Carolina-based International Fertility Research Program, wrote the piece as part of a project commissioned by the Georgetown Center for Strategic and International Studies (CSIS), which is rewriting Global 2000 as a national security doctrine. Mumford thinks that the Global 2000 Report understates the dimensions of the coming population catastrophe.*

The Catholic Church has exerted great influence on U.S. policy in population matters as a result of its intimidation of elected officials and the built-in reverence most Americans have for an ecclesiastical hierarchy. The teachings of the church and its hierarchy's insistence that these teachings be followed have resulted in an unintentional suppression of the substantial knowledge about the consequences of overpopulation. . . .

In general, the United States should adopt laws and policies similar to or similar in effect to those of Hong Kong, Singapore, and the People's Republic of China. Unfortunately, few, if any, nations will follow these governments in the elimination of pronatalistic laws and policies and in the institution of antinatalistic ones. However, many countries would follow the United States if it boldly instituted these changes.

Pronatalistic forces, who encourage births, must be stopped. We must adopt the antinatalistic policies that we are suggesting for rapidly growing developing countries. All government policies and laws encouraging childbirth must be changed. All tax incentives for having children must be eliminated, as well as any remaining welfare incentives. Teenage childbearing must be eliminated, and childbearing before the mid-twenties strongly discouraged to lengthen the time between generations. Childless and one-child families must be encouraged. . . .

Thus, the leaders of the church in Vatican City are orchestrating this interference in American political af-

fairs. One can suggest that, in effect, a foreign government or a foreign power is interfering with U.S. governmental affairs. Such interference is only one side of the issue. . . .

During Pope John Paul II's visits to the Western Hemisphere, he made it painfully clear that he intends no changes in population control policy. . . .

It is fair to say that using the teachings of the church, the Vatican has effectively thwarted the development of and successful implementation of population policies worldwide with the exception of the People's Republic of China. Because of its global geopolitical presence, its economic capabilities, and the strength of its democratic institutions, the only nation capable of successfully addressing that barrier is the United States. . . .

In order to avert this demographic disaster, strong decisive leadership is the key. What is needed is a highly influential and respected organization that can elicit unwavering commitments from other countries and command whatever resources deemed necessary to achieve its final goal. . . . This effort may require 10 million full-time employees or more, with a U.S. component of several hundred thousand. . . .

At present no such institution exists nor would any combination of those existing suffice. Only the creation of a NASA-type agency, modeled on a military organization, and with a wartime sense of urgency, will be adequate. . . .

Overpopulation is resulting in grinding poverty. . . . If the amount of oppression stemming from tyrannical government tactics is weighed against the amount of oppression stemming from forced pregnancy and overpopulation, we quickly find that the government-oriented oppression is almost irrelevant by comparison. . . . In the 1930s, we backed down in the face of the threat of Hitler. If we back down now, the holocaust of World War II will look like a minor dress rehearsal of what mankind will witness over the next three decades. The United States must confront the church on this issue now! . . .

If the church fails to change its teachings on fertility matters, the next decade or two will find among all people of the world an increasing awareness of the relationship between overpopulation, premature death and human suffering, and the Roman Catholic Church. By the end of four decades, with a population of 9 billion, the living hell projected by the *Global 2000* study will be upon us. Whole nations are likely to rise up in anger and physically destroy their national church and everyone associated with it in brutal fashion. . . .

The only hope for the American Catholic church and the American people is that the American church break away from the Roman church. . . .

For the reasons stated in this monograph and in the *Global 2000 Report*, I have absolutely no reservations about making this suggestion or expecting it to happen.

# An open letter to President Brezhnev

by Lyndon H. LaRouche, Jr.

*Editor's Note: We are publishing the following letter from Lyndon H. LaRouche, Jr., in hope that this route will bring the matter to the attention of immediate circles of Leonid Brezhnev.*

Dear Secretary Brezhnev:

Some leading circles in the Soviet Union are playing a very foolish and dangerous game, lining up with the Socialist International and Church of England against figures such as Valéry Giscard d'Estaing, Helmut Schmidt, and Ronald Reagan.

Since you do not regard the recent destabilization of Poland as precisely a contribution to world peace, you ought to view the leading role of the London Tavistock Institute and Socialist International in orchestrating that turbulence as an indication of the true character of the recurrent allies of the anglophile institution called IMEMO.

If no one informed you that both "Experience and the Future" and "KOR" were joint operations of the London Tavistock Institute and the Socialist International, then you ought to have certain officials of IMEMO and the KGB tried and sentenced for being de facto British intelligence agents. As for the Solidarity movement as such, although this was created by the same forces which funded and directed Ferdinand Lassalle, and although the Free University of Lublin operation is coordinated by way of Vienna, it is the friends of the late Herbert Waddams of the Church of England who coordinate its operation today.

These are exactly the same forces directing the "peace movement" so much praised of late in Soviet publications.

Is there some idiot in Moscow who seriously believes that the Church of England's efforts to destabilize the Reagan administration will contribute to peace? Directly the contrary. It will enrage the indignant citizens of the United States, as well as the President, especially when the Primate of Canterbury parades with highly visible encouragement from the Soviet press.

The trap in visible Soviet policy is the obsessive repetition of the assertion that such clown-shows as

"peace movements" deter war, or that "arms treaties" ensure détente. The period between two world wars was a succession of détente-treaties. The 1930s was a heyday of peace movements. Meanwhile, the world moved toward war, making a mockery of all treaties and peace movements. In more recent experience, you personally negotiated numerous agreements with Presidents Nixon and Ford; what happened to those agreements once David Rockefeller's Trilateral Commission took office in January 1977?

As the case of Nazi Germany illustrates, once a state comes under the control of an irrationalist movement, and under the impulsion of Schachtian forms of economic self-cannibalization of its economy, only the overthrow of such a government can prevent that nation's irrepressible, Hobbesian impulse toward war.

Then, if you are for avoiding war, why do you permit the Soviet KGB to put massive pressure in Italy, in support of Haig's efforts to put the avowed "New Mussolini" of Italy, Bettino Craxi, into power?

You believe that nuclear deterrence, or even a marginal superiority of Soviet military capabilities would deter governments from plunging into war? If so, you underestimate the capacity for delusion in governments gone mad.

Consider the case of the first of two world wars organized by the British. As you may recall, the principal cause of the war was the geopolitical policy of the Milner group, whose principal feature was the intended mutual destruction of Germany and Russia. (A blunder the British repeated during World War II, putting and maintaining Hitler in power for this purpose through 1938).

The Schlieffen Plan was well known prior to the outbreak of the war. But for the Kaiser's holding back the final phase of assault, for purposes of aiding a ceremonial touch, Paris would have been captured during the initial assault of that war. This was calculable before the war. Had Hitler not held back Guderian, and had he not shifted the Luftwaffe attack to the British anti-aircraft shooting-gallery over London, Britain might have been conquered during the Second World War.

Any command which assumes knowledgeable rationality by opposing forces is committing a dangerous error of estimation. Nations driven mad or desperate will stumble into war despite all rational evidence available foretelling the consequences. In this circumstance, no silly "peace movement" or scrap of treaty-paper will deter them.

Nations avoid war to the extent they perceive a powerful positive advantage in doing so. The principal such perceived advantages are enhancement of sovereignty and gains in terms of benefits of prosperity and security. It may be sometimes difficult to achieve a condition of perception to such effect, but no other course of action can succeed.

It may be agreeable to the ideological stubbornness of M. Suslov, but it is nonetheless a delusion, to believe that the turmoil in the capitalist sector of the world is the reflection of any inevitable or final fundamental contradictions within industrial capitalism as such. The fact of the matter, as available statistics ought to convince you, is that a feudalistic relic, rentier-finance, has superimposed itself more or less successfully on the principal capitalist states as well as the debts of the developing nations. If the industrial-capitalist modes of finance, made famous initially by Alexander Hamilton, were to reassert themselves, the present threat of general monetary collapse would vanish, and a massive expansion of world trade, based largely on development of the developing sector, would emerge.

As even M. Suslov ought to have perceived from the experience of the 1920s and 1930s, it was the collapse of industrial-capitalist impulses under the weight of the Versailles rentier-financial structures, which created the conditions leading into the second general war. If M. Suslov wishes to discern the "objective forces" of history in the current situation, let him learn the lesson of the last general war, that the social and political consequences of a new general monetary collapse are to be avoided by all possible means.

I will grant you that it is not entirely within the means of the Soviet government to determine whether or not a new general war occurs. It is within the means of that government to develop and adhere to a sound war-avoidance policy. Playing with the Church of England and the Socialist International, in the manner manifest from sources such as the Moscow press, is the most efficient way in which the Soviet government might seek to ensure the preconditions leading toward war.

I assure you that permitting a Soviet official, such as Djerman Gvishiani, to climb into bed with the genocidalist Club of Rome is equivalent to embracing creatures such as Pol Pot. Gvishiani's embrace of the evil Aurelio Peccei, a man resolved to be one hundred times more of a criminal than Adolf Hitler succeeded in becoming, is an act of unfathomable immorality, the act of an element

within Soviet leading circles which has joined our own Western genocidalists in exhibiting a lack of the moral fitness to survive.

Unfortunately, Gvishiani's evil behavior is approximated by policy statements given by Boris Ponomarev at the 1980 Berlin conference. To propose that developing nations ought to rely on their own available resources, rather than seeking economic aid from industrialized nations, is to propose that many of such nations condemn themselves to precisely the genocidal effects of famine, epidemic, and homicidal chaos which Peccei has proposed more explicitly.

Unless evils such as Pol Pot and Khomeini are ruthlessly crushed, and unless we of the industrialized nations begin quickly the mobilization of economic growth of the developing nations, the world must almost certainly stumble by successive strategic miscalculations towards the verge of a new general war they do not believe they will actually be obliged to fight. They will then plunge into general war, not because they intend to do so, but because no one appears able to stop the plunge. If we are impelled to such a state of affairs, probably civilization will vanish. It will deserve to die, because it tolerated not only Pol Pot and Khomeini, but the policies of Peccei and Ponomarev. It will die because it lost the moral fitness to survive.

This is not speculation. This is the sensuous reality looming rather immediately before us. You know what total nuclear war means, how the beginning of such an affair proceeds to its ultimate outcome. The series of strategic miscalculations leading to such trigger-point is already well under way.

### **Poland once more**

Who is pushing the world toward war? It is the forces behind the World Wildlife Fund, the Club of Rome, and the heritage of H. G. Wells and the evil Bertrand Russell. Their reasoning is consciously as follows, as some of that faction have outlined the matter explicitly.

The destruction of the capitalist industrialized sector by the effort to establish a neo-Malthusian postindustrial order, means that the logistical capabilities for supporting military parity of the NATO and allied forces evaporates with the loss of vital sections of basic industry. Even for the British-led Futurologists, this creates the prospect of an intolerable state of strategic balance between the NATO and Warsaw Pact powers.

They, the leading Futurologists, are well aware of the implications: either they abandon their neo-Malthusian world-federalist utopia or they succeed in destabilizing the Soviet Union from within. That is precisely why the destabilization of Poland occurred, and for no other reason. That is why the Church of England and the Socialist International coordinated the destabiliza-

tion of Poland, and aim to do more in the same direction in other parts of the Warsaw Pact.

This is complicated by the fact that there is a faction within your own country which is as fanatically neo-Malthusian as Gvishiani's crony Peccei. To crush the Soviet Union's own impulses toward advanced technologies, that Soviet faction allies with the Church of England and Socialist International against you, Leonid Illich. In turn, it supports the Church of England and Socialist International in efforts to destabilize the nations of the NATO and allied nations, as well as promoting genocide in the developing sector.

If war occurs it will be because you, for your part, tolerated too long that nest of snakes in your bed, and because we, for too long, tolerated Socialist International and Church of England snakes in ours.

### Why decent people die too soon

I assure you that President Ronald Reagan has shown signs of becoming the best President of the United States in at least a generation. I also assure you that approximately three-quarters of the citizens of my country are essentially good, moral people who deserve the best.

"Let them behave rationally, then," you say.

It is not so simple. Perhaps by seeing the follies of your own nation's policies you can be more understanding of our President's difficulties.

Perhaps two-thirds of the adult populations of industrialized nations, excepting Britain, are essentially decent, moral persons. Yet, in all but a handful of cases in each nation, they usually lack the developed capacity to be effectively rational on matters of even national domestic policies, to say nothing of global policies.

The problem is that their minds are so narrowly occupied with what they perceive as their immediate experience and limited interests, that their minds are made too small to assimilate facts so large as matters of national domestic or foreign policy. They are Kantians, even though they have never read Kant. They are what Plato's Socrates termed "silver souls," or persons of the limitations Dante Alighieri portrayed in the Purgatory canticle of his *Commedia*. They are Sancho Panzas from Cervantes' *Don Quixote*, not sufficiently developed to rule themselves effectively.

Their minds refuse to consider the connections between policies and consequences on a scale so broad as the nation itself, or international affairs. In such matters, they rely on a lying press, gossip, prejudices, and sheer superstition.

Hans Fallada in the 1930s published the book *Little Man, What Now?* How was it possible that a nation so cultured as the Germany of Leibniz, Humboldt, Schiller, Beethoven, Heine, and Riemann could tolerate the Nazi regime imposed upon it by Britain? It was not that

Germans were not predominantly moral, but that they suffered in the main the Kantian affliction of *littleness*. They each sought to take care of their own needs for job security and retirement benefits *within whatever circumstances they found imposed upon them*.

There is no nation's people which would have behaved better under similar circumstances. A nation which tolerates the "beggar's-opera socialism" of a Bertold Brecht is a nation of pathetically little people at best.

A nation well governed is a nation led by a Charles de Gaulle, who lifts a people for a time out of cow-like soddenness of intellect, to grasp for a moment the grandeur of a great and good national purpose. Without such leadership, the governments and citizens of nations behave like mean, frightened sheep, herded by their littleness into whatever course circumstances impel them.

Lacking a de Gaulle, the best a nation can enjoy is a figure such as a Valéry Giscard d'Estaing or a Helmut Schmidt. A political figure, formerly of a thoroughly Kantian quality of littleness, thrust into the lonely responsibilities of chief of state or government, may sometimes acquire a sense of world-historical responsibility, and may thus grow considerably in moral dimensions through incumbency in high office. I am confident that our new President, Ronald Reagan, possesses the moral qualifications to accomplish the same sort of growth, and he shall not want for what aid I can muster for him on that account.

Yet, even in such cases, a Giscard, a Schmidt or a Reagan governs with aid of a combination of forces, some well-meaning, some downright wicked, and at the same time is contained in scope of initiative by the great weight of littleness among the citizens generally. So, with aid of the wicked folly of Boris Ponomarev, Giscard was pulled down, and Schmidt's government placed in jeopardy.

This curse of Kantian littleness among peoples and political leaders is the great weight around the legs of any political figure seeking to combat a great evil such as the Church of England, the Club of Rome, and Socialist International today.

For that reason, those who govern with good intentions become accountable not only for the decisions, but their omissions of decisions that should have been made. A nation entering a period of grave crisis under the leadership of pragmatic "political realists" is a nation virtually doomed, a nation doomed by the failure of leaders to grasp the significance of such points as that I have made to you here.

Sincerely yours,

Lyndon H. LaRouche, Jr.

# Behind the Ito ouster

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*Reagan has provided an opening for the Fukuda faction to influence Japan's prime minister, reports Richard Katz.*

Japan's Foreign Minister Masayoshi Ito, a staunch ally of U.S. Secretary of State Alexander Haig's China Card strategy, resigned on May 15 as a major foreign policy battle rocked Tokyo. The issue is whether Japan will continue what one politician labeled "slavish adherence" to Haig's dictates, even if they conflict with Japanese interest, or whether it will take what that politician characterized as a more independent position similar to West Germany's. The immediate focus of the fight is the immense pressure by Haig and Defense Secretary Caspar Weinberger for Japan to play a strong regional military role under the aegis of a U.S.-China-Japan alliance against the U.S.S.R.

Ito strongly pushed for Tokyo to do Haig's bidding. In contrast former Prime Minister Takeo Fukuda, the apparent victor in the fight to influence Prime Minister Zenko Suzuki, argued for the more nationalist, pro-European view. The issue came to a head during the May 7-8 summit between Suzuki and President Reagan in Washington. Prior to the summit, Suzuki, a career party machine man who tends to rely on others for policy advice, publicly warned Washington not to push Japan beyond its traditional "self-defense only" posture faster than predominantly pacifist public opinion permitted. The consequence, he warned, would be that the ruling Liberal-Democratic Party (LDP) could be destabilized and perhaps even lose power to the Japan Socialist Party (JSP). The JSP, which has never held national power and whose program advocates zero economic growth, opposes close defense cooperation between Japan and the United States.

When Suzuki met privately with Reagan on May 8 for 90 minutes—three times longer than scheduled—he explained the delicate internal situation in Japan on the defense issue. According to Japanese sources, Suzuki found that the President, unlike Haig and Weinberger, understood. Reagan said he thought Japan should move ahead steadily on defense, but he pledged, "we won't put you into a corner on this. It is not our policy to pressure Japan." Suzuki also found Reagan less enamored of the China Card than Haig and Weinberger, and more interested in discussing Japan's role from a bilateral view-

point, rather than a triangular effort.

However, the joint communiqué, which was drafted by Haig's aides and simply accepted by Ito, according to knowledgeable sources, reflected Haig's views, rather than the meeting between Suzuki and Reagan. The communiqué called for an "appropriate division of labor" between both countries on defense, and called on Japan to "improve its defense capabilities in Japanese territories and in its surrounding sea and air space." The latter phrase was taken as Tokyo's submission to Weinberger's demand to Japan to take on naval responsibilities for the northwest Pacific, extending as far as the Philippines and Guam.

When Suzuki returned to Tokyo, a storm of protest arose among the press, the opposition parties, and even within Suzuki's own LDP because the communiqué seemed to commit Japan to the Haig/Weinberger cold war approach. At the next cabinet meeting, Suzuki reportedly accused Ito of siding with Haig's views against his own. Suzuki then made a public statement that virtually repudiated the communiqué's military implications. Foreign Minister Ito resigned.

Suzuki proceeded to replace Ito with one of his longtime confidants, another party machine man, former Foreign Minister Sunao Sonoda. At Sonoda's first press conference, he indicated the mood in Tokyo by casting a gratuitous aspersion on the "ubiquitous presence" of U.S. naval vessels off Japan—a U.S. ship had just reportedly cut fishermen's nets during exercises. Sonoda also informed Haig that he would have to cancel a planned visit of Haig to Tokyo in June because Sonoda, unlike Ito, was going to Europe with Suzuki at that time. The meeting was cancelled.

## **The deeper fight**

Behind the immediate circumstances lies a deeper, more longstanding fight on foreign policy in Japan. Former Prime Minister Fukuda is very pro-American, but he is also a Japanese nationalist. The hallmark of his 1977-78 tenure as prime minister was his alliance with two men he had known for years, French President Giscard and West German Chancellor Schmidt, an

alliance to pressure Jimmy Carter to adopt a sane international economic policy and to back off from Brzezinski's confrontation politics toward the U.S.S.R.

The Carter administration was delighted when Fukuda lost the premiership in December 1978 to Masayoshi Ohira, the man Henry Kissinger called "my favorite Japanese politician." Ohira dropped Fukuda's collaboration with Germany and France and echoed the Carter line on every issue, even against Japanese national interest. This ranged from dropping oil-for-technology cooperation with Mexico at Brzezinski's behest, to exchanging defense delegations with China and being the only nation to abide by Carter's sanctions against the U.S.S.R. Ohira also raised interest rates on loans to developing countries and thus lost billions in Japanese machinery exports to European competitors.

When Ohira died of a sudden heart attack during Fukuda's attempt to oust him last summer, Masayoshi Ito, Ohira's longtime alter ego, tried to step into his mentor's shoes. Ito and Ohira both stem from the pro-British "strike north" fascist faction of the Mitsui group of the 1930s and had worked together looting China in 1938 on the misnamed Asian Development Board.

Instead, with Fukuda's connivance, a compromise candidate was chosen, Ohira faction member Zenko Suzuki—the "Robert Strauss of Japan," whom no one had ever expected to become prime minister. Fukuda hoped to influence Suzuki but until recently the more effective control was that of Ito, who garnered the foreign minister's post.

Ito continued the Ohira policy. Business complained they were losing billions of dollars in deals with the Soviets because they did not emulate Europe's disregard of Carter's sanctions. Ito insisted the sanctions remain. Ito also continued Ohira's support for the China Card, going as far as giving direct Japanese foreign aid to the genocidal Chinese-run Pol Pot forces in Kampuchea.

Kyodo News reports that Peking is upset at Ito's defeat. "China regarded Ohira as the most reliable Japanese politician who sought close ties with China and the U.S. to prevent the Soviet Union from advancing into Asia and the Far East. For China, the outgoing foreign minister [Ito] was . . . faithfully following the diplomatic policy line laid down by Ohira."

Beginning perhaps as early as March, in a very quiet, behind-the-scenes manner, Fukuda's influence began to grow. In March, Fukuda came to Washington as the "eyes and ears" for Suzuki despite the fact that Ito was to visit Washington days later.

The momentum escalated in April when Reagan vetoed Haig on a number of key foreign policy issues, especially the lifting of the grain embargo. The move, which Suzuki stridently complained was made without consulting or even informing Japan, made it difficult to continue Ito's defiance of Japanese business wishes to

end Japan's own embargo against the Soviets.

At that point, certain European-oriented actions occurred. Toshio Doko, the powerful former chief of Keidanren, Japan's major business federation, made an unscheduled stop in Moscow on a return trip from Western Europe. Kyodo comments that the Doko stop-over was made "in the softened East-West tensions following the lifting of the grain embargo." Soon thereafter, R. Sasaki, head of the Democratic Socialist Party (not to be confused with the pro-Peking JSP), visited Western Europe and then Moscow. On return he denounced Tokyo's "slavish adherence" to Washington and, at a one-hour meeting, Sasaki urged Suzuki to develop ties to Western Europe as strong as Japan's ties to the U.S. The DSP is heavily funded by Nippon Steel, the firm run by current Keidanren chieftain Yoshiro Inayama, which is promoting an end to the sanctions.

Sometime during this period, Suzuki decided to make a trip to Europe in June, in between the summit with Reagan and the Ottawa seven-nation summit in July. According to Japanese business sources, Suzuki's main interest is meeting with Fukuda's longtime friend, German Chancellor Schmidt.

The May 12 issue of *Nihon Keizai Shimbun* commented, "Fukuda has snapped out of his one-time lethargy as a sequel to his recent meeting with Reagan. . . . Suzuki has to bow deeply in the direction of Fukuda."

One consequence of the still-quiet shift in Japan was a remarkable editorial in the same paper, known as the voice of business, which for the first time condemned Federal Reserve Chairman Paul Volcker's high interest-rate policy. Their politically significant reason echoes the line Schmidt announced that he would explain to Reagan during their late May summit, "Such a high interest-rate policy of the United States works to push up the entire international interest rates of Japan and European countries to an unnecessarily high level. Especially for countries like Japan and West Germany . . . the concern [is] that deflationary effects from high interest rates could spread."

As a party machine man, Suzuki was under pressure to respond to Fukuda's urgings: Suzuki found it difficult to ignore business sentiment or the destabilizing effects on the LDP of Haig's policies.

But Fukuda's view would not have prevailed had Suzuki not become aware of the dispute between Haig and Weinberger on the one hand and Reagan on the other. Their personal meeting was key. For example, at the end of the meeting, which mostly concerned defense, Suzuki asked Reagan to end the Carter-imposed restrictions on Japan's nuclear fuel reprocessing program. Reagan immediately agreed. When Ito had brought the same issue up with Haig in March, an issue vital for Japan's economy, Haig simply stalled.

Suzuki also found Reagan's view on the China Card different from Haig's. Japan is very concerned that good U.S.-China ties be maintained, and Suzuki urged Reagan not to disturb those ties. Suzuki also commented in his Washington press conference that China should be kept part of the "Western alliance." However, the Japanese, particularly Fukuda, are concerned that the U.S. not excessively build up China militarily—partly because Tokyo does not want to provoke Moscow too much, and partly because Tokyo does not trust Peking's ambitions. Reagan has opposed the Haig/Weinberger push for arms sales to China.

When Suzuki realized that Reagan did not agree with Haig's pressure on Japan on regional defense and the China Card—a politically untenable proposition in Japan—Suzuki felt he had maneuvering room to respond to internal Japanese political reality. Ito was out.

On May 9, one day after the summit, one of the top U.S. backers of Ohira and then Ito, former U.S. ambassador to Japan Edwin O. Reischauer gave an interview to the *Mainichi Shimbun* in which he revealed a fact that could destabilize any Japanese regime. In a country still mindful of Hiroshima, Reischauer stated that under a secret 1960 understanding, the U.S. was bringing nuclear missiles into Japanese ports when its ships landed there, in violation of the public treaty prohibiting this without prior consultation. Japan does not make, use, or allow entry of nuclear weapons on its territory.

Published by *Mainichi* a couple days following Ito's resignation, the Reischauer interview made headlines throughout Japan and was used in the U.S. press to speculate on the possible downfall of Suzuki himself. Typical was the May 20 *Christian Science Monitor*, which commented, "The U.S. may have to revise its expectations of greater military cooperation from Japan. For one thing it may not be able to rely on Suzuki to deliver the goods—in view of mutterings within the corridors of power that his government may not survive the current furor over defense."

The Reischauer revelation is being used by the JSP to destabilize Suzuki at the same time that it is stepping up a campaign to shut down all nuclear plants in Japan—the same scenario used by the JSP's Socialist International affiliates against Schmidt and Giscard.

There are two theories about Ohira-backer Reischauer's motivations. One view is that many people in Japan genuinely agree with Haig and Weinberger rather than Reagan, but have been afraid to challenge public opinion in Japan. Reischauer, according to this view, wanted to force the issue presuming the pro-buildup forces would eventually win.

Another view holds that Reischauer was aghast that the formerly Ito-controlled Suzuki was coming under the influence of Fukuda, and that Reischauer made the statement deliberately to destabilize Suzuki.

## Why U.S. aid to the Zia will destroy the nation

by Daniel Sneider, Asia Editor

This writer recently returned from a two-week visit to Europe where I had extended discussions with numerous exiled Pakistani political leaders. Each of them expressed dark fears about the future of his nation, doubts about its continued existence as a country under the current military regime of General Zia Ul-Haq. People who looked on America as a friend, they asked me how the American government could possibly consider giving massive arms aid—\$2.5 billion over five years—to a regime that has pitted itself so completely against its own population.

This is a question Congress must ask itself before acting further. The arms package is being sold as a measure to assure the security of Pakistan, a country supposedly vital to defense of the Persian Gulf-Southwest Asia region facing the threat of Soviet aggression, and useful as a back-door ally of China.

In reality, this program will undermine security and destabilize this vital region. It is not an astrological feat to predict that before the termination of this five-year plan, South Asia will have witnessed one or more of the following events: the breakup of Pakistan into several different entities; a war between India and Pakistan, possibly involving the use of nuclear weapons, that could trigger a wider conflict involving China, the Soviet Union, and the United States; chaos, famine, epidemics throughout South Asia, and resulting depopulation along the lines of the Carter administration's Global 2000 neo-Malthusian policy.

These predictions are based on several clear facts. The first is that the aid given will never be used for the purpose claimed, that is, for defense against a primarily Soviet-based threat to Pakistan's security. The second is that the Zia regime is itself so unstable and insecure that it is just as likely to provoke conflict to preserve itself as anything else. And third, in the unlikely case that such arms aid were actually used in an engagement with Soviet forces, the outcome of such a conflict is guaranteed no matter what the scale of aid, unless the United States is prepared to enter the conflict directly.

Irving Kristol, who can hardly be accused of being pro-Soviet, made some of these points in an April 29 *Wall Street Journal* commentary terming the Pakistan



# government of Pakistan

aid package “an indefensible blunder.” Kristol argues that “the only possible use that Pakistan can make of those arms is in a war against its [by now] hereditary enemy: India,” a war he says that “is definitely not in our interests.” The “whispers” that we will get Pakistani military assistance to Afghan rebels and U.S. naval facilities in return, Kristol notes, are “not to be taken too seriously.” Kristol concludes, “In view of the fact that the Zia dictatorship is generally conceded to be unpopular, those port facilities are more likely to be imaginary than real.”

## The problem of General Zia

The key to the situation lies in the nature of the Zia regime itself, a problem that defines its own solution, one that would actually further American interests in Pakistan and the region. All those who have argued in favor of this aid program have papered over this problem or simply ignored it. The implicit assumption underlying current U.S. policy—which must be understood as a mere continuation, on a grander scale perhaps, of Brzezinski’s infamous “Arc of Crisis” policy—is that only the army can rule Pakistan, and General Zia, so long as he retains the confidence and support of the army, is the only horse the United States has to ride in Pakistan. The long-standing role of the Pakistan army in providing security assistance to states of the Persian Gulf, particularly Saudi Arabia and Oman, is seen to enhance its importance from the standpoint of Pakistan as a “guardianship” of the eastern approaches to the Persian Gulf.

Such an argument betrays a willful ignorance of Pakistani politics. The Zia regime, of course, is not the first military government in Pakistan (it is the third), but it has scant resemblance to the 1958-68 regime of General Ayub Khan, which many Americans recall fondly. The Zia regime is distinguished by a degree of political repression beyond any previous military/authoritarian regime, as expressed in the judicial murder of overthrown Premier Zulfikar Ali Bhutto. Zia has eliminated the avenues of political opposition in unprecedented fashion, and burned his political bridges in a way which makes his exit necessarily bloody. Moreover,

he has placed the army itself in the position of acting as an instrument of internal repression, threatening the ability of that institution to play a unifying role in the country. (See the interview with Pakistani political leader Mustapha Khar accompanying this article).

However, the most important feature of the Zia regime demonstrating its departure from the previous history of Pakistan’s somewhat turbulent politics is its espousal of a doctrine of militant Islamic fundamentalism, a doctrine in fact alien to the historical and cultural tradition of Islam in this Muslim state. Zia’s fundamentalism, now used to justify a range of actions from abrogation of the constitution to use of whippings as punishment and abolition of political parties, is a product of the tiny radical extremist party of the Jamaat-e-Islami, the Muslim Brotherhood affiliate. Zia’s uncle heads this group, which never received more than a few percentage points in any Pakistani election. Zia himself is a known follower of the Jamaat-e-Islami, the only group that still supports his regime, which has otherwise been deserted even by the right-wing parties complicit in the coup against Bhutto. Zia is a military Khomeini, as demonstrated by the incident (so decisively swept under the State Department’s rug) when Jamaat-organized thugs, with the clear complicity of the regime, assaulted and burned the U.S. embassy in Islamabad, resulting in the deaths of two Americans.

Thus the Zia regime holds power by the grace of the repressive power of the military with an ever-narrowing political base. Eventually it must fall, and because it has alienated the entire population, it will likely take the country’s nationhood with it.

The army rule of Zia has dramatically increased the antinational sentiments of people in the three “minority” provinces of Baluchistan, the Northwest Frontier province, and the Sind, against the Punjabi “majority,” identified with the army and who make up the vast majority of its officer corps. The murder of Bhutto, the one man who revived the nationalist identities of all Pakistanis following the breakup created by the formation of Bangladesh, has served to weaken what has always been a fragile sense of unity in a country defined by the partition of British India.

## Scenario for the breakup

Scenarios for the breakup of Pakistan are not new. Particularly following the events in Afghanistan and Iran, attention has focused on Baluchistan, which has a history of separatist activity; its thinly populated territory includes a long stretch of the Pakistani coastline from the straits of Hormuz east, including two excellent natural harbors, ideal for naval bases that could control the entrance to the Gulf. Numerous commentators have pointed out that an “independent” Baluchistan is a prize the Soviet Union, for one, would covet. Consider-



*An incident in Ravalpindi: Zia is now en route to war against India or chaos in the provinces.*

able evidence of Soviet KGB links to leftist Baluchi nationalists adds credibility to this idea.

Certain geopolitical planners, particularly in London, where there is a depth of experience in this region, are thinking along the same lines from the standpoint of the establishment of an Anglo-American base of operations for the Rapid Deployment Force. London sources point out that the Baluchi nationalist leadership looks for support from any quarter, and their loyalty is buyable by any power that offers financial and arms aid. The two Baluchi leaders, Mengal and Maurri, tribal chiefs long active in Baluchi and Pakistani politics, now live in London. About a month ago they attended a meeting of Baluchi exiles that formed the worldwide Organization of Overseas Baluchis committed to the independence of the province.

Pakistani sources in London close to these circles report rumors of American backing for the Baluchis in the hope of securing future U.S. naval bases there. Recent travelers to the largest port, Gwadar, report active construction work to transform what is now a fishing village into a port and that American technicians were seen at work there. British officers in charge of the Oman army go every year to Baluchistan to recruit soldiers from there for the Omani army, and units of Baluchi soldiers are available in Oman that could be deployed back in support of some kind of "independence struggle."

Sources in London also report active efforts and

talks to link the Baluchi exiles with leaders of the so-called Sindhu Desh movement, also based in London. This movement, led by Dr. Hamida Khuro, has been active for more than 10 years for the independence of the Sind, which neighbors Baluchistan and occupies the rest of the coastline. There are also previous links, though less active today, between the Baluchis and the separatist tendencies among Pathans of the Northwest Frontier Province (NWFP), joined together at one time in Wali Khan's National Awami Party, which was banned during Bhutto's rule for its antinational activities. Khan is a frequent visitor to London where he enjoys the counsel of Sir Olaf Caroe, the former British governor of the NWFP and the "godfather" of the Pathans.

All this defines a gathering potential for the breakup of Pakistan, under conditions of the chaos which would surely follow Zia's downfall.

A chaotic breakup creates, first of all, the conditions for superpower intervention and confrontation, including conditions of regional war. Second, the breakup of Pakistan will undoubtedly spread beyond its former borders, threatening the integrity of neighboring India and Iran.

### **The geopolitics of Pakistan**

The current U.S. policy is based on a geopolitical doctrine which is misconceived. As Selig Harrison, a leading American authority on this region has pointed out, the American policy toward Pakistan is historically shaped in the postwar period by British geopoliticians like Sir Olaf Caroe who have argued that Pakistan's geostrategic significance lies in its relationship to the Persian Gulf and Southwest Asia (the Middle East). Caroe was the architect of the Baghdad Pact and CENTO alliances, which sought to institutionalize this alignment of Pakistan as part of a NATO-linked defense/security structure for the Middle East.

The accurate view of Pakistan's national identity is not in terms of relations to the Muslim Middle East, but as a historic, cultural and political part of the South Asian subcontinent. The South Asian region—Afghanistan, Pakistan, India, Bangladesh and the smaller states—has been one coherent region for many thousands of years. Any attempt to divorce Pakistan from that region ultimately has a destabilizing impact on the South Asian region. Caroe and others like him do not conceal their anti-Hindu bias or their view that India is of no consequence to the interests of the West.

That geopolitical outlook, accompanied by crude equations of India with the Soviet Union, is clearly present among the framers of the current U.S. policy and among many of its supporters in Congress. Implicitly, the idea that Pakistan under Zia will use the U.S.-

supplied arms against India is accepted without concern for the effect on actual U.S. interests.

### The Bhutto factor

The Zia problem is not insoluble, provided there is a political force with the capacity to form a government that can command the loyalties of the population and counter the fissiparous tendencies rampant in the country. That force does exist: it is the Pakistan People's Party founded by Z. A. Bhutto and led today by his wife Begum Nusrat Bhutto, and his daughter Benazir Bhutto. As exiled PPP leader Khar points out below, Zia's plan to destroy the PPP by murdering its leader and founder failed, and the PPP is more popular than ever. The reason for this is basically the continuing appeal of Bhutto in the minds of the population as the nationalist who restored a sense of pride and identity following the splitoff of Bangladesh. It is the Bhutto legacy of nationalism, institutionalized in the PPP and in the family's role, which is the most important asset to be preserved if Pakistan is to survive as a nation and play a stabilizing role in the region.

The PPP leads the nine-party alliance of the Movement for the Restoration of Democracy (MRD), which includes virtually every political party in the country, including some that supported the coup against Bhutto. The MRD favors an end to martial law followed by free elections. However, in the past two months the Zia regime has placed thousands of political activists and leaders in jail, including Mrs. Bhutto and Benazir Bhutto, without recourse to the courts and with a distinct danger to their lives. Any move by the Reagan administration and Congress to put through the aid package for Zia at this point will amount to a reward for these activities and an endorsement of the regime's destructive policies.

Bhutto was committed to a long-term policy of stabilization and cooperation with India and among the nations of South Asia. The rivalry remained, but Bhutto was clearly committed, as is Mrs. Gandhi, to establishing normal relations and solving the outstanding issues between the two nations. The continued adherence of PPP leaders to such a peace and stability policy, reinforced by the admiration among wide circles of Pakistanis for Mrs. Gandhi's defense of Bhutto's life against Zia, is an asset for any sound American policy.

The fundamental point is this: the Zia regime will destroy Pakistan as a nation and destabilize the entire South Asian region. Any policy which bolsters Zia in the short term, no matter what the motives, will further this process in the longer term. American policy, if it is truly committed to the defense of stable allied nation-states, cannot follow such a path with Pakistan. And there is no need for it to do so.

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## Interview

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# People's Party leader speaks out on Zia

*The following interview with Ghulam Mustapha Khar was conducted by Asia Editor Daniel Sneider on May 4 in West Germany. Mr. Khar is the head of the Pakistan People's Party (Overseas), the former governor and chief minister of the Punjab, Pakistan's most populous province and at one time a close aide and associate of the late Premier Zulfikar Ali Bhutto, the founder of the PPP. He is living now in exile in London where he is organizing among Pakistanis outside the country against the military regime of General Zia Ul-Haq.*

**Sneider:** What is the current political situation in Pakistan at this time, according to your information?

**Khar:** The current political situation in Pakistan, according to our point of view, and according to the majority of the people inside Pakistan or outside Pakistan, is very bad. As a matter of fact from the Pakistani point of view or the nationalistic point of view, it's disastrous. Of course, General Zia, since he came into power, tried his best to destroy most of the political institutions. The People's Party [PPP] was a major political factor and he tried to counter that by suppression. . . .

The most important factor is that you have to have some unifying force in the country and that today, unfortunately, he is trying his best to destroy whatever is left. The political frustration in the country is that for the first time we have a real tyrant and a real dictator. And not a dictator who is interested in the national unity. He's only interested in saving his own neck and that of some of the generals and some of the people who are very closely associated with him.

For that reason, after Mr. Bhutto's murder, he thinks he is being left with no choice than to use maximum force against the people of Pakistan. He has come out with these funny statements saying that the people of Pakistan are not fit to go to the polls, that the people of Pakistan

are not fit to have democracy.

That destroys the concept of Pakistan, because if 35 years ago, the people of Pakistan were capable under the leadership of Quaid-i-Azam [Mohammed Ali Jinnah] to create Pakistan and to vote to have an independent country; if their verdict was accepted at that time; if at that time they could think for their nation and for their independent state; if that verdict was accepted, then it is funny to think that after 35 years, no matter whatever they have gone through—sometimes dictatorship, or democracy, but still people have been politically educated, they have gone forward, they have not gone back—to think that the people of Pakistan are not capable of going to the polls.

I think it's something that has really made the people feel that they have to do something which is not normal. And that could be bad for the country. You see some of the groups and some of the things happening which have never happened in Pakistan before. We have had dictators, we have had army rulers, but they left some sort of scope for political activity, and for the people to take out their frustration or anger against the rulers at that time. That's why there were no such actions as we are seeing today. This is only the beginning. It is not the end.

We generally believe that if this sort of situation continues for some time then the national unity is becoming weaker and weaker, especially the way he is using the armed forces of Pakistan. As a matter of fact, the armed forces of Pakistan have always been respected in our country. . . .

But for the first time, in order to achieve Zia's own aims and objectives, he has brought the entire institution of the army against the people and that's a disastrous thing to do. For his own political objectives he's using the army and that's an institution which, if it's destroyed, it will take on complications. . . .

But the time factor is very important and if this situation continues I think it will be very bad for the people of Pakistan and for the country as a whole.

**Sneider:** There is an impression created in the West that the situation is stable, that despite the opposition, General Zia is more stable than he ever was before. Do you think that is a misimpression of the situation?

**Khar:** I think that is a misimpression, but I'm surprised that the people in the Western countries believe this kind of propaganda. . . . Why should they believe that today, in our country, when we have a person—I say that the person is hated by a majority of the people. I can prove that by the point that General Zia tried his best to get some sort of vote of confidence from the people which he has not been able to get. Even to the extent that he had to go that far to get rid of Mr. Bhutto and kill Mr. Bhutto because he was told that once Mr. Bhutto was killed,

then his opposition will not be that strong and that he would either be able to win a referendum or have some sort of election where he could get people elected whom he liked.

In the basic elections in Pakistan which were held [the local body elections in 1979] it was quite obvious and evident that all the people who were supposed to be the supporters of General Zia lost. It became quite apparent that people overwhelmingly hated General Zia and they didn't want him.

Relative stability? Yes. If you call this a kind of stability, then I can only say that this is the lull before the storm. The people of Pakistan were not used to lashes; the people of Pakistan were not used to public hangings; the people of Pakistan were not used to these kind of summary trials which they are doing now; since the creation of Pakistan, the people of Pakistan have never lost so much property, and the confiscation and everything that has gone with it. So that's true that immediately they have created a fear and people were frightened. But once you introduce certain measures, then people always find ways and means, and people have started finding those ways and means. This is no stability and nobody should have doubt in their minds. This is going to be such an explosive situation. This will become such an unstable country, it will have repercussions on the entire region.

**Sneider:** You have mentioned the danger of the disintegration of the country. Do you see that there are circumstances developing even now where the result of this kind of rule can bring about the actual physical breakup of Pakistan as a unified nation?

**Khar:** I am very frightened about this situation. I don't want to talk too much about this subject, but I think the policies of General Zia are heading toward the disintegration of Pakistan. Nobody can deny the fact that no country can be kept united under any force or any military. The biggest problem which he is creating for Pakistan is that he is using the armed forces of Pakistan to put down his enemies, and most of the army unfortunately comes from the biggest province of Pakistan, which is Punjab. They are in charge of all this repression, and lashes, and summary trials which is creating a lot of hatred in the smaller provinces. . . .

Unfortunately the biggest damage Zia has done is the way he is treating Bhutto's family, the way he is treating [Bhutto's wife and daughter] Nusrat Bhutto and Benazir.

Recently, according to my information, Benazir was mishandled, or she was beaten and dragged to her prison cell. From that she had some sort of hemorrhage, and she was brought to the hospital, treated for a little while, and then taken right back to prison. Under the conditions under which these two ladies are living, this is a

deliberate attempt to create more hatred, and people of the smaller provinces will resent the situation even more.

**Sneider:** Do you think there is a danger to the lives of Mrs. Bhutto and Benazir Bhutto?

**Khar:** I think there is a danger to their lives because this is what we had been telling the Western world at that time when Mr. Bhutto was in jail. We had told the world that Mr. Bhutto was going to be killed, and nobody was prepared to believe us. I repeat the same thing again that you will only believe us when they are killed and that will be no use to us. As a matter of fact we will lose our leaders and we will lose our country.

**Sneider:** Would you want to see an effort made to get Mrs. Bhutto and Benazir Bhutto out of jail, and if necessary, get them out of the country for medical treatment?

**Khar:** I think this is absolutely necessary. As you know, for the last two years Miss Benazir Bhutto has been asking to come out for medical treatment for a serious ear problem, which everybody knows that she has, and this has not been allowed. I have been in touch with Benazir Bhutto and Nusrat Bhutto. Mrs. Bhutto also is in a very bad state. If you had seen her latest interview with BBC-TV, she looks about 80 years old and she is physically very, very weak. She has always been unwell, even during the time of Mr. Bhutto's life.

I think it's absolutely essential that we, as Pakistanis living abroad, and all the people who care for humanity or who care for Pakistan, or who think that Pakistan should survive as one country, and they're friends of Pakistan or friends of democracy, should help us put maximum pressure on this regime to allow them at least to come out and receive medical treatment. I think as human beings they have every right to do this.

**Sneider:** The other major issue that is being discussed, as you know, is the question of major arms supplies to the Zia regime. Foreign Minister Aga Shahi was in Washington discussing this and apparently some kind of major arms and aid package is being put together, principally by the United States but also by the British and others. As a Pakistani, as someone who is concerned about the country and the effects of General Zia's continued rule, what would your comments be on the question of giving this kind of arms aid to Pakistan?

**Khar:** Well, I think at this time giving any aid to General Zia especially this arms aid, this is not being friendly to Pakistan. The people of Pakistan, the majority of the people of Pakistan, would not consider this a friendly gesture because they think that strengthening General Zia's hand is something which is going against their interest. We believe that is against our national interest

because the arms which Pakistan government is going to get are not going to be used against anybody else except the people of Pakistan, which has been proved. Especially an unpopular army, an unpopular dictator is of no use to anybody except for repression inside the country.

I am surprised that why doesn't the U.S. government, the people of the United States, consider that the people of Pakistan have always been friendly and they still want and need their friendship. They want that the United States should be friendly to the people of Pakistan but not to an individual. It is a short-sighted policy. They might be able to strengthen him for some time, but they will not be able to keep him for long. Once he's gone, the people of Pakistan will never forget that, at the worst time, when people were beaten up, when their leader was murdered, when all the repression was at its peak, at that time the person who has hated the most was supported the most by the United States government.

**Sneider:** Do you also fear that the consequences of such aid could bring about increased tension and even conflict between India and Pakistan?

**Khar:** That you can see already—the reaction in both the countries have started this kind of war propaganda. The Pakistani government is saying that India is going to attack Pakistan and the Indian government is saying that Pakistan is going to attack India. Ultimately we have our problems, and this kind of arms aid could bring the situation to where there is a conflict. In that conflict I am absolutely sure and convinced Pakistan will be the loser and nobody else.

**Sneider:** Is there an alternative to that in terms of the kind of relationship that could exist between India and Pakistan?

**Khar:** Yes, I think that is absolutely necessary. In the past we have learned a lesson. We have always believed and Mr. Bhutto always believed in one thing—that we should try our best to have friendly relations with our neighbors, whether the big powers or small countries because we have to live with them. With India I think it is absolutely necessary that we should start thinking realistically for the peace and stability of this region.

The people of India and the people of Pakistan must come to some sort of understanding which is in their national interest because we are concerned about developing our countries and doing something for the common man, for the poor people, who are the majority in India and in Pakistan. I think if we have a representative government in Pakistan we can achieve that and that would be the greatest contribution toward the stability of that region.

**Sneider:** Thank you very much.

## 'We should reduce Italy's population by two-thirds'

*The population reduction doctrine of the State Department's Global 2000 report is not only a policy to deliberately starve billions of people in the underdeveloped sector. As shown by this interview with Dr. Luigi De Marchi, president of the Italian Institute for Demographic Research and of the Italian Planned Parenthood Association, there are plans afoot to reduce the population of the industrialized countries—by more than half. The following excerpted interview was conducted for EIR by Warren Hamerman, chairman of the National Democratic Policy Committee, during Mr. Hamerman's recent tour of Europe. Mr. Hamerman's organization has publicly denounced Global 2000 as "100 times worse than Hitler."*

**Hamerman:** In your paper "The Population Bomb Is Ticking Worst in Europe," you call for the reduction of the Italian population to 20 million, by the year 2000. The question that I have is that, of course, there have been many studies over the years from Global 2000 to the works of Peccei, but always the problem comes up with implementation. How will you actually succeed in reducing in 19 years the Italian population from 60 million to 20 million?

**De Marchi:** You probably know that I am a psychologist, and I looked into the problem of motivation over the past years and I produced several reports that I can let you have. Do you know the Pathfinder Fund in the United States? I have been cooperating with Pathfinder for, I think, 15 years and in the period from 1976 to 1978 I wrote up research on new psychological methods to birth control. This paper went around the world and Pathfinder translated it and distributed it in 74 countries. I also received a letter in the last year from the World Bank in India. They said that they were very interested in this psychological approach and wished to advise the Indian government to explore the possibility of an application of my methods.

The general principle of my research has been that up until now, control has been fostered rather with moralistic or with rationalistic education. By moralistic I mean: "Be wise, be responsible, think of the future of your family." By rationalistic, not just the "Blah, blah, blah..." but discussions about the dangers of growth

and so on. In other words, the intellectual discussions.

But my conviction is that the situation is that people do not behave either rationalistically or moralistically when sex is involved. What comes into play is an unconscious drive. My interest has been to look into this process and see if you can use this drive for birth control rather than procreation. We even tried a few experiments in Italy along these lines which gave impressive results. . . .

**Hamerman:** Does there exist any counterpart to yourself in France?

**De Marchi:** Frankly I do not know anything of this kind in France, because in France the fight is simply between those who say that the present zero growth is okay and those who say it is dangerous, like [Michel] Debré. Debré says that it is just the beginning of extinction. In my view, a halving of the French population is more or less what is needed.

**Hamerman:** Here in Italy are there any political forces, such as Craxi for example, who think this way?

**De Marchi:** There is hope, I would say, along that line. For example, this recent conference I held was addressed by Francesco Forte, who is the most famous left-wing economist in Italy, and he is very near to [Socialist Bettino] Craxi, and he strongly supported my position during the conference. He said that this is a very creative analysis and he also shared the opinion that this was the prime method to allow the Italian population to overcome the economic crisis. There is also Professor Dimasi, a left-wing sociologist at the University of Rome, who at the conference also was extremely favorable to our thesis. So, there is hope in Italy around these people, but not much more than hope at the moment.

**Hamerman:** Do they agree with your figures of 20 million as the goal for the Italian population level?

**De Marchi:** Yes. For instance, Dimasi said that maybe it is too drastic, but anyway the idea is that we must go down, and he gave an analysis that he thinks is the only practical economic model in Italy for an improvement in living standards in spite of the fact that there is no increase in national product, of GNP. This is possible only when the population is decreasing.

**Hamerman:** One question still remains. How is it that in only 19 years you will succeed in reducing the Italian population by 40 million people?

**De Marchi:** For my plan, the problem is always the question of control of political power. The possibility in my opinion is quite clear, because if you want the possibility to remotivate psychologically and emotionally the population away from rationality and morality, this is possible, I think, through motivational psychology.

Obviously this would involve a large involvement in mass media in all this. Up until now, unfortunately, this involvement even of a left-wing media is not adequate. However, in spite of that, I also think that the population is, through our actions, in spite of the inertia of others, of the failure of the political parties, is [beginning] to sense this need for birth control. For instance, I can give you an example. Recently we were able to insert in a very, very wild audience late at night, an entertainer in a broadcast, "Dottore C. and Jagger Bell," in front of 20 million TV viewers, issues but in a very sort of joking way. We were able to suggest the idea of sterilization in this way to the general public.

And in spite of the opposition of the Catholic Church, it resulted that a large majority of these 20 million Italians were in favor of voluntary sterilization. And that, to me, was very impressive.

**Hamerman:** In the Third World, the State Department and others have nonpublic plans to help the population reduction by impeding food supplies and such things. Is that in your plans for Italy as well?

**De Marchi:** I am not so sure about that. But anyway, here in Rome it will happen, but not for everywhere. It is not so easy to say.

Internationally, though, I am quite discouraged by the fact that the general approach up till now has been paternalistic and thought of as just a Third World problem. This is not true.

**Hamerman:** Within the Church, are there any forces, such as, for example, the Jesuit order, who show interest in your viewpoint?

**De Marchi:** They are open. Some of the Jesuits are more open than the general clergy.

One I met with was an important Jesuit, Padre Gustaf Harling. They see the problem in terms of world hunger, or also in terms of general well-being. But I never met anybody who had a grasp of this economic problem. The economic crisis has its roots in this European and Japanese imbalance in their population density.

**Hamerman:** Is any part of the nobility, the noble families, more understanding to your view?

**De Marchi:** Yes. After all, even Malthus was a man of the nobility. You must recognize that Malthus saw the basic problem. Obviously he had all this sexophobic conditioning, sex-negative attitudes. Nobility sometimes, though, is better trained to think with the necessary detachment on these kinds of things.

**Hamerman:** Do there exist any researches in your direction in the East bloc?

**De Marchi:** Yes, there is just the beginning of perception of the demographic dimension.

## E. P. Thompson's dissident networks in the East bloc

by Luba George

*Part II of this report introduced E. P. Thompson, the British "Marxist historian" who heads the European Nuclear Disarmament (END) group, European arm of the World Disarmament Conference, headed by Lord Fenner Brockway, the Fabian Society and Tavistock-linked founder of the old Independent Labour Party in Britain and a leading "agent-handler" for British intelligence networks in Socialist International and Communist International (Comintern) circles from the 1920s through the 1960s.*

*E. P. Thompson, an expert on the history of Jacobinism and the "Luddite" machine-breaker movements of the 18th and 19th centuries, is himself a shared asset of British intelligence and the KGB, in the Brockway tradition.*

*As soon as it became evident that Ronald Reagan would be the next American President, Thompson was deployed to the United States to aid the World Council of Churches networks to get the new "peace movement" off the ground. In this third part of our report, we introduce Thompson in terms of his special role in extending the "peace movement" into the East bloc and the Soviet Union itself.*

"The new movement intends to exact a price from the Soviet Union as well," declared Thompson in the June 1980 *New Left Review*. "In the first place, this price must be the withdrawal of the MS-20 missile and other medium-range weapons from Europe, and the opening up of East European nations to much greater fluency of exchange. We mean to dissolve that arbitrary ideological frontier in the course of—and as one of our objectives of—our common action for peace. We will not accept the 'peace-loving' bona fides of countries who expel philosophers. . . . Maybe in 1982 or 1983, we will get together to pull down the Berlin Wall."

For E. P. Thompson, such threats of destabilization are more than rhetoric. He is intimately connected to the "solidarist" networks in the East bloc, and to those Anglican, Jesuit, and Soviet KGB elements immediately behind the Polish destabilization.

Thompson is an agent of the Anglican Church hierarchy, those figures ranking above the Archbishop of Canterbury within the immediate household of the Queen who were responsible for the deployment of "Kim" Philby and British intelligence "triples" Guy Burgess and Donald MacLean into high-ranking positions in the Soviet intelligence services. These were not "defections," but the guarantors of an alliance—a virtual "exchange program"—between a certain faction of the KGB and the British aristocracy for shared "world-federalist" goals. Hence the fact that the "fourth man" recently discovered in connection with the Philby-Burgess-Maclean affair was Sir Anthony Blunt, curator of art in the Queen's Household.

Among the leading sponsors of Lord Brockway's World Disarmament Campaign is Lord Trefgarne, lord-in-waiting to the Queen's Household, who endorsed Brockway and Thompson's END (European Nuclear Disarmament) operations in the House of Lords on Dec. 23, 1980. His stepfather, Commodore Anthony Tiswill Courtney, was trained as an interpreter in Bessarabia (Romania) before and during the Second World War, subsequently cultivating strong ties to Soviet intelligence from his top post in British naval intelligence after the war. Lord Trefgarne's superior, Sir Peter Ashmore, master of Her Majesty's Household, is the son of Tamara Vasilevna Shutt of Petrograd and was chief of Allied Staff, NATO naval headquarters, prior to his 1973 promotion to the monarchy's immediate service. His brother Sir E. B. Ashmore, also worked in naval intelligence during World War II, and from 1946 to 1947 served as assistant attaché in the British embassy in Moscow.

Like Philby himself, E. P. Thompson was recruited into the Communist Party (by British intelligence) at Cambridge University, home of the "Apostles"—including Philby, Maclean, Burgess, and Blunt. His older brother Frank Thompson was recruited at Oxford, together with Robert Conquest, Philip Toynbee, Denis Healey, and Iris Murdoch. Murdoch, for example, remains in close touch with Thompson, is a prominent member of the Aristotle Society (formerly headed by Lord Bertrand Russell) which has close ties to Czech and Polish dissidents, and is also a prominent member of the Arts Council of Great Britain—a leading agency in promoting the Polish uprisings (see EIR, Sept. 16, 1980).

During World War II, E. P. Thompson worked in the Balkans, staying in Yugoslavia under Fitzroy Maclean's supervision until 1947.

Next, returning to Cambridge, he received a degree in history and became very active in the Communist Party of Great Britain as a "theoretician," maintaining his party membership until 1956. His wife reports that he is in touch with "old partisan friends" in Bulgaria, whom he visited in January 1980. Describing his 1950s and 1960s work, he has reported: "We maintain close con-

tacts with dissidents in the Soviet Union."

In 1968, Thompson's book *The Making of the English Working Class* was published by Penguin Press, a house controlled by the Arts Council of Great Britain. Having been put through nine editions, it portrays "class struggle" in England in terms of contradiction between the interests of the labor movement and technological progress. The book's celebration of Jacobins and the Luddite "machine-breakers" movement provided a synthetic "left" ideology of the sort now forming the "technology-causes-war" disarmament movement.

Thompson's ideological productions on this score have been explicitly endorsed by KGB elements in the East bloc, elements known to be collaborating with both the environmentalist and "antiwar" movements in the West. Jürgen Kuczinski, who has known E. P. Thompson for years, wrote favorably of Thompson's work in his book *The Rise of the Working Class*, published in East Germany, where Kuczinski now resides. "Thompson," he wrote, "who has recently made a new and detailed study of the Luddites, rightly draws attention to the fact that they were by no means only concerned with those directly threatened by the machine. The machine was a symbol of the new era, hated in principle by all classes and strata who did not have industrial capital at their disposal. The nontechnical minds, particularly the poets, hated machinery. . . . Wherever the machine was introduced into the system of production, there were violent reactions against it."

Kuczinski, who argues that the "West is faced with inevitable decline" and "everything done to assist that process is necessary," is one of the leading "solidarists" of East Germany—an asset of the KGB circles allied to Boris Ponomarev whose associates have endorsed the Global 2000 policy of world population reduction, and are known to collaborate with the Club of Rome and other environmentalist operations in the West. It was Kuczinski-KGB circles in East Germany that deployed that nation's leading environmentalist, Rudi Bahro, into West Germany to work with the Green Party—a radical West German antinuclear organization that is also a leading component of E. P. Thompson's END operation.

The deployment was undertaken with Thompson's evident solicitation. At a seminar of Rev. William Sloane Coffin's Riverside Disarmament Project in December 1980, Thompson reported: "END is a European dimension to what in Bertie's [Lord Russell's] days . . . was Total Nuclear Disarmament . . . across Europe, East and West. . . . We got support from the Bertrand Russell Peace Foundation . . . from Gunnar and Alva Myrdal in Sweden . . . from Roy Medvedev in Moscow . . . from Rudi Bahro, now working with the Green Party in West Germany."

Last month, Thompson and his KGB contacts organized a first "experiment" in extending their "greenie



peace movement" into the East bloc, choosing Poland as the location. Some 2,000 bearded Polish youths conducted a march in order to link the cause of "disarmament" with the cause of the Solidarity trade union generally. Although nervous Solidarity leaders successfully prevented the march from passing through the streets of Wroclaw in Silesia, the youths gathered in a park to listen to short speeches and "Polish jazz-rock."

"My unequivocal commitment to this cause of human rights in Eastern Europe goes back for only 25 years," Thompson told the Riverside seminar last December. "And the Bertrand Russell Peace Foundation, which has been at the center for distribution of the END Appeal and correspondence throughout Europe, has repeatedly supported, through publications, meetings and petitions, the cause of Soviet and Eastern European dissidents, and of Charter 77 [Czechoslovak dissident organization] in particular."

Thompson has just returned from an "organizing tour" of the East bloc, including Poland, Czechoslovakia, and Bulgaria. In a recent issue of *New Statesman*, he wrote a response to a "letter from a Czech dissident":

I am an antistatist: I do not trust state power. What matters most are not the stereotypes of "left" and "right," but the active democratic values and respect for persons and for human rights. . . . My quarrel with you ["Dear Czech dissident"] is just this. You are a libertarian and antistatist, but only on your side of the world. I ask you to extend your antistatism a little further, and to show less confidence in the states of the West.

Either we will burn together, East and West, or we must reverse the inexorable thrust towards war. And we can do that only by making Europe whole once more. . . . The youth of both halves of Europe . . . must be brought together in solidarity and fusion—autonomous, democratic and antimilitarist . . . to prevent the logic of militarism from reaching its ultimate consummation. . . . If this presence should assert itself, then the very parameters of Cold War politics which have endured for over 30 years would be transformed. Small nations could reassume autonomy and new spaces for social experiment would open up.

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*The next installment of Mrs. George's report will include an exposé of the Palme Commission on Disarmament, a supranational body composed of representatives of the Socialist International, the Soviet KGB, and, through Cyrus Vance, the U.S. State Department/Episcopal Church networks. These are the same factions that have drafted and promoted the Global 2000 doctrine of depopulation, and view disarmament as a tool for technology restriction.*

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### Who's Who in the Reagan Administration

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Criton Zoakos, Editor-in-Chief, EIR  
Wednesday, June 10 Frankfurt 6:00 p.m.

Thursday, June 11 Bonn 6:00 p.m.

Reception to follow

For further information, call Peter Staaleicher,  
06121-306035 or Peter Ennis, (212) 247-8820

## Mitterrand's socialist friends in Mexico

*The French elections have increased the pressure from the left on President López Portillo.*

Mexico's politicians and journalists all closely followed the recent French elections. Ever since General Charles de Gaulle's historic 1964 trip to this country, and his public pronouncement of a "political alliance" between the two nations, Mexico and France have had close political and economic ties. The relationship matured during the joint presidencies of López Portillo and his old friend, Valéry Giscard d'Estaing.

The Mitterrand victory in France has shattered that alliance. Not only is the political entente now a thing of the past, but even France's role in Mexico as a reliable economic partner is threatened, especially with Mitterrand's decision to wind down France's nuclear energy program—an area in which the two countries were beginning to work together.

But López Portillo's personal sentiments aside, the fact of the matter is that some political forces in Mexico had an important part in the international campaign to topple Giscard. Newspapers like *Excelsior* and *Uno más Uno*, for instance, ran story after story attacking Giscard as a right-winger. *Uno más Uno*'s queerest columnist, Juan María Alponete, specialized in denouncing the French president as a "monarchist" and a would-be "king." ("That's only because Alponete prefers queens," one irreverent wit explained to us).

On the government level, the

anti-Giscard campaign was run out of the stronghold of the Socialist International in Mexico, the Foreign Ministry itself. Foreign Minister Jorge Castañeda personally led the pro-Mitterrand charge.

With the French electoral returns barely in, Castañeda broke all protocol by rushing to announce to the press Mexico's pleasure with the results—before President López Portillo could utter a word. Castañeda regaled Mitterrand with praise, calling him "an outstanding statesman." And he declared that Mitterrand's rise to power would contribute to the victory of the Socialist International-controlled insurrectionary forces in Central America.

Mexico's media correctly read this as yet another Castañeda endorsement of the cause of violent revolution south of Mexico's border—executed, as usual, through a political end-run around his own president.

López Portillo, unfortunately, chose not to contradict his foreign minister in his own subsequent remarks to the press, and expressed his desire that Mexican-French relations remain on good terms. He added that Mitterrand's victory would aid the struggle for democracy in Central America.

Public proclamations aside, the Mexican president is known to hold great personal respect for Giscard's statesmanship.

But with Castañeda kicking the

door open to the Socialist International in Mexico, and López Portillo refusing to slam it shut, Mexico's closet social democrats jumped at the golden opportunity. Alejandro Sobarzo, the chairman of the House of Representatives' foreign affairs committee and a top PRI party official, spoke of "the affinity of the PRI's principles with those of the Social Democracy."

Socialist allies within the PRI have for nearly a decade tried—unsuccessfully—to get the Mexican party to officially affiliate itself with the Socialist International.

With Mexico's socialists on the move, politicians in Mexico City watched closely this week to see how Javier García Paniagua, the new head of the PRI, would handle his first test as head of the COPPAL. The COPPAL, or Conference of Latin American Political Parties, was pulled together from among the continent's social-democratic and other "progressive" parties by the previous head of the PRI, Gustavo Carvajal, a known sympathizer of the Socialist cause.

At the COPPAL meeting in Santo Domingo, García Paniagua chose to roll with the punches. He endorsed the final resolution supporting Mitterrand's victory and expressing support for the "peoples' struggles" in El Salvador and Guatemala. But in his own remarks, the new PRI head stuck closely to repeating Mexico's traditional policy of calling for nonintervention and self-determination. He provided no support for the Central American leftist guerrillas.

Whether or not López Portillo will be able to hold to this more moderate course in the face of the renewed Socialist drive remains to be seen.

## Superpower entente or a 'new Yalta'?

*Potential U.S.-Soviet cooperation for a lasting peace is up against a 'spheres of influence' drive.*

President Ronald Reagan overrode his foreign policy team this week by personally intervening in the Lebanese crisis. In so doing, Reagan has solicited the cooperation of Moscow to avoid a full-scale Arab-Israeli war over Lebanon.

Washington sources report that underlying the superpower cooperation to stabilize Lebanon is a more subtle process of maneuvering for a new round of negotiations to resolve the longstanding Arab-Israeli conflict. The question is whether Reagan and Brezhnev can extend their collaboration to reach a consensus on the form of future Mideast peace talks.

The announcement this week that King Hussein of Jordan will make his long-delayed visit to Moscow this month is one indication that, as intelligence sources report, both superpowers are putting out diplomatic feelers that could lead to cooperation on Mideast policy.

Jordan, a strong U.S. ally, was the first Arab country to officially endorse Brezhnev's call earlier this year for an international conference on the Mideast. Kuwait, which also endorsed the Brezhnev call, sent a high-level delegation to confer with Soviet leaders this month.

Arab sources reveal that the Kuwaiti team had the nod from Saudi Arabia, which has no official relations with the U.S.S.R. The traditionally conservative Saudis are said to be open to the idea that the Soviet Union should be brought

into future peace talks, to ensure that any general Arab-Israeli agreement is a lasting one.

Hussein began a tour this week of Persian Gulf Arab states, including Saudi Arabia, in preparation for his Moscow trip. His brother, Prince Hassan, last week addressed the Institut Français des Relations Internationales in Paris, where he reiterated Riyadh's argument that long-term stability for the Mideast necessitates a solution to the Palestinian problem. Further, Hassan repeated Jordan's endorsement of Brezhnev's call as being the most effective framework for the Palestinian problem.

According to Lebanese sources, U.S. Secretary of State Alexander Haig "was furious" that President Reagan took over management of the Lebanese crisis. Late last week, when it was apparent that White House Mideast envoy Philip Habib was making little headway in staving off an Israel-Syria war, Reagan invited two Middle East leaders to the White House for consultations. Bashir Gemayel, a leader of the Lebanese Falangist sect, and Prince Turki al-Faisal, head of Saudi intelligence, arrived in Washington for talks within 24 hours.

Haig was outraged at Reagan's initiative because the President effectively got in the way of a plan Haig and certain elements in the Soviet KGB had cooked up to partition Lebanon between Israel and Syria following a limited war. Ac-

cording to this plan, carving up Lebanon would precipitate a polarization of the Arab world between U.S. and Soviet allies, setting the preconditions for what has been called a "new Yalta" agreement between the superpowers over the Mideast.

Israel's Menachem Begin and Libya's Colonel Qaddafi are principal figures in this Haig-KGB ploy. Begin's Nazi-like drive into Lebanon and Qaddafi's backing for guerrilla resistance to Israel (including luring Syria into the Libyan camp) are creating the conditions for a Lebanese blowout and eventual partition.

Over the last two weeks, Shimon Peres, Begin's opposing candidate in the June elections, and Peres's supporters, have been denouncing Begin for fueling the Lebanese crisis as a campaign ploy. This week, Peres demanded that he, Abba Eban, Yitzhak Rabin, and Generals Bar-Lev and Gur form a five-man committee to formulate a bipartisan policy toward Lebanon. Begin has not responded.

But the pressure on Begin to temper his stance toward Lebanon seems to have been fruitful, as Begin called an unusual mid-week cabinet meeting, telling the press later that "we won't start a war, and we don't want war."

As for the pro-détente Brezhnev faction, Soviet Communist Party information chief Leonid Zamyatin was recently quoted in the Kuwaiti press as saying that détente is not Yalta; Zamyatin then condemned a Yalta approach.

Arab sources report that a "new Yalta" would foment further Mideast instability to prevent Reagan and Brezhnev from solidifying détente.

# International Intelligence

## **Mexican spokesmen blast high interest rates**

The head of the Mexican Confederation of Small Farm Owners, Salomon Faz Sánchez, in a May 21 statement widely covered by the Mexican press, accused high interest rates of decapitalizing Mexico's agriculture. In order to counter the 40 percent rates farmers now pay to private bankers, Faz Sánchez called on the government to give the state agriculture bank, Banrural, a monopoly on farming and cattleraising credits at lower rates.

On May 20, the economic adviser to the Confederation of Mexican Workers (CTM), Alfonso Reyes Medrano, also condemned the high interest-rate policy recently announced by the central bank of Mexico in coordination with the Federal Reserve, calling it "absurd." The policy "coheres with U.S. banking interests" and "represents one of the major causes of world inflation," he said.

On May 21, the well-read column "Among Businessmen" warned that the new wave of interest-rate hikes "poses a latent threat to developing countries like ours," and stated that "the productive private sector" calls on the government "to effectively promote priority sectors" of Mexico's economy.

## **Coverup on papal assassination attempt?**

Several Italian investigators of the attempt to murder Pope John Paul II believe they are confronted with a second conspiracy, according to a report in the *Diario de las Americas*: an effort by other investigators to claim that Mehmet Ali Agca is a "lone assassin."

The *Frankfurter Allgemeine Zeitung* raised the same question on May 19, posing the investigation from the standpoint of an international conspiracy, then asking whether a coverup will occur as it did in the case of the assassination of President Kennedy.

Consultation among European interior ministers thus far appears to have a narrow focus on the role of the neofascist Turkish Grey Wolves group. The chief of the Rome counterterror forces, Alfredo Lazzarini—himself recently a leading speaker at a conference sponsored by terrorist sympathizer Cherif Bassiouni—has been widely publicized as terming an international conspiracy "a very, very remote possibility." Other Italian authorities, however, are pursuing evidence that Agca had links to non-Turkish European terrorists. It has also been reported that the letter sent to Italian President Sandro Pertini by King Hassan of Morocco, a letter documenting the Libyan involvement in the assassination attempt, also documented the role of the Italian Socialist Party. According to sources close to Pertini, who is a Socialist, he has since lost the letter.

## **German monetarists boost Global 2000**

The think tank of West Germany's Free Democratic Party (FPD) sponsored a two-day conference May 19-20 on the Carter administration's *Global 2000 Report*, in the first major public campaign around this document to occur in Europe. The event was organized by Helga Schuchardt, an FDP leader and proponent of euthanasia, who recently addressed the New York Council on Foreign Relations and pressed the Reagan administration to drop its resistance to Global 2000.

At the conference, held in Bonn, Schuchardt demanded that NATO call a summit meeting to deal with Third World questions. The conference was also addressed by Interior Minister Gerhard Baum, who attacked the United States for neglecting environmental protection, and by Rüdiger von Wechmar, ambassador to the U.N. and a Bilderberg Society member, who called for pressure on the U.S. to promote "Third World development," Brandt Commission-style. The event was sponsored by the

party's think tank, the Friedrich Naumann Foundation.

## **Peccei and Poehl attack national sovereignty**

Club of Rome International chief Aurelio Peccei was the keynote speaker May 19 at a conference of the World Congress of Savings Banks in West Berlin. Peccei stated that the North-South summit meeting this October in Mexico City should mark "the end of the era of national politics which is leading to the balkanization of the world, and the start of an era of regionally and globally coordinated policies that can bring the world solidarity and salvation."

Preceding Peccei's address, West German central bank chief Karl-Otto Poehl—an ally of Paul Volcker in promoting the formula that national governments must relinquish control of credit policy to "independent" central banks—gave a speech to the conference endorsing Volcker's high interest-rate policy, a policy that is accelerating the elimination of "useless eaters" by precluding economic development.

## **Schmidt destabilization gains momentum**

On several fronts, the Social Democratic-Free Democratic coalition government of West German Chancellor Helmut Schmidt is currently the target of destabilizing operations. Schmidt's economics minister, Otto von Lamsdorff, has been brought before a tribunal for tax evasion; although Lamsdorff is a "free enterpriser" and no factional ally of Schmidt, his removal through a watergate scandal would unsettle the cabinet and strengthen the zero-growth forces in the Free Democratic Party, where Interior Minister Gerhard Baum is bidding to increase his own power.

The state of Hessen, ruled by the last remaining SPD-FDP coalition on the state level in West Germany, is ridden with disputes over a replacement for FDP Economics Minister Heinz Herbert Karry, who was assassinated on May 11. The Hessen administration of Schmidt ally Holger Börner could fall.

The executive committees of the youth groups of the SPD and FDP have met to plan the transformation of their parties into adjuncts of the peace and environmentalist movements. The left wing of the SPD has become openly "Aquarian": SPD General Manager Peter Glotz, in an interview with *Stern* magazine appearing May 21, stated that the Mitterrand victory in France is the first hopeful counter to the West's "neoconservative wave," and asserted that the problem with the SPD is that it is no longer the party of "the subculture," but "made the big mistake of escaping into society."

Meanwhile, industrialist Otto Wolff von Amerongen told *Quick* magazine that unless Germany raises interest rates, the Saudi loan to Germany would fall through.

### **Italian scandals point to terror networks**

The head of Milan's Banco Ambrosiano, Roberto Calvi, was arrested May 20 on charges of running a capital flight operation, along with Mario Valeri Manera, a top Venetian banker, and six others. The arrests intersect a larger scandal: the May 20 publication of the names of the 900 members of the top-secret Loggia P-2 of the Scottish Rite Freemasons in Italy, a list seized in March 1981 at the villa of Italian banker and Calvi protector Licio Gelli.

Another member of the Loggia P-2 is Vito Micelli, an MSI (neo-Fascist Italian Social Movement) parliamentarian and former head of the Italian SID intelligence agency, who was implicated in the 1975 Rosa dei Venti coup plot and who had helped bring Muammar Qaddafi to

power in Libya. Further names include MSI deputy Mario Tedeschi, publisher of *Il Borghese*, a center of Le Cercle Violet, several ministers of the PSI government, and several secret service officials. Rumors are mounting that the Italian government will fall.

Roberto Calvi had recently bought 40 percent of the prestigious newspaper *Corriere della Sera*, which is co-owned by Italian *Playboy* magazine publisher Angelo Rizzoli, another member of the Loggia P-2. Calvi has been accused of aiding the terrorist groups Prima Linea and the Red Brigades, and of involvement in the assassination of Judge Alessandrini, who was investigating Red Brigades leader Toni Negri before he was murdered by the Prima Linea.

### **Socialists announce guerrilla brigade**

"We have put a dozen men forged in combat at the disposal of the Faribundo Marti Liberation Front [El Salvador's guerrilla force] who can join their force within a matter of days," Panamanian Social Democrat Hugo Spadafora announced at a May 17 press conference in Mexico City. "If we wait weeks, our forces can be hundreds of men, and if it is a question of months, thousands. Our only condition is that one week after our triumph, we are released from service to fight elsewhere on the continent."

Spadafora, the former Panamanian vice-minister of health who quit two years ago to fight with the Sandinistas in Nicaragua, had just visited Libya and is now traveling in Europe on behalf of what he calls the Simon Bolivar Brigades. "The Socialist International is the natural ally of this idea," he told the press. "I am a Panamanian Social Democrat and men like Willy Brandt . . . support the brigades." Bearing the name of one of the leading "black nobility" families in Italy, Spadafora is a former member of the Italian Socialist Party.

The U.S. Democratic Socialist Organizing Committee supports the effort.

## **Briefly**

● **JAPAN'S** anti-Soviet sanctions appear to be quietly dwindling following the resignation of Foreign Minister Masayoshi Ito. The Japanese Export-Import Bank approved a \$500 million loan for export of 500,000 tons of steel pipeline to be used in the U.S.S.R. natural gas project with Western Europe. It is to be followed up by at least another 750,000 tons early next year. Ito had blocked such Exim loans.

● **EDWARD SEAGA**, in a three-page statement circulated by the Jamaican embassy in Washington, eulogizes the late reggae singer Bob Marley, who disseminated the drug culture internationally, as "an outstanding example to ghetto youth [whose] influence on children was profound" and as "a giant among musicians and men."

● **PHILIP HABIB**, in his shuttle diplomacy, is seeking a de facto partition of Lebanon, conclude intelligence sources, involving the Litani River "red line" devised by Henry Kissinger.

● **HENRY KISSINGER** showed his enthusiasm for social democrats in a recent Swedish television interview, and also his wish that "on strictly national security grounds" the U.S. could support Pol Pot in Cambodia. Jeane Kirkpatrick and Helmut Sonnenfeldt have also declared that they welcome the Socialist victory in France.

● **ERNESTO SAMPER** Pizano, president of Colombia's National Association of Financial Institutions (ANIF), has been disowned by his grandmother after she learned that the Vatican is considering an Antidrug Coalition request to excommunicate Samper for his "un-Christian" views favoring legalization of marijuana. ANIF sources also say Samper's maid quit because "she didn't want to work for an atheist."

## The Kissinger gameplan for dumping Reagan

by Nancy Spannaus, Contributing Editor

The recent treacherous activities of former U.S. Secretary of State Henry Kissinger and the current occupant of that office, Alexander Haig, are the subject of a special emergency bulletin now being circulated in Washington, D.C. by the National Democratic Policy Committee. The bulletin, authored by the committee's advisory council chairman Lyndon H. LaRouche, Jr. on May 16, warns that these men, working hand in glove with Federal Reserve Chairman Paul A. Volcker, the British Fabian Society operatives in the administration, the British and Dutch royal families, and the Soviet KGB, now believe they have achieved the conditions for eliminating President Ronald Reagan by autumn of this year.



*Lyndon H. LaRouche, Jr.* LaRouche's release relies heavily on the discussions both he and NDPC chairman Warren Hamerman have had with the highest-level political circles in France, Italy, West Germany, and Sweden over the past several weeks. The information gathered from this discussion is corroborated by cross-checks carried out in the United States with key figures in the Reagan administration and intelligence community.

The gameplan Kissinger and Haig are operating on, LaRouche states, is the same one that was made public last Dec. 5 in Washington, D.C. by the Socialist International. What the Brandt crew said openly there involved a two-phase operation: 1) "Hooverize" President Reagan by getting him to capitulate to the "independence" of Volcker's Federal Reserve credit strangulation policy; and 2) escalate urban riots and other civil disturbances in the conditions of stress caused by the "Hooverization."



*Henry Kissinger*

As LaRouche points out, the first phase of the Socialist International scenario has virtually been carried out. Already the second phase, complete with escalated terror bombings by Puerto Rican terrorist groups and police murders by a resurrected Black Liberation Army, is under way. But the additional component of this chaos creation—which was not openly disclosed at the Socialist International conference—is the participation of the Libyans and other allies of the Socialist International in provoking a wave of Italian-style international terrorism within the U.S.

It was this nexus, LaRouche underlines, that was

responsible for the attempted assassination of President Reagan. Yet these are the very groupings Kissinger and Haig are working to bolster internationally. Although Haig may not be consciously complicit in the assassination plot against Reagan, he and his crony Kissinger are the ones who stand to gain free rein for their Global 2000 genocide policy if President Reagan is killed. The situation is urgent, LaRouche emphasizes, because "the same behind-the-scenes murderers will almost certainly try again."

Especially dangerous is President Reagan's upcoming trip to the Ottawa summit, because of the Canadian government's complicity in helping to set up the previous assassination attempt.

"We are pessimistic," about the American population's likelihood of acting to stop these dangers, Mr. LaRouche continues, because most citizens persist in being "so narrowly preoccupied with short-term issues that they refuse to think through the consequences of this or that policy for their entire nation. . . . Only something close to a miracle might save the United States."

### The Haig-Kissinger deals

According to abundant information often independently volunteered by leading circles in France and Italy in particular, and rigorously cross-checked, both Haig and Kissinger have been knowingly collaborating with the Soviet KGB, Libya's terrorist-backing Colonel Qaddafi, and Willy Brandt's Socialist International in order to bring the Socialist International's Craxi and Mitterrand to power in Italy and France respectively.



Bettino Craxi

In the case of Italy, LaRouche reports, Haig and Kissinger are continuing the near-treasonous activity of the Carter administration and its Italian ambassador Richard Gardner. Undeterred by the fact that Bettino Craxi is being touted in the Italian press as the "new Mussolini," that he is closely allied with Libya, and that his Socialist Party has

been regularly revealed in the front pages of the Italian press to be the leading political connection to terrorism, Haig is working to tilt the balance for Craxi. And this despite the fact that U.S. administrations before Carter always lent their support to the Christian Democratic mainstream conservatives, and that the Socialist Party only represents 10 percent of the Italian popular vote!

In LaRouche's words: "Leading circles in Italy agree: the pressure for putting Craxi into power from Haig is as bad as the pressure in support of Craxi from the Soviet KGB. They also insist that the pressures in support of Craxi from Haig are far worse than any

suffered under Carter's Richard Gardner and Cyrus Vance."

Virtually the same circles who are working with Haig in Italy—plus Israel's Prime Minister Begin, members of Arnaud de Borchgrave and Robert Moss's Le Cercle Violet, and British Secret Intelligence—have already been successful in bringing Socialist International standardbearer François Mitterrand to power in France. LaRouche points out that the defeat of Giscard was the only way that Haig could have restored his waning influence in the Reagan administration, and now will tend to precipitate a whole wave of Socialist International takeovers in Europe (see box).

One of the most important consequences of these deals, LaRouche emphasizes, is the weakening of the Brezhnev faction in Moscow, which heavily based its foreign policy on the possibility of economic deals with the West, particularly Western Europe. At the same time, the defeat of Giscard who had close personal ties to Brezhnev, and the possible similar fate for the Schmidt government, weakened President Reagan's hand in dealing with Moscow.



Donald Regan

"That brings Kissinger's cronies in Moscow, Suslov and Ponomarev, into relatively dominant power in Moscow," LaRouche concludes. Since these Politburo members are noted for their class struggle, "anti-imperialist" and autarkical approach to Soviet foreign relations, "the stage is set for U.S.A.-U.S.S.R. confrontations, chiefly in either the Middle East, in Poland, or both."

### The plot against Schmidt

There is a two-phase gameplan that is being followed by Haig and Kissinger in order to topple chief Reagan and U.S. ally Helmut Schmidt, LaRouche reports. And "if President Reagan loses Schmidt, the President's position will become almost impossible."



Arthur Burns

The first phase involves attempts to sabotage Reagan-Schmidt discussion of monetary policies—a sabotage in which former Federal Reserve chief Arthur Burns is playing a leading part, according to his own volunteered declarations. Burns, along with Treasury Secretary Donald Regan, Paul Volcker, and other leading monetarists in the administration, have told the President that he should, in

substance if not in form, reject Chancellor Schmidt's proposal for interest-rate disarmament. Their reasoning is that high interest rates are presumably indispensable to "fight inflation," and that the destabilizing effects of these rates on West Germany's currency and economy are Schmidt's own "internal problem."

Yet, LaRouche explains, if Reagan rejects Schmidt's plan to lower interest rates, he is condemning Germany to a recession, and Schmidt's government to collapse. Schmidt's indispensable strategic role, best expressed by his 1978 25-year economic agreement with Soviet President Brezhnev, will be lost, and both East-West and monetary instabilities accelerated.

The second phase of the gameplan against Schmidt involves Haig directly. Haig is working overtime in order to push West Germany to up its financial commitment to NATO, a commitment Schmidt cannot meet particularly under the circumstances of Volcker's economic warfare. Under these conditions Schmidt will be trapped by the Brandt/Eppler "disarmament" wing of the Social Democratic Party, into having to oppose the military budget, and forced to muster a showdown with the United States. The showdown is presently scheduled to occur during August or September, at the same time a world economic crunch intensifies.

## Haig cronies topple Giscard in France

*The following is excerpted from the latest bulletin of the National Democratic Policy Committee, now circulating in Washington, D.C.*

Prior to the recent French elections, most leading circles around governments and high levels of finance in Europe agreed. Haig was weakened and discredited—unless François Mitterrand defeated President Giscard in France. If Mitterrand were elected, Craxi would probably come to power in Italy, Olof Palme would come to power in Sweden, Chancellor Schmidt would fall in Germany, and the results of the elections in the Netherlands would become unspeakable. Under this wave of Socialist International victories, Haig's influence would be restored.

Who did topple Giscard in France?

- A flood of Qaddafi money, largely through Socialist International channels, in support of both Mitterrand and Chirac against Giscard in the first round, and to buy some of the Chirac vote for Mitter-

## The Kissinger-Soviet KGB game

The overall object of these maneuvers by Haig and his old crony Kissinger is to eliminate any alternatives to a series of managed confrontations between the U.S. and the Soviet Union that will allow the projected death of billions under the Global 2000 scenario to proceed apace. As LaRouche points out, *both* the Kissinger-Haig duo and the Ponomarev-Suslov team are totally committed to the neo-Malthusian world outlook of Global 2000.



Philip Habib

The Middle East conflict now going on between Israel and Syria provides the most direct evidence of such collusion. In this situation, LaRouche asserts, both "the Qaddafi of Israel," Menachem Begin, and President Hafez Assad of Syria desperately wish to have a controlled war with each other in order to maintain their political power positions in their respective countries. Henry Kissinger's

rand in the second round.

- The Likud networks of Israel's Prime Minister Menachem Begin.
- The Soviet KGB, Soviet IMEMO, and Soviet left-wing factional bosses Mikhail Suslov and Boris Ponomarev.
- The friends of Arnaud de Borchgrave in Le Cercle Violet.
- Friends of Fritz Kraemer's, including Jay Lovestone and Irving Brown of Force Ouvrière.
- British secret intelligence.

The inveterate liar Henry Kissinger informed Swedish audiences this week that he mourned the defeat of "my good friend Giscard d'Estaing." Then, why did Henry work so hard to bring the defeat about, simultaneous to the enthusiastic outbursts of Alexander Haig?

Mitterrand, *unless he is forced to resign*, is committed to nationalizing large sectors of French industry—a purchase which will bankrupt the French franc—and to presiding over increasing chaos for a period of not less than a projected 13 months. (With a parliamentary election now projected for June, and French law preventing another parliamentary election for 12 months following that, if Mitterrand succeeds in pulling a government out of the results of the June elections, he will have 12 more months to promote chaos



old sidekick, Philip Habib, is well qualified to help them orchestrate it.

As LaRouche says, "Sending Habib to the Middle East is like sending an arsonist to control the outbreak of fires."

If the plan goes through, LaRouche continues, Lebanon will be divided up between the two proxies for the superpowers in the area, and a Kissinger-anointed "peace-maker," such as Kissinger friend Olof Palme, will get credit for bringing the managed war to a conclusion. The polarization will also spread to the rest of the Arab world, isolating Iraq and spreading unrest so as to cut off the possibility of any petrodollar recycling deals with Europe, such as those recently pioneered by both former French President Giscard and Helmut Schmidt with Saudi Arabia.

LaRouche reveals that his intelligence associates have confirmed a *Spotlight* report that President Reagan personally intervened in order to prevent such a war a week or so before the assassination attempt against him. Yet, even though the President was aware that Secretary of State Haig had acted to promote such a war, he did not fire him. The danger thus remains.

LaRouche directly addresses the tendency of the

in France and in the world affected by France.)

With the loss of Giscard, the Giscard-Schmidt collaboration is destroyed, and Schmidt may not survive past September if Haig has his way. This means that President Reagan has lost the main stabilizing factor in the world monetary situation as well as losing his major asset for dealing with Moscow. If President Reagan were to dump Haig quickly now, these effects might be offset, if not exactly reversed. Unless the President dumps Haig now, it is President Reagan who is caught in an almost impossible strategic situation.

The toppling of Giscard and then (possibly) Schmidt weakens the Brezhnev faction in Moscow, while eliminating President Reagan's principal assets for negotiating with Moscow. That brings Kissinger's cronies in Moscow, Suslov and Ponomarev, into relatively dominant power in Moscow. The stage is set for U.S.A.-U.S.S.R. confrontations, chiefly in either the Middle East, or in Poland, or both.

In the replay, or near-replay, of the Cuban Missile Crisis, Henry Kissinger and company turn up Olof Palme to provide the safety-valve channel for negotiations between Moscow and Washington, by way of Britain. . . . Henry Kissinger was just in Sweden, touching up arrangements for this operation in the wake of Mitterrand's victory in France. . . .

American population to doubt that Haig and Kissinger could consciously work to accelerate East-West tensions in such a way as to guarantee a new depression and war. The citizen must realize that "Haig, like Kissinger, is a fanatical neo-Malthusian world federalist," he writes. "They are both fanatically committed to global-genocidal policies of the criminal sort outlined in the Carter administration's *Global 2000 Report*. As the Club of Rome and allied 'environmentalist' mass-murderers have repeated loudly and consistently, since the issuance of Meadows and Forrester's fraudulent *Limits to Growth*, their objective is to reduce the world's population by about 3 billion below the levels presently projected (without genocide) for the year 2000. . . . They know, as they have stated, that this reduction cannot be effected, except by increasing the death rate sufficiently to lower total population by 3 billion."

### Will it work?

LaRouche considers it unlikely that Haig's evil deal with the Soviet KGB will work out exactly as they have planned.

The reality is that the Soviet Union has achieved military superiority within the framework of a rough parity in total strategic capabilities, he says. And that means that if such "managed confrontations" go out of control, the Soviets may in fact not sit back and let the neo-Malthusian game go on.

Such was the plan, LaRouche recalls for the reader, of the British before World War I and World War II. But it didn't turn out that way.



Mikhail Suslov

Burns, and Milton Friedman.

It so happens that it's the Soviets who are right.

Thus the treacherous activities of Alexander Haig and Henry Kissinger may not merely be destroying our allies, strengthening the hand of terrorist supporters in the Soviet KGB and the Socialist International who threaten our President, and coordinate with Paul Volcker in destroying the U.S. and world economy. They may also result in the destruction of the U.S. by war.

The only insurance against this, as LaRouche concludes, would be to rid the Reagan administration of Haig and Volcker post-haste.

# Sen. Sasser kicks off debate on the Federal Reserve and 'dual rate' plan

by Vin Berg



Well-organized opposition to Federal Reserve Chairman Paul Volcker's usurious interest rates has emerged on the floor of the U.S. Senate. James Sasser (D-Tenn.) and his cosponsors provoked a May 13 debate and vote on a resolution calling for the Federal Reserve to lower interest rates, and for Congress to review the Federal Reserve's presumed "independence," and study the possibility of introducing a "two-tiered" credit system to ensure credit for those most in need.

The debate—blacked out by the U.S. news media—came only one week after a growing constituency organization, the National Coalition to Reduce Interest Rates, announced that it would bring farmers, businessmen, labor leaders and others to Washington June 22 to demand lower rates and Volcker's ouster. Although the Sasser resolution was defeated, such pressure makes it probable that the resolution is only the first battle of a war against the Federal Reserve that will continue.

"This bill makes a very simple statement," said Sasser of his Senate Resolution 132. "It urges the Federal Reserve Board, with the support of Congress, to restrain the current level of interest rates and seek a long-term policy of providing lower interest rates which will ensure our economic recovery."

He and other spokesmen, in the course of a frequently raucous debate, gave a graphic picture of Federal Reserve policy "decimating" sector after sector of the productive U.S. economy. Opponents, including Utah's Jake Garn and Virginia's Harry Byrd, insisted that Congress, not Paul Volcker, was responsible for inflation, citing government spending and other supply-side shibboleths.

Senator Garn, speaking in favor of the "free market," said, "We need less, not more, government intervention in the credit markets. Allocation of credit . . . is completely unsatisfactory when compared to allowing the marketplace to make these decisions. . . . Credit allocation has never worked, and it will not work now."

Yet, from the days of Treasury Secretary Alexander Hamilton, through President Lincoln's term in the Civil War, to Franklin Roosevelt's presidency, the government has taken direct control of credit in order to mobi-

lize the nation's productive resources for maximum deployment, at a time when anything less would have been national disaster.

Further, the "free market" cited by Garn is in fact a market totally controlled by Volcker's interest-rate policy. Sasser's "two-tiered" credit system proposal is in essence a recommendation that the market be controlled in favor of producers. Volcker's interest rates, by contrast, have totally stacked the markets in favor of destructive, speculative ventures of all sorts, while leaving industry and agriculture starved of credit. Under these conditions, Garn's argument for a "free market" would leave the market totally controlled—but by Volcker.

Garn also declared: "I'll be darned . . . if I want to take away the Fed's independence and make monetary policy a political decision of this body or of the President."

In point of fact, the Federal Reserve was set up by major New York and London commercial banks to take control of U.S. credit policy. Garn is therefore subscribing to a flatly unconstitutional doctrine. Under the Constitution, Congress and the President—and no one else—are empowered to direct the economy. Congress created the Fed *as its designated agent*. Congress has the power to abolish it immediately, or to reform it immediately as it sees fit. The Fed has no independent authority, but only the authority designated to—or withdrawn from—the Federal Reserve.

But the Sasser resolution was defeated by an almost solid party-line vote of 57-37. Many Republicans who oppose the interest-rate policy voted against it for fear that a "yes" vote would be seen as an attack on the Reagan administration as a whole. Nevertheless, the debate marks the first time that any significant number of senators has stepped forward to confront Volcker's method of wrecking the nation's industrial base.

Sasser won support from virtually every moderate Democrat in the chamber. Only William Proxmire, of Wisconsin and the Rockefeller family; Paul Tsongas, the Massachusetts ultraliberal environmentalist; and Southern conservatives David Nixon, Ernest Hollings, and John Stennis voted against S.R. 132. The degree of

Democratic consensus could foreshadow the party's platform plank on interest rates for the 1982 congressional campaigns. And as one Capitol Hill aide commented when expressing disbelief that the resolution had been defeated, Volcker's champions were certainly "risking the wrath of the American voter."

Pressure from the "American voter" is in fact bound to intensify. Last March, the National Coalition to Reduce Interest Rates brought 150 labor leaders, businessmen, and farmers to Washington to lobby against high interest rates. This June 22, after months of lobbying in legislators' home districts throughout the country, the strengthened coalition will be sending busloads of workers, auto dealers, homebuilders, farmers and others to Capitol Hill.

The coalition's broadened support was emphasized by the early-May announcement that its steering committee had been joined by Lloyd McBride, president of the 1.4 million member United Steelworkers of America (USWA). The effect of high interest rates on the auto industry has led to layoffs of more than 100,000 steelworkers.

### **Sasser: 'a national problem'**

*The following are excerpts from Sen. James Sasser's statement May 13 on the Senate floor.*

The resolution makes a very simple statement. It urges the Federal Reserve Board, with the support of the Congress, to restrain the current level of interest rates and seek a long-term policy of providing lower interest rates that will ensure our economic recovery. This is a goal which is sought by this administration.

Indeed, in their economic projections provided with their budget submissions, the administration expects that the interest rates on 90-day Treasury bills, which were averaging 11.5 percent in 1980, will drop to 7 percent by 1984 and then decline to 5.6 percent in 1986.

Curiously enough, . . . when it became obvious that the first phase of the administration's economic recovery proposal would pass in the House of Representatives, interest rates went up, instead of going down. . . .

We have had extremely high and volatile interest rates ever since the Federal Reserve Board adopted their new monetary policies in October of 1979, and it is these high and volatile interest-rate swings that can hurt any economic recovery in 1981, just as they precipitated an economic recession in 1980. These high interest rates will just as surely stop the economic recovery hoped for by the Reagan administration.

High interest rates, I say to my colleagues, is not a Republican problem, and it is not a Democratic problem. High interest rates are a national problem.

What have high interest rates done to this country since October 1979? They have decimated the housing

industry. They have crippled the domestic automobile industry. . . . They have virtually wiped out the ability of American business to have sound long-range capital financing plans, just at a time when we are attempting to modernize the means of production in this country to make American industry more competitive. . . .

So, who is really hurt by high interest rates? It is homebuilders and home buyers. It is realtors. It is people who produce, sell, and buy automobiles. It is small business people. . . . It is farmers when they have to borrow the money to try to put their crops in the ground. . . . It is the consumer who foots the bill. . . .

We have this situation because the Federal Reserve Board has felt that it could control high inflation through high interest rates, but this policy has simply not worked.

### **Byrd: 'don't interfere with the Fed'**

*The following is excerpted from the May 13 statement of Virginia's Sen. Harry Byrd, defending the Federal Reserve against Senator Sasser's resolution seeking lower interest rates.*

This is a very unwise and unsound piece of legislation. Everyone . . . agrees that interest rates . . . are having very bad effect on the economy of our nation. I do not know of anyone who takes a view different from that. I agree with the first part of this resolution, which states that high interest rates, sustained as they have been since October 1979, are having a disastrous impact on the investment which is needed for future, noninflationary growth. . . .

The problem with this resolution comes when you get beyond the first part of it. This resolution directs the Committee on Banking and the Joint Economic Committee to study the advisability of seeking institutional reforms in the structure and operation of the Federal Reserve System. It further calls for an investigation as to the feasibility of implementing a dual prime rate. It further mandates a study of the advisability of increased congressional supervision of policies affecting the nation's monetary system. . . .

This could further destabilize the financial markets. The problem is not with the Federal Reserve System. The problem is with . . . the accumulated and accelerated deficits of the federal government.

The Federal Reserve Board—and I am not an apologist for the Federal Reserve Board—but the Federal Reserve Board has been fighting the battle of inflation up to this point, at least, single-handedly. . . .

If we let 535 members of the Congress become involved in the operations and deliberations and formulation of policy by the Federal Reserve Board, then if you think this country is in bad shape today, you just wait and see what happens at that point.

# The U.S. uranium industry: now an endangered sector

With the Reagan administration now proposing to lift restrictions on domestic production of certain strategic minerals and energy resources, the frightening state of our strategically vital domestic uranium-mining industry has gone almost unnoticed.

Leading domestic uranium industry sources contacted recently have told *EIR* that the U.S. uranium mining industry is expected to shut down almost totally during the next several years. The U.S. uranium industry has been caught in the bind of a faltering nuclear industry, suffering from lack of production of reactors for both domestic use and for export, largely the result of assaults by various environmentalist groups. In addition, the United States has a large stockpile of already mined uranium, waiting to be milled. Further, the depressed U.S. economy and the lack of competitiveness of U.S. uranium on the world market, with prices of around \$30 to \$35 per pound, yielding 2-3 pounds per ton of ore, as compared with foreign ore that at a comparable price yields 5 pounds per ton of ore, means that the U.S. uranium industry will be unable to bounce back on its own.

One leading industry analyst projected that by 1990 U.S. production of  $U_3O_8$ , uranium oxide or yellowcake, will be at about 16 million pounds per year. The U.S. uranium industry mined and milled 42.5 million pounds of yellowcake in 1980.

In 1978, New Mexico produced 46 percent of the total United States  $U_3O_8$  concentrate. The Grand Junction, Colorado office of the U.S. Department of Energy calculates that New Mexico holds well over 50 percent of total domestic uranium reserves and, in the higher cost \$50 per pound category, New Mexico holds approximately 16 percent of the total assured world uranium reserves in the noncommunist world. Given that almost half of the U.S. reserves lie on Navajo Indian tribe lands, or on federal lands, Interior Department policies are also important to the future of the uranium industry.

## **New Mexico boom**

A belt stretching in a 30-mile wide swatch running for approximately 100 miles in the northwest portion of

New Mexico, the so-called Grants Uranium Belt, is the single largest reserve in the United States. But over the last 15 months, several of the nation's largest uranium producers have been declaring bankruptcy.

The Grants belt has been an important mining area, along with areas in Colorado and Wyoming, since the 1950 Haystack Mountain discovery near Grants sparked the early uranium boom. The uranium industry has been a recipient of major capital inputs by such companies as Anaconda, Kerr-McGee, United Nuclear, Homestake, and others. There have been some 16 major exploration and production operations during the 1970s peak in the Grants belt alone. In addition, in the last seven to eight years, \$1 to \$2 billion has been invested in mining and related infrastructure by these firms.

But today, the area is becoming economically depressed. The large Church Rock, N.M. United Nuclear facility (see *EIR*, Feb. 3, 1981, "Uranium Production Threatened") exists on a day-to-day extension from the New Mexico Environmental Improvement Division, operating at only one-third capacity. And the large joint venture between Conoco and Wyoming Minerals Corporation to build an underground uranium mine at Crownpoint, N.M. will close down this June, two years before mining was to begin, unless there is a dramatic act of Divine Providence.

Other firms, like Getty, have had heavy layoffs. Phillips is reportedly getting out of uranium altogether, and Anaconda closed its Jackpile open pit mine in February. One affected official told me, "We're killing the whole bloody industry." Uncounted smaller independent operations have also shut down.

## **'Scissors pinch'**

A leading executive of a major Colorado uranium company told me that by his calculations, total uranium milling capacity for New Mexico, Utah, Colorado, Wyoming, and Texas has been reduced by more than 36 million pounds of yellowcake from the peak of 1980, when market price was \$43 per pound. Today, it is between \$24 and \$27 per pound. That price collapse and the astronomical increase in mining costs has helped

put U.S. uranium mining at the mercy of foreign sources, especially Canada, one of the five largest producers in the world. Unlike the United States, Canada has recently undertaken major exploration projects in Saskatchewan that will greatly increase its uranium production.

A close look at the reasons for this deadly economic "scissors pinch" of rising costs and collapsing market prices is in order. Details of the control of the world uranium market are as murky and sinister as the international diamond market. The machinations describing how the world uranium price market tracked the 1973-74 OPEC price hike by rising almost 400 percent to now collapse to nearly half uranium's January 1980 level of \$43 per pound is material for an entire exposé in itself. But such price oscillations would not have had such a disastrous impact on the U.S. economy were it not for the quiet, but effective, deployment against the uranium industry by the environmentalist movement, many paid with government funds from the Bureau of Indian Affairs, VISTA, or other sources, during the Carter administration.

### The Crownpoint case

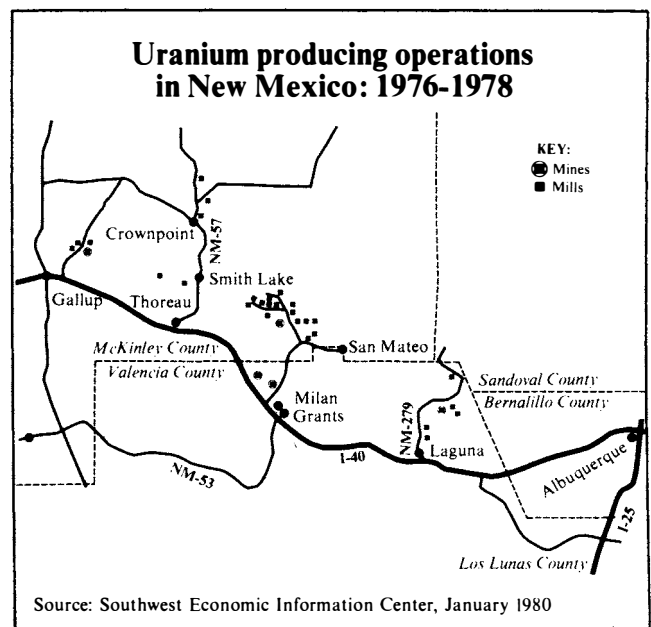
One of the best recent examples that illustrates the larger pattern is the environmentalist deployment against the Conoco/Wyoming Minerals joint venture at Crownpoint, N.M. With grant money provided by "environmentalist" oilman Robert O. Anderson's Aspen Institute, a handful of self-appointed guardians of the town of Crownpoint and the local Navajo tribe has set out to destroy this joint mining venture.

Among these "guardians" is a self-described ecologist, Donald Levering, of the Crownpoint Citizens Alliance, an unofficial "community organizing project," who is working with Paul Robinson, of the innocuous-sounding but arch-environmentalist Southwest Research and Information Center, and government-paid attorneys from the DNA People's Legal Services, Inc.

Robinson and Levering's environmentalist campaign has zeroed in on fostering hysteria in the community via the local press that the nearby uranium mines are depleting and contaminating Crownpoint's aquifer.

In their campaign, the environmentalists have omitted the fact that given the chronic water shortages of the desert Southwest, the state of New Mexico has passed strict laws that require that any water depleted by uranium mining must be replaced.

Spurious studies by the environmentalists and a legal-services organization called Crownpoint Energy Impact Review and Study Committee ostensibly show a 50-foot drop in the surrounding aquifer level, claiming that the uranium mining is the cause. Indeed, as Conoco



and other companies state, uranium mining uses water in its "de-watering" phase. But in conformity with New Mexico state law, the Conoco project has drilled new water wells that have increased Crownpoint's water supply. In addition, the Conoco mining project has not yet entered the de-watering phase.

### Economic losses

As a result of the cost escalations and other obstructions, the Crownpoint project will never mine one ounce of uranium. Locally, the Navajos, over 50 percent of the mining labor force, will suffer direct losses. One frustrated, and slightly bitter commentator I spoke with acidly commented that the prime beneficiaries will be Levering, Robinson, and the Indian Health Service and People's Legal Services, since their "clientele" on the Navajo reservation will remain impoverished. When the British did this in India in the 19th century, good Americans called the perpetuation of such poverty and underdevelopment racism.

The Crownpoint case has been replicated in both Colorado and Wyoming. Substantial untouched reserves of uranium also exist east of the Mississippi, locked up on RARE II wilderness lands. Ultimately, as one industry source told me, "If we permit ourselves to become dependent on foreign supplies [of uranium], U.S. uranium mining will die on the vine. Hence, we will have painted ourselves into the same corner as with foreign oil dependence: hostage to supply and holdup tactics on price regardless of how many nuclear plants we build and operate."

Since *one pound* of  $U_3O_8$  yields as much energy as *ten tons* of coal, does it make sense for the United States to kill off its uranium industry?

### **B**ack funding for laser weaponry

By a vote of 91 to 3, the Senate on May 13 agreed to add \$50 million to the Defense Department's airborne and space-based laser weapons programs. The added funding was made in an amendment by Senators Malcolm Wallop (R-Wyo.) and Harrison Schmitt (R-N.M.) to the Defense Authorization Act of 1982. In addition to the added funding, the amendment also calls upon the Defense Department to submit to Congress a detailed report on the costs, schedule, and identification of the risks of the laser program.

In introducing his amendment, Senator Wallop declared that he had originally planned to propose an amendment to increase funds by \$250 million and dramatically accelerate the development of laser weapons. However, opposition from other senators forced the compromise measure with \$50 million.

The space-based laser beam weaponry would be able to destroy enemy missiles while they are still in flight. The program is highly controversial, not mainly because of cost, but because it would mean the development of a whole range of new technologies which would revolutionize industrial production.

Wallop lamented the fact that the current space-based laser program aims at a possible in-orbit demonstration by 1992, while estimates by those working on the program predict that the first weapon could actually fly as early as 1987.

"In addition to my cosponsors," declared Wallop, "many others in this body feel that we

should put a laser weapon in space as soon as possible. . . . It is possible for this country to meet or beat the Soviet schedule in space laser weaponry. . . . Indeed, high technology is this country's great strength."

### **B**anking deregulation advocated at hearings

The Senate Banking Committee continued hearings on the state of the banking industry on May 19 with testimony from an academic panel which advocated complete deregulation of American banking. Columbia University professors Silber and Edwards attacked the McFadden and Glass-Steagal Acts, which prevent interstate banking and ensure against diversification of banking functions into different kinds of institutions. Silber and Edwards denounced the acts as "wasteful regulations" which maintain "artificial divisions" in the banking industry.

Edwards predicted that complete deregulation of banking would mean that large money-center banks and foreign banks would be able to take over savings and loan associations and smaller commercial institutions, which would then become affiliates of such institutions as Citibank, Lazard Frères, or Bank Leumi. Silber added that investment banks in particular could move in and offer a whole new range of services, including becoming a primary source for mortgage money.

Queried by one senator as to how deregulation could ensure the survival of the endangered savings and loans, one professor remarked, "Well, the large banks could let

the smaller ones handle their Visa and Mastercard accounts."

Banking Committee Chairman Jake Garn (R-Utah), who has often been looked to as the last line of defense against the wholesale destruction of the small commercial and thrift institutions, commented that "philosophically, I've been committed to deregulation for years."

### **E**xim funding restored in House

A coalition of business, labor, Democrats, and Republicans voted to restore some of the money cut by the Reagan administration from the Export-Import Bank's direct loan authority for fiscal 1981. By a vote of 237 to 162, the House restored \$376 million in direct loan authority to the Export-Import Bank on May 14.

The Reagan administration originally requested that the Carter budget of \$5.148 billion in fiscal 1981 direct-loan levels be cut by \$752 million, with further cuts in direct loan and loan-guarantee levels over the next four years. The administration's argument is that business has to take its fair share of subsidy cuts in the current austerity drive.

However, both the Democratic-controlled House Appropriations Committee and the Republican-controlled Senate Appropriations Committee voted to restore some of the funds.

The House restoration of \$376 million in direct-loan levels was sent to the House floor on May 13. There, an odd coalition of liberals and Stockmanite Republicans, led by Rep. David Obey (D-Wis.) pre-

sented an amendment to cut the \$376 million and return to the original Reagan request.

Self-annointed friend of labor, Rep. Jack Kemp (R-N.Y.), apparently ignored organized labor's argument that each \$1 billion in exports creates 40,000 jobs, and supported the cut. Kemp argued that "the Exim Bank distorts the markets."

The Obey amendment passed by a vote of 231 to 166 on May 13. However, overnight, a coalition led by the International Association of Machinists and Boeing mobilized support to maintain Exim funding, and the Obey amendment was overturned the next day by a vote of 237 to 162 and the House committee request of a \$376 million increase was restored.

Despite that show of muscle, the FY81 request restores only one-half the money cut by the Reagan administration.

The Senate Appropriations Committee has voted an increase of only \$250 million over the Reagan request, leaving the funding still \$500 million short of the Carter request.

## **Abscammed senator attacks DOJ**

Senator Harrison Williams (D-N.J.), responding to the Senate Ethics Committee decision to file formal charges against him following his Abscam conviction, has sent a letter to his Senate colleagues, warning that a "precipitous judgment" on his case could have serious constitutional implications.

In the letter, released on May 11, Williams said, "In defending myself, I have always felt that I am

also defending the executive. When one member is subjected to the whims of a prosecution determined to make a case by any means necessary, then all members are jeopardized. . . . A hasty decision to expel me from membership in the Senate or to pressure me to resign would foreclose an opportunity for the full Senate to register an objection to this kind of prosecution."

Williams has sought to retain former Sen. Robert Morgan (D-N.C.) as his counsel in the Ethics Committee investigation. Before his defeat last November, Morgan had spoken out strongly against the unconstitutionality of the Abscam entrapment operations. However, restrictions against a former senator's participating in certain kinds of actions before the Senate may prevent Morgan from accepting Williams's requests.

## **Labor racketeering legislation introduced**

The Senate's self-styled watch-dog over organized labor, Sen. Sam Nunn (D-Ga.), has introduced the Labor Racketeering Act of 1981 (S. 1163), along with senators Warren Rudman (R-N.H.), Lawton Chiles (D-Fla.), and Don Nickles (R-Okla.). The main thrust of the bill is to make kick-backs and illegal payoffs a felony instead of a misdemeanor and to expand the disbarment provisions for union officers convicted of a felony. The current disbarment provisions (under 29 U.S.C. 504 and 29 U.S.C. 1111) would be expanded in the following ways:

- Enlargement of the criminal offenses which would result in disbarment.

- Enlargement of the categories of persons affected by disbarment provisions.

- Increasing the duration of time barred from office or position from 5 years to 10 years.

- Providing for disbarment immediately upon conviction rather than after appeal.

Nunn's legislation came as a result of an "investigation" and subsequent "dog and pony show" into organized crime's alleged influence on the waterfront. Commenting on the investigation's findings, Nunn said, "Especially disturbing is the fact that the evidence clearly suggests that, through that system of payoffs, recognized leaders of the traditional organized crime families influence and effectively dominate the International Longshoremen's Association and large segments of the American shipping industry."

ILA President Ted Gleason had attacked the subcommittee investigation at the time, charging that "the subcommittee has received and apparently accepted the hearsay testimony of informers, accomplices, and convicted criminals—all persons of low credibility with every motive to distort the facts."

Observers noted that there was undoubtedly a direct relationship between the introduction of Nunn's legislation and the probable ascension to the presidency of the International Brotherhood of Teamsters of Roy Williams, an international vice-president and currently interim Teamsters president, who has been under attack by Nunn for years. The Reagan Labor Department is under pressure to go after Williams or face an "organized crime" scandal around Secretary Ray Donovan.

## Parpart debates Yost on Global 2000

The morning session of the May 20 *EIR* conference in Washington, D.C. on "The U.S., the Third World, and Global 2000" consisted of a debate between Uwe Parpart, director of research for the Fusion Energy Foundation, and Nicholas Yost, coauthor of the Carter administration's *Global Futures* report, companion-piece to the *Global 2000 Report*. Yost was general counsel to Carter's Council on Environmental Quality and director of the Carter administration's task force on resources and the environment.

Yost increasingly issued disclaimers under challenges from Parpart, one of the world's foremost scientific debunkers of depopulation advocacy. Parpart said that "it's an odd world we live in where we think that every moment a cow is born, we are richer, but any moment a child is born we are poorer. Population potential is unlimited." Yost replied, "we haven't recommended anything, our report is a projection."

When Yost called for "a delicate balance between sustainable development and environmental concern," Parpart characterized Yost's concept of "sustainable development" by stating that "the real premise of the *Global 2000 Report* is on page 526, where they say that existing financial and economic institutions are fundamentally sound, and that the demand of the LDCs for a new international economic order will not be met." Parpart discussed at length the continuities between *Global 2000*/World Bank policy and the Malthusian policies of the British Empire.

Speaking at the afternoon session, Ambassador Youssoufou Oumarou, who is from Niger and represents the Organization for African Unity (OAU) at the United Nations, urged that "the biggest problem in Africa is economic development.

"We in Africa know we can produce enough food if we develop our infra-

structure. The people who wrote the *Global 2000 Report* don't know anything about Africa. . . . You have two choices in Africa: you can either spend your time trying to reduce your population, or you can try to increase your GNP and your food production.

"We Africans come to the U.S. because the U.S. is the country that has been successful in agriculture, and that is what we are looking for."

## Bipartisan demand made for halt to FEC audits

Attorneys for leading Democratic and Republican candidates in the 1980 presidential primary have asked the Federal Election Commission to declare a 30-day moratorium on publication of audits of their 1980 campaign committees. They charge the FEC with "serious insensitivity to the realities of the presidential campaign process and the First Amendment."

Represented are the Republican National Committee, Republican candidates Howard Baker, John Connally, and Ronald Reagan, and Democrat Jimmy Carter.

The specific counts for the request are retroactive application of legal principles: lack of standard auditing procedures; lack of access to information; lack of a hearing; and length of audit process. Hints have meanwhile surfaced, perhaps pre-emptively, that the White House would like to abolish the FEC altogether.

## Trucking deregulation shakes out U.S. transport

Overall tonnage carried by trucks is likely to show a collapse for the first two quarters of 1981 of at least 30 percent below the same period of 1980, according to industry sources. Between the last quarter of 1980 and the same period of 1979, tonnage already fell by 20 percent.

The collapse has already resulted in permanent layoffs of more than 50,000 truck drivers and about 100,000 related layoffs, mostly affecting the International Brotherhood of Teamsters.

In the late fall of 1979, *EIR* conducted a study on the projected effects of trucking deregulation legislation cosponsored by Jimmy Carter, Ted Kennedy, and an array of "free market" conservatives. The overall conclusion was that over an eight-year period the plan would cost the real economy roughly \$500 billion through its drastic effects on the overall efficiency of the U.S. economy, a cost greater than the Vietnam War. In July 1980, Congress passed the Motor Carrier Deregulation Act.

As *EIR* will report in detail, the collapse is proceeding faster than our projections indicated, because of the Federal Reserve's fiscal austerity. Capital investment and maintenance outlays are now substantially affected.

Both the White House and Reagan's designate as Interstate Commerce Commission chairman, Reece Taylor, have indicated that they want to prevent the destruction of U.S. trucking, but have also declined thus far to challenge the deregulation act.

## Reagan advisers challenge ACLU 'criminals lobby'

In a late-May speech before the California Peace Officers Association, presidential adviser Edwin Meese III, a law enforcement specialist, charged the American Civil Liberties Union (ACLU), the National Prisoners Union, and other groups with forming in effect a "criminals' lobby" by abetting actions and legislation that hamper the arrest and prosecution of criminals.

Meese's speech followed the drafting of an equally aggressive letter by William Wilson, California state university regent and member of the Reagan "kitchen cabinet." The letter was written last December to Stanley Sheinbaum, an ACLU leader, but not previously published.



In Wilson's letter to Sheinbaum, who is also on the board of *CounterSpy* magazine, Wilson charges that the ACLU's lobbying has "effectively put an end to intelligence-gathering and file-keeping on suspected felons, criminals, and law-breakers." It is logical to conclude, wrote Wilson, that persons who sponsor such legislation "not only must feel free from injury or harm by those who are aided and abetted by such legislation; indeed, they must be protected by some organized group who make their living from misdeeds against society. . . . They must be supported by those whom they in turn are helping, namely, organized crime."

Sheinbaum declared that he is "personally offended." The ACLU's national executive director, Ira Glasser, has accused Meese and Wilson of "McCarthyism." Wilson is the President's nominee as U.S. representative to the Vatican.

## LULAC testifies in favor of depopulation

Arnoldo Torres, congressional liaison for the League of United Latin American Citizens (LULAC), the largest group representing Spanish-speaking Americans, testified on May 12 at hearings on the Ottinger bill mandating population reduction measures in the United States. The Ottinger bill, H.R. 907 cosponsored by Rep. Robert Garcia, the Democrat representing New York's heavily Hispanic, economically devastated South Bronx, is explicitly based on the *Global 2000 Report*.

Torres testified that the United States is "reaching conditions which indicate an overburden of our natural resources and environment by a population with an ever-increasing demand. Many advocates of the *Global 2000 Report* indicate that a scarcity of resources in this country stands to impact more harshly on those at the bottom of the social spectrum. The Hispanic community has unfortunately occupied this position in American society and therefore is very much con-

cerned. . . . We are told that unless we control our population growth . . . the Hispanic community and other disadvantaged groups will be competing against each other for the limited resources available. . . .

"While there are many complexities involved in this scenario, it is perhaps fairly accurate. . . .

"Many in the Hispanic community . . . would view the establishment of a population policy as being a racist effort. . . . Nevertheless, LULAC recognizes that this country and the world are facing tremendous challenges when there is an increasing populace. . . . We are in total agreement with Global 2000 in concluding that this demand cannot be satisfied."

## Auto dealers launch 'Operation Prime Cut'

In a joint letter sent on May 13 to every Chrysler-Plymouth and Dodge car dealer in the United States—approximately 4,000 dealers—the leaders of the respective dealers' conferences urge their members to support what they call "Operation Prime Cut."

Walter Kelly, national cochairman of the Chrysler-Plymouth Auto Dealers Council, told *EIR* on May 20 that "We are about to die because of high interest rates. The federal government is trying to put me out of business," he said. "Who is going to replace my taxes? Who is going to replace my business? The auto industry supports one out of seven people even now, as bad as things are. We are paying 25 cents out of every dollar for interest."

The letters ask each dealer to send his congressman a quarter "to get across a consciousness of this problem." The associations look toward legislative action, and intend to take the campaign into state auto dealers' associations around the country. The Chrysler dealers say Chrysler management supports them completely on the fight against high interest rates.

## Briefly

● **ALEXANDER HAIG** delivered the commencement address May 15 at Hillsdale College, whose administration launched David Stockman's career. The tiny Michigan school was also the scene of one of the largest mass sightings of UFOs in 1966. The UFO link may be a clue to Haig's presence at Hillsdale, since his brother, Frank Haig, S.J., is a prolific writer on "extraterrestrial beings."

● **NICHOLAS YOST**, a Global 2000 author, following the debate with the Fusion Energy Foundation's Uwe Parpart, was heard to remark, as he was hastily leaving the scene, that it did not bother him at all that conservatives like Gen. Maxwell Taylor agreed with liberals like Yost on the need for Global 2000 population reduction. "No, no," Yost said. "The more people who agree with us, the more sure we are that we are right."

● **MICHAEL LEDEEN**, editor of Georgetown University's CSIS journal, has been appointed special adviser to Alexander Haig on international terrorism. Ledeen, an associate of Henry Kissinger and Arnaud de Borchgrave's "Spike" circles, will work with Gen. Vernon Walters in a special advisory unit, promoting the CIA-discredited view that the Soviet KGB is the primary coordinator of terrorism.

● **FRIENDS OF THE EARTH**, Greenpeace, and other groups had the fundraising services this week in New York of ballerina Marita Goshen. Said Jacques Cousteau of a recent performance: "The whale ballet was more eloquent than any speech and as graceful as the fluid dance of a true whale." The *Washington Post* commented: "The tall elegant Goshen presented her subjects to music ranging from George Crumb . . . to humpback songs . . . her solos for sea turtle, seal, wolf, and whale work as political statements and as art."



# Who's Who in the Reagan Administration—

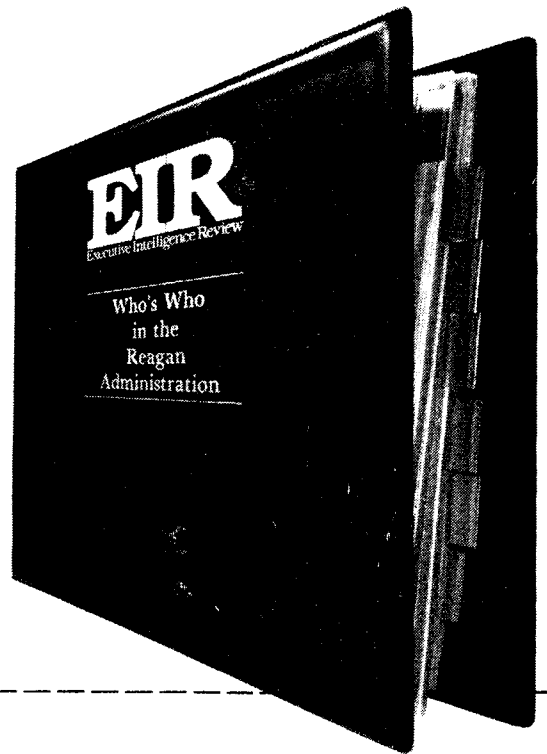
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