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Italy's P-2 and the plot against the Pope
'Reagagate' operations on front burner
New openings against Volcker's interest rates

**Global 2000 depopulation policy:
the debate breaks into the open**



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EIR

From the Editor

Documented in this week's Special Report are the outlook of the State Department-sponsored *Global 2000 Report* and *Global Futures* report. At a May 20 debate in Washington, D.C., Global 2000 architect Nicholas Yost, former chief counsel to the Carter administration's Council on Environmental Quality, debated Uwe Parpart, research director for the New York-based Fusion Energy Foundation. Yost proposed to encourage fewer people and more trees, but maintained that he was open to all suggestions for averting famine and chaos; Parpart contended that Yost and his mentors are predetermining catastrophe by a conscious refusal to promote the investments in energy, technology, and education that would transform the Third World, in the way "resource-poor" nations like South Korea have already been brought out of agrarian backwardness.

In another section of the report, Dr. Steven Bardwell, plasma physicist, codeveloper of the LaRouche-Riemann econometric model, and editor-in-chief of *Fusion* magazine, examines the methodology of the two Global 2000 reports and concludes that, unlike *Limits to Growth*, they are not even pseudoscientific: they are bald statements of a policy of withholding capital inputs in both the northern and southern hemispheres. The remainder of the report documents the means by which the State Department's private subcontractors work to effect that policy, despite widespread opposition inside the Reagan administration and beyond.

In our Economics coverage, you will find important material on the role of the "Newly Industrialized Countries," as envisaged by Malthusian financial strategists, in a *deindustrialization* blueprint for the world economy.

I call your attention as well to the article by *EIR* founder and Contributing Editor Lyndon H. LaRouche, Jr., titled "The Fall of Italy's Government Exposes Kissinger Links." Next week, *EIR* will present the results of further intelligence investigations into the "Loggia Propaganda Due" scandals in Italy.



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For the birds

Correction: In a June 2 article on Sen. James Sasser's resolution calling for the Federal Reserve to lower interest rates, there was an editorial error. A nonexistent David Nixon was included among Senate Democrats voting against the resolution. The identification should have been Sen. Alan J. Dixon of Illinois.

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World trade in the 1980s: the emergence of blocs?

by David Goldman

Speaking before the annual conference of the West German League of Savings Banks last week, Club of Rome founder Aurelio Peccei predicted that nation-states would yield place to "interregional blocs" under the supervision of supranational institutions. Denouncing the nation-state as we have known it from the 15th-century reign of France's Louis XI down through the American Revolution, Peccei characterized the present mode of government as "archaic," and claimed that it led to "balkanization." What is most disturbing about Peccei's remarks is the extent to which the underlying patterns of world trade have in fact shifted into actual, if subtly defined, "interregional blocs" during the past four years. The implication of the trend is devolution, not growth, for the world economy in the context of the first decline in world trade since 1974. In fact, the main point of guidance for the development of world trade is now the deindustrialization of the leading Western economies, or what is popularly called in the United States the "sunrise industry" strategy.

Since 1977, three trading blocs in formation have become visible: the United States/Latin America, Asia, and Europe. I will sketch out the proportions of this shift below, but what is most important is the underlying policy direction that defines their importance for the future. The breakdown of normal national controls over the money markets and the emergence of a private-sector initiative on behalf of the goals of the "Brandt Commission," the World Bank-sponsored group promoting an onerous kind of "development" in the Third World, have created conditions in which what were previously mar-

ginal trends can come to dominate the sphere of international trade.

The subject of the trade shift is what the Organization for Economic Cooperation and Development and a dozen satellite private think tanks call "the newly industrialized countries (NICs) strategy." More than anywhere else, it is pronounced in Asia, where Asian-Asian trade is rapidly replacing Asian trade with the industrial West (excluding Japan). South Korea, for example, sent 76 percent of its exports to the OECD countries (the 20 Western industrial nations) in 1978, but only 56 percent in 1979, and (judging from incomplete 1980 data) even less during the previous year. Japan's absorption of Korea's exports fell between 1978 and 1979 from 22 percent to 15 percent of the total; the United States fell from 33 percent to 24 percent; and West Germany from 8 percent to 6 percent. A big surge in South Korea's exports to Saudi Arabia, much of it centered in big construction projects, boosted the Persian Gulf share of South Korea's exports from 8 percent to 19 percent over the year. But the rest of the difference came in increased shipments to other Asian developing nations.

The same pattern can be discerned for Taiwan, the other Asian NIC. Consumer goods, automotive equipment, and capital goods, for which Asian nations formerly were dependent on the OECD sector are now flowing from South Korea and Taiwan to Malaysia, Indonesia, Thailand, and other Asian developing nations. Although numbers for most of 1980 and for the beginning of 1981 are not yet available, commercial bank experts report a surge in Asian-Asian trade.

Japan, whose investments in Korea and Taiwan provided the basis for the export surge, does not stand to lose; its powerhouse economy is merely continuing a longstanding policy of shifting into higher value-added categories. The auto industry is a good case in point. Japanese automakers are not unaware that the production of auto components involves more added value than lower-skilled auto assembly; the Japanese intend, therefore, to scale down the rate of increase of their auto exports, and ship components for assembly to countries where cheap labor is available, such as Malaysia—or the United States.

EIR staff noted, in the course of a trade study for a private client, that only one important U.S. export showed remarkable growth in the Asian market. This was synthetic resins, the basic feedstock for plastics. Asian developing nations are building plastics factories with Asian capital equipment. But they have not yet had the resources to invest in expensive, capital-intensive petrochemical cracking plants. However, as a Dow Chemical executive told an industry conference in Amsterdam last week, the growth of petrochemical facilities in the Persian Gulf and elsewhere in the developing sector puts a time limit on American predominance in some areas of the petrochemical trade. In the next 20 years, Dow projects, 10 of the big 30 chemical companies will disappear, and another 10 will maintain operations exclusively in the NICs. And the rest, the Dow forecast concludes will become subsidiaries of the leading oil multinationals, who will become the only available source of investment capital for the industry.

America's spectacular performance in the export markets during the past four years is, largely, artificial, based on exports of consumer goods to the European market paid for with cheap dollars, exports of petrochemicals produced with relatively cheaper Saudi oil, and so forth. In real volume terms, American exports rose by 33 percent from 1977 to the end of 1980, a performance commensurate with Japan's, and far better than West Germany's mere 3 percent increase in real volume of exports. However, despite the sharply adverse impact of the downturn of the European economies and the rise in the dollar's relative value this year, there is a basic underlying trend showing a rise in U.S. exports. The bulge in exports to Europe is a temporary phenomenon, but not the steady rise in Latin American exports.

As a proportion of total U.S. exports, the Latin American market rose from 14 percent to 18 percent over 1977-1980, mostly, as a result of the Mexican economic boom. This accounts for the sharp drop in the percentage of U.S. exports sent to other industrialized countries, from an average of 60 percent in the 1974 to 1977 period to only 55 percent last year. U.S. exports to both Asia and Europe showed, respectively, no rise and a decline as a percentage of the total. On the import side, U.S. trade

with Latin America rose from 11 percent to 14 percent of total imports.

Europe remains unable to crack the American *political* hold over the Latin American market (despite some important big contracts, e.g. West German nuclear exports to Brazil), and the Japanese technological hold over Southeast Asia. West Germany, the European Community's biggest exporter (and still the world's biggest exporter in absolute terms) depended on industrial nations' markets for 69 percent of its foreign shipments in 1977, and for 74 percent in 1980. France improved its export performance outside Europe through arms sales more than any other category, a development which does not necessarily bode well for future exports.

In the past three years, the European Monetary System permitted the European nations to substantially increase their exports to *each other*. However, as the extremely low levels of capacity utilization throughout European heavy industry attest, this taking in each others' laundry did not provide a healthy underpinning for the European economy. Historically, half of European Community exports have been intra-EC, and half have gone outside. The tilting of the balance toward intra-EC trade was an important indication of weakness.

Former French President Giscard knew that Europe had to run hard and fast to maintain its competitiveness, and expand the nation's nuclear energy and other forms of high technology, rather than worry about unemployment in industries that had already become uncompetitive. The strategy was correct on paper, but the pressure of high U.S. interest rates and clumsy, monetarist economic management by French Prime Minister Raymond Barre produced internal economic difficulties which, in part, cost Giscard the recent election.

Above all, Europe's failure to follow through with the projected "Phase Two" of the European Monetary System, which would have turned the present mutual currency support operation into a credit-issuing European Monetary Fund, set Europe back in a fashion from which—in the worst-case scenario—it will never recover. European industry, with higher productivity growth rates than the U.S. for the past 15 years, could have competed successfully in the developing sector except for the monopoly stranglehold on international credit exercised through the International Monetary Fund and, indirectly through the markets, by the Bank for International Settlements.

Now European consumer electronics, auto, steel, and textiles are uncompetitive relative to Taiwan, let alone to Japan. Without a burst of capital investment Europe will be shut out of international trade. Thence come the immense pressures (see page 6) for Europe to accept the terms dictated by Aurelio Peccei and the Brandt Commission, for admission to the Latin and Asian trading blocs under construction by the U.S. and Japan.

A private sector Brandt policy

Renee Sigerson analyzes how capital flows to the Third World may, under present circumstances, promote the goal of net deindustrialization.

Following a summit meeting with President Reagan May 20-21, German Chancellor Helmut Schmidt made a surprise announcement at a background briefing for reporters in Bonn. Schmidt stated that he wanted his support to be registered for a program known as the "Marshall Plan for the Caribbean." Schmidt then went out of his way to publicly praise former Chase Manhattan Chairman David Rockefeller for recently forming a businessmen's council on Jamaican-American affairs.

Schmidt's comment has absolutely nothing to do with economic development in the Caribbean; nor was it some innocent diplomatic gesture. For informed financial circles, typified by the leading investment banks in lower Manhattan, Schmidt's statement will be correctly interpreted as a "signal" that a certain set of financial policies has been put into motion.

To summarize these policies simply, Schmidt was signaling that the "Brandt Commission Report" has gone into implementation phase. In the name of economic development, the Brandt Commission promotes the dangerous hoax that resource extraction and selective capital formation—combined with labor-intensive production for the vast majority of what will remain of Third World populations—are equivalent to a rescue strategy for the southern hemisphere.

Asked to comment on why Schmidt made this unexpected comment, a U.S. State Department official said outright that "the Brandt Report calls for a 'Marshall Plan' for the Third World." Schmidt chose to highlight the Caribbean version of that call, "because there is a large Christian Democratic element in Germany. The Christian Democrats have developed a strong interest in El Salvador. . . . Many people in the DC are on the Brandt Commission [and] as Norman Manley, father of [former Jamaican Prime Minister] Michael Manley, used to say, 'as Jamaica goes so goes the Caribbean.' "

What is the 'Brandt Report'?

In 1977, World Bank chairman Robert McNamara asked Willy Brandt, Schmidt's predecessor as German

chancellor, to pull together an internationally prominent panel to study relations between advanced industrial countries and the Third World. *Washington Post* board chairman Katharine Graham and Lehman Brothers Kuhn Loeb chairman Peter Peterson joined as U.S. representatives.

The published report was issued in 1980, under the title "North-South, a Program for Survival." Brandt Commission proponents worldwide have noted that while the study has generated support in Western Europe (most notably in Britain, where several special nationwide TV broadcasts have been shown on the commission), the commission has been virtually a dud on the American political scene. Last October, at the annual convention of the Foreign Trade Commission in New York, Lehman's Peterson delivered a speech on how the Brandt Report had failed to "catch on" in the United States.

Nevertheless, what Schmidt's comment signals—and *EIR* has confirmed this through independent investigation—is that the basic program of the Brandt Commission is currently being activated most strongly within the United States! Under the banner of revitalizing "private enterprise" in developing countries, top U.S. business groups and Wall Street investment firms are currently arranging a wave of "financial capital transactions" into Latin America and Asia which pursue the Brandt strategy.

Last week, the New York Bar Association sponsored a conference whose purpose was to inform the legal community about how the Brandt Commission recommendations are transforming international law governing trade with developing countries.

Two things emerged from that conference. First, that the Wall Street private investment banks are determined to start a new wave of investment into the developing sector—even if that occurs at the expense of essential investment activity in the United States. Irving Friedman, a former senior official with Citibank and the International Monetary Fund currently based with

First Boston Corporation, laid it on the line: "business [in developing countries] is good business. You can be very selective about your borrowing entity . . . you can choose to whom you lend. There is much more 'cherry-picking' to be had in the Third World than in the advanced sector. . . . Loan losses for banks lending to LDCs are lower than in the United States."

Adela and the mutual funds drive

The second issue that popped out during the New York proceedings is that the model for gearing up U.S. investment capital along Brandt Commission lines is a little-known operation founded under the auspices of the North Atlantic Treaty Council in 1964 called Adela.

In 1963, Sen. Jacob Javits proposed during a meeting of the NATO Parliamentarians Group that Western companies ally to stem the tide of communism in Latin America, by setting up private enterprise ventures there, to "prove" the superiority of capitalism to the Cuban model. With approval of the NATO group, in 1964, Javits presided over the founding of Adela.

Over 100 multinationals bought shares of either \$100,000 or \$500,000 in the Adela experiment. Adela then began to mete out venture risk capital loans to everything ranging from supermarket chains to steel rolling mills and real estate firms.

In subsequent years, an African version of Adela was formed, named Sifida; and an Asian company, which added Japanese and Australian participation, called Pica, was also created. By 1978, Adela had been involved in about 500 enterprises, lending on average several hundred million dollars per year. By 1978, Adela had placed \$60 million in investments in Mexico.

As Adela's virtual bankruptcy in 1974 shows, it is impossible to earn money market rates of return on small-scale industrial ventures in Third World countries. Adela—and similar outfits now being created—was never founded to facilitate in-depth capitalist industrial development. Adela is a political operation, which sets up companies as a short-term "hustle."

One of Adela's more prominent early executives was Aurelio Peccei. Working as an operative for the FIAT interests in Italy, which joined Adela at its founding, Peccei left Adela in 1974 to undertake an international career with the Club of Rome.

The Club of Rome has pushed for large-scale depopulation in developing countries. The only difference in fact between the Club of Rome's work and the Brandt Commission program is that the Brandt report focuses on the financial mechanisms—transfer of capital out of the advanced sector as the source of investment in the Third World—that can enforce population reduction.

Another political figure launched into public prominence by Adela is Edward Seaga, current prime minister

of Jamaica. It was on Adela Advisory Board member Seaga's recommendation that Rockefeller launched his Jamaican-American business initiative.

Following in Adela's footsteps, leading Wall Street firms are now moving to create a "network" of venture capital, as well as long-term capital investment companies, which can selectively channel U.S. funds into developing countries.

On May 24, Merrill Lynch sponsored a private meeting in Boston for Mexican and U.S. representatives around a Merrill project called "The Mexican Fund." The outline for the company was drawn up two years ago by a government-sponsored international agency which is an offshoot of the World Bank, called the International Finance Corporation (IFC).

The IFC specializes in designing financial mechanisms for coordinating private and multinational agency investments in developing countries. The Mexican Fund which it proposed to Merrill will work as a mutual fund, investing in blue-chip companies on the Mexican stock market. Merrill has placed an application with the Securities and Exchange Commission to put the fund up for public offering. If the SEC approval comes through, this will be the first U.S. mutual fund established for placements in a Third World country.

The IFC is simultaneously working on a plan for venture capital investments in Mexico, more directly modeled on the Adela experience. One other developing country cited publicly by the IFC for establishment of a U.S.-based mutual fund is Korea.

The fact that U.S. investment banks want to place capital in the Third World, *in itself* is neither good nor bad. What these recent developments demonstrate, however, is that these "private enterprise" initiatives are being governed by the basic premise of the Brandt Commission recommendations.

That basic premise is that development *cannot* be financed by the creation of new sources of credit by sovereign government policy initiatives. Credit can flow into the developing sector, according to the Brandt Commission, from only three possible sources.

These are: 1) extraction of current capital from the advanced sector through "private enterprise" initiatives; 2) increased capitalization of the IMF-World Bank; or 3) transfer of the financial surplus held by oil-producing countries in OPEC. Either in isolation or combination, these three avenues constitute global credit cartelization.

As one alternative case, U.S. capital goods sales abroad could, for example, be financed by very large increases in the capitalization of the U.S. Export-Import Bank. The Brandt report specifically denounces such national sovereign solutions to the problem of credit generation as "inflationary" and unfairly competitive.

The fight over money supply

The Fed's high interest rates have an extremely interesting relationship to M2-B growth.

The Federal Reserve Bank of New York, in its latest quarterly review, has kicked off a storm of controversy over the Fed's ability to control money supply. The New York Fed's publication cited a study by Almarin Phillips of the University of Pennsylvania claiming that during a period of high interest rates and high inflation, the velocity of money will accelerate greatly, thus supporting a much greater level of GNP growth.

The Fed's study claims that on a revised basis, M1-B money supply actually grew by only 1.1 percent annual rate of growth, while the velocity of money increased by 18 percent during the first quarter. Indeed, using the data provided by Phillips, it can be shown that the turnover rate of demand deposits in major New York City banks rose by nearly 16-fold, from about 50 times a year in 1955 to about 800 times a year in 1980. In 1955, an average balance of \$100,000 in a checking account resulted in total check payments of \$5 million, but in 1980 the same balance resulted in total check payments of \$80 million. In practice, during high inflation and high cost of money, people cash checks as quickly as possible.

Professor Phillips, himself a monetarist, concludes that the high inflation and interest rates of recent years "have made the control of inflation through the use of monetary restrains an impossibility." Monetarist Phillips convincingly

demonstrates that monetarism doesn't and can't control inflation.

But while the Phillips study is extremely useful, there is more than a bit of duplicity in the attempt to use the study to pass off on the public, as the New York Fed piece attempts to do, that money supply M1-B actually grew by only 1.1 percent in the first quarter.

Why has there been such a major attempt to revise downwards the money supply growth figures from 15 percent to just 1.1 percent? The answer is that for parallel reasons the Federal Reserve System and President Reagan would like to calm the money markets through the story that money supply is under control, when in fact is isn't. President Reagan needs to convince people that money supply growth is abating, because otherwise he will have trouble getting his own tax cut package, or even a compromise, through Congress.

Hence, according to a Mont Pelerin Society member who dined with quack economist and monetarist Milton Friedman immediately after President Reagan and Federal Reserve Board Chairman Volcker had their "showdown meeting" May 18, "both agreed that they needed to allay the fears and suspicions of the market about the growth of money supply." This individual, who worked on the Reagan emergency economic package, is himself writing a study intended to show all the "technical

causes" why money supply is out of control. For example, his study shows that there was money transferred both out of checking accounts, which is included in M1-B, but also savings accounts, which are counted as part of M2-B, into interest-bearing NOW/checking accounts. As the latter are counted in M1-B, this would tend to explain some of the swelling of M1-B. But why did M2-B grow at a greater than a 13 percent rate?

The answer is straightforward. The high interest rates are both attracting flight capital from Europe and encouraging foreign borrowings by American firms through legal and unorthodox channels. The dollar, artificially buoyed by the interest rates, is attracting additional money into dollar paper. Thus, *Volcker's high interest rates are swelling the money supply*—a conclusion that neither Reagan nor Volcker is willing to issue.

The fight over money supply is mirrored in the expectations over interest rates. To calm the markets and build support for the Reagan economic package, Treasury Undersecretary Beryl Sprinkel told Congress May 28 that "interest rates have peaked. They will come down soon."

But, claims Henry Fowler, Johnson's Treasury Secretary and a senior partner of Goldman Sachs, "I know what Sprinkel means. Interest rates will come down very little and then go up again. I no longer give interest-rate disarmament a chance." Fowler's "prediction" represents a political commitment to stop Reagan's economic package from succeeding. Given the real explosion of money supply, Fowler's "prediction" is probably close to the truth.

Judge decides for DES

This federal court case could set back the environmentalist assault on the livestock industry.

On May 7 in the Federal Court of Kansas in Wichita, Judge Kelley handed down a 60-page decision stating that 200,000 pounds of frozen meat from animals implanted with DES at the Jarboe-Lackey Feedlot of Parsons, "would not hurt anyone."

The lawsuit was initiated by the U.S. Department of Agriculture (USDA) a year ago in an effort to enforce the 1979 Food and Drug Administration (FDA) ban on the use of the hormone DES (diethylstilbestrol) in livestock raising.

On May 8 the government asked for 60 days to consider whether or not to appeal. It is not yet known what the Reagan administration will do, but a decision to bow to Judge Kelley's ruling would give powerful support to industry and other forces anxious to draw the line on the campaign to outlaw most feed additives, including antibiotics. The case before Judge Kelley, though inspired by the Bergland USDA and the FDA, was run by one of the Justice Department's crack "consumer fraud" lawyers.

The government's decision will also affect the fate of some 300 "violators"—cattlemen, consultants, and DES producers and distributors—fingering in an FDA witch-hunt last April, launched following months of confusion about the FDA's stand on producers' requests to use existing supplies of DES after the November cutoff date, when an allegedly disgruntled

feedlot employee reported continued use of the drug.

Hundreds of investigators poured into cattle country, and within a month the FDA had its "violators list." USDA Undersecretary for Consumer Affairs Coral Tucker Foreman and HEW Secretary Patricia Harris vowed to prosecute to the fullest extent.

Feedlot owner Mr. Lackey and his attorney Charles McAtee maintained throughout the suit that the USDA could not prove that the beef posed a health hazard.

DES was branded a carcinogen and banned in livestock raising partly on the basis of indications that daughters of women who had taken DES to prevent miscarriage had a greater tendency to develop a rare form of vaginal cancer. DES dosages in livestock raising are a mere 1/300,000 of those taken by the pregnant women. Furthermore, DES is administered according to strict guidelines to ensure that no residue remains in the animal tissue or organs at slaughter. Adding DES to livestock feed rations increases weight gain by about 15 percent and improves the quality of the meat; it has been used with no ill effects in the livestock industry for more than 20 years.

In the Wichita case, the USDA performed exhaustive tests on the frozen meat in question according to Dr. Thomas Jukes, a prominent medical biophysicist from the University of California at Berkeley

who testified for the defense. Jukes reported that the largest amount of DES residue that could be found was 0.02 to 0.05 parts per billion in the kidney and one-tenth of that, or 2 grams per million tons, in the muscle tissue. (One part per billion, just to get in perspective, is the equivalent of one pinch of salt in 10 tons of potato chips!)

Dr. George Gass who testified for the defense, explained to this writer that an individual would have to consume 79,000 pounds of lean meat *per day* or eat 330 pounds of beef liver a day for the rest of his life, to attain the threshold levels of DES consumption that laboratory tests with mice have shown produce an increase in cancers.

Gass, chairman of the Department of Basic Medical Sciences at the Oklahoma College of Osteopathic Medicine and Surgery in Tulsa, is the scientist whose 1964 study of DES was the first to show dose response to a chemical carcinogen. As Gass testified in Wichita, at certain concentrations DES poses no health risk whatsoever, and may even be *beneficial*, beyond its proven positive effect on feed conversion efficiencies. Since 1972, when the first attempt to ban DES was made, the government has misinterpreted Dr. Gass's 1964 study, and used it as an argument *for* the ban. Gass has attempted to correct this, but the USDA spurned his offers to testify during the hearings on DES. In 1975, Dr. Gass was asked to repeat his 1964 study at the government's National Center for Toxicology Research. The study again showed that on lower doses fewer mice got cancer, and more slowly, than the control group. The government refuses to publish these results.

Central banks against the nation-states

Cons Gold's report confirms that the families plan a market setup that only they can afford to maintain.

The annual report of Consolidated Gold Fields Limited, "Gold 1981," issued in May, more than bears out our judgment of two weeks ago that the private fortunes of Europe view the current chaotic bear market in gold as an opportunity to buy cheaply. Indeed, Cons Gold, the heirs to the empire of Cecil Rhodes, all but say that the chaos is their deliberate creation.

Group executive David Potts centers attention on the central banks, led by the Swiss-based Bank for International Settlements. In the midst of the worst bear market since 1975, in which the gold price has tumbled by 44 percent from a high of \$850 in December 1980 to \$470 and below by March 1981, the central banks have conducted their largest new purchases of gold since the October 1973 oil shock.

"An outstanding feature of 1980," Potts writes, "was the reversal of the flow of gold, which had occurred in each year between 1973 and 1979 from the official sector [central banks] to the private sector." Instead, during 1980, central bank purchases of gold "exceeded sales by 230 metric tons, compared with net sales [to the private market] of 544 tons in 1979."

This trend, which is expected to continue throughout 1981 and beyond, is not led by the nations of the gold-based European Monetary System, but by those central banks in position to dictate economic policy to their captive nation-states.

These are the central banks of the United States, South Africa, Switzerland, and the International Monetary Fund.

These central banks have operated quietly, Potts notes, following a medium- to long-term strategy. As distinct from Indonesia, which made a rather publicized purchase of 66 tons, "several other central banks acquired gold without attracting the same degree of attention. There was evidence of countries making small but regular purchases, and this is the best policy to adopt if there is clear conviction that gold will be useful in preserving the real value of assets over long periods of time, and the buyer is unlikely to be forced into a selling position."

Meanwhile, every investor in the gold market who did not have the long-term resources and attention span of the great private families or the central banks was forced out of the market by savage price swings and 20 percent interest rates, which made the cost of financing gold inventories prohibitive.

"These massive price fluctuations are an inevitable consequence of the present structure of the market," says Mr. Potts, who does not add that this structure is set by the central banks and a few family-oriented private bankers. Given the Federal Reserve's high interest policy, "dramatic moves will result. Rises and falls of \$20 per day and \$50 per week can be expected.

These operations can be repeated several times."

All the while, Cons Gold predicts, the United States is considering gold remonetization. While offering no evidence that the U.S. has actually accumulated gold, Mr. Potts estimates the United States will never resume gold sales. He predicts that the U.S. Senate committee led by Jesse Helms (R-N.C.) studying the use of gold for monetary purposes may take the opportunity presented by inflation and the "inevitable" instability of the dollar to "revalue and present it as independent act of policy." This in turn "would be the final signal for many financial institutions and some remaining central banks to enter the gold market."

Cons Gold further urges America not to interfere with the admittedly chaotic gold market structure. The Helms committee "should avoid the temptation to recommend complicated and rigid schemes [which] soon get overtaken by the market," Mr. Potts warns. "They should only incorporate changes which have already achieved a high degree of acceptance in the financial markets of the private sector."

What emerges is a 19th-century gold system in which only the old families and their central banks can afford gold and to maintain the value of their assets. Other investors are forced into high interest-rate paper, rapidly depreciating through what Mr. Potts calls "a permanent inflation problem." Under such a system, credit for industry would be greatly reduced, an "upward spiral in inflation rates" assured, and the long-term price of gold certain to rise, Potts concludes.

World Trade

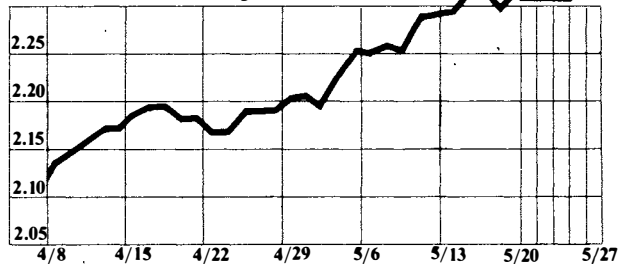
by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
UPDATE			
about \$2 bn.	India from France	India will buy approx. 150 Mirage 2000s for its air force, the Indian Defense Ministry announced. That means scrapping deal made by previous Janata govt. to buy 120 British Jaguar fighters.	Agreement in principle reached; terms, technology exchange and schedule being negotiated.
NEW DEALS			
\$1.2 bn.	Brazil from West Germany	Brazilian President Figueiredo signed following deals during visit to West Germany.	All had been previously negotiated.
\$742 mn.		Vereinigte Aluminumwerke will invest \$742 mn. in Alune aluminum smelter, which will produce 220,000 tpy.	Protocol signed.
\$100 mn.		VW will build 100,000 per year motorbike plant in Rio.	Brazilian competitors are upset; authorization signed.
\$60 mn.		Bayer will build MDI chemical plant in Rio.	75% from reinvested profits.
\$62 mn.		KFW bank loan to Nuclebras for nuclear program.	10 yrs.; 5 grace; at 1.375% over KFW's average DM borrowing rate.
\$230 mn.		Recife city transit system loan from Commerzbank-led consortium to finance Ferrostahl trains.	Protocol signed.
\$320 mn.	Saudi Arabia from U.K.	International Hospitals Group and British hospitals will operate medical services for the Saudi National Guard and plan for future modernization of guard medical system.	Contract signed by Prince Abdullah; biggest British-Saudi deal since "Death of a Princess" film.
\$71 mn.	Nigeria from Italy	Equipment for new polypropylene plant in Warri, Nigeria, ordered from Montedison.	Credito Italiano leading banking consortium.
\$30 mn.	Nigeria from France	Technip will design and build 10.6 mn. gallon per yr. brewery in southeast Nigeria for Diamond Breweries.	
\$205 mn.	Saudi Arabia from France	Dragages et Travaux Publicques won contract to build 4 hospitals for Saudi Health Ministry.	
\$300 mn.	Abu Dhabi from U.S.A.	Fluor Mideast won contract for design and construction supervision of a natural gas-gathering and treatment facility.	
\$45 mn.	Japan from Iraq	Kobe Steel and Marubeni will build 60,000 tpy sulfuric acid plant.	
\$45 mn.	Qatar from Japan	Mitsui will build 70,000 tpy high-density polyethylene plant.	Not hurt by Mitsui's Iran problems.
\$42 mn.	Oman from West Germany	215,000 tpy cement plant ordered from Deutsche Babcock.	
	Indonesia from West Germany	Zimmer will build 6,000 tpy polyester thread plant for PT Sulilia Indah Synthetic Fibers.	

Currency Rates

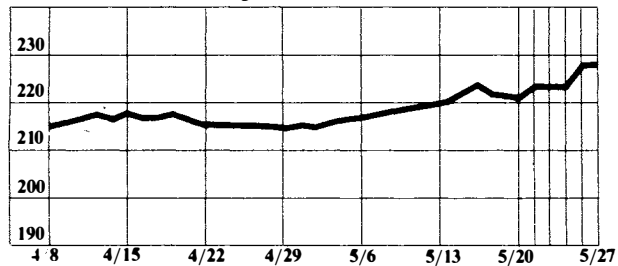
The dollar in deutschemarks

New York late afternoon fixing



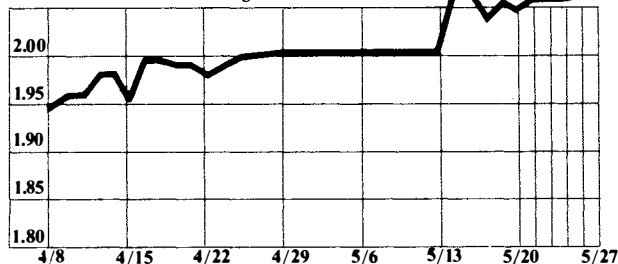
The dollar in yen

New York late afternoon fixing



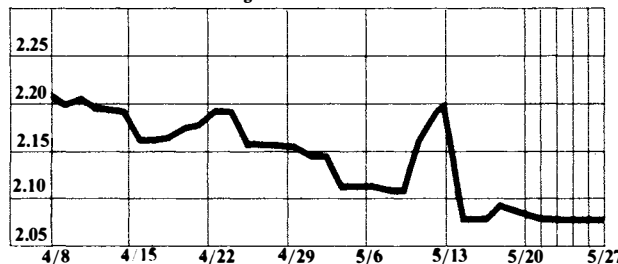
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



EIR Seminars

Taxes, Credit, and the Future of the U.S. Economy

Washington, D.C.
Wednesday, June 10

U.S. Monetary Policy 9:00-12:00 a.m.

Speakers:

Leon Keyserling, Economist, Former
Chairman, Council of Economic Advisers
Michael Liebig, European Contributing
Editor, EIR

Luncheon 12:00-2:00 p.m.

Keynote Address

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

U.S. Fiscal Policy 2:00-5:00 p.m.

Speakers:

Kenneth Simonson, Acting Director,
U.S. Chamber of Commerce Tax Policy Center
David Goldman, Economics Editor, EIR

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In West Germany

Who's Who in the Reagan Administration

Speaker:

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

Mexican spokesmen battle Volckerism

by Elsa Ennis

Opposition to Volcker-induced high interest rates has become the center of a broader fight in Mexico around that nation's economic future. Although this battle has been largely unreported in the U.S. press, the effects of the U.S. Federal Reserve's credit warfare tactics have been devastating: banks are now lending at effective rates of 40 to 50 percent. President López Portillo, a strong opponent of monetarist solutions to economic problems, may bring the issue up for discussion during his meeting with President Reagan on June 8 and 9 in Washington.

The Federal Reserve's restrictionist strategy directly threatens prospects for economic and political stability in Mexico as well as America's economic growth—the two preconditions for a U.S.-Mexico economic collaboration package, which is favored by both presidents.

Opposition to "Volckerism" in Mexico has been expressed forcefully by union and business leaders alike. On May 19, Alfonso Reyes Medrano, head of the economic think tank of Mexico's largest labor confederation, the CTM, charged in the press that "the recent increases in interest rates announced by the Bank of Mexico are a response to bank interest rates in the United States. High interest rates are one of the most inflationary factors in Mexico and the world. As interest rates rise, they produce a negative effect on investment. . . . Hence, this measure can have repercussions against production."

Salomón Faz Sánchez, head of the National Confederation of Small Farmers, charged the same day that interests rates on loans for farming and hog, chicken, and cattle-raising were reaching 40 percent levels. "Those who borrow cannot make a profit if they pay those rates. The increasing cost of financial resources is de-capitalizing the rural areas," he said. He proposed that the government increase its dirigist role in the economy by extending credit at subsidized rates through the state rural bank, Banrural.

The widely read economic column "Among Businessmen" in the conservative paper *El Herald* kept the heat on Volcker by warning May 20 that "the new

tendency toward high interest rates in the Western world . . . poses a latent threat to developing countries like ours. The private sector, the productive private sector, hopes these ascending fluctuations won't undermine the developing process." The column also urged the government to take dirigist measures to protect production.

The opposition to Volckerism is just the leading edge of a broader determination to see Mexico quickly develop into a modern industrial nation. The powerful CTM labor confederation voiced this determination in the clearest way. On May 24, the head of the CTM's advanced studies training center, Daniel Murayama, made statements to the press blasting a recent study by the monetarist economic think tank CEESP. The CEESP study recommends further interest-rate hikes and argues that rapid industrialization is "overheating" the economy. The labor leader ridiculed such arguments as "fallacies." "The model for this country is industrial. We must promote expansion and modernization of the industrial infrastructure," he said. As for the Wharton School's belief that Mexico's inflation is produced by excessive growth, Murayama argued that, in fact, high-technology industrialization is essential: "In order not to overheat the economy, we have to unleash the economy through industrialization, which is also the only way in which we can also solve unemployment."

The Federal Reserve has found some of its most enthusiastic supporters among the vociferous Friedmanite business circles linked to the secretive Mont Pelerin Society. On May 20, Perez Stuart, a columnist for the daily *Excelsior*, blasted the Mexican opponents of Volcker by arguing that "there are those who confuse the terms and believe that hikes in interest rates cause inflation, when the truth is that it is inflation that pushes the former up." The columnist went on to note the ulterior motive behind draconian credit policies: to cut back the productive sector of the economy. "Certainly, hikes in interest rates make money more expensive, but they have a prophylactic effect because they destroy those businesses born under the protection of inflation. It is a way of reordering production and consumption."

The CEESP study has been taken up by monetarist circles as a weapon against the López Portillo government's industrialization projects. Last week the economic think tank for the private banking consortium Banamex endorsed the CEESP study and called on businessmen to reject the government's goal of an 8 percent economic growth rate for this year, proposing instead a 6.5 percent rate.

Industry Minister De Oteyza, who had forced an earlier revision of Mexico's 1980 growth rate up to 8.0 percent from a lower figure propagated by the monetarist Bank of Mexico, immediately responded that growth of 10 percent was perfectly feasible, holding up Japan as an example.

Business Briefs

Science and Technology

Clarke: administration committed to fusion

Speaking at the dedication of the Texas Experimental Tokamak at the University of Texas at Austin, Dr. John Clarke of the Department of Energy affirmed the Reagan administration's commitment to the development of fusion energy. Clarke stated that the administration intends to fully implement the McCormack Magnetic Fusion Energy Engineering Act of 1980.

Despite President Reagan's efforts to decrease overall federal spending, Clarke pledged that the administration will not diminish the fusion effort. To the Reagan administration, he said, fusion represents an extremely optimistic, "supply-side high technology."

Clarke remarked on the enormous progress in fusion research, from a state where it was not known whether fusion could be controlled, to the actual demonstration of commercial feasibility today. He stated that the abundant energy supplied by fusion would increase living standards not only in the United States, but would permit the nation to increase living standards throughout the world.

Foreign Exchange

Market 'stalemate' prelude to new storms

Pressure on the French franc and German mark have eased largely due to technical factors. U.S. three-month Eurodollar deposits slipped down to 18.5 percent from over 19 percent earlier in the week, and on May 28, Chase Manhattan announced it was reducing its prime rate from 20.5 to 20 percent.

The Belgian central bank took advantage of the downward move of dollar rates on May 25 and cut its discount rate to 13 percent, a full percentage point. French and German authorities have less maneuvering room for interest-rate

reductions. May 26, French Prime Minister Pierre Mauroy defended the recent rise of the French discount rate to 22 percent, saying the action "should have been taken much earlier."

A New York Federal Reserve official commented May 29 that German central bank officials would advise no reduction of rates be permitted, because "the mark is still vulnerable." The mark has been hovering between 2.33 and 2.34 to the dollar. The cessation of the extraordinary speculative attack on the mark and franc following the recent French elections is "largely technical," the Fed official noted. How long this pause lasts depends on what policy initiatives the new French government launches on agricultural pricing, and other issues affecting the European Monetary System currency support network.

Labor

Heritage trap for Reagan on Davis-Bacon Act

Sources close to the Washington, D.C.-based Heritage Foundation say that the Reagan administration is being maneuvered into a confrontation with the building trades unions over proposed changes in the Davis-Bacon Act, which effectively mandates union-scale wages on federally funded construction projects.

These sources say that the Reagan White House will not go for a full repeal of the act, which was established during the Depression. Instead, Labor Secretary Donovan is prepared to take action sometime next month to change by administrative order the way that "prevailing wage" levels are determined, to not mean "union-scale."

The Heritage Foundation sources are claiming credit for the new proposals, which they view as an opening for full repeal. Accordingly, the various Heritage avenues into the offices of Senators Don Nickles of Oklahoma and Orrin Hatch of Utah are advising the senators not to push any repeal legislation, but to offer critical support to the Donovan

administrative initiative.

"This avoids forcing the administration to come out now against repeal," said an aide to Senator Nickles. "The Donovan move will kill them with the building trades. Then once the building trades start attacking Reagan, we can come back and start working for repeal." The aide said that he expected to move for repeal in a serious way by 1982—with Reagan backing.

Energy

DOE makes some constructive savings

Energy Secretary James Edwards has embargoed a mammoth two-year study commissioned by pro-environmentalist Rep. Richard Ottinger (D-N.Y.).

The study, advance copies of which were leaked to selected news media, is an analysis of projected energy demand by the year 2000.

Carried out by Denis Hayes, Carter's head of the Department's Solar Energy Research Institute, the document envisions total energy consumption in 2000 at 25 percent below present levels, with almost no oil imports, phaseout of nuclear and 20-30 percent from wind, solar and wood.

Ottinger is reportedly upset about the possibility that his "negative energy" study will not see the light of day.

Domestic Credit

Senator Long blasts high interest rates

Senator Russell Long, Louisiana Democrat, blasted the New York banks for their dictatorial control of high interest rates and the entire Federal Reserve in a speech before the Houston Conservative Forum May 28. Long said "the average person doesn't control the Fed any more than the average banker; the New York

bankers run the Fed, and the President doesn't want to oppose them right now.

"Congress can act to regulate the Fed, but with 100 senators and 435 congressmen you have too many opinions—only the President can take the lead."

He related his own experience when he tried to appoint a qualified friend to a regional Fed board, saying that "he had about as much chance of getting past the boys in New York as he had of flapping his arms and flying to the moon."

In calling for the President to take the lead against high interest rates, Long also praised those moderate and conservative Democrats who remained in the party. "Without them, we will become like the British Labour Party."

He called on Democrats to act in the spirit of bipartisanship of the Lyndon Johnson/Sam Rayburn congressional leadership during the Eisenhower administration. "We were in the minority in 1952, with a popular Republican President in the White House; LBJ and Sam supported him when he was right, and offered constructive criticism when he wasn't. Despite an Eisenhower landslide in 1956, the Democrats were able to sweep ruling majorities in both Houses of Congress as a result of this effective bipartisan leadership."

Agriculture

Water policy planning in dispute

Congressional committees are challenging an administration plan to replace existing water resource planning agencies at the federal and regional level with a single Office of Water Policy within the Interior Department.

The administration has proposed a \$111.5 million budget savings over the next two fiscal years by eliminating both the Water Resources Council and the Interior Department's Office of Water Research and Technology, along with six regional river basin commissions, and concentrating planning and R&D in a new, scaled-down Interior division.

Committees in both the House and

Senate, backed by the Army Corps of Engineers and others, have offered alternative plans based on restructuring the existing agencies. Senate bill S. 1095 would set up an independent cabinet-level water policy board to advise both the Congress and the President on water resource matters. It would be headed by a presidential nominee not associated with any of the water-related agencies such as Interior, Agriculture, or the Army Corps. The House version of this proposal, H.R. 3432, differs only in that it would expand the board to include two members of the Congress.

Both bills would continue federal grants to states for water planning as well as to the six river basin commissions.

Fiscal Policy

Stockman threatens Social Security collapse

Office of Management and Budget Director David Stockman told the House Ways and Means Committee May 28 that unless the administration's proposals to slash Social Security benefits are implemented, the system will face "the most devastating bankruptcy in history on or about Nov. 3, 1982," the *Journal of Commerce* has reported.

Stockman threatened that Social Security and Medicare, if "left unchecked," would "consume 60 percent of the domestic budget by 1995, up from 39 percent in 1981." Stockman added, "The growth of future benefits must be slowed for the solvency of the trust funds and to permit national fiscal solvency as well."

Stockman is lying. His projections, as *EIR* as reported, are based on the population work of Mont Pelerin Society demographer Rita Ricardo Campbell of the Hoover Institute, whose analysis incorporates the assumptions of the Carter administration's *Global 2000 Report*. Campbell's analysis says that the productive working population of the U.S. will enter negative growth during the coming period, while the percentage of the nation's aged will rise from the current 11 percent to over 22 percent.

Briefly

● **THE U.S. LEAGUE** of Savings and Loans is putting "tremendous pressure on President Ronald Reagan to fire Federal Reserve Chairman Paul Volcker," New York banking sources claimed this week. "Volcker could lose his job soon," they said.

● **ALAN GOTTLIEB**, the Canadian foreign ministry's undersecretary for external affairs, is preparing the report on North-South development issues for the July Ottawa heads of state economic summit. It will reportedly endorse the proposals of the Brandt Commission for population reduction in the Third World.

● **FRANK SOUTHARD**, former executive director of the Atlantic Council and head of the IMF Per Jaccobsen Foundation, this week predicted "major Third World debt renegotiations" in 1981. "There will be crises in a host of countries, and some \$65 billion worth of old debts will be renegotiated," he said. "The price will be, however, that about \$15 billion in new money desperately needed for imports will not be lent."

● **THE NATIONAL** Association of Auto Dealers announced this week that Fed Chairman Paul Volcker's high interest rates have "wiped out" most of the profit margin on the average car. The interest-rate cost of maintaining a car in a lot is now some \$500, they said, which is roughly the size of the average profit on a \$6,000 car.

● **KIKA DE LA GARZA**, the Texas Democrat who chairs the House Agriculture Committee, recently announced that the committee has completed preliminary work on the 1981 omnibus farm bill. De la Garza noted that the projected bill is outside the limits imposed by the new budget resolution, and said that "some reductions from the current draft" of the bill may be necessary.

Global 2000 debate out in the open

by Vin Berg

Nicholas Yost, one of the principal architects of the *Global 2000 Report to the President*, was challenged by Uwe Parpart, research director for the Fusion Energy Foundation, at a public debate at the Washington Hilton Hotel on May 20. The debate, one of a series of seminars on critical international issues sponsored by *EIR* this year, is expected to have an important effect on the political climate surrounding the Reagan administration, which has so far failed to break with its predecessor on vital questions of international economic development.

About 20 embassies sent ambassadors and economic attachés to the debate, representing the industrialized sector, the East bloc, and particularly Third World nations. Academic specialists, corporate executives, and congressional staff were also in attendance, along with officials of the World Bank and Inter-American Development Bank. From the U.S. executive branch, there was particularly strong attendance by the Defense, State, and Agriculture Departments, along with Labor, Defense, Commerce, Interior, the Nuclear Regulatory Commission, the congressional Government Accounting Office, the Bureau of the Census, and the Export-Import Bank.

The *Global 2000* document is at present the leading study circulating in support of those inside and outside government who argue that the only solution to energy shortages, resource shortages, and "general strains on the environment," is reduction of world population by roughly 2 billion persons by the year 2000, "by any means necessary."

Nicholas Yost, whose father Charles was a senior State Department planner, acted as chief counsel to the White House Council on Environmental Quality under Jimmy Carter. The CEQ and the Carter State Department issued the *Global 2000* and *Global Futures* reports. Nicholas Yost coordinated the Global Futures task force responsible for the second report.

In the afternoon session, His Excellency Mr. Youssoufou Oumarou, U.N. Ambassador of the Organization of African Unity, indicated the impact the event was having on Third World representatives present. Oumarou told the



Stuart Lewis/NSIPS

At the debate: a challenge to Malthusianism.

audience: “The biggest problem in Africa is economic development. The people who wrote *Global 2000* don’t know anything about Africa. Let me tell you why we Africans came to the United States. We came because of your agriculture. The U.S. is the country which has been successful in agriculture, and that is what we are looking for. You have two choices in Africa. You can either spend your time trying to reduce your population, or you can try to increase your gross national product and your food production.”

Global 2000’s authors are candid in private conversations concerning their goals—genocide in the Third World. But they are aware that this policy cannot be sold to Americans without extensive psychological “shock treatment.” Numerous individuals associated with the report have confided that their tactics are to create “debate and discussion” around the report’s projections and proposals.

Essential to the tactic is successfully excluding consideration of the obvious alternative—massive deployment of scientific knowhow, nuclear power, and advanced technologies for industrial and agricultural development in the Third World regions.

Yost adopted a debating posture consistent with such tactics. He presented the *Global 2000* report as simply a “statement of problems.”

Parpart—coauthor of long-term development program proposals for Mexico and India—at the outset, zeroed in on Yost’s presumed neutrality, exposing the fact that the *Global 2000* report had not been written in a

“policy vacuum,” but in an environment of zero-growth ideology, by individuals fully subscribing to that Malthusian ideology. The report’s unstated assumptions, “no change in investment flows, no change in policies of restricting nuclear and other technologies’ transfer to the Third World, no change at all in present policies,” were brought out in public.

Yost was hard pressed to continue representing *Global 2000* as merely a kind of humanitarian “early-warning system.” He mentioned only in passing that all technological advances were indeed excluded from *Global 2000*’s 20-year projection, using the phrase, “barring a revolution in technology.” He emphasized the skewed result: crises in water resources, energy shortages, and excessive population growth, concluding that “Our national security is closely tied to the global interrelationship of population, energy and environment.” During the rebuttal session, Yost rose to the spirited defense of the World Bank.

His Malthusian outlook had ill prepared him for Parpart’s factual scientific contention: “There is absolutely no correlation between population growth and resource availability per capita.” The Fusion Energy Foundation spokesman established that the human resource base correlates only with human technology. Provided we do develop, assimilate, and diffuse available technologies and those already within sight of development, Parpart ended his rebuttal, “one of the greatest shortages we could have by the year 2000 is a shortage of people capable of engaging in the production process.”

The basic scientific fallacies of the Global 2000 reports

by Dr. Steven Bardwell, Editor-in-Chief, Fusion

The *Global 2000 Report to the President*, a two-volume document published by the Government Printing Office in 1980, does not claim to be a scientific study of the consequences of human population growth. It is thus methodologically different in a fundamental way from previous tracts expounding the same Malthusian world view, like *The Limits to Growth*. Many studies like *Limits to Growth* have gone to great lengths to convince decisionmakers that progress, industrial expansion, and technological development were temporary fluctuations in man's history, that the eventual, and natural, state of the human species is a "steady-state" equilibrium with nature. These studies have consistently argued from the standpoint of science and objective reality. The fact that the studies were fraudulent, shoddily executed, and ideologically motivated is a secondary point: they attempted to argue from necessity (a false necessity, to be sure) that human population growth and economic growth must be halted.

The *Global 2000 Report* has dropped the pretense of science. It is a bald statement of policy, of intent. The authors of this document describe in detail the policies of capital investment, agricultural development, economic planning, and scientific research that they expect to implement.

The policy outlook

A causal analysis of the world economy shows that the fundamental dynamic of economic change in a system made up of two sectors of vastly different levels of productivity, living standards, and economic scale is determined by investment decisions affecting three areas of economic activity:

1. **Growth rates in the more advanced sector**, which at present decisively shape the potential of the world as a whole to grow in the next 20 years.
2. **Rates of technological change**, including technology transfer to the less-developed sectors, and, in the long run more important, creation of qualitatively new technologies. These processes determine the ability of the entire economic system to survive. The second process, the rate of technological change, is the primary

determinant of the population potential of our planet at any given time, and the only rigorous basis for discussing population size.

3. **Infrastructure development in the less-advanced sector**. The introduction of technology requires a large, initially unproductive investment in "infrastructure." The introduction of electricity depends on delivery systems (transmission cables, wiring in buildings, maintenance of backup sources of power, etc.) which are expensive, redundant from the standpoint of existing power networks, and capital-intensive. Huge investments are required for irrigation, public health, energy delivery, and transportation in almost every underdeveloped country; but these investments will not "pay off" until these countries reach a considerably higher economic level. It turns out that these projects return many times their initial costs, of course, but from a short-term financial or credit standpoint, they represent losses.

The *Global 2000 Report* specifies policies for each of these areas. It does not claim that the policies chosen are unique or necessary, merely that they are the policies to be carried out by the powers that be.

Growth rates

The authors of the report recognize the central role played by the assumed growth rates of the advanced sector of the world economy. The *Global 2000* authors choose growth rates for the advanced sector consistent with their policies of conservation and deindustrialization—growth rates lower than the World Bank and other studies. "In both scenarios, all GNP growth rates were reduced by roughly 10 to 30 percent for the period 1985-2000 . . . to take into account the future impact of declining population growth rates on GNP growth. . . . It should be noted that the WAES [the source of the *Global 2000* GNP statistics] high-growth case corresponds approximately to World Bank midlevel projections for the 1976-1985 period" (Vol. II, pp. 521-522).

The assumption of low rates of growth in the more advanced sector is combined in the report with a set of related policy statements on financial and credit requirements of the less-advanced sector:

1. **Economic development in the less-advanced sector is decoupled from the advanced sector.** “[In the model] LDC economic growth rates have no impact on the growth rates of the industrialized nations, which, in turn, are not projected to have any impact on the ability of the industrialized nations to invest in the LDCs” (Vol. II, p. 525). This policy statement claims that there is no economic rationale for investment in the less-developed sector—it cannot possibly pay for an advanced-sector nation to invest in a less-developed nation if the successful realization of that investment will have no “impact on the ability of the industrialized nations to invest in the LDCs.”

2. **There will be no change in the financing and credit relations between the two sectors.** As the report says: “The model thus implicitly also assumed that the existing economic system and associated financial institutions and facilities are fundamentally sound. . . . These assumptions may seem to imply that the recent demands of the LDCs for a ‘new economic order’ will not be met; Simlink [the model used by the *Global 2000 Report*], however, was not designed to analyze this issue. Such a new economic order would involve major changes in the structure of world industry, a new international division of labor, and a dramatic shift in the relative influence of the Western world on the international economic system” (Vol. II, p. 526).

3. **Low prices for raw materials and unprocessed exports from the less-developed sector.** The *Global 2000* authors consistently assumed that the result of the low growth rates projected in the study would be stable or even declining prices for the major exports of the less-advanced sector (Vol. II, p. 530). The combined effect of this low price policy and low import-demand policy on the part of the more-advanced sector is, of course, a dramatic drop in the purchasing power of the less-advanced sector.

4. **High energy prices.** Although there is no economic or technical basis for the assumption of rising energy prices given the demand and consumption pattern assumed by the report’s authors—in fact, recent data show that over the last six months a significant drop in petroleum imports has resulted in a glut on the world oil market, a steady fall in the oil spot-market price, and official price decreases in absolute terms by OPEC suppliers—the report assumes a 5 percent per annum rise in the price of petroleum. This policy determination to maintain high oil prices is felt by the less-developed sector in terms of their increasingly negative balance of payments.

All these assumptions are statements of policy. There is no necessity for *any* of these assumptions to shape economic reality over the next two decades unless that is the policy enforced.

Once these policies are assumed, however, the *Global 2000 Report* describes the economic consequences: “It

was assumed that not all LDCs could experience optimal circumstances simultaneously. . . . Several LDCs are likely to experience negligible per capita economic growth and possible decreases in per capita consumption over the 1985-2000 period. This would be in contrast to recent historic trends, as well as to LDC expectations and might produce severe social and political tensions, which are also not represented in the model” (Vol. II, p. 526).

The conclusions drawn concerning economic growth follow from these economic and financial policies. Major sections of the world have static or declining consumption levels. Bangladesh, Pakistan, India, most of central Africa (sub-Saharan, non-OPEC), all will be consuming less per person in 20 years than they do today if these policies are carried out! Countries which today have a per capita income of less than \$200 will be no better off in 20 years than they are today.

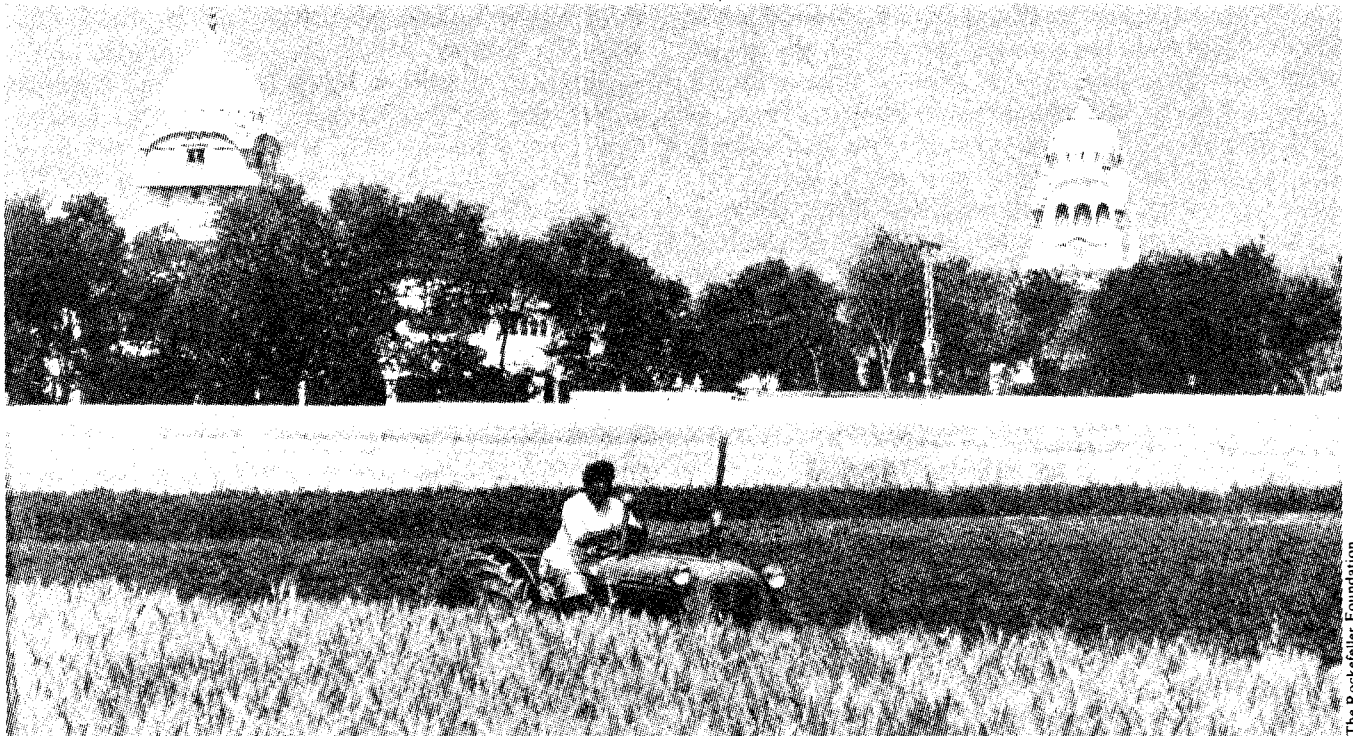
Rates of technological change

In many places in the *Global 2000 Report*, the authors note the importance of technology and technological innovation. However, in keeping with the central import of their policy statements, they systematically exclude fundamental changes in technology. They explicitly rule out, for example, the development and implementation of nuclear fusion, major breakthroughs in agricultural technology, and dramatic improvements in industrial technology. These assumptions are, in fact, statements concerning policy in the more-advanced sector for research and development spending, investment in basic science, and advanced education.

However, the economic development of the world over the next 20 years can be accomplished even without major technological innovation; several studies have shown that a carefully structured investment program can take even a country as large as India and, using only off-the-shelf technology, successfully industrialize it.

The *Global 2000 Report* rules out even this possibility. In the areas of energy, agriculture, and industrial production, the less-developed sector continues to suffer, in the *Global 2000* projections of policy, from inadequate and inappropriate technology. The technology transfer forecast for agriculture in the report shows this policy in its most grisly detail. The basic policy dictate they formulate is one of insufficient investment:

All three alternatives [of agricultural investment] indicate that projecting food balances to the year 2000 is a question not of capacity alone but also of private and public cost. *The projection results . . . suggest that the world's productive capacity is more than adequate to meet the largest foreseeable increases in demand to the end of the century.* However, real food prices are projected to increase



Mechanization and genetically engineered wheat in India.

even if the price of inputs from outside the agricultural sector remain constant. . . . A number of recent studies conclude the earth's physical resources and expanding technology can sustain a 4 to 6 percent rate of growth in food production. Realizing even the 2.1 percent growth to 2000 . . . however, will entail higher real costs and increased pressures on the world's resource and environmental balances. . . . The environmental difficulties likely to be associated with the projections outlined above appear to be manageable in theory. Management options within the agricultural sector are wide enough, particularly if supplemented with environmentally sensitive technology, to solve the problems inherent in using a larger proportion of the world's resources in an increasingly intensive manner to produce food [emphasis added] (Vol. III, pp. 96-101).

In other words, there are no technical or "natural" impediments to increasing food production much faster than population, yet the policy described by the report provides for a minuscule increase in global food per capita. In fact, the *Global 2000* authors actually intensify the inequalities and insufficiencies of agricultural production. The result of these policies, according to the report, is astounding: an 18 percent decline in the food consumption of large parts of Asia and Africa. These devastating results are not due to any limits on arable land, water, fertilizer, or energy; even the authors admit that the environmental considerations are manageable.

The starvation predicted in the report is solely a result of the investment policies specified in the report. The sponsors of *Global 2000* announce that they *refuse to make* the requisite investment to sustain population growth. Therefore, up to 2 billion people will be eliminated.

The infrastructure question

As noted above, infrastructural development—transportation networks, communications, health-care delivery, water and sewage systems, and energy delivery—has traditionally been the most expensive and economically problematic aspect of world development. This infrastructure is especially crucial for urbanization, i.e., for the absolutely necessary demographic shift from rural to urban life. The long payback times inherent in these investments, the indirect nature of the benefits they provide, and their non-exportability have helped to make the rate of infrastructure growth tortuously slow. In countries where these investments were made, however, like South Korea (or the United States), subsequent economic growth has repaid the investment many times over. But these investments could only be made with long-term credits; a 10-20 year maturity on credit for infrastructure development is critical for its success.

The *Global 2000* authors foresee a different investment strategy for the less-advanced sector. In these areas of critical infrastructural development they prescribe policies that will actually lessen the delivered services in these countries:

There is reason to question whether the needed improvements in sanitary and environmental conditions will occur. By the year 2000, sanitary conditions in some areas may even deteriorate. This situation [will be] worsened by increasing scarcities of food and energy in poorer regions. . . . The largest impacts on LDC health, however, may occur in the urban areas. Over the last quarter of this century the urban population of the world is projected to increase from 39 percent to almost 50 percent. The largest increases will occur in LDC cities. Mexico City is projected to increase from 10.9 million in 1975 to 31.6 million in 2000, roughly three times the present population of metropolitan New York City. . . . Altogether it is projected that 1.2 billion additional persons—roughly a quarter of the present total world population—will be added to LDC cities, and the most rapid growth will be in uncontrolled settlements where populations are now doubling every 5-7 years. Financial resources are not likely to be available to the poor in uncontrolled settlements or to their city governments, even for providing safe water. Sewage facilities will be limited at best. Fecally related diseases can be expected to increase. The forestry and energy projections suggest that warm, dry, uncrowded housing will be even less available than now—a condition that will foster the transmission of contagious diseases (Vol. III, pp. 249, 426).

Again, the authors make no claim that these results are due to anything but lack of investment. Population growth, land area, technology are not determining factors; it is purely a question of policy.

The authors of the report, at this point in their argument, note one consequence of the decay of infrastructure in the less developed sector: population growth slows dramatically! They remark on this in the summary volume:

[There are] new data suggesting that fertility rates in some areas have declined a little more rapidly than earlier estimates indicated. The new data indicate that fertility declines have occurred in some places even in the absence of overall socio-economic progress. Between 1970 and 1976, for example, in the presence of extreme poverty and malnutrition, fertility declines of 10-15 percent occurred in Indonesia and 15-20 percent in the poorest income classes of Brazil. . . . [New data exist showing] that in recent years declines in mortality have not been as great as those anticipated by the United Nations in certain countries, especially LDCs. In most cases, these revisions have been reviewed by the United Nations, and future U.N. projections are expected to reflect the



Stuart Lewis/NSIPS

His Excellency Youssoufou Oumarou

slower progress in mortality reduction encountered in recent years (Vol. III, p. 513).

Stated in plain English, the authors of the *Global 2000 Report* say that their policy projections mean that people will die younger. The fall in fertility rates is due, they note with clinical interest, to higher infant mortality, lower conception rates, and less frequent intercourse that accompany "extreme poverty and malnutrition." The increase in mortality rates or shorter life expectancies is due to their projection of insufficient investment in health care. This decline in life expectancies is shocking: the life span of an average Indian decreases by 6.5 years (from its estimate using more optimistic projections of health care); of an average Mexican by 2 years; and an average Pakistani by 4.2 years.

The revisions in the vital statistics of the less-developed sector made a significant change in the projected population of the world by 2000. The original estimate of 6.35 billion people was decreased to 6.18 billion. This drop of 170 million people represents 10 percent of the projected population increase between the present and the year 2000.

The authors of the *Global 2000 Report* project policies whose minimum impact is the unnecessary death of 170 million people. They know and describe the investments that could be made to save these people and explicitly reject them. They do not claim that the food could not be grown, that the health care not be provided, the housing not built—they simply reject the policies that might provide these necessities. That 170 million people die as a result—an unfortunate by-product, these gentleman say regretfully, but a necessary

consequence of policy.

Six months after publishing the *Global 2000 Report*, the Council on Environmental Quality published a volume devoted solely to their policy recommendations for the problems analyzed in the *Global 2000 Report*. This volume, called *Global Future: A Time to Act*, completes the study that the *Global 2000 Report* began. *Global 2000* purports to be an impact study, *Global Future* a set of policy alternatives.

Global Future addresses the basic causes of world problems—the causes as analyzed by the *Global 2000 Report*—by first implicitly making the same assumptions about the world's financial and credit structure. Nothing changes in the three determinative areas of advanced-sector growth rates, technology transfer, or infrastructure development. In fact, *Global Future* explicitly cautions against high growth rates in the advanced sector (it lauds conservation and wise consumption by the "greedy and rich" more-advanced sector); it warns about the dangers of nuclear proliferation, and strongly recommends the "appropriate technology" strategy of technology control; it advocates only the most minimal investments in health care or other infrastructure.

Instead, it proposes "population control." There will be too many people by the year 2000, the CEQ assures us. Population growth is outstripping our ability to grow food, provide housing, improve health care. Mankind is "threatening the balanced environment for all other animals." The only solution raised by the *Global Future* authors is depopulation.

The reader must be absolutely clear about the structure of the argument: Both *Global 2000* studies begin by assuming the necessity of the policies of low growth, technology control, and lack of infrastructure—policies the reports' sponsors have imposed for at least a decade. Once these policies are given, of course, the world faces a population crisis: population control is the only way out. Either people are prevented from multiplying too fast by an aggressive program of sterilization, contraception, and abortion, or they will die by means of famine and violence. The *Global 2000* authors propose population reduction by any means necessary.

A more extensive version of this article will appear in the September 1981 issue of Fusion magazine. In addition to the material presented above, it will contain a discussion of how to scientifically determine what population density, based on population potential, can and should be. Unlike Global 2000, which designates people as consumers rather than producers, Dr. Bardwell shows that in an industrializing economic system, the entire population can become productive individuals adding net wealth to their nation, and that in many regions there will be acute problems of underpopulation relative to development capacity.

Documentation

Excerpts from the Global 2000 report

The following excerpts are from the concluding section of Volume I of the Global 2000 Report, pages 39-42.

The world in 2000 will be different from the world today in important ways. There will be more people. For every two persons on the earth in 1975 there will be three in 2000. The number of poor will have increased. Four-fifths of the world's population will live in less-developed countries. Furthermore, in terms of persons per year added to the world, population growth will be 40 percent higher in 2000 than in 1975.

The gap between the richest and the poorest will have increased. By every measure of material welfare the study provides—per capita GNP, and consumption of food, energy, and minerals—the gap will widen. . . .

There will be fewer resources to go around. While on a worldwide average there was about four-tenths of a hectare of arable land per person in 1975, there will be only about one-quarter hectare per person in 2000. By 2000 nearly 1,000 billion barrels of the world's total original petroleum resource of approximately 2,000 billion barrels will have been consumed. Over just the 1975-2000 period, the world's remaining petroleum resources per capita can be expected to decline by at least 50 percent. Over the same period world per capita water supplies will decline by 35 percent because of greater population alone; increasing competing demands will put further pressure on available water supplies. The world's per capita growing stock of wood is projected to be 47 percent lower in 2000 than in 1978.

The environment will have lost important life-supporting capabilities. By 2000, 40 percent of the forests still remaining in the LDCs in 1978 will have been razed. The atmospheric concentration of carbon dioxide will be nearly one-third higher than pre-industrial levels. Soil erosion will have removed, on the average, several inches of soil from croplands all over the world. Desertification (including salinization) may have claimed a significant fraction of the world's rangeland and cropland. Over . . . 15 to 20 percent of the earth's total species of plants and animals will have become extinct . . . at least 500,000 species.

Prices will be higher. The price of many of the most

vital resources is projected to rise in real terms—that is, over and above inflation. In order to meet projected demand in line with anticipated supplies, the real price of energy is assumed to rise more than 150 percent over the 1975-2000 period. Supplies of water, agricultural land, forest products, and many traditional marine fish species are projected to decline. . . . Resource-based inflationary pressures will continue and intensify, especially in nations that are poor in resources or are rapidly depleting their resources.

The world will be more vulnerable both to natural disaster and to disruptions from human causes. Most nations are likely to be still more dependent on foreign sources of energy in 2000 than they are today. Food production will be more vulnerable to disruptions of fossil fuel energy supplies and to weather fluctuations as cultivation expands to more marginal areas. The loss of diverse germ plasm in local strains and wild progenitors of food crops, together with the increase of monoculture, could lead to greater risks of massive crop failures. Larger numbers of people will be vulnerable to higher food prices or even famine when adverse weather occurs. The world will be more vulnerable to the disruptive effects of war. The tensions that could lead to war will have multiplied. The potential for conflict over fresh water alone is underscored by the fact that out of 200 of the world's major river basins, 148 are shared by two countries and 52 by three to ten countries. Long-standing conflicts over shared rivers such as the Plata (Brazil, Argentina), Euphrates (Syria, Iraq), or Ganges (Bangladesh, India) could easily intensify.

Finally, it must be emphasized that if public policy continues generally unchanged the world will be different as a result of lost opportunities. The adverse effects of many of the trends discussed in this study will not be fully evident until 2000 or later; yet the actions that are necessary to change the trends cannot be postponed without foreclosing important options. The opportunity to stabilize the world's population below 10 billion, for example, is slipping away; Robert McNamara, president of the World Bank, has noted that for every decade of delay in reaching replacement fertility, the world's ultimately stabilized population will be about 11 percent greater. Similar losses of opportunity accompany delayed perceptions or action in other areas. If energy policies and decisions are based on yesterday's (or even today's) oil prices, the opportunity to wisely invest scarce capital resources will be lost as a consequence of undervaluing conservation and efficiency. If agricultural research continues to focus on increasing yields through practices that are highly energy-intensive, both energy resources and the time needed to develop alternative practices will be lost.

The full effects of rising concentrations of carbon dioxide, depletion of stratospheric ozone, deterioration

of soils, increasing introduction of complex persistent toxic chemicals into the environment, and massive extinction of species may not occur until well after 2000. Yet once such global environmental problems are in motion they are very difficult to reverse. In fact, few if any of the problems addressed in the Global 2000 Study are amenable to quick technological or policy fixes; rather, they are inextricably mixed with the world's most perplexing social and economic problems.

Perhaps the most troubling problems are those in which population growth and poverty lead to serious long-term declines in the productivity of renewable natural resource systems. In some areas the capacity of renewable resource systems to support human populations is already being seriously damaged by efforts of present populations to meet desperate immediate needs, and the damage threatens to become worse. . . .

There are no quick or easy solutions, particularly in those regions where population pressure is already leading to a reduction of the carrying capacity of the land. In such regions a complex of social and economic factors (including very low incomes, inequitable land tenure, limited or no educational opportunities, a lack of non-agricultural jobs, and economic pressures toward higher fertility) underlies the decline in the land's carrying capacity. Furthermore, it is generally believed that social and economic conditions must improve before fertility levels will decline to replacement levels. Thus a vicious circle of causality may be at work. Environmental deterioration caused by large populations creates living conditions that make reductions in fertility difficult to achieve . . . while, continuing population growth increases further the pressures on the environment and land.

The declines in carrying capacity already being observed in scattered areas around the world point to a phenomenon that could be more widespread by 2000. In fact, the best evidence now available—even allowing for the many beneficial effects of technological developments and adoptions—suggests that by 2000 the world . . . may be within only a few generations of reaching the entire planet's carrying capacity. . . .

Unfortunately population growth may be slowed for reasons other than declining birth rates. As the world's populations exceed and reduce the land's carrying capacity in widening areas, the trends of the last century or two toward improved health and longer life may come to a halt. Hunger and disease may claim more lives—especially lives of babies and young children. More of those surviving infancy may be mentally and physically handicapped by childhood malnutrition. . . .

Unless nations collectively and individually take bold and imaginative steps toward improved social and economic conditions, reduced fertility, better management of resources, and protection of the environment, the world must expect a troubled entry into the 21st century.

Stating the premises: willful depopulation or investment for economic growth?

Below are slightly abridged transcripts of the opening statements at the May 20 Washington, D.C. debate on "Global 2000: Premises and Implications" sponsored by EIR. The debaters were Nicholas Yost, former chief counsel for the White House Council on Environmental Quality and coordinator of the Global Futures task force recommendations, and Uwe Parpart, scientist and Fusion Energy Foundation development specialist. Mr. Yost spoke first.



For hundreds of millions of desperately poor, the outlook for food and other necessities of life will be very poor. Barring revolutionary advances in technology, life for most people on earth will be more precarious than it is now, unless the nations of the world act decisively to reverse current trends.

By the year 2000, the world's population will grow to 4.5 billion to over 6 billion. Most of the people will live in the poorest countries. With respect to income, a gap between the rich and the poor is projected to widen. There are now 800 million who live in conditions of absolute poverty; by the year 2000, this number could grow to over 1 billion. . . .

As for food, there'll be a 90 percent increase in food production, which works out to a per capita increase of 15 percent. However, that increase will not go where it is most needed, to the most hungry people. Most of the increase will go to people in the countries that are already well fed. I might add that this increase in food production—modest as it is relative to need—still assumes more energy consumption inputs including fertilizers, pesticides, herbicides, and irrigation. With respect to croplands, *Global 2000* projects a total increase of 4 percent in such lands available.

So right now, on a global basis, we are losing an area of the size of the state of Maine to desertification each year. Agricultural land is lost to soil erosion, to diminishing fertility, to salinization, and to lack of water. . . .

With respect to energy, oil production will level off before the year 2000. For the one-quarter of the people on this earth that depend on wood for fuel, the outlook is

bleak. By the year 2000, the report projects an immense loss of genetic resources: 15 to 20 percent of all the species on earth. As to water resources, there will be a 200 to 300 percent increase in water withdrawal. This, of course, is related to food production, to energy, and to deforestation. . . .

Global 2000, as I noted, has both limitations and strengths.

First, the limitations: U.S. governmental capacity for projecting future resource trends is not a unified model. We have what is basically a series of separate models, by sector, which are not linked. For instance, the Energy Department may make fine projections on energy availability; the Agriculture Department may make solid projections on food availability. However, they both use the same barrel of oil in their projections. DOE plans to burn the oil; USDA plans to use it for fertilizer purposes. In brief, this lack of linkage results in double counting, which biases the result on the side of optimism. If you had one barrel of oil—not two—the shortages are more acute.

Second, the quality of projections differs from sector to sector. For instance, the water resources projections are admittedly based on very inadequate data. They're the best that people have, but it is still very inadequate. The energy projections were made about 1977-78, before OPEC took its actions that resulted in price rises, with the result that those projections are also quite skewed.

Third, the assumptions on food productivity are seen by many as unduly optimistic. You will remember that the Club of Rome report is criticized—and rightly—for failure to assume continued technological advances in food production. *Global 2000* responded to that criticism by explicitly assuming such continued technological advances. And that is quite an assumption, when you realize that recent decades have seen the enormous advances sometimes summarized under the phrase "Green Revolution." The report assumes continued such advances, but many assert that there is no evidence to support this assumption.

Now something about the strengths. When all is said and done, for all its limitations, *Global 2000* represents the most complete effort undertaken by anybody to date. There is room for improvement: there is room for lots of

improvement—but it's the best we have got to go on today. Further, the results of the report are substantially in line with all the other major efforts that have been undertaken.

In concluding my discussion of the first of these two reports—*Global 2000*—let me emphasize, and emphasize again, what the report is: It is a projection, not a prediction. It is what happens if we keep on as is, if we exercise no foresight, if we fail to adapt our actions to future needs. The very purpose of that report is clearly to stimulate action to forestall these trends.

And with that, let me turn to the followup report, the *Global Future* report. It is the purpose of *Global Future* to suggest the actions we as a people must take to avert those projections of *Global 2000*, to make *Global 2000* a self-defeating prophecy. . . .

Let me quote from the preface: "The report presents a collection of considered assessments and new ideas that the United States could take in concert with other nations for a vigorous response to urgent global problems. It does not represent an official U.S. government program nor a final set of proposals by CEQ or the Department of State. . . . The goal of the report is to further public discussion of these important issues and to offer our best thinking to government leaders who will be developing U.S. policy in the years ahead."

I think it goes without saying that if this report never had the chance to become the policy of the Carter administration, it has had even less opportunity to be considered by the Reagan administration. I will return to this later. . . .

Certain themes do emerge in various sectors. First, the interconnectedness of it all. Let me give an example. . . . In the past, the forests have sustained the people who live near them. Now population is increasing. Population grows faster than trees. There is insufficient oil; people burn cow dung, which in the past was used to enrich the soil; as a result, the soil is less productive, and in the future will no longer support the population that depends on it. As you may gather, many of our recommendations are aimed at interrupting the cycle and ensuring sustainable development.

Often domestically we speak—excessively I might add—of conflicts between development and environment. If any lesson emerges from the global studies it is that that adage lacks meaning in much of the world. It is, sensitive, sustainable development that bears the promise of both meeting people's needs and of securing a resource and environmental base to sustain those depending upon them. Cutting population growth, planting a tree—indeed, planting a tree farm—improving crop yields, each of these are steps which can interrupt the cycle as I described.

Let me be clear about what we are discussing. Cutting population growth is not cutting population, in other

words, promoting birth control so as to lessen future demands from resources. To go on, transfers of skills and money to those primarily in the less developed countries who most urgently face the problems we are discussing are an essential part of any answer. . . .

Let me turn to the second major theme: the adequacy of the U.S. government's institutional capacity to deal with these global resource, environmental, and population problems. Quite simply, that capacity is inadequate. Four years ago, the then-President directed the U.S. government to report to him within one year on the global resource problem in the year 2000. The report took over three years and still has the severe limitations I've described. It took this time, not because of any lack of diligence, but because the models and institutions to look at the world as a whole simply were not there. We lacked an adequate predictive capacity and must have it. We still lack a long-range policy capacity, an ability to take the data about the future and relate it for the benefit of the President and of the nation to the choices we make today. This capacity cannot be confined to either foreign or domestic measures, as is the case with our departmental organization, but must include both. . . .

The third thing which emerges is that of conservation and wise use. We in the richest corner of the world use resources on a per capita basis strikingly disproportionate to that of most of the world. As others escape from poverty, they too will use more. All of us will have to learn to use what we have as responsibly as possible.

First, we must make sure that there's enough to go around. Second, we Americans, who consume so much, are poorly placed to advise others to consume less.

Let me conclude my discussion of the global reports by asking a question: What next? I don't know. . . .

After *Global 2000* came out, over 200 editorials were written in support of it. Third, that concern is reflected in actions by concerned groups, a variety of citizen groups, that were formed or decided to take action in these areas. Fourth, there is a net interest in Congress. . . .

In concluding, let me emphasize that Americans have concerns in facing up to global problems and in joining others in solving them. What are those concerns? First, there is the moral concern of the world four-fifths poor and one-fifth rich; the disparities we've largely addressed domestically have their parallels in the world community. Next, we have concerns for the availability and prices of natural resources. Thirdly, we have interest in the conservation of the U.S. renewable resource base which will be stressed by world needs. Fourth, we have interest in disputes over water, remembering that 148 of the world's river basins are shared by two or more countries. In the news today, in the war between Iraq and Iran, in part regarding water resources. We have an interest in energy availability. We have interests in trade, particularly with growing markets in developing countries. We have inter-

ests in what happens with national immigration in areas of resource impoverishment. We have interest in areas of genetic resources. We have interests in climate change and the condition of the global atmosphere.

In brief, American interests and national security are closely tied to the global resource, environment, and population issues we've been discussing today. We all have the tendency for absorption to be immediate, to preclude attention to the important. Global population, resource, and environment problems are long term. They are also important, to all of us. It is up to us to muster the foresight, the energy, and perhaps above all the will to deal with it.

From Mr. Parpart's opening statement:



The set of reports, *Global 2000* and *Global Future*, are not simply an academic exercise undertaken by government professionals for the purpose of somehow understanding how the world works. *Global 2000* is a report which serves a political purpose, and was issued under very definite political conditions and circumstances.

It came out in a policy environment which was shaped by the policies of the Carter administration, and it came out in a policy environment that was not only characterized by the concerns expressed by this report, but also by definite international policies which I think are basically coherent with this report and coherent with the recommendations that were based upon the *Global 2000* report.

As far as the overall philosophy, the report is quite explicit. It says that if present trends continue, that is to say, if present *policies* continue, certain consequences will ensue.

There are two things we must settle in such statements. First, yes, I would agree: If present policies continue, then, not only will the consequences listed in *Global 2000* ensue, but indeed, consequences far worse than what is reported there will occur.

But second, the report studiously avoided drawing out its principal policy assumptions. In the *Global Future* report, for example, the principal assumption of the *Global 2000* report is not even addressed. I would like to draw your attention to that particular item of policy.

I will quote from page 526 of the technical report, i.e., Volume II, of *Global 2000*. It says there:

The model [used in the report] thus implicitly also assumes that the existing economic system and associated financial institutions and facilities are fundamentally sound. . . . These assumptions may seem to imply that recent demands by the LDCs for

a new economic order will not be met. Simlink [the model], however, was not designed to analyze this issue.

Now I will draw your attention to the following quote:

Such a New Economic Order would involve major changes in the structure of world industry, a new international division of labor, and a dramatic shift in the relative influence of the Western world on the international economic system.

I submit to you, that on this page, number 526, is buried the principal assumption on which the entire report is based.

To put it very briefly: There are two ways to look at world resources, resource development, the total amount of wealth that the world will have by the year 2000. You can look at the numerator, or look at the denominator. You can make the assumption at the outset that you can do nothing about the numerator, *that you will do nothing* about the numerator: that the actual wealth will not be increased, and *that you will not take steps* to increase it. Therefore, the only thing you can possibly do is deal with the denominator, that is to say, control population, control resources, and attempt to create a situation in which the size of population—controlled by whatever means necessary—becomes your principal policy focus.

This, in fact, is precisely what is happening in policy circles in this country. It is happening not only in terms of the philosophy embodied in this report, but in terms of the overall policy environment within which such a report is issued.

I will give you one very explicit example: If you are concerned about energy, as the basis of food production, food development, or as the basis for irrigation, or any number of other undertakings anywhere in the world, and you, as a nation, adopt a policy of preventing the export of peaceful nuclear technology, under the general aegis of "nonproliferation," then you are creating a situation in which, when you have to make policy concerning energy supplies in various parts of the world that you have denied energy technology, then of course, the only thing you can say is, plant more trees. Conserve what you have. Find a way of using your cowdung more efficiently. Conserve the energy that is already there.

It is a self-fulfilling prophecy. Your recommendations are already shaped by making previous decisions about *what you're not going to do*. And that is the principal import, and impact, of this report.

The assumption is that *we will not change* the basic investment structure, the basic capital flows structure, the basic economic framework within which economies now exist. Of course, then we can all agree, that to the extent that a country like the United States, or more

broadly, the Western countries, agree that there will be no changes in investment flows, etc., under those circumstances we are in a position where no improvement can occur in the well-being of all countries, and in particular, the Third World. This should be firmly understood.

This kind of report is not unique in history. In fact, as far as you can go back in history, there probably have been reports like this. . . . The one I want to call your attention to is the one that was issued in the 18th century by the British East India Company under the actual signature of Parson Thomas Malthus. . . . In that report, Malthus said if present policies are maintained, then we will have severe overcrowding, and a population catastrophe in England by the year 1845. . . .

In fact, because of the looting policies of the British East India Company elsewhere, while the population by 1845 had more than doubled, the standard of living had gone up by about four times within England itself. So, what Malthus predicted didn't come true.

However, he was absolutely right, and with a vengeance, concerning India, precisely because the British had adopted a policy vis-à-vis India of not making any changes in investment flows. On the contrary, because they made the explicit decision to exacerbate the already existing *disinvestment* policy of that time, by our best estimates, in the 19th century India experienced 31 periods of severe starvation and depopulation, in which at least 32 million people died. That is the lowest possible estimate. Thirty-two million people in that period of time would have amounted to close to one-third of the Indian population. . . .

More recently, we had the Club of Rome report, worked out by Jay Forrester, Dennis Meadows and others involved in formulating the Club of Rome's *Limits to Growth* document. Forrester came up with the so-called "life-boat" theory of economic growth. . . .

Jay Forrester's life-boat theory is very simple. It says that if you are already in the life-boat, then you have the right to survive. . . .

This is made explicit in a book issued in 1967 by Paul and William Paddock who were then officials of the AID. In the book, called *Famine 1975*, which is to say eight years after it was written, they say that the notion of triage, kicking "least fit" people out of the lifeboat in order to save the others from hunger, is the necessary policy. Paddock says: "My own opinion of sample nations that must be triaged is as follows." Then he goes through a few sample nations: He says "Haiti can't be saved. Egypt can't be saved. . . . Tunisia should receive food. . . . India can't be saved. Pakistan should receive food."

This is Paddock, then an official of AID.

What does it mean? First of all let's look at India. Not only was India not saved. India saved herself! India produced a surplus grain supply in several years for the first time. This was not the result of beneficial policies of

the U.S. government. In fact, we had a situation in which the U.S. government made almost every effort possible to keep India down, in every respect: technology transfer and overall policy framework. But India saved herself. Paddock wanted her to die. . . .

On the broader issues themselves: The basic assumption made in all these reports is that somehow higher population growth implies lower per capita economic growth. Let me say very clearly: *There is absolutely no evidence whatsoever, of any kind, to support this.*

If you look at the empirical data of the last several hundred years, in detail, and try to find some correlation between population growth and per capita economic growth, you will find no correlation whatsoever. The data points are distributed almost evenly all over the coordinate system. The only significant point is that, indeed, if we restrict the methods of creating new wealth, then of course, under those circumstances, population growth indeed means lower per capita income and greater stress on the environment, etc. But who says those assumptions have to be made?

In an environment in which population is looked upon as an asset, rather than as a problem, what we can and must do is quite obvious. We educate our population, we make every effort to create circumstances in which these populations can develop their creative potential; if we make every effort to develop new technologies and diffuse them or allow them to be diffused, rather than adopting government policies making sure that diffusion of these technologies does not occur, then under those circumstances, a newborn child is the principal asset of the human race, and not a threat to the existence of the living.

It is a very odd world indeed, in which every time a cow is born, we feel that we are richer, and every time a child is born we feel that we are poorer. That is the world, and that is the assumption, the policy framework and environment, of these two reports, *Global 2000* and *Global Future*. And it is that policy environment and philosophy that has to be changed. . . .

If we do not at this point take action, action exactly opposite to the gist of the *Global 2000* and *Time to Act* recommendations, then precisely the consequences those reports predict and worse will come to be.

I think there is no question that if we adopt those recommendations—concerning population control, concerning energy conservation, concerning resources generally—we will, well before the year 2000, get into circumstances in the Third World which will probably bring about a conflict between the United States and the Soviet Union which will lead to nuclear war. Indeed, we may solve our population problems all at once and for all time. In light of recent events, that possibility is very real indeed, and that possibility is perhaps the most severe consequence that I envision for a policy adopted within the framework adopted by these reports.

How less-developed countries are to be brainwashed into population cuts

by Joseph Le Grande

Last month, EIR exposed the workings of the State Department-funded Resources for the Awareness of Population Impacts on Development or RAPID program. Developed by the Futures Group, RAPID attempts to capture the minds of key development planners through the use of a computer-based "soft brainwashing" program. In that way, the Haig State Department hopes to steer developing-sector leaderships away from policies of capital-intensive industrial development and focus them instead on nationally suicidal population-control programs.

EIR has obtained a copy of an eyewitness report by an investigative reporter who was given an extensive tour of the RAPID headquarters at the Washington offices of the Futures Group. What follows is his account, accompanied by display charts from a printed booklet that is presented along with the computer display. The charts are similar to what appears on the RAPID screens.

When I heard that the coordinators of the RAPID project considered themselves "the psychological warfare unit of Global 2000," and were confident that through their computer-based program they could convince the leaders of Third World countries that depopulation of their countries, and not development, was the only way out of their present crisis, I was intrigued.

I wanted to find out how the doctrine of Parson Malthus, which has been disproven and discredited so many times since he elaborated it two centuries ago for his East India Company patrons, could be sold in the 20th century. So I called Malcolm Donald, manager of development studies for the Futures Group, principal contractor for the RAPID project, to arrange a visit.

I went to the office where the RAPID project is coordinated in Washington expecting to find a large, sophisticated operation complete with a bank of giant computers spitting out complex economic projections that would be enough to intimidate all but the most sophisticated computer-trained economic development experts.

Instead I found that the Washington, D.C. office of the Futures Group, at 1029 Vermont Avenue NW, occupied only the second floor in a relatively small build-

ing. I also found that the RAPID program is *not* based on a complex computer analysis.

Instead, it is a mere statistical sleight-of-hand operation. Not at all scientific, the approach is to arrange statistics in such a way as to prove the predetermined conclusion—that development is impossible.

The unstated assumption is that these economies are fixed and nondeveloping, that nuclear technology, infrastructure, and industry cannot and will not be introduced. Indeed, if such a development program were initiated in sparsely populated Africa, it would rapidly be shown that Africa does not *have the population* to sustain such economic growth. Africa is underpopulated!

The computer is only an Apple with a small 48K memory, no bigger than a briefcase; but it is only used as a device to flash the graphs and data on a TV screen, with the idea that it will distract the unsuspecting Third World leader from questioning the assumptions behind the jazzed-up cartoon show of bars, lines, and stock figures.

How it works

"The RAPID projections," Malcolm Donald told me, "are based on three different fertility-level assumptions. A is the present fertility rate, B is a rate of three children per woman, and C is the RAPID goal of two children per woman. We then see what effects these three fertility levels have on from 6 to 12 sectors of the economy in question."

Donald, a rather sloppy, bearded man in his early forties, gave me the RAPID study of Rwanda. The following sectors of the economy were examined from the standpoint of three different fertility rates: land availability, food production, rural employment, rural income, forest resources and energy, labor force and child dependency, new job requirements, gross domestic product and GDP per capita, education, health, and urbanization.

"Our game," Donald pointed out, "is to show the enormity of the difference of the cost between the three projections. We can show how much more it costs to train the doctors or provide the education for a more rapidly growing population.

"The shocking differences between these three levels," Donald added, "is the kind of thing needed to get these leaders to drop their resistance to population-control policies."

Donald was acutely aware that this brainwashing program could be easily discredited, especially given the strong commitment to industrialization on the part of Third World leaders.

"We have to be careful what we say," was the first thing he told me in the interview. "We wouldn't want anything printed," he said as he pulled his legs up under him yoga style, and looked out the window while talking to me, slowly wringing his hands. "That would reflect poorly on Third World leaders. AID [Agency for International Development] is our client, and any bad reactions to what we are doing by Third World leaders would have a bad effect on U.S. population policy."

"Global 2000 is already in a lot of trouble," he added, referring to the Carter administration's report calling for global depopulation.

When I asked why, Donald answered: "A combination of the new administration and big business. Business doesn't want to be told that markets don't exist. Even though we liked to use Global 2000 to add weight to our presentations, it has been suggested to us by AID that we don't talk about Global 2000. If people got suspicious, we could lose our contract."

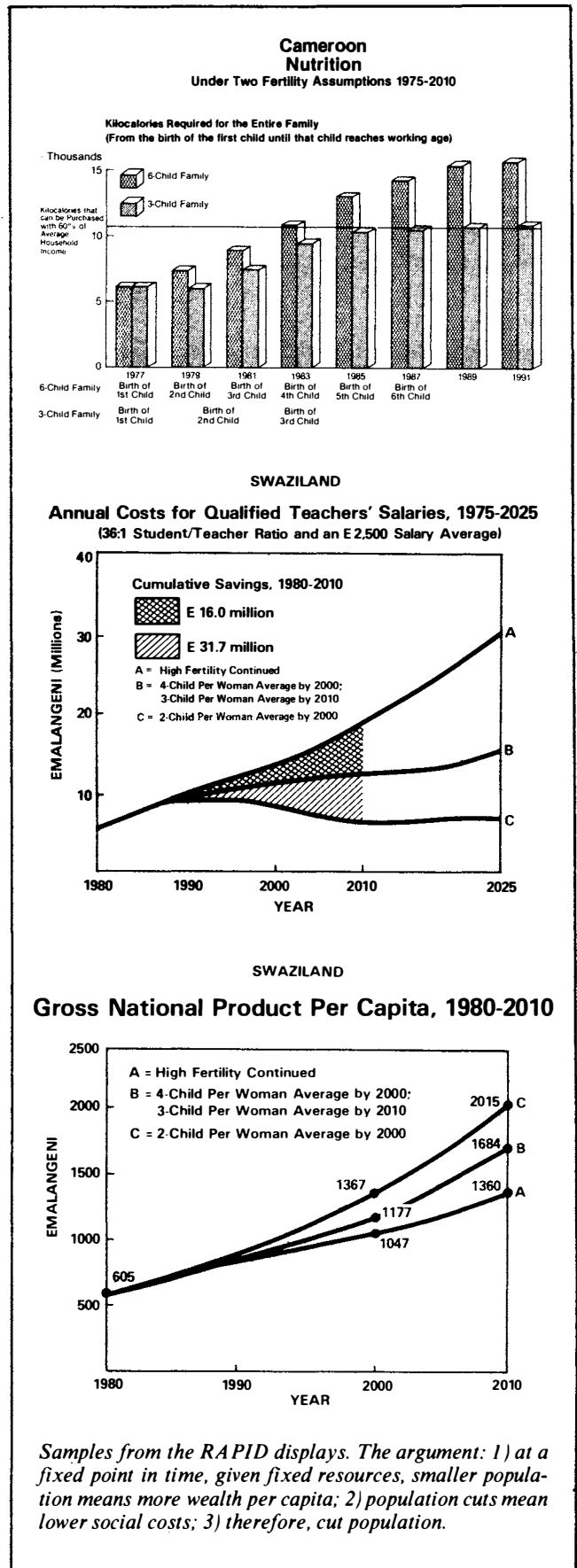
While we were talking Donald received a phone call from Dr. Judith Seltzer of AID, whom he referred to as "my controller."

Donald has had a lot of experience in masking the true nature of his activities. After two years in the Peace Corps from 1962 to 1964, his career has encompassed sociological profiling in Vietnam, as well as directing a State Department population-control program in Tunisia, reportedly the best population program in Africa.

Brainwashing Third World leaders

Donald then explained the vulnerabilities of Third World leaders that RAPID is ready to play upon. Many of them, says Donald, are not really committed to the idea that economic development will solve all their problems. "They have picked up a few notions here and there from Europe and America, some bad ideas, but they don't really understand them. They see themselves as patriots. They have a gut response to the idea of saving their countries, their people. That's okay. That is what we have to work with. We use RAPID to tell them if they are real patriots, they need a population-oriented program to save their nation." But, "every now and then we run into somebody who wants to argue out the development questions. The idea is to surround these people with others emotionally charged up by the program. That gets the best results.

"For example," explained Donald, "our program was well received in Tanzania. Although the health



minister, a Catholic, tried to tear us apart, he was laughed off by his colleagues.

"Leaders are receptive to our program because it doesn't have an ideology attached," said Donald. Hiding the Malthusian ideology RAPID is based on is thus of the utmost importance.

"The secret of the computer," Donald explained, "is that it is interactive. If a minister doesn't like a certain percentage we are using in one of our assumptions, it can be changed right there, and he thinks that *he* is changing assumptions.

"It is very easy to counter the genocide argument," volunteered Donald. "Take a country like Mali. It has no resources. If people want to make some money, they have to go to the Ivory Coast. Yet despite this situation, the country is pronatalist. We just show them that the additional number of doctors they will have to train, schools and hospitals they will have to build for this growing population at the same time there are no jobs for these people, all this will cost too much, and they will never attain their development goals unless they cut their population."

When RAPID goes into a country, Donald explained, it quickly trains one presenter and programmer from that country, "so they don't get the impression that this is something we are imposing from outside." RAPID tries to avoid the health ministries of countries and instead focuses on the ministries of planning and finance which would carry out the austerity measures that would *enforce* population reduction.

"If we are successful, the first thing that usually happens is that a demographic plank is introduced into the national plan. Of course the problem is that some countries pay attention to their development plans, and others don't, just like companies that abandon their marketing plan when the situation changes."

Through the RAPID program

At this point, Donald turned me over to one of his assistants who demonstrated how the Apple program works. "We start out first with a slide show," he explained, "to introduce people to the ideas and concepts of demography. Since you already understand the significance of this," he added, "we can skip that part," indicating that this was not the case with Third World leaders.

The RAPID program on the Apple runs like this: when a sector of the economy is called up to the screen, first the coordinates of the graph appear, and then the lines or bars appear on the screen in color, one by one, slowly, accompanied by beeps. In the highest birth-rate categories, the correspondingly higher costs or more serious resource shortages are accompanied by higher-pitched beeps, adding to the effect.

I was first shown some screens from the project on

Egypt. One screen described the number of jobs that would have to be created if unemployment is to be avoided. The graphs that were swept out, accompanied by beeps, showed that the number of jobs that would have to be provided in the future would be fewer if the population grew at the lowest or C rate of two children per woman. The beeps and the graphs had one message: that scarcity predominates, and that the only way to deal with it, in this case provide enough jobs, is to cut population. The beeps and sweeping colored lines and bars drowned out the fact that this conclusion assumes that there is no industrialization possible in Egypt which could increase productivity as well as provide new jobs, better jobs.

A second screen confronts Third World leaders with another kind of scare tactic. Two green squares appear on the screen, each depicting one Egyptian land unit, the *feddan*. A large number of stick figures pop one by one into the square on the left, depicting what the population per feddan will be by some point in the next century. A small number of stick figures pop into the square on the right, depicting a much less crowded situation at the same point in time, if the lowest birth rate is achieved.

The message is that soon the finite amount of land will not support a growing population. The sensational character of the screen again hides the fact that economic development with advanced levels of technology can support larger and larger numbers of people. RAPID's graph again assumed a fixed level of technological production.

Donald's assistant told me that RAPID had had great success in Egypt. "We succeeded in showing the program to most of the Egyptian ministers, as well as Sadat's wife. Then last January we showed it to Sadat himself. Once we accomplished that, RAPID's job was finished. Hopefully there will be subsequent requests for planning assistance." The Futures Group directs such requests to other groups set up for this purpose, such as Battelle and the Research Triangle.

But later, Donald complained of some Africa leaders. "Kenya has the highest birth rate in Africa," he said, "and President Moi says he wants Kenya to start a population program. But there is tremendous resistance, and the effort they are making is only lukewarm. Moi may not mean what he says. We have made two trips to Kenya, a third is slated, and we are still not out of the batter's box.

"There are only four African countries we have not been able to get into at all," said Donald, "Ethiopia, Somalia, Angola, and Mozambique. Then there is the case of Gabon," he said at one point. "They have just the opposite problem. Their fertility rate is way too low. I would like to get in there to help them raise their population. It would show that we're good guys."

Where the State Department gets its policy levers for pushing Global 2000

The genocidal population doctrine of the Global 2000 Report and related documents is not supported by a majority of the American population. While some of Global 2000's supporters, such as Alexander Haig at the State Department, David Stockman at the Office of Management and Budget, Robert O. Anderson of Arco, and members of the Council on Foreign Relations are in influential positions, backers of Global 2000 also admit that they have some powerful enemies, including key individuals in the Reagan White House—for example, the President himself. Yet, despite opposition, the planning for Global 2000's implementation is proceeding.

EIR has obtained a copy of a report by a team of investigative reporters on an entity known as the Futures Group that helps explain how Global 2000 is able to move ahead.

The Futures Group, based in Glastonbury, Connecticut, is the principal contractor for the RAPID program, with more than \$4 million in State Department grants. The specialty of the Futures Group is brainwashing, mostly of the "soft" kind, on both a small and mass scale.

Founded in 1971, the Futures Group now employs about 100 people in its octagonal headquarters in a Glastonbury industrial park, and in a smaller facility in Washington, D.C. It is one of a number of interconnected "futures" think tanks that includes the Stanford Research Institute; a nest of planners at MIT in Cambridge, Massachusetts; the University of Michigan's Institute for Social Research; the Research Triangle Institute in Durham, North Carolina; Eric Trist's operation at the Wharton School of Business; and the mother of them all, the Rand Corporation in California. There are more than 100 similar centers in this country. They are tied internationally to such groups as Alexander King's Inter-Futures operation at the OECD in Paris, and the Vienna-based International Institute for Applied Systems Analysis.

Interfacing all these institutions is the network of the Tavistock Institute for Human Relations in Sussex, Eng-

land. Tavistock is the psychological-warfare arm of the British royal family which originated the concept of "futures" studies after World War II as an elaboration of work done by Kurt Lewin and others around the Strategic Bombing Survey.

Overall, this network numbers no more than 10,000 worldwide, but it has insinuated itself into planning positions in governments, the military, and major corporations. These futurists, using systems-analysis planning devices and manipulation of their intended victims' perceived options, are able to rig, or "wire" policy. Over the last 35 years, their pseudoscientific methodology, the methodology of the *Global 2000 Report*, has become an accepted norm in policy-planning circles in the West and in such think tanks as IMEMO in the Soviet Union.

'What is reality?'

The founder of the Futures Group, Ted Gordon, is a former top Rand operative. Gordon worked at Rand on the development of a soft brainwashing methodology known as "the Delphi technique." A group of targeted individuals are seated in a room and given a problem. The parameters are set by a "Delphi" controller, who manipulates the group to arrive at a consensus solution. The group appears to have arrived at the decision on its own, never realizing that the whole affair has been pre-rigged for a desired result. Delphi sessions usually involve "role-playing" and the attempt to give an appearance that the targeted individuals' ideas are being taken into consideration.

The Futures people use the Delphi technique in nearly everything they do. Treasurer Hal Becker, for example, is the second in command after Ted Gordon. Becker looks and acts like a former Rand Corporation whiz-kid who in middle age has learned the art of being "laid back." He is admittedly a top practitioner of the Delphi technique.

"What is reality?" he was asked, as he sat in his office in the Glastonbury octagon discussing the RAPID program. "There is no such thing as reality," he replied, tapping the table to make a point. "Reality

is only a question of perceptions. If you think something is real, then it is. What we do is work on the way people perceive things. We make them change their perceptions, ever so slightly. We are good at it. The idea is not to make people think they are coerced, but that it is their idea. . . . If we change perception or control perception, you change and control reality.”

The key, said Becker, is to capture the minds of the opinion-makers, the corporate people, the government officials, the media. Grab their minds and you grab reality, since they make things real. The way to do this, he stated, is to surround such people with planners and others who will reinforce a policy like Global 2000. To control the perceptions of the leaders, you must also control their planners.

It is not the information about a given policy that is important, but the way it is packaged and presented. And the key to presentation, according to the Futures people, is to introduce “stress” in a controlled way. “The RAPID presentations create stress for a leader,” one of Becker’s aides stated. The idea is to cause just enough tension so that the release of tension causes the desired result. Thus, the less complicated the idea, the more direct the presentation, and the more effective the tension. The release from the tension is the recognition of the need to accept the given policy, like population reduction. If there is resistance to acceptance of the desired policy, according to Becker’s aide, the tension-release procedures is repeated many times and in different ways.

‘Homo the sap’

Once the policy planners are locked into a policy through such manipulations, a similar methodology—only on a larger scale—is to be used on the rest of the population. Stress forces people to adapt. Becker stated that the methodology used for such “mass perception shifts” was developed during World War II.

Studies done by Tavistock-linked psychiatrists like Brig. Gen. Dr. John Rawlings Rees found that under extreme stress, the human mind can be induced to undergo perception shifts that enable a person to accept as everyday occurrence things that normally (in peacetime) would be horrifying. A person’s sense of morality can be wiped out, Becker said, and a new morality be substituted.

“Man should really be called ‘homo the sap,’” Becker told his interviewers, proud of his turn of phrase. “The most important thing about him is not that he can think, but that he can adapt to almost anything.”

Becker continued, trying out his Delphi technique on his interviewers, “Let me tell you about perceptions and how people are made to accept things. I want you to think about how you were living five years ago. Things were really bad. You had very little money. You

had trouble getting a job. Things were awful and you told yourself, this is really hell. Well, now it is even five years later. Things are even worse. There is a depression out there, or at least the makings of one. Inflation is going through the ceiling, interest rates, unemployment—it’s all up in the stratosphere. There are people trying to shoot the President. The society is falling apart. Things are worse than horrible. Now look at that time five years ago, but do it with your mind located right now. If you think about it, things were really not so bad then. As a matter of fact, they were almost pleasurable. You see what you perceived to be reality has in fact changed. You changed your perceptions, nothing else. . . . If we force these kinds of comparisons, we get people to change their perceptions about the here and now and we alter their plans for the future.”

Becker stated that economic conditions—inflation, interest rates and so on—are the crucial psychological stress factors in advanced-sector nations used to force perception shifts. Such ideas can be used to get across the concept of limits, a key concept in the *Global 2000 Report*. And if people accept the idea of limited resources, then they are softened up to accept population reduction doctrines. This is especially so if people perceive that genocide is inevitable in the developing sector.

Shaping policy

As Becker and his cohorts have boasted, they play a major role in shaping U.S. policy toward the developing sector, the key location for the implementation of Global 2000’s population doctrine.

Without the transfer of capital-intensive industry and technology to the developing sector, there can be no real development of their economies. Under the Carter administration, technology exports, including nuclear energy, were straitjacketed by the same State Department people around Secretary of State Cyrus Vance who initiated the Global 2000 project.

The Futures Group, using its Delphi methods, conducted a classified study for the State Department of non-U.S. developed nations’ policy toward technology transfer so as to thwart such policies as France’s nuclear export program developed under President Giscard.

With a second grant, the Futures Group designed Delphi sessions to plan U.S. policy response to demands of developing nations for technology transfer programs made at international conferences. Such sessions employ extensive psychological profile material on various leaders in the developing sector, such as Egypt’s President Anwar Sadat, that were accumulated in work on the RAPID program and other Futures projects.

“Our people have enough material to manipulate these guys [Third World leaders] like a bunch of yoyos,” boasted Development Studies manager Malcolm

Donald to an investigator.

The Defense Department and the Joint Chiefs of Staff are similarly "wired" around a population-oriented policy doctrine. Systems analysis is nothing new at the Defense Department; it has been wreaking havoc with U.S. strategic planning since especially the tenure of Robert McNamara. Not surprisingly, McNamara, the former World Bank president and a well-known advocate of population reduction, is an idol of the Futures crowd. "He is a man who can see the future clearly and acts," said Becker admiringly of the man who shaped the course of the Vietnam War.

The Futures crew has cooked up something titled "Political Stability Prospects," which purports to be an index of instability within a given country, along with forecasting capacities to "predict trends." The Prospects program, as it is known, produces a computer chart, indexing countries' instability. As with the RAPID program, the computer charting is a pre-rigged hoax. The assumptions are pumped into the computer, with the Futures group and various Defense Department and national security types providing the "analysis."

Incredibly, the Prospects program is the basis for U.S. strategic policy as implemented through the Joint Chiefs of Staff Long-Range Appraisal. The demographic factor—the population crisis—is an important weighted variable, Becker and his top planner stated.

The Prospects program was used as justification for the shift in U.S. military doctrine that produced the Rapid Deployment Force concept. "Why should we have a military to fight wars we are not going to fight," said Becker, echoing former Army Chief of Staff Gen. Maxwell Taylor. "The battlefields will be in the developing sector. Prospects shows this."

One of the key variables in the Prospects analysis is a measure of a population's sense of "unfulfilled expectations" of economic development—a factor manipulated by Futures technology transfer control programs. "Do some of the things we do create instability?" Becker asked himself rhetorically. "Certainly. You should have asked whether it was *intentional*. . . . That you have to ask the State Department."

The Prospects program is now being marketed to major U.S. corporations, who are plentiful among the Futures Group's clients. Becker stated that the original program was done jointly for the Joint Chiefs and for David Rockefeller's Chase Manhattan, with the only difference being the Joint Chiefs' access to classified information to make "value judgments." And the program is, in fact, being covertly coordinated with the State Department. By manipulating a variable here and there to show probable instability, the Prospects program becomes a way to discourage and shut off private sector investment in targeted developing sector nations.

A good portion of the Futures Group's work is

devoted to imposing Global 2000's population doctrine on the United States.

Becker, who is fond of portraying himself as a Cassandra, boasts that he predicted in 1973 that energy shocks and future resource scarcity would rapidly transform the United States into a 1984 Orwellian society. He says that many of the shifts in perception that occurred over the last 15 years are leading toward permanent changes in lifestyles, to be reinforced by even greater shocks in the future.

"We are right on schedule," said Becker. "We have created a permanently adolescent society," said Futures Group vice-president William Deitch. "The values of the younger generation have become the values of us all and this is for the better. Your parents think and accept such things as drug use. They listen to rock and roll music. . . . As the baby-boom generation grows to maturity, these things will become even more the norm."

All of this has been charted—and shaped by—Futures Group studies on "consumer trends."

For example, a 1973 study done for the Roche drug company, one of the country's largest producers of tranquilizers, on "the effects of psychotropic drugs on the American population," predicted widespread acceptance and escalating usage; Roche was told to gear up for a growing market, which they did.

According to Becker, the real reason for marketing small cars is not their gas mileage or the energy shortage. Americans don't have big families any more so they don't need big cars. He told auto industry executives this several years back—predicting that they would soon be able to market a smaller car and charge more for it.

According to Becker and his Futures Group, the real sense of choice available in the world is summed up by banker Felix Rohatyn's oft-repeated statement about his choice for New York City. "It is a choice between pain and agony, between total chaos and organized disorder."

Becker stated, "Our perception of pain must change so that it seems pleasurable compared to otherwise certain agony." The United States, he continued, was "built in an era of plenty. Now we are faced with an era of scarcity, and our institutions cannot handle it. Everything will have to change. The Constitution, everything. We are headed for a coercive, benign fascist society."

Comparing the future to Aldous Huxley's *Brave New World*, the treasurer of the Futures Group said that he and the futurologists must "not sit idly by, but intervene to make things happen. . . . Global 2000 and similar reports are documents of choice. Either you make the choices now to deal with the horrors they predict, or you deal with them in total chaos later. Pain or agony, that is the choice."

Spokesmen for mass murder

by Susan Welsh

Although the advocates of Global 2000 often attempt to disguise their program for genocide as concern for Third World "development," leading advocate Alexander King revealed in a recent *EIR* interview the true nature of the plan. King is the director general for scientific affairs of the Organization for Economic Cooperation and Development (OECD) and a cofounder of the Club of Rome, the leading zero-growth organization in the world. King also heads the International Federation of Institutes of Advanced Studies (IFIAS) and works with NATO on economic planning.

In the interview with *EIR* correspondents Laurent Murawiec and Dino de Paoli in Paris on May 21, King declared that population reduction in the Third World is necessary to preserve the supremacy of the white race:

The extent of the tragedies is going to be enormous. I have seen forecasts for Bangladesh, from their own demographers, of possibilities of as many as 12 million people dying in a year. Apart from that, one will have a backlash in many other ways. Take the question of the Mexicans and the United States—how many millions got in already we do not know. Years ago I was in Bangkok in talks with people from ASEAN. Attitudes were very interesting. . . . They were saying that we are just at the beginning of the new tide of great migrations. There will be millions of people on the move to the West; a lot of them will be shot down; lots of them will die of starvation; but lots of them will get through. Now, contrast that with Herman Kahn's approach that there is no need to be afraid of lots of little black people landing in Florida with canoes.

There will be all these troubles, invasions, migrations. Look at the numbers of foreigners already. The United Kingdom is no longer a white country. The whole of Europe is changing. And even at the present rate, the white race is finished.

At the same time, Aurelio Peccei, the head of the Club of Rome, announced in a speech in West Berlin May 19 that this autumn is the deadline for the replacement of nation-states by a supranational order, along the lines of King's policy perspective.

The North-South summit in Mexico in October, Peccei told the World Congress of Savings Banks, 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 which can bring the world solidarity and salvation."

Before Peccei spoke, the conference heard West German Bundesbank chief Karl-Otto Poehl praise the high interest-rate policy of the U.S. Federal Reserve. This is the "linkage" policy of the Club of Rome and its supporters: trigger economic collapse to convince the world of the need for austerity and population reduction.

Peccei's keynote address marks a reinvigorated campaign in Europe to spread Malthusianism, and specifically the *Global 2000 Report* for Third World genocide, which was prepared under the Carter administration. The chief obstacle to the success of Global 2000 in Europe, the Franco-German alliance of nation-states for industrial development, has now been weakened by the election victory in France of pro-Club of Rome Socialist François Mitterrand. Peccei and his associates from the Bilderberg Society, the Aspen Institute for Humanistic Studies, and other oligarchic groupings have vowed to force West German Chancellor Helmut Schmidt to submit to their goal of a global Malthusian order.

In West Germany, two-day hearings were held last week on the Global 2000 policy under the auspices of the Free Democratic Party's think tank, the Friedrich Naumann Foundation. In the Bonn government, an interministerial working group is conducting an official policy review, and the Interior Ministry is conducting its own evaluation on the environmental aspects of Global 2000.

The two-day hearings in Bonn were organized by FDP leftist parliamentarian Helga Schuchardt, who recently helped found West Germany's euthanasia movement. Schuchardt came to the United States at the end of April for a tour sponsored by the New York Council on Foreign Relations, and lobbied with officials of the Reagan administration on behalf of Global 2000. At the Bonn conference, Schuchardt demanded that NATO call a summit meeting to deal with "North-South" problems.

Other speakers came directly from a meeting of the conspiratorial Bilderberg Society held in Switzerland the previous week, including former FDP chairman and former German president Walter Scheel, who called for international pressure to force the Reagan administration to join a Malthusian "North-South dialogue." Another Bilderberger in attendance was West German Ambassador to the United Nations Rüdiger von Wechmar, who demanded the extension of Global 2000 to agreements on energy, raw materials, and monetary and trade policy. German FDP Interior Minister Gerhard Baum declared that "we must adapt ourselves to zero growth or virtually zero growth, to extremely tight budgets; we must give up our accustomed wastefulness."



Who's Who in the Reagan Administration—

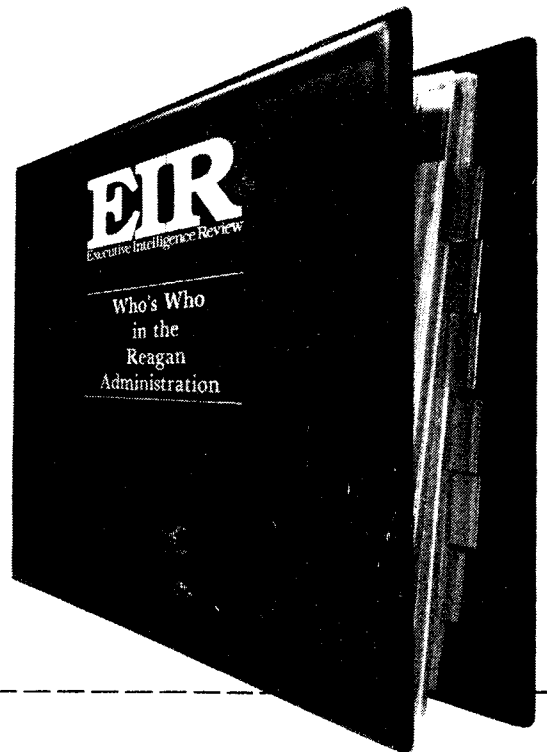
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Schmidt boosted at home by the Reagan summit

by Susan Welsh

West German Chancellor Helmut Schmidt returned home from his May 20-23 trip to the United States bolstered against his domestic opponents by his obvious personal rapport with President Ronald Reagan. Before the Washington summit meeting, Schmidt's enemies—at home and in the pseudoconservative U.S. Heritage Foundation think tank—sought to portray him as a weak and flailing politician deserving only of Reagan's contempt. But after the summit, analysts on both sides of the Atlantic agreed that Reagan sees in Schmidt his staunchest ally in the Western alliance. "One should not underestimate the fact that there has been established a personal friendship between Schmidt and Reagan," commented the left-liberal daily *Frankfurter Rundschau* with evident distress May 25.

Schmidt reported to the West German parliament, the Bundestag, on the results of his trip May 26, and then sailed through a vote on defense policy which had been portrayed in the press as a virtual confidence vote on his government. The Bundestag voted 254 to 236 to back Schmidt's policy of support for NATO's "Euromissile" decision. The controversial NATO decision calls for deployment of American Pershing II and cruise missiles in Western Europe in case efforts to reach arms control agreements with the Soviet Union fail. Schmidt had threatened on the eve of his U.S. trip to resign if his Social Democratic Party failed to back him in this policy, and warned that the SPD might no longer be in the government following the Bundestag vote. But only six SPD parliamentarians joined the opposition parties in voting against Schmidt, with five SPDers abstaining.

The relative success of Schmidt's meeting with Reagan dealt a blow to the gameplan of the Heritage Foundation and the Socialist International: to set a radicalized "socialist" Europe on a collision course with a "reactionary" America aligned with Britain's Thatcher.

The key issue of the summit, the high interest-rate policy of the U.S. Federal Reserve, was not resolved. Schmidt had announced beforehand that one of his top priorities would be to explain to Reagan how the Fed's measures are wrecking the economies of Western Europe. The U.S. administration remains factionally divided over this issue, with the "monetarists" still on top. But Schmidt expressed confidence, in a press conference May 23, that Reagan would take steps to bring interest rates down before the Ottawa summit of Western leaders in July.

If Schmidt and the U.S. population can indeed convince Reagan to dump the monetarist policies of Federal Reserve Chairman Paul Volcker et al., the way would be cleared for a U.S. linkup to the European Monetary System. The EMS, founded two years ago by Schmidt and French President Valéry Giscard d'Estaing as the mechanism to launch a global economic recovery, was placed in serious jeopardy by the defeat of Giscard in the French presidential elections May 10. Some of President François Mitterrand's advisers are already calling for France to pull out of the EMS.

In an effort to contain the damage caused by Mitterrand's election, Schmidt stopped by for a three and a half hour meeting with the new French president on his way home from Washington. The two leaders declared that

the Franco-German alliance would continue, and Mitterrand pledged to try to keep the French franc in the "snake" of EMS currencies, while Schmidt said that the Federal Republic of Germany would help to defend the franc, which has been plunging on the currency markets since Mitterrand's election. With the franc going through the floor, Mitterrand was in no position to refuse German assistance.

Schmidt's Paris visit had the additional purpose of outflanking Social Democratic Party chairman Willy Brandt, commented the daily *Die Welt* May 25. Brandt and Mitterrand are friends and key figures in the Socialist International, which Brandt heads. Brandt campaigned actively on Mitterrand's behalf, challenging Schmidt's personal and political alliance with Giscard. When Mitterrand won the election, Brandt snidely offered Schmidt his services to "mediate" relations with the new French president should any "difficulties" arise between them. Brandt, in other words, is out to capture German foreign policy on behalf of the Socialist International, reducing his enemy Schmidt to the status of a figurehead in the chancellery.

The Socialist International hoped to capitalize on Mitterrand's victory to usher in socialist governments in Italy, Sweden, and the Netherlands. But in each of these countries, the Socialist plan has met major obstacles. Italian Socialist Bettino Craxi is enmired in the biggest scandal in postwar Italian history.

In Sweden, a power play by former Socialist Prime Minister Olof Palme has been at least temporarily stalled. Palme engineered the fall of the center-right government of Premier Thorbjörn Fälldin early in May, in hopes of launching new elections that would return the Socialists to power. But this scenario was averted when the Moderate Party, formerly one of Fälldin's coalition partners, agreed to tolerate a minority government under Fälldin rather than support Palme's bid for re-election.

In the Netherlands, the Socialist International plan to overturn the Christian Democratic government of premier Andries Van Agt received a setback in parliamentary elections May 26. The Labor Party under socialist Joop den Uyl lost votes, ceding its position as the largest parliamentary party to the Christian Democrats.

'Greenie' mayor resigns

Commenting May 27 on Schmidt's Bundestag success, the Munich daily *Süddeutsche Zeitung* called it a victory for the chancellor, but added that Schmidt's troubles are by no means over since he is "sitting on top of a volcano which could explode at any time."

This is true enough, since the Brandt-run destabilization of Schmidt continues. But indications of a counterattack by pro-Schmidt forces have also emerged, including tacit support from elements of the opposition Christian Democratic Union.

Most significant in this respect was the resignation May 25 of Hamburg Mayor Hans-Ulrich Klose, a leading environmentalist in the SPD. Klose gained international notoriety for his effort to block the construction of a nuclear power plant at Brokdorf in the state of Schleswig-Holstein, just outside Hamburg. Despite Klose's success in securing a vote in the city SPD executive against the project, the city council and the state-owned Hamburg utility company Hamburger Electricitätswerke (HEW) are sticking with their commitment to help finance the plant. Schleswig-Holstein governor Gerhard Stoltenberg, a Christian Democrat, has repeatedly said that the plant will be built whether Hamburg participates in it or not—also underlining that the Schmidt government in Bonn supports the project. Unable to counter these obstacles, Klose resigned.

The day before the resignation, Governor Stoltenberg said in an interview to *Welt am Sonntag* newspaper that he does not agree that a split is imminent in Bonn's governing coalition. This is in conspicuous contrast to the general line of the CDU that Schmidt is on his last legs and that the liberal Free Democratic Party is about to bolt from its coalition with the Social Democrats. Coming from Stoltenberg, who participated in a kind of "grand coalition" of pronuclear energy forces in all parties against Klose and the environmentalists, this amounts to a virtual vote of confidence in the chancellor.

Apart from Klose, the leading lights of the SPD's opposition to Schmidt are Brandt, general manager Peter Glotz, and Brandt's old sidekick Egon Bahr. Glotz and Bahr have been exerting behind-the-scenes pressure on Schmidt to meet with leaders of the Socialist International-controlled "peace movement." So far this has been blocked by Schmidt and Herbert Wehner, the SPD deputy chairman and gray eminence who believes that "dialogue" with youthful rioters and terrorists has its limits.

Bahr has called for a full-scale mobilization of the SPD for disarmament, while Glotz is demanding the reorientation of the SPD toward the counterculture. In an interview with *Der Stern* magazine May 21, Glotz declared that Mitterrand's victory signals the end of the "neoconservative wave" sweeping the Western nations. The SPD's problem, he said, is that it "made the big mistake of escaping into society," abandoning its traditional role as the party of the "subculture."

Mayor Klose is just the first of the many heads that will have to roll if West Germany's political life is to regain its rationality and Schmidt's position to be truly secured. Essential to this is the economic and political cooperation with the Bonn government which was tentatively initiated during the Schmidt-Reagan summit. It's now Reagan's choice.

The fall of Italy's government exposes Kissinger links

by Lyndon H. LaRouche, Jr., Contributing Editor

1. The fall of the Forlani government

Yesterday morning, May 26, the government of Italy's Prime Minister Arnaldo Forlani fell on schedule, as announced by the plan told to this writer's high-level sources during the 48-hour period preceding. The immediate cause for the government's collapse was a massive exposure of the administration's links to the notorious P-2 Lodge of Italy's Freemasons.

This, and many other far more important developments occurred despite the attempts of highly placed liars in the Washington, D.C. State Department offices to assure U.S. congressmen and others that the "P-2 scandal" in Italy was of relatively minor importance. Such lying from State Department sources ought to come as no surprise to those who know the truth concerning Alexander Haig, Henry Kissinger, and other persons running the State Department today.

What is the P-2 Lodge?

The P-2 Freemasonic Lodge in Italy is the chief third-level asset in Italy of the Venice-centered ruling "black nobility" families of that nation. It is the inner core of the operational political, military, and intelligence forces which control both the Socialist Party of Italy, and the deployment of both right-wing and left-wing international terrorism in that country, and such key elements of other Italian parties as the Fanfani current of the Christian Democracy, as well as the fascist MSI.

The composition of the P-2 Lodge is constructed around a hard, inner kernel of former and present officers of Italy's military and intelligence services, an organization based on leading military and intelligence officers of the Mussolini period. One of the key present figures among Lodge members is Licio Gelli, who was formerly closely associated with Mussolini's dreaded secret police, the OVRA, during the postinvasion Nazi period of Mussolini's rule over northern Italy, the post-1943 period.

Although documents show that persons from out-

side that fascist association have been recruited to the Lodge, including leading Socialist International figures knowingly sponsored by Lodge members publicly leading fascists at the time of that sponsorship, the character of the Lodge has been consciously a wittingly fascist secret organization working against the Republic of Italy.

In addition to controlling the Socialist Party and international terrorism in Italy, the controlling circle of the P-2 Lodge works in close cooperation with terrorism, drug-traffic, and smuggling of illegal capital-outflows with Libya's Colonel Qaddafi. According to declarations by both Aurelio Peccei of the Club of Rome, and Socialist Party figure Riccardo Lombardi, the P-2 Lodge represents the fascist organization which sponsored Peccei's and Lombardi's survival during the Nazi-occupation period.

We will return to the case of Peccei below.

The facts concerning this P-2 Lodge have been known throughout the postwar period to the governments of the United States, Britain, France, and the Soviet Union, as well as to the Vatican and high-level opposing circles within Italy itself. For example, as we shall indicate below, Soviet (KGB) official Djerman Gvishiani, the leading Soviet official of the Vienna-based International Institute for Applied Systems Analysis, has long been a witting accomplice of both the Club of Rome's Aurelio Peccei and the P-2 Lodge. Carter Ambassador to Rome Richard Gardner, Henry Kissinger, and Alexander Haig are witting accomplices of the P-2 Lodge, as well as open sponsors together with the Soviet KGB of the Socialist Party of Italy.

The additional key, indicative feature of the P-2 Lodge's publicized roster of leading members is the high proportion of Argentines among the Lodge's members of foreign citizenry. This includes the former Svengali of Isabel Peron, Lopez Rega. In brief: Italian exiles of fascist pedigrees too hot to permit them to remain in Italy.

Aurelio Peccei of the Club of Rome was, not coin-

cidentally, long a key FIAT executive in Argentina, until British intelligence's Alexander Haig sponsored Peccei's laundering through the United Nations Organization, to become founder of the genocidalist Club of Rome.

Although, as we have stated, the P-2 Lodge is not the highest level of the Venetian operations in Italy, it is so placed that its current exposure threatens at least to cause "all the trees in the forest to fall." Immediately threatened with exposure, in addition to international networks of the Club of Rome, are major multinational firms such as FIAT, Olivetti, Siemens, as well as major international banking and insurance firms based in Venice, Milan, and Genoa.

2. The Vatican became angry

Although Pope John Paul II forgave his would-be assassin for wicked deeds past, important circles overlapping the Vatican made important decisions concerning the continuing danger of future attacks from the sponsors of the PLO- and Libya-backed Armenian professional assassin.

Go back a few years, to 1978, to the July-August period following the kidnapping-assassination of Italy's former prime minister, Aldo Moro. At that time Lyndon H. LaRouche, Jr. issued a policy memorandum on the Moro assassination, proposing a distinct line of corrective action against the sponsors of terrorism in Italy.

This memorandum made history in European intelligence circles. Among the side-effects, LaRouche was fictionalized as "Colonel Harris of the CIA" in an otherwise close-to-the-facts book, published in France, accounting for the "secret history" behind the 1979-1980 efforts to clean up terrorist networks. More to the point, persons close to the government of Prime Minister Giulio Andreotti approached LaRouche's associates during July 1978, proposing that a published memorandum on facts concerning the Moro kidnapping-assassination be published quickly, as a guide to Andreotti's launching counterterror actions.

Unfortunately, Andreotti punted for a while. The statement attributed to him by highest-level circles was: "This will destroy all of the political parties. I cannot." Later, however, Andreotti did act—in cooperation with French intelligence—and over the strong objections of, and in face of determined interference from, the Carter State Department and U.S. Ambassador to Rome Richard Gardner.

Although numerous courageous magistrates and others were murdered as they came uncomfortably close to the truth about the Socialist Party and P-2 Lodge, the surviving heroes continued their work. *The Socialist Party plus high-ranking families of the Christian Democracy's Fanfani and Donat-Cattin wings, together with the*

Naples-Palermo, Qaddafi-linked mafia, were exposed in the front pages of Italy's daily press as witting forces behind terrorism.

Much of the libel focused against LaRouche during the 1978-1981 period—through such organs as the *New York Times*, the *Washington Post*, the *Chicago Sun-Times*, the John Birch Society, Jay Lovestone's accomplices at the Anti-Defamation League, Roy Cohn's New York cronies, and the British Fabian Society-controlled Heritage Foundation, were motivated by LaRouche's role in pushing the exposure of the British, Venetian, and Socialist International leading roles in both the international drug-traffic and international terrorism. Robert Moss's attacks on LaRouche are very directly connected to the issues of the P-2 Lodge.

These forces behind the P-2 Lodge had nearly won the strategic game after the election of François Mitterrand in France. Bettino Craxi was to be brought to power as the openly advertised "New Mussolini" in Italy. Willy Brandt was to topple the government of Chancellor Helmut Schmidt in the Federal Republic of Germany—over the arms issue. Kissinger's crony Olof Palme was to be brought to power in Sweden. Reagan's blunder in tolerating high interest rates was to ensure the probable outbreak of *a world-shattering new U.S. Great Depression by sometime following August-September 1981.*

These forces had survived unscathed a series of attempted and projected assassinations of leading world figures—President Ronald Reagan, President Valéry Giscard d'Estaing, Prime Minister Indira Gandhi, President José López Portillo, and others. The world seemed willing to attempt to cover up such a wave of assassination-attacks under the myth of the "lone assassin."

Then, the forces behind the wave of assassinations overplayed their hand: *They attempted, unsuccessfully, to assassinate Pope John Paul II.*

Wham!—the simmering case of Italy's P-2 Masonic Lodge exploded into the open.

President Reagan had struck back only against Qaddafi. President Valéry Giscard d'Estaing had not struck back. President López Portillo had not struck back. Finally, someone had hit back against the main-line forces behind this wave of assassinations.

The P-2 Lodge is by no means the highest level of the matter, as we have stated twice earlier here. It is nonetheless a relatively very high level vulnerable flank of the combined forces of Venice and the British monarchy. Now, there is a rumbling in the forest. The Forlani government—a creation of the U.S.'s Carter administration—has fallen. The rumbling continues. *It is possible, if by no means yet certain, that "All of the trees in the forest could fall."*

Leading forces around the Vatican—and their allies around the world—know what is really at stake in this

matter. If they do not flinch as Andreotti flinched during the autumn of 1978, *this could lead to the political exposure and crushing defeat of the most evil forces ever deployed against civilization*, the forces a hundred times worse than Adolf Hitler, *the forces behind the Club of Rome*.

3. How Kissinger and Haig are tied in

The highest possible sources in France have reported to us the following picture of Secretary Alexander Haig's efforts to topple President Valéry Giscard d'Estaing.

Haig was directly complicit in witting efforts to bring Willy Brandt's Socialist International protégé, François Mitterrand, to power in France. This is clear, and irrefutable. It is clear that a more substantial effort against Giscard was coordinated from the United States of America by another associate of Haig's chief behind-the-scenes patron, former Defense Department official Fritz Kraemer, Jay Lovestone of the International Ladies Garment Workers' Union, in collusion with Irving Brown and Brown and Lovestone's assets in facilities such as Force Ouvrière and other channels.

However, Haig's significance in the outcome of the French elections was relatively minor, by comparison with his massive cooperation with the Soviet KGB in support of Craxi in Italy. The operation against Giscard was financed (chiefly) by tens of millions of dollars of Qaddafi money run through the Socialist International, and directed by British intelligence.

That latter was the significance of the publication of documentation linking Mitterrand to past British intelligence on the eve of the elections. This is key to documentation of statements by Robert Moss's sidekick, Arnaud de Borchgrave, concerning his "friends'" links to Socialist leader Michel Rocard (and thus, to Mitterrand's candidacy) prior to the election.

To understand the truth about the "Bobbsey Twins," Henry Kissinger and Alexander Haig, one must begin with the fact that both were creations of European oligarchist Fritz Kraemer. Kraemer claims to have "invented" Henry Kissinger, and all available documentation supports the gist of Kraemer's claims in the matter—as well as supporting Kraemer's privately expressed and hateful remarks concerning Kissinger's lack of character. Kraemer also claims to have arranged the career of Alexander Haig from Kraemer's controller's former chair in the permanent civil-service bureaucracy at the Pentagon. This claim is borne out in essentials by the documentary evidence.

To understand Kraemer's political significance, one must go beyond his well-known associations with the socialist Jay Lovestone and Bavaria's Franz-Josef Strauss. One must uncover the truth about Fritz Krae-

mer deep in the oligarchical primeval forests of Hapsburg Europe, in the inner, often behind-the-scenes circles of power along the Venice-Vienna-Hague-London axis. This brings one directly to the forces which created and control the Socialist International, the forces which created the fascist regime of Benito Mussolini, the fascist Austrian dictator Dollfuss, and stand behind the P-2 Lodge at a higher level in Italy today.

To clear up the basic facts about Kissinger. It was Kraemer, working in a team which included Helmut Sonnenfeldt, and under the direction of Gen. Julius

Roberto Calvi and the Inter-Alpha group

At the center of the P-2 scandal in Italy is Roberto Calvi, chairman of the Banco Ambrosiano, who has been indicted for illegal flight of capital from Italy to Argentina. Banco Ambrosiano has a wide network of financial operations in Latin America.

Calvi's Banco Ambrosiano is a member of a seven-nation group of banks known as the Inter-Alpha group, formed in 1978 under the direction of such people as Club of Rome head Aurelio Peccei. Other banks in the Inter-Alpha group include Kredietbank of Belgium, BHF Bank of Germany, Williams of Glyn-Royal Bank of Scotland, and Crédit Commercial of France. Fritz Kraemer, an old and close friend of Henry Kissinger, is known to bank with the BHF Bank of Germany.

Richard Gardner, ambassador to Italy under the Carter administration, was, until his diplomatic appointment, on the board of Inter-Alpha's securities subsidiary. (Daniele Luzzatto, Gardner's wife, is a member of one of Venice's oldest oligarchical and banking families.)

All the banks in the Inter-Alpha group own shares in each of the other banks, and the group has interbank electronic funds transfer facilities. Informed sources say that the Inter-Alpha group is a convenient setup for various old banking families in Europe to make their international banking operations easier to maintain.

In addition to their other operations, the British branch of Inter-Alpha, the Royal Bank of Scotland-Williams and Glyn is preparing to merge with the Hongkong and Shanghai Bank, long known for its connections to the Hong Kong illegal narcotics traffic.

Klein, who spotted the potential puppet-agent in Pfc. jeep-driver Henry Kissinger, and as a *schadenfro*h prank against humanity, promoted the miserable, grumbling jeep-driver into the ranks of U.S. Army counterintelligence.

Kissinger did not remain under Kraemer's direct patronage for many years after that. Kraemer passed Kissinger along to a top-ranking resident agent of British intelligence in the United States, Harvard's late Professor William Yandell Elliott. Kissinger joined a group of Elliott agents-in-training which included Daniel Ellsberg (of later "Pentagon Papers" fame), and two Canadians, Pierre Trudeau, and Zbigniew Brzezinski. Ellsberg remained a close collaborator (openly) of Kissinger's into the first year of the Nixon administration, and cosponsored the 1960s intelligence career of James R. Schlesinger. To make room for Kissinger's promotion in the British intelligence service, Brzezinski was moved out of Harvard to Columbia University, under Alexander Dallin, into a slightly different, Tavistock, Russian Studies branch of British intelligence assets in the United States.

The element of British intelligence into which Kissinger was inserted under Elliott's direction was the Wilton Park network, an organization created under the direction of Elliott's long-standing immediate superior in British intelligence, Sir John Wheeler Bennett of the London Royal Institute for International Affairs (RIIA), otherwise known as Chatham House. To finance this arrangement, Kissinger was put on the payroll of the Rockefeller family, and was sent for advanced training to the psychological-warfare division of British intelligence, the London Tavistock Institute (Sussex).

At that point, the Rockefellers come up all over the place in Kissinger's career to the present day.

The connection of the Rockefellers to the British Fabian Society centers around figures such as Canada's Mackenzie King and the conditioning of John D. Rockefeller II. The first major link of public record of the Rockefellers to the Webbs' Fabian Society is massive Rockefeller funding of the University of Chicago (itself a British-intelligence, Fabian project from the outset), and the backing of the evil John Dewey (among others). The Rockefellers' open connection to the psychological-warfare branch of British intelligence is dated from about 1934. Dr. Eric Trist of the London Tavistock Clinic (the seed-organization of the Tavistock Institute) drafted a funding proposal on behalf of himself and the clinic's director, Brigadier-General Dr. John Rawlings Rees. Rockefeller began coming through financially at that time.

To be scrupulously fair to the Rockefeller name, the seduction of John D. Rockefeller II by the Fabian

Society is typical of the targeting of U.S. "robber baron" families following the effects of the Specie Resumption Act of 1876-1879, through which London took over control of U.S. credit, national debt, and concentrations of commercial banking power. Through aid of overt British agents such as the Morgans and August Belmont, figures of the industrial-magnate names such as Carnegie and Rockefeller were corrupted into viewing themselves as having "arrived" into the ranks of the Colonial Division of the British aristocracy. This was reinforced, especially following the successful assassination of the anti-British President William McKinley, by a general takeover of U.S. higher education by Oxford and Cambridge Universities—along the lines outlined in the Testament of Cecil Rhodes. Out of this came evil, progenocidal institutions such as the New York American Museum of Natural History, the American extension of the racist Rhodes's scheme to eliminate nonwhite populations, *to make way for world supremacy by the Anglo-Saxon race.*

All that is massively and conclusively documented.

The particular nexus of British intelligence (and the ruling aristocracy of the royal private household) into which Kissinger's political umbilicus is plugged, is that Delphically outlined in the mammoth 1960s book of Jesuit Carroll Quigley, the network, including Lord Alfred Milner's Coefficients and Round Table organization, spewed out of the Pre-Raphaelite Brotherhood of Oxford's John Ruskin and Cambridge's Benjamin Jowett.

This is key to tracing Haig's and Kissinger's direct connections to the forces controlling the P-2 Lodge, and to understanding such things as Haig's alliance with the Socialist International, and the persisting if somewhat exaggerated rumors alleging Kissinger to be a Soviet agent. When Kissinger and Haig are described accurately as British agents working against the vital interests of the United States, this does not mean that they are "Little Englanders" of the sort dedicated to strengthening British industry. These are, from the standpoint of the ordinary, moral U.S. citizen, a pair of really screwball kooks, like the British and Venetian-centered circles for which they work against the vital interest of the United States.

It is true that Kissinger is a close collaborator of top Soviet intelligence operative Georgii Arbatov, and that Haig's true patrons are forces closely allied with a top Soviet KGB operative, Djerman Gvishiani. One must understand, however, that Haig, Kissinger, and the masters of that pair of fruity "Bobbsey Twins," are fanatically neo-Malthusian "world federalists," allied to the genocidalist Club of Rome and its policies, just as are the Soviet factions associated with Suslov, Ponomarev, Gvishiani, and Arbatov.

Haig and Kissinger—like their masters of London and Venice—are fanatically anti-industrial-capitalist. They are neofeudalists, and otherwise represent feudalistic rentier-financial interests. They hate the institutions of the post-15th-century sovereign nation-state, as John Ruskin's Pre-Raphaelite Brotherhood did, as H. G. Wells did, as Bertrand Russell, another leading member of Friedrich von Hayek's Fabian Society did. They hate industrial-capitalists—whom H. G. Wells attacked as "morlocks."

They are not socialists in the sense the ordinary U.S. citizen thinks of socialists. *They are neofeudalists, who created and who use the Socialist International, which they control today, as a mass-based battering ram of ideological dupes, which the neofeudalists deploy as a weapon of chaos against the institutions of the industrial-capitalist nation-state.*

The old Venice is the center of this evil in Western Christendom, and the British Empire (in its present disguises) is the chief instrument of that Venetian faction. This is the reason Prime Minister Winston Churchill personally scuttled into Italy to seize and conceal the OVRA documents which would have exposed Churchill's own complicity in keeping both Mussolini and Hitler in power for so long.

There is a nasty little official at the Library of Congress who knows all this, and who is sitting on a large part of the relevant documentation.

There is a powerful faction around Suslov, in the Soviet Union—the old Comintern intelligence apparatus—which is allied wittingly with not only Willy Brandt's Socialist International, but like Gvishiani, is consciously allied with Venetian-centered forces a hundred times more evil than Adolf Hitler. Those are Henry Kissinger's and Olof Palme's confederates in the Soviet intelligence services. This old Comintern apparatus acquired its present character naturally. It was an offshoot of the old Socialist International, including subagents of the Venetian agent Parvus (Alexander Helphand) and such protégés of Hapsburg intelligence as N. Bukharin, D. Ryazanov, C. Rakovsky, et al., a circle which included L. Trotsky for an extended period of his political career.

That, in brief, is the key to the inside of Kissinger and Haig.

4. The truth about NATO

The cute trick in slick intelligence operations is to run a diversionary figurehead in the leading position, and to control the actual functions deployed through a front organization by less conspicuous, behind-the-scenes "controllers." That is the secret of NATO. NATO is not essentially a military command—except in the eyes of U.S. and other dupes who foot the bills. It is an

extremely sophisticated political-subversion operation against the very nations which are presumed to be its members.

President Charles de Gaulle, his patience worn out with repeated attempts at assassination of him run through NATO's Brussels' headquarters, pulled out of that organization—while remaining firmly within the Atlantic military alliance.

Up to the election of President François Mitterrand, the U.S. strategic themonuclear forces, the French *force de frappe*, and the West German ground forces, plus British supplements to U.S. naval capabilities, were the real elements of the Atlantic military alliance. The rest was predominantly window-dressing, insofar as deployable acceptable grades of forces were concerned.

The only other Western military force of any importance is Sweden's, which ranks approximately fourth or fifth in fighting capabilities, among nations of the world, and maintains the highest military capability per capita—and highest tax rates, accordingly—of any nation in the world today.

Although some leading banking forces among Mitterrand's backers have assured us directly—for information of leading U.S. circles—that Mitterrand is a weak, institutionally oriented figure who can be controlled from within France, there is admittedly reason for concern respecting France's forward capabilities. The indicated sources assure us that France's military capabilities, its nuclear-energy commitments, and France's economic orientation toward the developing sector will be maintained more or less as under Giscard. We tend to believe the intentions of our sources on these points, but doubt that they will find themselves as much in control of the situation down the line as they presently believe will be the case. We fear a radical socialist-anarchoid shift in the political geometry of France internationally, to the effect that well-laid plans based on extrapolations in the present geometry will find their controls nullified by an entirely different geometry.

It is true that NATO does coordinate military operations—with France, among others. An alliance must place coordination somewhere, and since NATO exists, these matters are naturally channeled through that arrangement. NATO also formulates strategic doctrines—such as the monstrously incompetent "Schlesingerian" MC 14/3 and MC 14/4, which we have had occasion to denounce as strategic lunacy in the past. It is in this latter aspect of nominally military matters that the true political character, and true purpose of NATO ought to be detected.

For the benefit, inclusively, of some foolish congressional military specialists who stubbornly, and smugly refuse to learn the ABC's of military science from a

historical vantage-point, we emphasize those monstrously wretched features of NATO (and Rand Corporation) dogma which betray the equally wretched, underlying political character of that institution.

The Machiavelli-Carnot principle

Modern military science was developed under the successive direction of Leonardo da Vinci and Niccolo Machiavelli, both representing a second generation under the influence of Plethon (the founder of modern political economy and principles of warfare), and Cardinal Nicholas of Cusa—who conducted a few wars against Venetian forces himself.

Leonardo created Milan's Lodovico Sforza, and directed the development of improved military and related logistical technology for his protégé. Leonardo and Machiavelli jointly created Cesare Borgia—without succeeding in eliminating the neurotic *cazzista* streak in Cesare, which led to the episode of vacillation enabling the Venetians to recapture control of Italy. One may say that Machiavelli's military writings are broadly analogous, as reflections of the work of Leonardo and himself, to Clausewitz's relatively poorer efforts to reflect the conceptions of Lazare Carnot and Scharnhorst later.

Anyone who has not mastered the work of Leonardo, Machiavelli, Gottfried Wilhelm Leibniz, and Carnot on military matters necessarily knows nothing of the fundamentals of military science.

The classical case illustrating most compactly the principles of modern military science is the creation of new steel industries under direction of Carnot and Claude Chaptal, which, in turn produced the improved, mobile field artillery by which Carnot's military forces crushed not only the opposed allied forces, but also destroyed the entirety of the prevailing military doctrines of that time.

The rest of Carnot's reforms—imitated excellently by Scharnhorst—are important, but the matter of field artillery was crucial, as Commandant Sylvanus Thayer's West Point assimilated the point under Presidents Monroe and John Quincy Adams. The application of modern technology to the logistics and firepower considerations of warfare—as Leibniz emphasized the point a century earlier—was employed in forced, directed fashion, to change the physical geometry of warfare.

It was the particular, included genius of the Carnot trained by Gaspard Monge to recognize this as a problem in physical topology, and to reorder French arms according to the new geometry defined by this key "Dirichlet cut" of massed mobile field artillery.

The directly opposite policy most commonly cited is that of France's Maginot Line. The proper policy of preparing for the next war is to exploit the frontiers of

technological progress to discover the crucial "Dirichlet cut" which transforms the physical geometry of logistics and firepower of the field of battle. The fool, like the stubborn adherents of the Austrian and Prussian cabinet-warfare doctrine of the "line" in the 1790s and Napoleonic wars, always fights the "last war" in the present conflict, as the supporters of the French military doctrine of the 1930s and 1940s did. The French had superiority in tanks and rough parity in airpower, true. However, they refused to view the implications of the coexistence of mobile armed forces, and of aircraft of both tactical-support and deep-bombardment "artillery" for the changed geometry of warfare.

The principle of warfare is logistics in depth; a logistics outflanking the adversary in deployment and also in applications of modern technologies, to deliver to the adversary a decisive strategic surprise, of the sort effected through exploiting a predetermined transformation of the physical topology of war-fighting.

In contrast to this, NATO doctrine reflects a parody of the old 18th-century, pre-Carnot doctrines of cabinet-warfare. Field Marshall Montgomery did, eventually, reach Brussels, and the dismal thinking he represented in practice appears to have remained there since.

What controls NATO?

What does this wretched nonsense signify? What could so contaminate the mind of the military professional that he could tolerate such refuse?

The answer is turned up by such means as a glance backward toward the remarks of H. G. Wells and Bertrand Russell and the London meeting of the Milner Coefficients from which Russell walked out. To conduct modern warfare in the manner wars have been won since 1793-94, means to commit society to the highest possible rate of technologically vectored expansion of the logistical base in the civilian economy of industrialized nations. H. G. Wells was willing to go along with that fostering of the power of the "morlocks" one last time, in the Coefficients' retooling of British industry for the planned World War I. Russell was not. Russell walked out, Wells remained. However, as Wells stated clearly enough, there was otherwise no deeper difference between himself and Russell on this point.

When a fanatical neo-Malthusian such as Schlesinger is regarded as a serious military strategic thinker, one knows one's own military ranks have gone off the deep end. The stink of the self-induced strategic doom begins to waft out of the Pentagon and Brussels. These fanatics and their duped admirers are so obsessed with their goals of "postindustrial" or "technetronic" society, that the only thing they fear more than losing a war is the method by which it might actually be won.

So, peeling away the outer layer of the NATO

onion, its military outer skin, we begin to discover what is controlling the institution politically from inside.

There are two aspects to NATO which may be isolated as typifying the political purpose and control of the organization. There are others, but they are of the same category and purpose as are these two. One is British-controlled NATO intelligence, which is essentially an arm of the London Tavistock Institute. The second element, to be stressed here, is the OECD apparatus normally considered a subordinate feature of NATO, but actually its controlling feature.

This is the aspect of NATO which "created Aurelio Peccei" and the genocidal Club of Rome, just as Fritz Kraemer and William Yandell Elliott "invented Henry Kissinger." This British, controlling circle inside the OECD is directly and intimately allied with the highest level of the Suslov faction of neo-Bukharinites (such as Gvishiani) within the Soviet leadership. It is through that connection that Aurelio Peccei's close and long-standing collaboration with Soviet official Gvishiani was established.

What is the true objective of the forces behind the Club of Rome? It is the same objective advanced by David Hume and Adam Smith during their collaboration in producing the "Ossian" hoax during the 18th century, the myth of Anglo-Saxon rule of the world under the alleged direct descendant of the pagan wind-god, the British monarch. It was the racist doctrine of de Gobineau, and of John Ruskin's Cecil Rhodes during the late 19th century. The conscious objective of the forces who created the Club of Rome, and of the Carter administration's Global 2000 scheme for global genocide is to wipe out colored races sufficiently to make room for world-rule by the white race.

That is what our undercover operatives have confirmed out of the mouths of the top British agents who created Peccei and the Club of Rome. That is the volunteered policy we have confirmed through appropriate cross-checks.

That is the reason Willy Brandt's Socialist International seeks to intervene into the Mexican presidential succession, to bring into being a government which will lay the basis in policy for eliminating at least half of the population of Mexico over the coming period.

These are the forces which deployed the professional Armenian terrorist assassin, through safehouses funded in part by Libya's Qaddafi, to seriously attempt to kill the Pope.

The relevant circles intersecting the Vatican understand this. They have no choice but to strike back. The exposure of the fascist nest in Italy's P-2 Masonic Lodge is only the beginning of a process which, unless aborted, will cause "all the trees in the forest to fall," including such rotted specimens of lower rank as Kissinger and Haig.

The new appointees in transition team for the

by Dana Sloan

The government appointed by French President François Mitterrand may be only a transitional cabinet, with some of the 30 ministers and 12 state secretaries replaced depending on the coalition that emerges after the legislative elections on June 14 and June 21. Although the names may change, the profile of the government will not: it bears a deep imprint of the Club of Rome's deindustrialization policy with respect to both foreign and domestic policy.

Mitterrand and the rest of the Socialist Party leadership are not "socialists" in the traditional sense of agitators for the material and social improvement of working people's lives. Like the rest of the Socialist International, their economic platform converges on Friedmanism: dismantling the dirigist, technology-promoting channels that transformed France into a major power during Giscard's tenure; fostering small-scale, decentralized production alongside a narrow "technetronic" sector; and allowing the underdeveloped sector the "freedom to choose" backwardness and chaos.



Regis Debray

The new president's wife, Danielle, is a leading member of a Paris-based support organization for the El Salvador rebels. Regis Debray, author of the terrorist manual *Revolution in the Revolution?*, a handbook on armed guerrilla warfare, and manipulator of Fidel Castro and Che Guevara, is moving in as an official foreign policy adviser. Mitterrand's government is ready to play its part in the Club of Rome/Global 2000 policy of manipulating prolonged wars in the Third World to get rid of "excess" population, and to apply domestic policies that, if unchecked, will do the same under the banner of local control, regional autonomy, and decentralization.

Strategically placed members of the cabinet include:

- **Pierre Mauroy, prime minister:** Mayor of the northern city of Lille since 1973, Mauroy has been a Socialist activist for the past 30 years. An early backer of Socialist

the French cabinet: Club of Rome

Michel Rocard's bid to displace Mitterrand as presidential candidate, he is a committed advocate of decentralization and regional devolution. *Le Monde* commented on May 22: "He has patiently striven to understand the Corsican problem and has obtained the confidence of the Socialists of the island who are closest to the autonomists," i.e., to the mafia implicated in the assassination attempt last month against Giscard.



Pierre Mauroy

In the French and English news media, Mauroy is touted as a "moderate," partly because he heads a right-wing social-democratic machine in the north, and partly playing off his supposedly good relations with West German Chancellor Helmut Schmidt and his advocacy of a strong NATO.

• **Gaston Defferre, minister of the interior and decentralization:** As *EIR* reminded its readers before

the presidential election, Socialist Defferre was installed as strongman mayor of Marseilles after World War II through the combined efforts of British intelligence, the Corsican brotherhood, and State Department socialist Irving Brown of the AFL-CIO. During Defferre's administration, the first heroin-refining laboratories were established in Marseilles, where the "French Connection" provided some 80 percent of U.S. heroin imports at its 1960s height. Defferre is likely to use his position in the government, which gives him control over the national police apparatus, not only to initiate dirty tricks against political opponents, but to relax French efforts against narcotics and terrorism. It is somewhat as if Meyer Lansky had become the Attorney General of the United States. Defferre's second, "decentralization," post is a new one, and its powers are unclear.

• **Claude Cheysson, foreign minister:** Until his appointment, Cheysson was in charge of Third World relations for the European Commission of the European Community. Cheysson, like many other cabinet members, was tutored by Pierre Mendès-France (who until

recently was a member of Willy Brandt's North-South Commission). Cheysson advocates a "planetary New Deal," and though he is adept at prodevelopment rhetoric, his authorship of the 1960s Lomé Convention between the EC and mainly African producers demonstrates that he is chiefly concerned with the growth of London/Rothschild banking prerogatives. The Lomé agreement centers on natural resource grabs; Cheysson later advocated wider Kissinger-style "Common Fund" commodity agreements. He has announced that he will



Michel Rocard

support "the liberation of Africa."

• **Michel Rocard, minister of planning and regional development:** Rocard, as *EIR* reported, is an extreme economic libertarian cultivated by Zbigniew Brzezinski and Henry Kissinger, and openly sponsored by the Council on Foreign Relations. It was held doubtful whether he would be willing to join a Mitterrand cabinet, or wait to accumulate his own political cards.



Claude Cheysson

Control over the planning ministry, which is already heavily infiltrated by the Club of Rome, will enable Rocard, if he stays in the cabinet, to realize his proposals for scrapping central banking and proliferating "crafts and small shops"—the French version of "free enterprise zones," hailed by Rocard as the embodiment of postindustrialism.

• **Charles Hernu, minister of defense:** One of Mitterrand's oldest and closest political associates who helped launch him on the long road to the presidency, Hernu is a proponent of the French nuclear *force de frappe* but is also known to dabble in tactical nuclear warfare theories. Dissident Polish circles say he is their man in the Socialist Party.

• **André Henry, minister of leisure:** General secretary of the national teachers' union since 1974, Henry is an advocate of marijuana decriminalization, a view shared by his union officials. The creation of a Ministry of Leisure fulfills a concept launched by the Club of Rome, whose cofounder, Aurelio Peccei, is on record in an exclusive *EIR* report as supporting Mitterrand (see *EIR*, April 27, 1981).

• **Louis Le Penec, oceanry minister:** Born in Brittany, Le Penec is a longtime militant of the "Ar Breizh" language and culture. He introduced a bill calling for "minority" languages to be taught in schools and used in broadcasts. The new ministry embodies another "resource control" concept stressed by the Club of Rome.

Conservative 'unity' helps Mitterrand

Beginning June 14, France will go through a new round of elections which threaten to be as disastrous for the French nation as the ones that brought Socialist François Mitterrand into power.

Irrespective of who comes out on top, President Mitterrand's decision to dissolve the National Assembly and hold new elections on June 14 and June 21 itself makes a mockery of the constitution of the Fifth Republic, which holds that the president rules over and above the political parties and coalitions. Mitterrand's decision to reshuffle the deck in an attempt to come up with a majority in the National Assembly brings France dangerously close to the Italian model, where every few months a new prime minister is appointed who attempts to shape a cabinet based on some formulation of a majority in the assembly.

Keeping that in mind, there are several possible outcomes of these elections, each entailing various degrees of instability or chaos.

In the present National Assembly, which is composed of a total of 491 seats, Jacques Chirac's RPR has 155 seats; former President Giscard's coalition group, the UDF, has 119 seats; the Socialists 117; and the French Communist Party 86. While the Socialist Party is expected to gain significantly, it will not have enough seats on its own to have a majority. It will therefore have to work out an alliance with either the Communists, Chirac's group and possibly even a few defectors from the UDF—a rather loose coalition previously held together by the fact that Giscard was in power

'Union for a New Majority'

Immediately after Mitterrand's presidential victory, when it was known he would dissolve the National Assembly, Jacques Chirac—whose break with Giscard swung the election over to the Socialists—announced that it was time for the RPR and UDF to bury the hatchet and run joint candidates to bolster their support for the legislative elections to come. Members of the

UDF have swallowed this, through many privately confide that even from the technical electoral standpoint they know it is suicidal.

To put the plan into effect, Chirac and leaders of the UDF got together and drew up a list of 300 joint candidates who will run under the banner of the Union for a New Majority (UNM). Only a small part of the UDF, mainly centered in the small Republican Party of Giscard, has not jumped ship. Those who have deserted have done so in the foolish belief that this will save their skin in the elections and that the up-and-coming political leader to follow is Chirac. UDF president Roger Chinaud stated in May 26 radio interview, "We have returned to the Fourth Republic," but is proceeding with the "new majority" deal.

But as one of the UDF leaders who took part in the negotiations with the RPR told the weekly *Le Point* on May 25: "We didn't have a choice. The RPR, which is in a position of strength, didn't give us any presents. And we are going to lose. But Chirac's objective is not to win. His objective is simply to have a group of deputies in the National Assembly that is larger than ours."

From that standpoint, Chirac expects to be in a position to either cut a deal with Mitterrand, or to set himself up as the leader of the conservative opposition, preparing the conditions for chaos and emerging out of the wreckage as a man-on-a-white-horse alternative to Socialist rule.

The PCF's options

If he had any other choice, Mitterrand would rather not form a coalition including the Communist Party. The Socialists have therefore already put out the preconditions for allowing Communists into the government: the PCF must drop its support for the development of the nuclear program, denounce the Soviet invasion of Afghanistan, agree to the deployment of NATO's Euromissiles in Western Europe—conditions the PCF cannot be expected to meet unless it chooses to self-destruct. Hatred for Mitterrand runs deep in the PCF's ranks. Despite the fact that he was elected with their votes, if the new president does not play ball with the PCF, they are ready to throw whatever they have against him, including France's largest labor union, the CGT.

Former President Giscard, having just been abandoned by the greater part of the UDF, has for the time being gone into seclusion. Groups of Giscardian loyalists have refused to take part in Chirac's Union for a New Majority, but their prospects for re-election are not uniformly good.

Barring some dramatic development to shift the situation in France, the fate of the Fifth Republic rests in the hands of its worst enemies.

Who's in charge of Lebanon policy?

Reagan and Brezhnev are on a parallel track, writes Nancy Coker, attempting to take diplomacy away from Haig and the radicals.

An international policy fight has erupted over the Lebanon crisis whose outcome will determine whether or not a fifth Arab-Israeli war engulfs the Middle East. It will also define the extent to which President Ronald Reagan and Soviet President Leonid Brezhnev can cooperate to stabilize this strategic part of the world.

Broadly speaking, the Middle East policy fight centers around three distinct policy factions:

- Those Arab and Israeli extremists who are gunning for war and the partition of Lebanon. This configuration backed by a sordid alliance between U.S. Secretary of State Alexander Haig and a radical faction in the Soviet Union tied to the KGB intelligence services. Haig and the KGB view a Syrian-Israeli war over Lebanon as useful for polarizing the Middle East into clearly demarcated, rival spheres of influence.

- Closely allied to but distinct from this group is a faction that favors regional polarization and balkanization *without* war, by reviving, if possible, some form of the moribund and widely discredited Camp David accord imposed by the Carter administration. The British elements of this faction are inclined toward reviving the Camp David approach in the guise of some sort of "international conference," in order to undermine efforts by the Soviet Union to convene Geneva-style peace talks aimed at securing a comprehensive settlement.

- The immediate circles around Presidents Reagan and Brezhnev, who, in the interests of stabilizing the region and preventing a war that could trigger a super-power showdown, are working along parallel tracks to keep Lebanon in one piece by restraining Prime Minister Begin in Israel and President Assad in Syria and by treating Lebanon not as a free-fire zone for warring militias and armies but as a sovereign nation worthy of a strong central government.

According to intelligence sources, President Reagan, especially since the attempt on his life in March, has taken it upon himself to stay on top of the Lebanon situation, discreetly wrestling policy-making in this area from Secretary of State Haig. Reagan is reported to be maintaining highly secret, delicate contact with Brezhnev to prevent the Lebanon crisis from deteriorating into full-

scale war. Despite their differences, both Reagan and Brezhnev are acutely aware that should efforts to prevent a war fail, or should the region be polarized any further, the hard-line extremists in both Israel and the Arab world will be in the ascendancy.

However, if the situation is stabilized and war is averted, there is great potential that the moderates will come to the fore—Jordan's King Hussein, Saudi Arabia, Iraq, and Shimon Peres in Israel, Begin's Labour Party challenger in next month's elections—enhancing the chances for a durable regional peace settlement.

In recent weeks, the Soviets have sent out numerous signals to the Reagan administration that they are willing to cooperate in cooling down the Lebanon crisis. Last week, in a speech in Soviet Georgia, Brezhnev described the Lebanon situation as "profoundly tragic and dangerous." "One miscalculation and the flames of war could sweep the entire Middle East region. And it is not known how far the sparks could fly."

Brezhnev then reiterated a call that he first made in February for the convening of an international Middle East peace conference, intimating that Moscow is prepared to discuss Afghanistan as well as the Middle East as part of a package deal in the interests of restoring some stability to the region. Several days later, at a banquet in honor of King Hussein, who was visiting Moscow, Brezhnev stated that the threat of war over Lebanon "acutely reminds the entire world once again that it is time, high time, to settle the Middle East conflict as a whole." The Soviet Union, stressed Brezhnev, is seeking peace in the region, not only for its treaty allies but also for Israel, "if, naturally, it abandons the policy of seizing other peoples' lands and follows a peaceful rather than aggressive policy."

Secretary of State Haig immediately rejected Brezhnev's peace conference overtures, saying "It's too early to say whether they [the Soviets] have made a constructive or counterproductive contribution" to solving the Lebanon crisis. However, King Hussein welcomed the Soviet call for an international parley.

Last week, Soviet ambassador to Lebanon Alexander Soldatov described the situation in Lebanon as "danger-

ously tense," but declared that the Syrian-Soviet military treaty extends only to the border of Syria, implying that Syrian involvement in a war outside Syrian territory might not come under a Soviet military umbrella. Similarly, Leonid Zamyatin, the head of the International Information Department of the Central Committee of the Soviet Communist Party, called for patient negotiations, not war, to resolve the Lebanon crisis. Zamyatin also asserted pointblank that the Soviet Union is not interested in a "Yalta arrangement" in the Middle East.

Reagan response

There are signs that Reagan may be picking up on Soviet overtures. Last week, Reagan met privately at the White House with the chief of Saudi Arabia's intelligence service to urge the Saudis to exert their influence on Syria in order to moderate Assad's brinkmanship. Haig was locked out of the meetings. Reagan also took the initiative of inviting Lebanese Falangist leader Bashir Gemayel to Washington for personal consultations.

In addition, Reagan personally requested that U.S. special envoy to the Middle East Philip Habib return to Washington for a first-hand debriefing on the state of negotiations. Habib's presence in the Middle East, said administration officials, is not required at this time, since the Saudis are representing the United States to the Syrians. According to Washington sources, Reagan wants to supervise the Habib shuttle.

The temporary recall of Habib is essential to resolving the Lebanon crisis. According to inside sources, Habib, a close associate of former Secretary of State Henry Kissinger, was purported to be pressing a face-saving "Arab solution" to the crisis whereby Lebanon would be effectively partitioned and Syria eventually integrated into the Camp David process.

In a recent op-ed in the *Washington Post*, Philip Geyelin of the Heritage Foundation elaborated on this scenario. Habib's shuttle, noted Geyelin, "is a preview of how the door to a wider settlement of the Arab-Israeli conflict could someday be unlocked." "The key," he stressed, "would be Saudi Arabia," which, if everything goes according to plan, would be induced to buy off Syrian President Assad and manipulate him into cooperating with the Camp David "partial peace" approach. The Saudis, says Geyelin, hold the cards for breaking Soviet influence over Syria, clearing the way for "getting on with some variation of the Camp David 'framework.'" Echoing Geyelin's scenario, Kissinger's State Department cronies Joseph Sisco and Hermann Eilts (former undersecretary of state for political affairs and former ambassador to Egypt, respectively) recently pointed out that the "greatest benefit that the United States will get out of Habib's crisis management in the Middle East will be bringing Syria around to our

framework."

The question is, will the Saudis go along with this scenario? All indications are they will not—despite columnist Joseph Kraft's overeager report that a "hidden partnership" between the Begin government and the Saudi royal family already exists as a result of their "shared aim" of restraining Syria in Lebanon.

In point of fact, the Saudis are making it known that while they may contribute to restraining Syria in the interest of preserving regional stability, Camp David is not on their agenda.

On May 16, the day after Habib's arrival in the Saudi kingdom, Riyadh Domestic Service issued a strongly worded commentary stressing "the need for a comprehensive solution" to prevent further polarization of the region. "We are confident that any solution that does not deal with the problem as a whole remains shaky, and this itself will not serve the cause of lasting peace and stability in the region, even if it removes the specter of war." Last week at the Arab League foreign ministers' meeting in Tunis, the Saudis blocked a proposal from the radical Arab states, led by Libya and Algeria, for the formation of a pan-Arab force to support the Syrians in Lebanon.

Stabilizing the region requires the neutralization and replacement of the Begin regime in Israel. For the first time since the start of the Lebanon crisis, both the Reagan administration and Shimon Peres's Labour Party have begun to go after Begin for deliberately fanning the crisis as an election-eve move.

This week, Reagan administration officials stated that they had no information to support Begin's charges that the Soviet Union had deployed military advisers into Lebanon alongside Syrian troops. Reagan officials are reportedly angered by Begin's provocative statements.

The Labour Party is meanwhile zeroing in on Begin. Former Labour Party Prime Minister Yitzhak Rabin has accused Begin of authorizing the Falangist assault on Zahle, the provocation that triggered the current crisis. He also charged that Israel's attack on the Syrian helicopters earlier this month was a violation of previous understandings between Israel and Syria. Begin should have known that this action could not be "glossed over" or ignored by the Syrians, Rabin said. His charges were echoed by Peres.

In addition, Labour Party leader and former chief of intelligence Chaim Herzog attacked Begin for his off-handed statement about Soviet advisers in Lebanon. Even if Begin's charges were true, said Herzog, "what kind of political wisdom is it to corner the Soviets and close off to them any means of making a diplomatic retreat? What will be our fate with this lack of political wisdom and blabbing which characterize the prime minister's statements?"

Figueredo in Bonn: uncertainties persist

by Mark Sonnenblick

Brazilian President João Figueredo's promise during his May 17 to 19 visit with West German Chancellor Helmut Schmidt, that "the Brazilian government has fulfilled and will completely fulfill its commitments" on peaceful nuclear energy cooperation between the two countries, broke through the climate of uncertainty that had built up around the nuclear deal as well as the trip itself. The opponents of nuclear development in Brazil and their allies in the London press had mounted rumors to the effect that Brazil would renege on its promise to carry out the most ambitious technology-transfer agreement between partners from the "North" and the "South."

Figueredo reflected those pressures in an interview with German television on the eve of his trip, in which he strongly hinted that "the economic difficulties Brazil is living through" could force some reduction in the size or the pace of the nuclear program. Although those economic problems are real and quite painful, however, Brazil did not seek to renegotiate the nuclear agreement.

New economic deals were signed between Brazil and West Germany, including \$370 million in loans for nuclear, railroads, and other projects. West Germany—whose largest investments in the Third World are in Brazil—agreed to pump in another \$900 million of investments, including a \$700 million aluminum complex. Such business, however, was not the main subject of the talks.

How to deal with Reagan

The rulers of the two most developed economies in Europe and the Third World, respectively, meeting on the eve of Schmidt's visit to the United States, were actually most concerned to exchange views on how to handle the Reagan administration.

Figueredo stressed that what the developing countries of the South need from the advanced countries is technology, capital, and especially markets for their products. He explained Brazil's desperation to repeat last year's 36 percent increase in its exports of manufactures, which is the key to its plan for recycling its \$60 billion foreign debt. However, with world markets shrinking, Brazil has resorted to subsidies to promote its exports. This has caused friction with the United

States and the European Community.

Although SPD Chairman Willy Brandt pressed his strategy for North-South relations on Figueredo during their hour-long meeting, he failed to gain public support for it from the Brazilians.

'Dual power'

Figueredo's apparent success in Germany contrasts with a sharply deteriorated economic and political picture at home in Brazil. On the political front, he has been boxed in by hardline military factions which fear and oppose Figueredo's determination to open up the political process so as to build a broad civilian base for the regime.

Terrorism is playing a role in determining Figueredo's plans. A bomb went off just outside the stadium in Rio de Janeiro on May Day eve where 20,000 Brazilians were gathered to listen to protest music. The bomb exploded in the hands of a sergeant of the Army's Red Squad (the DOI-CODI), killing him and critically wounding a captain of the same service. The sports car the plainclothes officers were riding in had fake plates and carried two more identical bombs. Three similar vehicles fled after the blast.

"The bomb went off right inside the government," Justice Minister Ibrahim Abi-Ackel later exclaimed. It caused what some observers are calling "the worst crisis since 1964."

Figueredo responded to the terrorist challenge, saying, "Not one, not two thousand bombs will change my decision to persevere with the political opening." But the crisis he now faces is over whether, when, and how to act on what can no longer be covered up—part of the government security apparatus itself is committing terrorist acts. Brazil's disaffected right has performed at least 20 similar major acts of violence during the last year . . . but none of the cases has been solved.

Figueredo has been reluctant to move against the right-wing terrorists for fear of splitting the military. He is now waiting for the First Army—the prime suspect—to complete its own investigation of the Rio bomb explosion. "Figueredo is trying to buy time, until he can have full control over the Army High Command," say expert observers of the Brazilian military.

Time may not be on his side, however. In the words of a journalist who testified in congressional hearings on terrorism, "there are parallel governments in the country. Nowadays, the person who least gives the orders in the country is President Figueredo."

This weakening of Figueredo's authority is just what the terrorists want. If the Jesuit-run Brazilian left now reverts to its 1967-1971 terrorist posture, a civil brawl would provide the pretext for closing the "democratic opening" and radically shifting Brazil's domestic—and perhaps its international—course.

Anglo-American split over oil prices?

Elements in the Reagan administration welcome Saudi Arabian pressure on OPEC; Great Britain does not.

Well over a year ago, Saudi Arabian Oil Minister Zaki Yamani declared that his country was prepared to keep its oil exports at record levels in order to hike the supply of oil and force prices down. Saudi Arabia is now beginning to realize this goal, as OPEC's latest price-setting meeting shows.

For the first time in over three years the cartel did not raise the price of crude oil. The reason is twofold. First, there currently prevails a 2 to 3 million barrel per day excess of crude on world markets, fed by high Saudi exports. Second, demand for oil has collapsed over the last 18 months as the result of the worsening world recession. OPEC's current total exports are at 1971 levels, and will drop further.

As Yamani stated earlier this month, the only way to stimulate demand for OPEC oil is to reduce the price from the current \$36- to \$41-a-barrel level to Saudi Arabia's \$32-a-barrel price. But Saudi Arabia's 12 fellow cartel members refused to heed this Saudi call, and instead agreed to a price freeze and an across-the-board cut of at least 10 percent of each producer's output to try to soak up the surplus and thereby firm up prices.

Reports from Geneva indicate that it was a stormy meeting, with Yamani demanding a decline in prices and the other producers insisting that Saudi Arabia drop its production from its current 10.3 million barrels per day before they

would even talk about prices.

Yamani was reportedly instructed by Saudi Crown Prince Fahd—who runs day-to-day Saudi policy—not to waver on his demand for a price drop. In an unusual move, Yamani left the meeting hours before it officially ended as a show of his intransigence.

Even if the production cut is carried out by the other OPEC countries, it could at most lead to 1.3 million barrels per day shut-off of exports, still leaving a sizeable excess, and most projections foresee a continued decline in demand.

As one industry source put it, "It's the Saudis' game now . . . they can just keep pumping out crude, they will continue to erode prices, and there's not much the rest of OPEC can do."

Over recent weeks a number of OPEC countries including the North African states, whose crude bears the highest price, as well as Kuwait, have shaved or cut surcharges in order to maintain sales contracts. Last month Kuwait reduced its production by 250,000 barrels a day for lack of buyers at the price it was asking. Over the past year, Nigeria's output has dropped by 40 percent.

According to estimates by Royal Dutch Shell, total OPEC exports may drop to as low as 21 million barrels per day by the end of the year from the current 23.5 level. If Saudi Arabia sustains its current export level, it will produce half of

total OPEC exports.

Arab sources report that the American oil companies that market most of Saudi crude, and "certain voices" within the Reagan administration, are encouraging Riyadh to pursue its pricing policy. The American multinationals have a tremendous edge in marketing cheaper Saudi crude. The Saudis are said to be holding to this pricing stance in the hope that Washington will adopt a new Mideast diplomacy which sacks the discredited Camp David framework and brings about a comprehensive peace agreement.

These same sources report that Britain is "unhappy" at the current arrangement between Washington and Riyadh, not only because it hurts the market position of the two British oil companies, Royal Dutch Shell and British Petroleum, but because London fears that an independent Mideast policy will emerge on the part of the Reagan camp.

Throughout the 1978-1980 period it was Shell, BP and their so-called little sister, the British National Oil Company, in alliance with Iran and Libya, which triggered a new oil price explosion. "The British have never been very happy about the special relationship between the United States and Saudi Arabia," said a Lebanese source. He warned that the British are preparing to unleash a "new wave of Muslim radicalism, using the Muslim Brotherhood" against the Saudis to destabilize the growing entente between Reagan and Saudi Arabia.

Britain's concern about prices was expressed this month by David Jones, the U.K.'s deputy secretary of energy, in a speech to Parliament. He called for yet another doubling of world oil prices.

Master plan for destabilization

The Jesuits are attempting a new Church-state confrontation at a very delicate political moment.

Radical Church layers are leading a new and audacious destabilization effort against the Mexican government and its economic development programs. So far the success is minimal—on the surface. But knowledgeable circles are concerned because the Jesuit forces involved have explicitly stated their intention of intervening in the current presidential succession fight. Any political activity by the Church is strictly forbidden by Article 130 of the 1917 Constitution.

In mid-May the Mexican Episcopal Conference, taken over by the Jesuit-directed Theology of Liberation forces a year ago, released a new "master plan" of operations. The document states that "democracy is only a theory" in Mexico. "There is a monopoly of power; apathy, and frustration. . . . Justice is bought and sold, [and] there is abuse of power and the privileges of wealth. Corruption is generalized and violence institutionalized."

Spokesmen for the Conference broke every rule of the system by directly commenting on who should be the next president. The government of López Portillo has been "against the people," they stated; the next president must have "charisma" and address himself to the people's needs.

The bishop of Oaxaca, Monsignor Bartolomé Carrasco, made it clear that the real target was not "lack of democracy" but, rather, the government's modernization

plans. Addressing a subgroup of the Episcopal Conference convened to assess the growing strength of the Liberationists in Indian areas, Carrasco stated that the great enemy of the Indians and poorer farmers is the government's effort "to resolve the crisis in agriculture with greater production" based on "intensive exploitation of natural resources, above all energy." This "alienating" approach leads the Indians to "lose control over their work and production."

It was just a year ago that 'Liberationists' in the Church first challenged Article 130. The issue is one that instantly aroused passions here—the fight between Mexico's republican elites and antidevelopment forces in the Church dominated Mexican history for most of the post-Independence period, and the prohibition against political activity by the Church is a keystone of Mexico's constitutional order.

This time around, a wave of repudiation of the Episcopal Conference's stance was led by the head of the lower chamber of Congress, Luís M. Farías, who declared that Congress will investigate infractions of Article 130. "The views of these churchmen are just a bit provocative," he added, they "may be getting in deeper than they think."

A day later the secretary general of the Conference and a leading Jesuit protégé, Monsignor Genaro Alamilla, denied that the Conference had ever criticized the govern-

ment: there was no new master plan, but only a variety of plans "which are discussed each year in internal debate." Surely someone came across some old plan and divulged it with "bad intentions."

But the Jesuit offensive was just as quickly raised to a new brazen height. Father Francisco Ramírez Meza, director of Catholic Documentation and Information, threatened that "if Article 130 were currently applied to its full extent, as well as other [constitutional provisions] regarding the clergy, there would be social unrest. The people would not accept such an attitude." He added that priests can talk about the succession any time they want to, and any other political topics as well. For now, "these statements will be of a personal nature and not in the name of the Catholic Church of Mexico," but "sooner or later," Article 130 must be overturned *de jure* as well as *de facto*.

A new wrinkle on the situation comes from the southern border region of Chiapas. There Liberationist bishop Samuel Ruiz—who helped direct a bloody peasant shootout a year ago in a town adjacent to the regional Jesuit headquarters of Bachajon—is charging that the government persecutes Guatemalans and other Central Americans fleeing violence in their home countries.

Recreating the alignment which brought radical Jesuit priests and the Mexican Communist Party together in marches on the Basilica of Guadalupe in April 1980, the Communist rector of the University of Puebla has sent an urgent telegram to Interior Minister Olivares Santana backing up Samuel Ruiz's appeal.

International Intelligence

Volcker 'shakes Japan's economy'

"High U.S. interest rate shakes Japan's economy" is the front-page lead headline of the weekly English edition of Japan's business news daily *Nihon Keizai Shimbun*. This paper's pronouncements are usually taken as the consensus of Japanese business.

Following an editorial the previous week denouncing Volcker's interest rate escalation, the May 26 lead article says the rising U.S. rates "may deal a serious blow to the Japanese economy, which is finally beginning to show signs of recovery in recent months." The reason is that the rise in U.S. rates has reversed the previous decline in Japan's own domestic rates and because they have sparked a flight from the yen, lowering its value by 10 percent from 200 per dollar to 220. The impact on Japan has been much less than on the European economies, but is still regarded as serious by Japan's policy-makers.

The *Nihon Keizai* editorial and lead article are regarded as particularly significant because previously the Japanese had supported Volcker.

KGB, social democrats escalate in Poland

The development of pluralism in Poland, hailed by the Socialist International as a model of socialist-Christian cooperation, has taken an ominous turn with the emergence of the arch-chauvinist "Grunwald Union." This formation, which has a KGB provocateurs' profile, staged anti-Semitic demonstrations in Warsaw last March. It is now claiming an active membership of 100,000. The French daily *Le Monde* describes Grunwald's propaganda as reminiscent of "extreme right-wing French press between the two world wars."

The Grunwald Union has just started publishing a weekly paper called

"Reality," which in its first issue boosted Stefan Olszowski, the Bukharinite economics boss who now puts himself forward as Moscow's most reliable friend in the Polish leadership. The Katowice party organization, run by Olszowski's ally Zabinski, has just issued criticisms of the "hesitations and inconsistency" of the present Polish leadership. Commenting on the Katowice document, *Le Figaro's* Paris correspondent asks if "there are forces in the party in Poland who would be ready to accept favorably a Soviet intervention."

On the other side of the political array, British Poland-watchers' predictions of a fissure of the Polish United Workers Party (PUWP) or its transformation into a social-democratic party are rapidly coming to life. Juliusz Garztecki, a Polish journalist and self-described social democrat now visiting Sweden, says that the Polish Socialist Party, which merged with the Communists to form the PUWP after World War II, will soon reconstitute itself as an independent party and seek affiliation with the Socialist International.

CANDU's future is in doubt

An official Canadian government review of that country's nuclear industry concludes that nuclear component manufacturers will be "without business" by 1985-86 and that "even the most optimistic scenario is that the current industry cannot be maintained in the 1990s."

Prepared by a team from the Canadian Energy, Mines and Resources Department, the report goes on to state that Atomic Energy of Canada, Ltd. has overplayed the technical superiority of the CANDU reactor.

The report also states that Canada's export safeguard restrictions are even more stringent than the U.S. which "allows more discretion in special cases." It states that even were Canada to modify these stringent restrictions on exports, "the result would come much too late to

help the industry out of its immediate difficulties."

The report is expected to negatively influence countries such as Mexico, Argentina, and Yugoslavia currently looking at possible purchases of CANDU's heavy water reactors.

Africa conference hits Global 2000

Mobilizing the U.S. to reverse the State Department's Global 2000 population control policy that will condemn millions to death in Africa and elsewhere was the theme of a conference sponsored by *EIR* and the Committee for a New Africa Policy in New York on May 22.

Speakers, including His Excellency Youssoufou Oumarou, ambassador to the United Nations from the Organization of African Unity, Fusion Energy Foundation director of research Uwe Parpart, and *EIR* Contributing Editor Christopher White, among others, put forth a perspective for rapid development of water, agriculture, and industrial infrastructure in the African continent, which could be implemented almost immediately.

Mr. Oumarou called on Americans to understand that revolutions in Africa are similar in aim and aspiration to the American Revolution. "The problem in Africa is not race. . . . President Samora Machel of Mozambique has four whites in his government. They are there because they believe in the continent. The issue is not color, it is belief."

EIR's Contributing Editor Christopher White, a founding member of the Committee for a New Africa Policy, formed in 1980, when the East African drought was threatening 150 million people, said, "Since Carter was thrown out . . . we've found out what these people are up to behind the backs of the citizens of this country. I am talking about the State Department. These people are quite calmly sitting in Glastonbury, Connecticut, figuring out how we can deliberately reduce the world's pop-

ulation by 2 billion people. And they say it outright."

The Fusion Energy Foundation's Uwe Parpart, who recently debated Global 2000 planner Nicholas Yost in Washington, compared the Global 2000 policy to the policies of the British East India Company, under whose aegis, 20 million Indians died between 1800 and 1850.

Mr. Parpart also characterized the problem today in Africa as underpopulation. He called for a development program for Africa based on the most advanced technologies from the developed sector. "The only limit that exists is the limit Benjamin Franklin already pointed out; the only limit that exists at any given time is our own knowledge. And that is also our most important resource."

Debate 'Japan model,' 'appropriate technology'

A debate has broken out at a series of public meetings on whether the "Japan model" or "appropriate technologies" is best for the Third World.

The president of IBM Japan, T. Shiina, addressing a recent Pacific Basin Economic Council meeting in Hong Kong, denounced the "appropriate technology" approach. "Consider the case of Japan, one of the less-developed countries in the world a century ago. . . . There is no secret to Japan's success. Ever since the Meiji Restoration, her leaders have fervently encouraged the importation of technology from the West." Shiina also denounced the so-called boomerang effect theory—the specter of cheap products from developing countries causing unemployment in the advanced sector. "I, for one, am not concerned about any 'boomerang.' In fact, the best thing that could happen to the world economy would be for this process to create more 'new Japans.'" The answer, he said, is advanced nations "must constantly promote new industry with new technology. And then they must

transfer this technology and move on to even newer areas. . . . It is a continuous process."

Meanwhile Club of Rome President Aurelio Peccei told a Tokyo audience that developing nations must not copy the Japan model. The Club of Rome advocates zero population growth and "limited" economic growth. Peccei told a symposium on development sponsored by the *Yomiuri* newspaper that revitalizing U.S. industry was "a grand illusion." Peccei was echoed by former Calcutta University Dean S. K. Bhattacharya, who said "great leaps forward" such as were taken by Japan were not recommended for developing countries. Another speaker said such leaps cause only social unrest, citing Iran, China, and Indonesia. They complained that Third World elites had a "catch-up" ideology of "If Japan can do it, why can't we?"

Pakistan regime to put Bhuttos on trial

It is reliably reported that the military regime of General Zia Ul-Haq is preparing criminal charges against Mrs. Nusrat Bhutto, her daughter Benazir, and son Murtaza for alleged complicity in the March hijacking of a Pakistani airline plane. The *London Times* cited an interview with Pakistani Attorney General S. S. Pirzada as the source of this report. Pirzada denied his statement the following day but sources in London dismiss the denial.

The United News of India reported earlier on May 18 that the two women, who lead the Pakistan People's Party founded by murdered Prime Minister Z. A. Bhutto, will be tried by a special military tribunal. Murtaza Bhutto is living in exile. The regime has been carrying on a massive propaganda campaign for the past two months to try to link the Bhuttos and the PPP to the hijacking, but London sources have provided evidence that it was in fact set up by the regime itself.

Briefly

● **CASPAR WEINBERGER** was promoting Socialist Party leader Bettino Craxi's political fortunes during the defense secretary's recent trip to Rome, a well-placed Pentagon source confirms.

● **HENRY A. KISSINGER'S** friends complain that Socialist International vice-president Edward Broadbent of Canada's meeting with Thomas Enders of the State Department to discuss Central America gives the impression that Haig is coordinating with the social democrats.

● **ALEXANDER HAIG** and Admiral Stansfield Turner have been subpoenaed in the proceedings against Michele Sindona, reports the Italian magazine *Panorama*.

● **ARGENTINA** and Brazil, at a May 26 meeting of their heads of state, have publicly rejected the idea for a South Atlantic counterpart to NATO. The final communiqué declared that Presidents Viola and Figueiredo "reject any hegemonies, axis or zones of influence."

● **JAMES BUCKLEY** has told the Global 2000 Committee that he thinks the *Global 2000 Report* has become discredited as a Carter administration environmentalist tract. According to a Club of Rome member, the undersecretary of state said he will push instead the World Conservation Study produced by the International Union for the Conservation of Nature (IUCN) with the financial backing of the World Wildlife Fund. The IUCN was founded by Julian Huxley. Its director general, Dr. Lee Talbot, said May 23 in a speech in Kenya that "it was the development effort that contributed to the severe impact of the 1972 Sahel drought. The drought was no worse than in previous years, but they had more cows and people."

The President and the interest-rate battle

by Richard Cohen

In the weeks leading up to the July 21 Ottawa economic summit, President Reagan and his closest political strategists will face the decisive question of their first year in office. White House observers report that the justification for the recent Social Security debacle and a publicly mooted second round of budget cuts was the acknowledgement a week and a half ago by Reagan advisers, including Chief of Staff James Baker III, that high interest rates will continue to force upward adjustments in the administration's projected budget deficits for fiscal '81 and '82. The question here in Washington is whether the administration will judge these ever-increasing cuts mandated by Volcker to be politically intolerable; or will they, as recent signals indicate, attempt to buy a short-term compromise package in conjunction with the Congress, in an attempt to hold the line until the critical September-October period in the budget process.

Sources close to the House Democratic leadership reported that Speaker of the House Tip O'Neill is convinced that the administration will choose the latter course, and is already preparing his forces to conduct "guerrilla warfare" against a number of the proposed cuts in social programs. O'Neill is said to be pledged to this course even if there is a compromise on the tax side of the Reagan program. These sources further confirm that O'Neill's assaults on the administration will provide the headlines around which the U.S. branch of the Socialist International is planning widescale demonstrations this summer and fall against the budget cuts.

In an important move, House Majority Leader Jim Wright, the behind-the-scenes organizer of the large bloc of moderate House Democrats, publicly broke with the O'Neill strategy May 24 on national TV. Probing whether Reagan had yet concluded that a break with the Volcker interest-rate policy was necessary, Wright offered the administration a bipartisan tax compromise in conjunction with a full-scale effort to force down interest rates.

Wright denounced the current "exorbitant," "usurious" interest rates. "Volcker says you bring down interest rates by lowering the deficit, but you can't lower the deficit under the present plan." Both tax policy and credit policy, Wright indicated, must be determined by the necessity "to have capital formation, and modernize U.S. industry through investment." "The President is a good American. When interest rates are so high, it adds 13 billion to the deficit," Wright added.

A new and crucial element was the announcement last week of large demonstrations to be held in Washington, D.C. this month protesting high interest rates. White House politicians who watched the "Social Security disaster" emerge from an overwhelming negative constituency response will have to take note when organized elements of labor and small business, the very constituency which elected the President, ask the White House to take immediate action to lower interest rates. These demonstrations, organized by the National Coalition to Reduce Interest Rates, may also provide anti-O'Neill Democrats



Helmut Schmidt and Ronald Reagan at their May meeting in Washington.

with the necessary clout to open up a high-profile lobby on interest rates with the White House.

When Democrats helped en masse to pass a Reagan-sponsored House Budget Resolution, the White House was privately and publicly told that their accomplishment was not enough to "calm the fears of the market." Under the auspices of Volcker, interest rates did not begin a steady decline as President Reagan was told they would, but instead held firm before beginning a steady rise. Simultaneously, inside sources began to report that such administration stalwarts as Alan Greenspan and Arthur Burns warned that the market (i.e. Paul Volcker) was not satisfied that the administration could hold to its reduced budget deficit projections. In fact, Greenspan's appraisal was leaked in such a way as to send jitters through the market.

Two days after President Reagan's massive triumph in Congress, Volcker and Greenspan had created panic. Volcker's men inside the administration, OMB director David Stockman, and domestic policy chief Martin Anderson, immediately approached the President along with Health and Human Services Secretary Richard Schweiker and persuaded Reagan to propose serious cuts in the Social Security program, which comprises one-fifth of the federal budget. At the same time, Stockman unleashed his budget raiders to find additional cuts in the fiscal '81 and '82 budgets.

Volcker, Stockman, and Greenspan had by then successfully connived to commit President Reagan to a

second round of budget cuts plus a full-scale assault on Social Security. The calamitous result, which saw the President's efforts on Social Security rejected 96-0 on the Senate floor last week, was not lost on Reagan's political advisers. Early this week, White House sources put out reports that the triumvirate of Meese, Baker, and Deaver had not been adequately informed of the Social Security decision and would have vetoed it if they had been. Whether or not that story is true, one thing is clear: the dominant group among Reagan's advisers has publicly distanced itself from the earlier decision. Close observers are still waiting to see whether Reagan's political advisers recognize the more profound point of the Social Security exercise. First of all, will they see that they were manipulated and set up by Volcker, Greenspan, and officials within the administration? More importantly, will they recognize the vulnerability of the principles of their own economic program upon which they were manipulated?

As Reagan's Social Security program was unveiled, James Baker was supplying the reasons in an interview with the *Newhouse* chain last week. Baker reported that higher-than-expected interest rates had thrown out of whack the fiscal '81 budget deficit projections supplied by the Carter administration. According to Baker, an additional \$5 billion had to be located by Stockman and his "raiders" to balance the deficit. The impression Baker left was that underestimation of the '82 deficit would also require higher future budget cuts.

Late last week, the White House staff and the Presi-

dent himself sent out unmistakable signals that a compromise on the administration's tax proposal was now on the agenda. All the administration asked was that House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) make the first move. The administration's new-found eagerness for a compromise on Kemp-Roth was inspired by their quick failure on Social Security cuts. The shape of the emerging compromise bill will probably show a maximum first-year across-the-board tax cut of only 5 percent as compared with the President's original 10 percent request. While skirmishing continues on the rest of the compromise, it is clear that the administration will judge this probable \$10-\$15 billion saving as a necessary buffer pending final budget activity in September and October. The savings can be used to absorb the additional cost of continued high interest rates. Sources close to the Senate Democratic leadership say that such a compromise could only be short-term, and on the next budget round the administration would have to come face to face with the interest-rate problem.

That problem was brought to President Reagan's doorstep last week not only by the apparent widening budget deficit, but by West German Chancellor Helmut Schmidt. Sources close to the meetings between Reagan and Schmidt reported that the bulk of time was spent on the implications of high U.S. rates on all the Western economies. Chancellor Schmidt, urgently attempting to stabilize the West German economy, is known to have urged Reagan to take steps that would lead to the lowering of interest rates. The chancellor commented at a National Press Club briefing last week after his two meetings with Reagan that the question of interest rates would be a principal topic at Ottawa.

The Schmidt statement indicated that at least he had not been rebuffed by Reagan on his request for relief on the interest-rate question. Observers believe that for the chancellor to go on the record reporting the likelihood of substantive talks on interest rates at Ottawa meant that he had received a clear signal of the President's own deep concern on the matter, noted in the final communiqué, in which Reagan recognized the implications of "U.S. economic policy on the Western economies."

International concern intensified when, as the President was meeting with Schmidt, Treasury Undersecretary Beryl Sprinkel, speaking to the International Monetary Fund meeting in Gabon, and Treasury Secretary Donald Regan, speaking on Capitol Hill, simultaneously reported that the prime rate would remain above 15 percent into next year.

Reagan will once again be reminded that he has an alternative when he meets with Mexican President López Portillo June 8-9. Mexican sources report that López Portillo will confront Reagan with the disastrous effects of high U.S. rates on the Mexican economy.

Interview

Operation Prime Cut targets Paul Volcker

The following is an interview with Walter Kelly, Jr., co-chairman of Chrysler-Plymouth Auto Dealers Council of the United States, who operates a Chrysler-Plymouth dealership in Marietta, Georgia. On May 13, Mr. Kelly and Lee Auge, chairman of the Dodge Dealer Advisory Conference, sent a joint letter to every Chrysler-Plymouth and Dodge dealer in the country, urging them to join "Operation Prime Cut," that is, to urge their congressmen to immediately address the issue of high interest rates. Anita Gallagher interviewed Mr. Kelly for EIR.

EIR: Mr. Kelly, what is Operation Prime Cut?

Kelly: We are about to die because of high interest rates. I am 58 years old, and have been an auto dealer for 30 years. I am what you would call "middle business," and I do \$15 million in business a year. The federal government is trying to put me out of business. Who is going to replace my taxes? I support 400 people. Who is going to replace that business?

I know that you are aware that the Federal Reserve answers to no one. If you have a stubbed toe, they are proposing to cut off the leg.

EIR: How did this campaign come about?

Kelly: Mr. Lee Auge, of the Dodge Dealer Council—we represent the Plymouth-Chrysler dealers, and Mr. Auge [represents] the Dodge dealers nationwide—the two of us came up with the idea that we should at least let Congress know what the federal government is doing to the auto industry. You know that the auto industry supports one out of every seven people in the country, even now, as bad as things are. We could get across a consciousness of this problem to the congressmen.

EIR: What about going to President Reagan on this?

Kelly: Well, I am a born and bred Democrat, but Carter was not a good President. One of the better Republican Presidents, Calvin Coolidge, said that "the business of the country is business." We have a situation now where the business of the country is government, and the government is taking 25¢ out of every dollar in interest costs. That's why we are asking every dealer to send 25¢ to their congressmen.

My own personal opinion, and this is not anybody's

opinion but mine, is that I don't believe that Mr. Reagan is going to take the bull by the horns on any of these matters. I think he is working through his staff and keeping himself above any fights. He is trying to get the basic budget and the tax cuts through. Otherwise, I don't see how this man, who came to the American public and said that he would get government off our backs, would be allowing the government to take 25¢ out of every dollar in interest costs.

EIR: There have been several resolutions and bills in both the Senate and House saying that high interest rates are the prime cause of inflation and demanding that the Federal Reserve be made accountable to the Congress as mandated by its enabling legislation. Specifically, these measures were introduced in the House by Byron Dorgan (D-N.D.) and by Ron Mottl (D-Ohio), and recently in the Senate by Jim Sasser (D-Tenn.). Do you think these moves are in the right direction?

Kelly: I am particularly impressed by the idea that this [Federal Reserve] chairman could be removed. Volcker gives no credence that anybody has any brains but himself. . . .

Imagine appointing a man 77 years old, who is a complete autocrat like Volcker, to be ambassador to West Germany. All the Common Market countries are complaining about interest rates, and they appoint Arthur Burns ambassador. I truly get excited about this. . . .

EIR: When did your letter go out?

Kelly: On May 13-14 our letter went out to approximately 4,000 auto dealers. It will come before the Georgia Auto Dealers Association, whose convention starts this weekend. I am the immediate past president of [this association]. It will be brought up before the whole convention. We ran it by Chrysler, and there was full agreement on trying to do anything on interest rates that we could.

EIR: What kind of response have you had to the letter?

Kelly: I have heard that other dealers are going to their state associations as quickly as they can. I had a call from a dealer in Pennsylvania, and I also had a call from a dealer in Oklahoma, who told me that they were going to their state association with the letter.

EIR: That means that it will be taken before General Motors and Ford dealers, and everybody else?

Kelly: Right. This is a classic example. Why do we have to have these interest rates? They are so unnecessary.

Somewhere along the line the auto dealer is going to stand up. In Georgia, they said to me, "Walter, I think this is great, I am going to expose my entire association to it." There are 580 dealers in Georgia, and 200 of them will be at the convention's first business meeting.

Reagangate

Administration to lose its labor allies through IBT purge?

by Scott Thompson

On May 22, ten days before the convention at which Roy Williams is to be elected Teamster international president, the Justice Department rammed through an indictment of Williams based on flimsy evidence from its long-dead Pendorf ("Pension Fund-Dorfman") investigation. From the moment it became apparent that Williams would replace Teamster president Frank Fitzsimmons, he has become a target for witch-hunters in the press and Justice Department who fear he will revitalize the powerful Teamsters union, mobilizing its rank and file in the same aggressive manner as Jimmy Hoffa's in the 1960s.

The Williams indictment

The Williams indictment is not only intended to undermine this progress-oriented union, but also to cut ties between the White House and the Teamsters, the only major union that endorsed Ronald Reagan's presidency. The same people going after Williams have also launched "Reagangate," a media campaign to taint the President, members of his family, and cabinet officials with slanderous allegations of links to "organized crime."

Among the chief targets in "Reagangate" are Attorney General William French Smith, Secretary of Labor Raymond Donovan, Reagan's close adviser and friend Sen. Paul Laxalt (R-Nev.), and the President's elder son, Michael. Dropped shortly before the attempted assassination of Reagan, this campaign is now back in the news.

Orchestrating both Reagangate and the campaign to "get" Williams is the combination of corrupt holdovers from the Kennedy Justice Department and the liberal press—the shocktroops of the Socialist International in the United States—who are also running Abscam-Brilab to subvert constituency-based government. High-level

sources in Washington report that while the operation against Williams is being run by Mike DeFeo, the head of all Strike Forces west of the Mississippi, it is Walter Sheridan, former head of the infamous "Get Hoffa Squad," who is in overall charge of Reagangate and of new efforts to bust the Teamsters union. Sheridan, who ran a vendetta against Hoffa, bringing 30 indictments before gaining a single conviction, is now chief investigator for Sen. Edward Kennedy on the staff of the Senate Labor Committee.

The evidence?

The indictment of Williams is a political hoax. First, the evidence for Williams's bribery conspiracy indictment is precisely the same evidence that led a federal grand jury in Chicago last fall—despite heavy pressure from the Carter Justice Department—to refuse to indict Sen. Howard Cannon (D-Nev.). This evidence, in the form of wiretap transcripts, shows Roy Williams discussing a real-estate deal Cannon was interested in with Chicago insurance company executive Allen Dorfman. Despite Justice's allegations, there is not a shred of evidence to show this business deal was a bribe to Cannon for his vote against trucking deregulation.

Cannon had long been one of the most outspoken critics of deregulation, which he correctly believed would destroy the U.S. transportation system if enacted. In fact, the only change in Cannon's vote took place after the Justice Department virtually blackmailed him to drop his opposition to deregulation by selective leaks to the press from the wiretaps.

Second, to obtain the Williams indictment, the Justice Department virtually flooded the press—including NBC-TV, the *Chicago Tribune*, *Wall Street Journal*, *Washington Post*, and *New York Times*—with leaked confidential reports. The press in turn whipped up smears against the Teamster leader. Typical was the *Los Angeles Times*, which charged Williams with being "an organized crime mole" in labor's ranks.

Among the documents leaked was a confidential report entitled "Organized Crime and the Labor Movement," drafted by the former Chicago and Cleveland Strike Force attorneys, respectively, Peter Vaira and Douglas Roller. Vaira later ranked high on the list of suspected Abscam "leakees," while it was Roller who announced the indictment of Williams May 23 from his new post in Chicago. The Vaira-Roller report represents little more than a target list of traditional trade-union leaders.

Sheridan et al. not only draw upon a network of co-conspirators in the National Security Agency, FBI, and press; at the gutter level, the entire gamut of the radical left is being mobilized through Sheridan-linked elements at the Institute for Policy Studies. Among the recipients of the Vaira-Roller document is reported to

be the Socialist International-linked Teamsters for a Democratic Union, whose spokesman, Ken Paff, has admitted working with the Justice Department to "get" Williams. The TDU reprinted Justice Department documents on Williams in a 16-page memo it issued May 7 titled "Roy Williams' Bid for the Marble Palace: The View from the Rank & File," circulated broadly to the press.

Reagangate

In the weeks preceding Williams's indictment, key administration officials, friends, and family of President Reagan were hit from every direction to pressure them into sacrificing their labor constituency base.

Senator Laxalt and Attorney General William French Smith were smeared on WJRC radio in Washington, D.C. two weeks ago by Institute for Policy Studies fellow Dan Moldea, who accused both of ties to the "mob." Moldea and his friends at IPS also organized a May 28 forum on Reagan, Williams, and organized crime held at the Institute's Washington headquarters. Moldea is the author of *The Hoffa Wars*, a scurrilous attack upon the Teamster leadership, with the assistance of Sheridan and other Justice Department-linked sources.

One of the ugliest "Reagangate" operations has been an attempt to undermine the President by hounding his son. Last February the *Los Angeles Times* was "leaked" allegations from federal and local law enforcement sources that Michael Reagan was using his father's name to promote a gasohol development project.

After that charge was dropped for lack of evidence, a similar charge was made two weeks ago by *The Daily Oklahoman*, which obtained letters written by Michael Reagan in his capacity as vice-president for sales of the Dana Ingalls Profile Company to bid on government contracts. In one letter to the Tinker Air Force Base in Oklahoma City, Michael Reagan wrote, "I know that with my father's leadership at the White House this country's armed services are going to be rebuilt and strengthened. We at Dana Ingalls Profile want to be involved in that process."

The story was immediately picked up by the *Washington Post* and *New York Times*, which alleged "influence peddling" based upon Michael's substitution of "my father" for "President Reagan" in an otherwise standard patriotic statement. As the *Post* and *Times* are no doubt aware, the armed forces do not award contracts without checking an individual's background sufficiently to discover whether he is the son of the President.

J. Jackson Walter, head of the Office of Government Ethics in Washington, compared Michael's "dubious behavior" to that of Billy Carter, implying that negotiating a contract with the U.S. Air Force is morally

equivalent to cutting a backroom deal with Libyan terrorist Qaddafi on trips arranged by the Sicilian Mafia.

Secretary of Labor Donovan has also been a repeated target of Sheridan's henchmen in the Justice Department, the press, and "moles" in the Senate.

Catch-22

The point of these attacks is to create a Catch-22 situation for Labor Secretary Donovan that forces him to choose between his constitutionally mandated job of fostering U.S. labor, or risk slanderous attacks upon himself and former associates. Sheridan went after Donovan from the moment he was nominated.

According to one source close to Kennedy's Senate Labor Committee investigator, Sheridan "was the one who was responsible for holding up Donovan's confirmation . . . more or less singlehandedly. Sheridan was the one who's got the contacts in the FBI, he's the one who managed to talk to his buddies and find out that Schiavone [Donovan's New Jersey construction company] made payoffs in the first place."

The proof Sheridan offered at Donovan's confirmation hearings was the unsubstantiated word of such witnesses as Ralph "Little Ralphie" Picardo, whose trial on murder charges has been held up pending his testimony on Donovan and others. The FBI was ultimately forced to admit that it could not corroborate the testimony of Picardo, whom another defense witness called a "whacko" and "a pathological liar" in an earlier case, and that Picardo was unable to give even rudimentary verifiable details to back up his charges.

Since then the Senate Labor Committee has issued broad-ranging subpoenas of Labor Department records on health and pension funds of the Teamsters union, Laborers' union, Longshoremens, and Hotel and Restaurant Workers Union—each a favorite target of the Socialist International's "moles" in the Justice Department. Although Congressional committees have held at least three hearings on Labor Department oversight of the Teamster funds in the past two years, amidst great fanfare the Senate Labor Committee is now going over the same ground.

The motive for this new probe was spelled out by another long-time associate of Sheridan: "Donovan's cooperation or lack of cooperation will give a good barometer as to his general outlook. . . . If Donovan does not toe the line, there are other things that can come out.

"A witness gets a little antsy or cannot be corroborated. So, you put it back up on the back shelf and wait until things go round. In the whole Hoffa prosecution, there were all kinds of things like that."

Despite apparent capitulation by the Reagan administration on the Williams indictment, Donovan has so

far refused to "toe the line" and cooperate with the witch-hunters against labor. As a result, on the same day Williams was indicted, Brooklyn Strike Force attorney Thomas Puccio, a close associate of the Kennedy mafia and the Socialist International, announced the indictment of Teamster Local 282 business agent Harry Gross. It was Gross's friend whom Sheridan alleged had a "no show" job at Donovan's construction company as a "payoff" for "labor peace," despite the fact that the firm's contract with the IBT spelled out in black and white that a working foreman (like Gross's friend) had to be employed for each shift whether or not there was work.

As one source close to Sheridan explained, the Gross indictment "could start things up a little bit. . . . There are still press people digging around." Among them are Jack Newfield of the *Village Voice*, who worked with Puccio in earlier Kennedy campaigns, and the *Bergen County Record*, an habitual outlet for Sheridan-planted "leaks."

Another flank has been opened against both Donovan and Williams by the Senate Permanent Investigations Subcommittee, which worked its staff overtime to complete a report before the Teamster convention charging Williams with "organized crime" ties. This 40-page smear was, in fact, only part of a report on Labor Department handling of the Central States Pension Fund that has yet to be completed. Marty Steinberg, a former Buffalo Strike Force attorney who is now minority chief counsel at SPIS, immediately dispatched a copy of the report to Donovan's office with a cover letter from his boss, Sen. Sam Nunn (D-Ga.), demanding that the labor secretary hold administrative hearings on whether Williams could exercise proper fiduciary responsibility over the fund.

Nunn's office further demanded that if Williams refused to testify fully before the hearing, a federal court should be used to oust him from his post as Teamster president. What neither Steinberg nor other SPIS members told the press is that under law, the Department of Labor has no legal right to carry out such "star chamber" proceedings. Donovan is to be pilloried for noncompliance with an impossible request!

If Attorney General William French Smith, Secretary of Labor Donovan, and other administration officials are foolish enough to permit this war against the traditional labor movement, they will not only have destroyed the Reagan administration's constituency base, but they will also have opened the way for their own destruction at the hands of the same inquisitors. When trade unions like the Teamsters, who have repeatedly shown their commitment to progress and national security, are destroyed, labor will be represented by those affiliates of the Socialist International who have sworn to "Hooverize" Reagan.

House committee meets secretly on S&Ls

The House Banking Committee met in closed session with Federal Reserve Board Chairman Paul Volcker on May 27 to discuss the Federal Reserve's proposed legislative package to "bail out" failing savings and loan institutions.

According to committee chairman Fernand St. Germain (D-R.I.), the highly unusual private session was called so that committee members could engage in a "free give-and-take" with Volcker in this first session on the controversial legislation.

However, representatives of the smaller commercial banks and savings and loan institutions expressed concern over the closed session, fearing that St. Germain and Volcker may be trying for rapid approval of the legislation, which many of them oppose.

The most controversial aspect of the proposed legislation, still only in draft form, is the provision to allow the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC) to authorize interstate takeovers of failing S&Ls by commercial banks and bank holding companies. Opponents view this as a first step for banking deregulation and absorption of local institutions by the big money-center banks.

According to sources, most of the session with Volcker concentrated on defining criteria for FDIC and FSLIC intervention. Critics of the legislation noted that if such detailed discussion is going on behind closed doors, it means that St. Germain and Volcker are trying to iron out potential snags

prior to actual introduction of a bill. That way, they can ensure that the legislation does not get bogged down in a long struggle, as other banking legislation has in the past.

Water policy hearings announced

Senator James Abdnor (R-S.D.), chairman of the Senate Environment and Public Works Committee's Water Resources subcommittee, announced the convening of hearings on June 8 to develop a national water-resources policy. In announcing the hearings, Abdnor said, "These hearings will examine the key aspects of our national water resources policy. We expect that these hearings will establish a foundation that will enable the subcommittee to report, later this summer, the first significant water-resources bill since 1976."

The June 8 leadoff hearing will feature Interior Secretary James G. Watt and Assistant Army Secretary-designate Gianelli, who have been asked to discuss overall issues in water-resource development, in particular, the inability to establish national water-project priorities or to expedite already mandated projects. Watt and Gianelli can be expected to address the Domenici-Moynihan bill, which establishes a kind of "block grant" approach to states for water projects. Written by two prominent members of the subcommittee, the legislation has raised concern in the water-resources development community for several reasons, among them the inequality of the state allocation formula and the deleterious effect on project development of such decentralization.

June 12 and 16 hearings are expected to look at the administration's proposals for both port and inland waterway user charges. The so-called cost-saving proposal emanating from David Stockman's OMB would reverse a 200-year tradition of free transit on interstate waterways. Stockman originally proposed this policy as a young congressman on the Select Committee on Population. His argument was that unfettered internal improvements and free intercourse attract and "breed" unwanted population growth.

Change in nuclear export policy advocated

The chairman of the Senate Energy Committee, James McClure (R-Ida.), called for reform of the 1978 Nuclear Nonproliferation Act in a floor speech on May 21. In the extended remarks delivered in support of the nomination of James Malone as assistant secretary of state for oceans, international environment, and scientific affairs, McClure noted Malone's role in chairing the Nonproliferation Coordinating Committee of the Reagan transition team, and in proposing a redirection of U.S. policy away from the antinuclear and anti-export policies of the Carter administration.

McClure said, "It is crucial that the United States re-establish its leading role in the development of nuclear nonproliferation aims and standards, as well as its position of leadership as a reliable supplier of nuclear materials and technology. A critical element in that effort must be a significant reform of the Nuclear Nonproliferation Act of

1978. In the three years since the NNPA was passed, there have been significant events in the international nuclear scene that have demonstrated conclusively that a number of key assumptions underlying that act, and several of the critical provisions in the act, are fundamentally flawed."

McClure is reported to be deeply concerned about the fact that top echelons of the State Department are continuing the Carter administration's antidevelopment and antinuclear policies in relations with the rest of the world. His praise of Malone was counterpoint to that concern.

Senators call for 'war on violent crime'

A group of Democratic senators met with President Ronald Reagan on May 6 and presented him with a letter signed by 13 of them urging a national war on violent crime. Howell Heflin (D-Ala.) reported on the meeting on the Senate floor May 20, when he released the text of the letter.

The letter calls on President Reagan to support a package of anticrime legislation, introduced by various congressmen among the signees, including augmenting drug-enforcement efforts, stiffening penalties for violent crime, strengthening antiterrorist programs, increasing federal assistance to state and local governments, and increasing labor racketeering penalties.

Observers noted that the package did not represent any particularly coherent law enforcement strategy, but seemed to amount to a collection of the senators' legis-

lative initiatives. Senator Heflin's "National War on Violent Crime Act" appears to be a healthy attempt to restore some "no-strings-attached" federal law enforcement assistance to states and local entities.

But Sam Nunn's (D-Ga.) "Labor Racketeering Act" is viewed as providing a basis for a renewed witch-hunt directed at selected labor unions.

MHD program saved from cuts?

The Senate Appropriations Committee, in its budget reconciliation proposals made to the Senate, has recommended that the Reagan administration's proposed rescission of \$6 million for magnetohydrodynamics (MHD) research for fiscal year 1981 be converted into a deferral.

If approved by the entire Congress, the decision means that the MHD program will not be terminated this year, as the Reagan administration requested, although funds earmarked for expenditure this year will be deferred to 1982.

MHD, a method of producing electricity using fluidized coal, is nonpolluting compared to standard coal-fired power plants, is 60 percent more efficient than current electricity-generating technologies, and has applications to other industries as well, particularly the steel industry. As matters now stand, no decision will be made on MHD funding during the authorization and appropriations markups for the fiscal 1982 Department of Energy budget.

James Sasser (D-Tenn.), in a statement on the Senate floor, ap-

plauded the decision to defer as an indication that "the Congress does not fully support terminating this vital and important research." Noting that the administration argument for ending MHD funding rests on the ideological assumption that private industry should be paying for the research, Sasser said, "The only reason the federal government has been supporting this research in the first place is because private industry is not able to assume the entire research and development. MHD is a promising

"MHD is a promising energy alternative, but it is not ready to be commercialized."

Thurmond calls for stricter drug penalties

On May 21, 1981, Senate Judiciary Committee Chairman Strom Thurmond (R-S.C.) introduced S. 1246, a bill to amend Title 21 of the U.S. Code to increase the penalties for illegal trafficking in schedule I and II drugs from the current maximum of 15 years and \$25,000 fine to a minimum of 25 years and fine of \$100,000.

In remarks accompanying the introduction of the legislation, Thurmond noted that the Judiciary Committee had recommended these penalties last year during deliberations on the Criminal Code Reform Act, which never passed Congress. Thurmond added, "The war on drugs can be won, and we must start by putting in prison those who repeatedly beat the system because of low fine-levels and low sentences. My bill is directed at those hard-core drug traffickers. The toll of their illegal activities is too high to ignore."

National News

Atlantic Council want RDF

At a special press briefing May 22, Secretary of State Alexander Haig praised a recently released report by the Atlantic Council of Paris on NATO's "out of area" (outside the European theater) deployments. The report supports the State Department's Rapid Deployment Force policy, and was written by many of Haig's current subordinates.

A State Department spokesman said, "We want NATO to support the RDF," adding that the report hopes that NATO will become reoriented toward support operations in Third World conflict zones, particularly in view of crises caused by overpopulation and scarce resources.

The Atlantic Council report also supports Haig and Defense Secretary Weinberger's calls for Europe to upgrade logistical and reserve readiness to be able to fill gaps left by U.S. troops pulled out for the RDF.

The members of the Council's panel of experts included a heavy concentration of current Haig State Department employees: Richard Burt, political and military affairs chief; Eugene Rostow, arms control negotiator; Ann Hollick, head of policy assessment; and Bob McPharland, State Department counselor. Other panel members included AFL-CIO president Lane Kirkland and just-retired West Point commandant General Goodpaster, a former NATO commander.

Predict major outbreak of terrorism in U.S.

A newly reconstituted Puerto Rican and Chicano terrorist network may be gearing up for a new outbreak of terrorism in the U.S., according to *EIR's Investigative Leads*. *IL* says the outbreak would be touched off by a successful outcome

of the upcoming meeting between Mexican President López Portillo and U.S. President Reagan.

Included in the reactivated terrorist networks are the FALN support committees, now agitating around 11 jailed FALN members in Illinois who have been allegedly tortured and brainwashed while in prison; and the Hispanic Commission of the Episcopal Church in New York, which has gone "underground." In 1977, the commission was exposed as running FALN activities in New York. Police sources now report evidence that the Hispanic Commission was directing the recent wave of FALN bombings in New York.

Reports from the Southwest indicate that Chicano terrorist networks are preparing for a "Vietnam at the border" between the U.S. and Mexico, including the Arizona farmworkers, the Denver-based Crusade for Justice, and networks connected to Mario Cantu. Cantu is reported to have re-established the old 23rd of September League publication *Otro Por Que*. Police sources further report that ties have been established between these Chicano groups and the Puerto Rican groups.

Detroit fiscal crisis to lead to 'restructuring'

The city of Detroit will end the fiscal year on June 30 with a \$120 million deficit, and a projected deficit for next year of at least \$135 million. Facing a bankruptcy like New York City's six years ago, Detroit is being readied for the "Big MAC" treatment.

Mayor Coleman Young expects to be hit with a court order to begin putting money into city employees' pension funds, which the city has been unable to do for the last 15 months. Young is also planning to have city workers defer a contracted 6 percent wage increase, and to cut wages an additional 5-7 percent as well. Police are already down 35 percent from four years ago, and the number of sanitation workers has been cut two-thirds.

To offset the expected deficits, Young is hoping to pass a voter referendum to raise income taxes by \$100 million, without which a default is quite probable. If Detroit defaults, the state of Michigan will have its credit rating destroyed as well.

It is unlikely that voters will pass such a referendum, and as one inside source noted, a collapse of city services would mean that "the National Guard would be called out" to quell civil disorder.

But the UAW's Irving Bluestone, a leading member of the Socialist International, has a solution. He advocates wage-price controls and heavy defense spending for Michigan, with a large segment of the auto industry retooled to produce military hardware. According to Bluestone, Felix "Big MAC" Rohatyn's Reconstruction Finance Corporation is "the only way to go, it will make things like in Sweden." And the resulting austerity, he noted, can be blamed on the Reagan administration.

Reagan hails West Point leadership tradition

President Reagan bypassed Haig-style anti-Soviet bombast in his second speech since the March assassination attempt this week to 900 graduating West Point cadets in New York. Reagan emphasized, instead, his election mandate for reviving America's industrial and military leadership, although the national press ignored some of his best comments.

Reagan invoked the memory of West Point's great military city-builder, General Douglas MacArthur, and called West Point "the nation's principal source of professionally trained engineers." Six astronauts, two Presidents and several of the most important civil engineers in U.S. history have been West Point graduates, Reagan pointed out.

The President stressed the revival of America's national sense of purpose at the end of World War II when, he said, "we prevented what could have been a

retreat into the dark ages." Later, he said, "at Trophy Point, I am told, there are links of a great chain that was forged and stretched across the Hudson River to prevent the British fleet from penetrating further into the valley. Today you are that chain, holding back an evil force that would extinguish the light we've been tending for 6,000 years."

Justice gears up case against Williams

The Justice Department is proceeding with its case against Teamsters interim president Roy Williams, and has even enlisted United Autoworkers President Doug Fraser. Speaking before a group of labor reporters May 27 in Washington, Fraser called for Williams to resign from his post until he has been acquitted.

Meanwhile, Doug Roller, special attorney in charge of the Chicago Organized Crime Strike Force, announced that he is sending the evidence used to indict Williams to the Senate Ethics Committee for review. The committee has announced hearings for this week that will focus on Nevada Sen. Howard Cannon, a target of the Pendorf investigation along with Williams. Cannon, along with the Teamsters, has opposed trucking deregulation.

Sources close to the Williams case have indicated that since the conspiracy charges are very weak, it is necessary to go after Cannon in order to strengthen the case against Williams. The Justice Department had already sent Cannon a letter saying they were not going to indict him. Hence, the Senate Ethics Committee hearings are needed to get up a case.

Also furthering the climate of Abscam/Brilab hysteria, the Senate Permanent Investigations Subcommittee has just sent out of committee a bill to automatically force the resignation of any indicted union official from office before the official is convicted of any felony. This would supersede the law requiring resignation only after all ap-

peals had been exhausted.

Finally, two new Brilab cases in Houston have been announced, with Justice indictments of six union leaders.

Administration committed to a 'war on drugs'

Attorney General William French Smith, in a speech May 27 before the Fraternal Order of Police (FOP) in Washington, reaffirmed the Reagan administration's commitment to wage an effective war on drugs. Smith noted that the U.S. is in the grips of a crime "epidemic" with the \$78 billion a year traffic in illegal drugs a major cause.

"Law enforcement and national defense are the two most basic reasons for the existence of government. . . . The Department of Justice and the entire administration will give a new and overdue emphasis to our domestic defense," Smith told the FOP.

The attorney general stated, "During the last four years, drug enforcement was simply not a priority of the previous administration. . . . In this administration, the enforcement of the law and in particular controlling the trafficking in narcotics will be a major concern."

Smith said there will be three main emphases to this antidrug offensive: international cooperation, border interdiction, and domestic enforcement. The attorney general's speech before the FOP backs up the recent initiatives made by presidential counselor Edwin Meese, who in recent weeks has begun to stress the importance of cracking down on the narcotics problem in the U.S., including attacks on the ACLU for defending drug traffickers.

In addition to bills introduced recently by Senators Thurmond and Helms to stiffen criminal penalties for federal drug offenses, the administration is reported to be pressuring the Jamaican and Colombian governments to adopt the "Mexican model" as an effective means of combatting drugs, including interdiction and spraying of marijuana and poppy fields.

Briefly

● **ENERGY** Secretary James Edwards has denounced the "liberal media" for helping to destroy the nation, in a speech May 27 before the Columbia, S.C. Chamber of Commerce. Edwards singled out the *New York Times* and *Washington Post*, "and the rest of the press just picks that up, instead of doing their own work. They believe in the Ted Kennedys and Tip O'Neills. They are the ones who got America in the shape it is today."

● **JOHN MCCARRELL**, chairman of the Pittsburgh to Cleveland Committee, is seeking to promote the building of a waterway to connect the two cities to start an "industrial renaissance in the area." The proposed canal is an idea that dates to the time of George Washington. Enabling legislation has recently been introduced by Pennsylvania Sen. Edward Zemprelli and Rep. Joseph Kolter. At a press conference May 27, McCarrell, accompanied by UMW official Sam Neff and Pittsburgh building trades official Nick Steponovich, said "Some people will come up with a snail darter or a clam to protect and put them on the endangered species list. Well, the steelworkers are already on this and we have a plan here to protect them."

● **DAVID BROWER** of Friends of the Earth, a former director of the very moral environmentalist group the Sierra Club, was terminated by the Sierra Club in 1968 after he was charged with unlawfully attempting to divert Sierra Club funds into his own pockets, *EIR* has learned.

● **WALTER MONDALE** met with French Socialist leaders this week in Paris, according to the French magazine, *Le Point*.

For the birds

Audubon's energy plan uses the projected collapse of energy demand as self-fulfilling prophecy.

That aristocratic enclave of bird watchers known as the Audubon Society has just made its bid as an authority on energy and economic growth with publication of "The Audubon Energy Plan." It is worth reviewing because of who is involved and the fallacies it disguises with scientific rhetoric.

The report's conclusions, briefly stated, are that we should plan for zero energy growth for the United States by the year 2000. With pedantic detail, Audubon cites study after study, from the Princeton Center for Energy and Environmental Studies to the Carnegie-Mellon Institute, to the Department of Energy's Solar Energy Research Institute, and Harvard University. This group has even come up with a definition of their hokum: "The Least Cost Energy Strategy."

Using British Thermal Units (BTUs) as a measure of energy consumption, the Audubon people project as the most desirable goal a domestic consumption of 80 quads per year (quadrillion BTU). One quad is roughly the energy consumed by a city of 3 million people, or 500,000 barrels of oil daily for one year. In 1980, a year of deep economic recession, we consumed exactly this: 80 quads.

Reading on through the Audubon study, if the world's most advanced industrial nations agree to stop energy growth over the next two decades, and invest some \$700 billion in energy conservation, we

are promised, "the goods and services of a traditional 122 quad economy will be achieved with an expenditure of only 80 quads."

Of course, there *will* be some who will object to a freeze and phaseout of advanced nuclear technology in favor of a reversion to 16th-century woodburning and windmills. They admit that to attain their goal of economic stagnation for 20 years (something no society in recorded history has ever done and survived), they will have to produce 25 percent of the total energy by deforestation (termed "biomass") and dropping about 50,000 wind turbines across the Western plains states.

"The Audubon Plan will require," we are told, "massive investment in equipment and processes that use energy more efficiently and in solar energy over the next 20 years." But somehow, a \$700 billion investment in inefficient wood, wind, and solar generation is deemed preferable to spending the same money to build an additional 700 nuclear reactors.

The Audubon study was headed by Nixon's former Council on Environmental Quality chairman, Russell Peterson, Carter administration former Assistant Secretary of Agriculture environmentalist honcho M. Ruppert Cutler, and Jan Beyea, an anti-energy ideologue who came out of the Princeton cesspool.

The Audubon planners quietly circumscribe and hermeticize the

U.S. economy, eliminating exports of American technology and capital goods needed to industrialize and modernize the developing world. The last economy of a large industrial nation to try sustained hermetic economic existence—autarky—was Germany in 1933. Within six years Panzer divisions rolled into Poland, France, and Scandinavia.

The problem is that top levels of the electric utility industry have become confused and more than slightly demoralized with study after study coming from the likes of Amory Lovins, SERI, DOE, Audubon, Princeton, Harvard, Carnegie-Mellon and anyone else who hustled a government grant. As a result, they have accepted as valid vastly lower "demand growth" projections. These numbers have been used by utilities to halt all power plant construction plans.

According to a recent GAO report, in the 1974-1978 period, 184 electric generating plants, including 80 nuclear and 84 coal-fired plants have been canceled. Seven additional nuclear plants were canceled in 1979 and eight more as of September 1980 with not one new reactor ordered since 1978. To date, the Reagan administration has done nothing fundamental to reverse this. So long as we are hostage to the usury of the current Federal Reserve's 20 percent-plus interest rates, the situation will converge on the Audubon goal.

By then, it may be too late to realize that reports such as Audubon's are nothing but statements of certain top policy strategists who have decided that the United States and therefore the rest of the world will have a permanent and accelerating economic depression.