

# EIR

Executive Intelligence Review

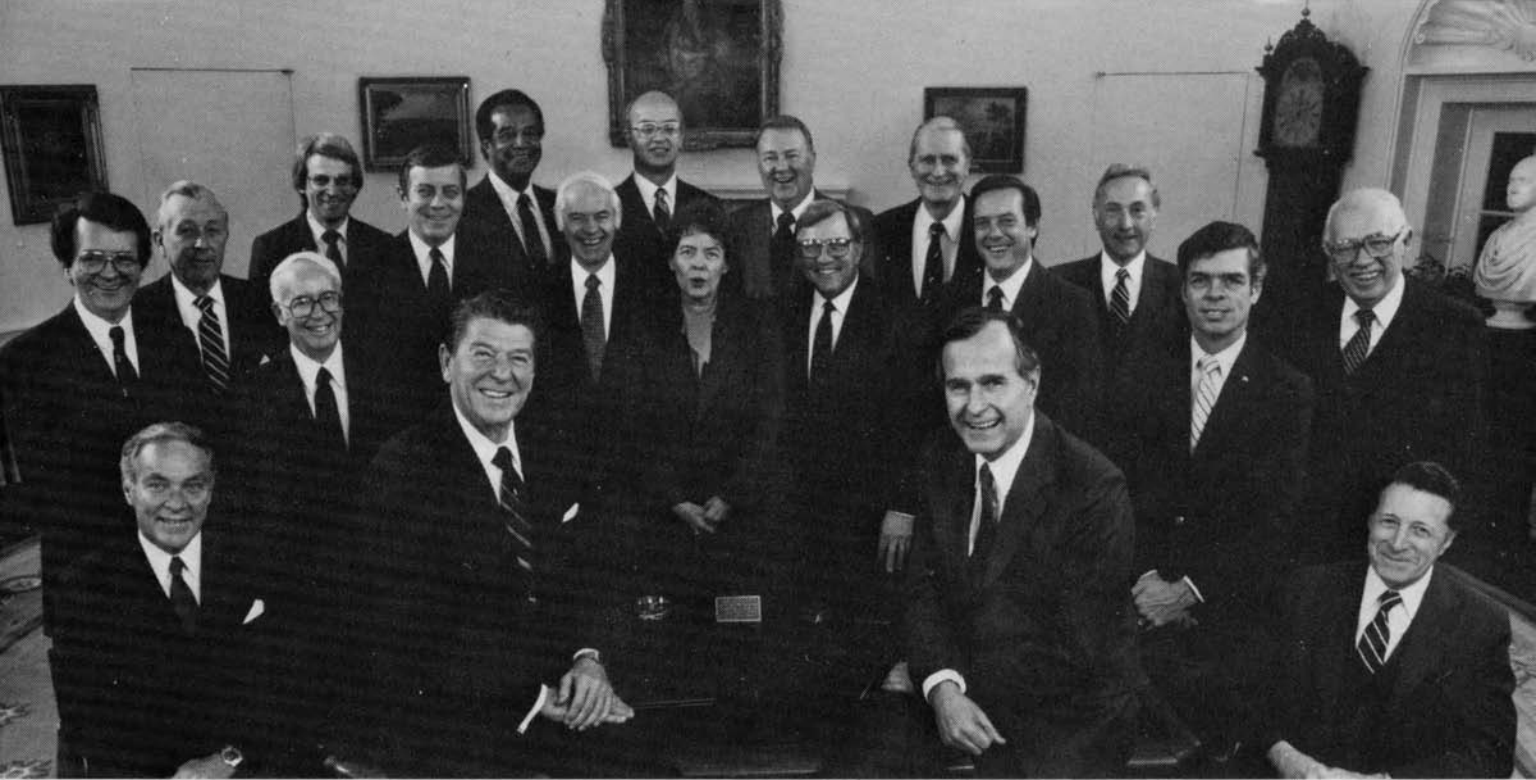
August 4, 1981

\$10.00

Mexico charges international plot against peso  
The Trilateral Commission's end to democracy  
Why Reagan tolerates Israel's rampages

**U.S. defense policy:  
back to Schlesinger's aura of power**





## Who's Who in the Reagan Administration— Don't You Need to Know?

If you do, then you need the Executive Branch Research Service. Recently inaugurated by the Executive Intelligence Review, the EBRS provides a continuous flow of information on the policies and personalities of Cabinet departments and sub-Cabinet federal agencies.

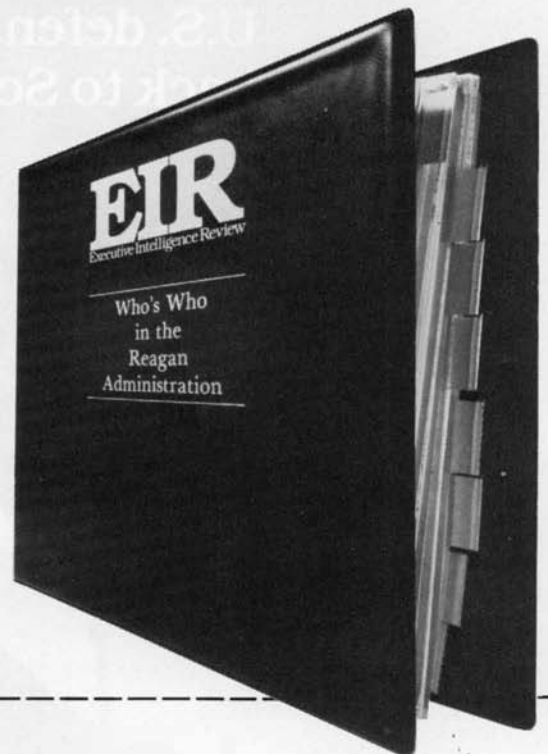
Includes:

- 500-page Who's Who in the Reagan Administration
- Regular updates of this report
- Telephone access to the EIR research center

With enormous policy changes planned in Washington, you cannot afford to be without this service.

We sell intelligence **EIR**

And, for weekly international and national intelligence, subscribe to the Executive Intelligence Review journal.



Executive Branch Research Service \$1000

3-Month Introductory EIR subscription \$65

1 Year EIR subscription \$396

For more information

Charge my subscription to:

Visa  Mastercharge Card No. \_\_\_\_\_

Interbank # \_\_\_\_\_ Expiration Date \_\_\_\_\_

Make checks payable to: Executive Intelligence Review, Dept. M,  
304 W. 58th Street, 5th Floor, New York, New York 10019

Name \_\_\_\_\_

Title \_\_\_\_\_ Company/Org. \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone (\_\_\_\_) \_\_\_\_\_  
area code

Founder and Contributing Editor:  
*Lyndon H. LaRouche, Jr.*  
Editor-in-chief: *Criton Zoakos*  
Editor: *Robyn Quijano*  
Managing Editor: *Susan Johnson*  
Art Director: *Martha Zoller*  
Circulation Manager: *Pamela Seawell*  
Contributing Editors: *Uwe Parpart,*  
*Christopher White, Nancy Spannaus*  
Special Services: *Peter Ennis*

**INTELLIGENCE DIRECTORS:**

Africa: *Douglas DeGroot*  
Agriculture: *Susan B. Cohen,*  
*Robert Ruschman*  
Asia: *Daniel Sneider*  
Counterintelligence: *Jeffrey Steinberg*  
Economics: *David Goldman*  
European Economics: *Laurent*  
*Murawiec*  
Energy: *William Engdahl*  
Europe: *Vivian Zoakos*  
Latin America: *Dennis Small*  
Law: *Edward Spannaus*  
Middle East: *Robert Dreyfuss*  
Military Strategy: *Susan Welsh*  
Science and Technology:  
*Marsha Freeman*  
Soviet Sector: *Rachel Douglas*  
United States: *Konstantin George*

**INTERNATIONAL BUREAUS:**

Bogota: *Carlos Cota Meza*  
Bonn: *George Gregory,*  
*Rainer Apel*  
Chicago: *Paul Greenberg*  
Copenhagen: *Vincent Robson*  
Houston: *Timothy Richardson*  
Los Angeles: *Theodore Andromidas*  
Mexico City: *Josefina*  
Milan: *Muriel Mirak*  
Montreney: *M. Luisa Gómez del*  
*Campo*  
New Delhi: *Paul Zykojsky*  
Paris: *Katherine Kanter,*  
*Sophie Tanapura*  
Rome: *Leonardo Servadio*  
Stockholm: *Clifford Gaddy*  
United Nations: *Nancy Coker*  
Washington D.C.: *Richard Cohen,*  
*Laura Chasen, Susan Kokinda*  
Wiesbaden: *Philip Golub,*  
*Mary Brannan, Thierry Le Marc,*  
*Barbara Spahn*

Executive Intelligence Review  
(ISSN 0273-6314) is published weekly by  
New Solidarity International Press Service  
304 W. 58th Street, New York, N. Y. 10019.  
In Europe: Executive Intelligence Review,  
Nachrichten Agentur GmbH,  
Postfach 1966, D. 6200 Wiesbaden  
Executive Directors: Anno Hellenbroich,  
Michael Liebig

Copyright © 1980 New Solidarity  
International Press Service  
All rights reserved. Reproduction in whole or  
in part without permission strictly prohibited.  
Second-class postage paid at New York,  
New York and at additional mailing offices.  
Subscription by mail for the U.S.:  
3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10  
Academic library rate: \$245 per year

# EIR

## From the Editor

**T**he world is in a countdown to strategic disaster. The danger involves an insane military posture being broadcast by the U.S. Defense Department and an economic policy designed to provoke financial collapse and leave much of the U.S. industrial capacity in rubble over the coming period.

We zero in on two key events of the last week which demonstrate how economic and military brinkmanship is being practiced by forces within the Reagan administration: the Defense Department leaks that signaled a return to Schlesinger's "aura-of-power" first-strike limited nuclear warfare doctrine, and Reagan's personal capitulation to one-worldist and Malthusian policies at the Ottawa summit.

EIR founder Lyndon LaRouche and Editor-in-Chief Criton Zoakos define the crucial issue of the strategic dilemma in our Special Report. We conclude that U.S. military inferiority to the Soviets will increase if the Trilateral Commission and the forces that dominated the Ottawa summit have their way. The "one-worldists" consolidated power there as the central banks of the major Western industrial nations were given the authorization to override their national governments on behalf of depression-inducing policies dictated by the Bank for International Settlements, the International Monetary Fund, and the Organization for Economic Cooperation and Development.

And all the heads of state made an official expression of "deep concern about the implications of world population growth," a Malthusian formulation that backs the essential premises of Carter's genocidal *Global 2000 Report*.

I'd also like to point out a special feature that leads our National Section. We excerpt from a National Democratic Policy Committee document by LaRouche which warns of the continuing threat against President Reagan by the Trilateral Commission. He details exactly what the Trilateral Commission is out to achieve, and shows why Reagan still potentially stands in the way of their goals.



Menend

# EIR Contents

## Departments

### 7 Interview

Norman Ture muses about an industrial recovery under Reagan.

### 14 Science & Technology

New lobbying push for MHD program.

### 48 Middle East Report

Sir Harold Beeley's U.S. tour.

### 49 Dateline Mexico

Tension at U.S.-Mexico business meeting.

### 60 Congressional Closeup

### 64 Energy Insider

A not-so-strange dispute.

## Economics

### 4 Group of Seven hands over policy to the central banks

At Ottawa, Western governments abandoned their economic sovereignty to the BIS, IMF, and OECD, who are as incompetent in the event of crisis as they are malevolent.

### 9 Domestic Credit

Tracking the money supply.

### 10 International Credit

Central banks send out alarm signals.

### 11 Gold

Those who know, accumulate.

### 12 Agriculture

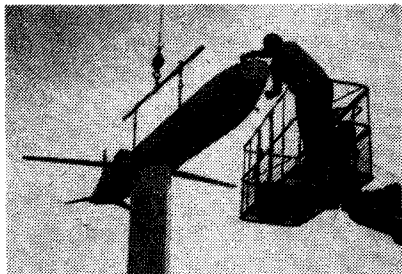
U.S.-Soviet farm trade at standstill.

### 13 World Trade

### 15 Currency Rates

### 16 Business Briefs

## Special Report



The Boeing-built cruise missile which, if stationed in Europe, guarantees Soviet counter-measures.

### 18 U.S. defense policy: back to Schlesinger's aura of power

The Weinberger 'secret guidance' amounts to the old doctrines of limited nuclear war—plus a growing tendency toward first-strike bluff, writes Criton Zoakos.

**Documentation:** Soviet military statements.

### 22 Free naval policy from geopolitics

Sea power illustrates the principles of logistics, personnel, and strategic preparedness elaborated almost 200 years ago and scrapped by the U.S. in the McNamara era.

### 27 Has the Pentagon been brainwashed?

How the 'Delphic' technique has been used to convince the Joint Chiefs and NSC that the U.S.S.R. will confine itself to playing games.

## International

### 30 Who lost at the summit: Schmidt. . . and Reagan

### 32 Will Washington finally halt Israel's war rampage in Lebanon?

### 33 New Arab moves toward Moscow

Propelled by Washington.

**Documentation:** Two Jordanian statements.

### 36 López Portillo charges international conspiracy against Mexican peso

**Documentation:** The accusations, and the New York financial press.

### 40 The scenario for a new 'Cristero revolt'

A second flank.

**Documentation:** Statements by the *Wall Street Journal* and Father Theodore Hesburgh's aide.

### 42 The Italian P-2 Socialists launch a counteroffensive against the judiciary

### 43 Mitterrand clinches national socialism

### 47 DOS backs Peking's Cambodia plan

### 50 International Intelligence

## National

### 52 The Trilateral Commission's rapid end to democracy

Demystifying exactly what kind of "one world" the Trilaterals believe in, and how they intend to achieve it.

### 55 Leftists try coup in California party

"Would-be Robespierre" Democrats and Warren Hamerman's commentary on their political vulnerabilities.

### 56 Winpisinger on the Jacobin gameplan

The machinists' union chief, a social-democratic spokesman, discusses mass insurgency, defense cuts, and avoidance of the Volcker issue.

### 58 Growth plan could revive a crucial industrial belt

The Pittsburgh-Cleveland waterway project and its implications for transport and heavy industry.

### 62 National News

## Group of Seven hands over policy to the central banks

by David Goldman

Exactly those issues which the Ottawa summit should have resolved were taken in hand by the central banks of the summit countries before the final communiqué was distributed, to such an extent that the events at Montebello lodge *distracted* world attention from the real exercise of economic power in the West. The American, West German, and Italian central banks instituted *qualitatively new* measures which further tie the arms of elected governments, and open a direct path to the worst-case economic scenario the summit was to have avoided.

West German Chancellor Helmut Schmidt, with characteristic bluntness, was the only world leader to tell the press the important story: that the governments would have to step back from the markets, reducing their outlays, "in order to give the central banks more maneuvering room."

Apart from this, the noteworthy developments came from Washington, Frankfurt, and Rome.

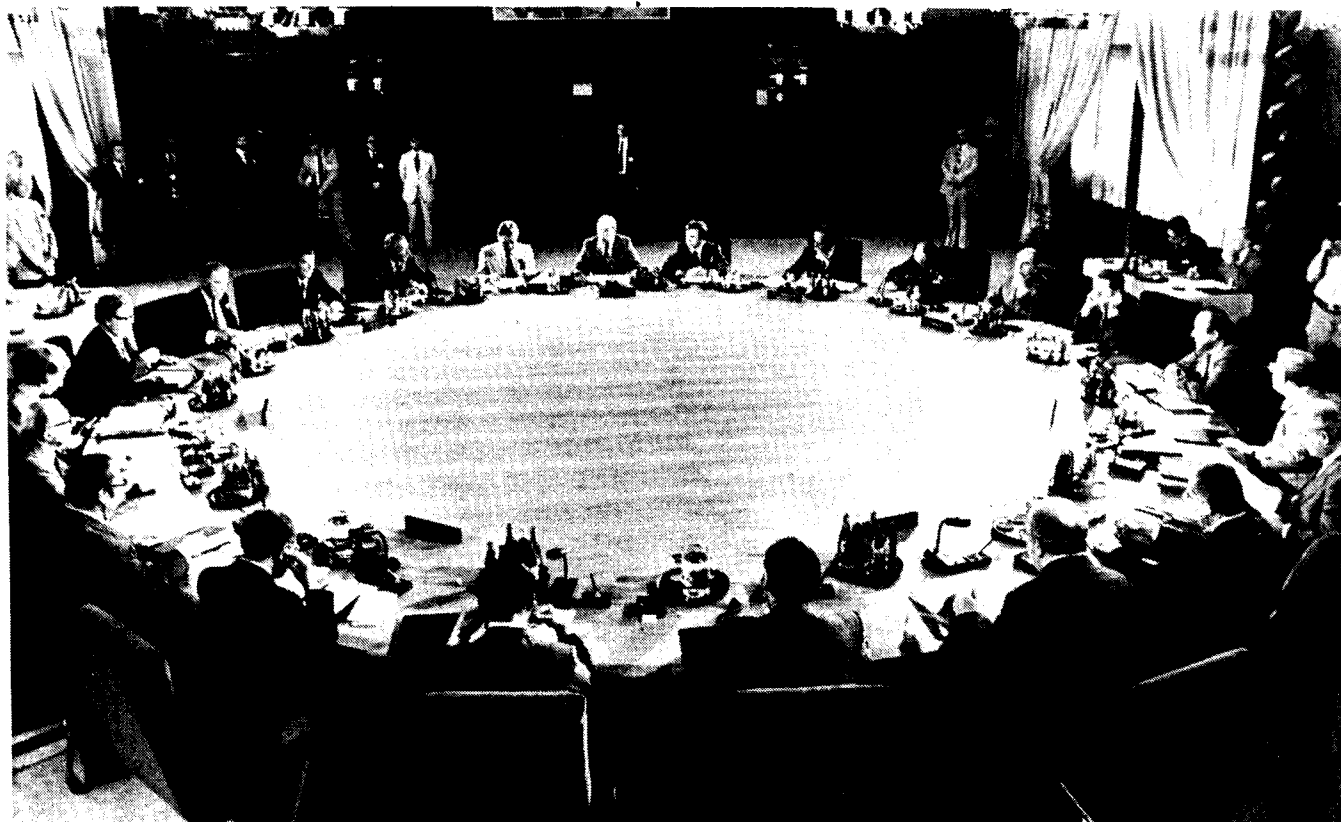
That American interest rates moved upward toward *possible new record levels* at the same moment that the economy was perceived to have fallen into recession should have been the big financial story of the year, at least by the standards of the American financial press. This conjuncture overthrows the banal game of perceptions that projected a fall in interest-rate levels once economic activity "cooled off," that is, a repeat of the events of the second quarter of 1980. Now the "expecta-

tions" of interest-rate declines have evaporated—witness the miserable performance of the stock and bond markets—as rapidly as "expectations" of economic recovery or even benign stagnation. The fall in real final sales during the second quarter combined with heavy, involuntary inventory accumulation means that an even steeper fall is preprogrammed for the third quarter (see Domestic Credit).

Despite admissions from a variety of established financial pundits that continued high interest rates will bring about major bankruptcies by the end of the year, Federal Reserve Chairman Paul Volcker informed the House Banking Committee July 21 that the Federal Reserve will not only stick to its present course setting, but reduce by another half-percentage point its monetary growth targets for the last quarter of 1981 through the last quarter of 1982. Federal funds, the most important indicator of short-term interest rates, were trading solidly above 20 percent as of July 23, or about two percentage points higher than the mid-July levels.

### The S&L question

By this action, Volcker has thrown the United States into an unpredictable period of crisis. Real trouble will emerge by the end of the third quarter, as Federal Home Loan Bank Board Chairman Richard Pratt indicated in a July 16 request to the Federal Reserve for an



*The heads of state gather at Montebello, Quebec.*

open discount window for the savings and loan associations.

Pratt estimates their cash needs, assuming continued high interest rates, at between \$45 and \$50 billion, while Commerce Department Deputy Secretary Joseph Wright, a former Citibank executive, spoke earlier the same week of a \$75 to \$80 billion "bailout." Volcker's first choice, like Joseph Wright's, would be to open the S&Ls to interstate and interindustry takeovers, i.e., buyouts by the commercial banks, in the manner of Chase Manhattan's \$125 million "option to buy" the near-defunct Equibank of Pittsburgh, should banking regulations change to permit this.

Short of such takeovers, Federal Reserve officials report, Volcker has already told the Federal Home Loan Bank Board (FHLBB) that the discount window will, in fact, be open to the S&Ls, which opens the way to a monetary inflation such as the United States has never seen.

It is futile to attempt to guess what the Federal Reserve chairman will actually do. People to whom he looks for advice, like the "Group of 30" (the organization chaired by former IMF Managing Director Johannes Witteveen), have been debating the manageability of a classical credit squeeze for more than a year without reaching a conclusion. Better put, the individuals responsible for the irresponsible policies of the Federal

Reserve and other central banks do not have the qualities of judgment required to manage a crisis of the magnitude that Volcker has set in motion, or they never would have advocated the actions that brought us this far.

Concludes Princeton University economist Peter Kenen, chairman of the Group of 30's academic panel, "Someone's going to have to print a lot of money."

### **Bank of Italy moves**

In Europe, the Italian central bank took actions considerably more gruesome than anything the Fed has yet attempted. Starting July 20, the Bank of Italy shut its discount window to Treasury paper, which undermines the basic operations of the Italian banking system. Bank loans already cost an effective 30 percent. Now the banks' own cost of funds is certain to rise sharply, because their only recourse for refinancing is to sell their holdings of Treasury bills on the open market, instead of to the central bank.

The Bank of Italy's maneuver came a week after the Italian stock exchange underwent a "Black Thursday" type of crash, and the first government-directed closure of the stock exchange since 1917. With the accession of the first non-Christian Democratic government in Italy since the World War II under Prime Minister Giovanni Spadolini, the central bank's action demonstrates what

a new and ugly set of rules of the game are in force.

Meanwhile, the first action of the Spadolini government will apparently be to cut the rate of Italian government spending back to its target range of slightly over \$31 billion per year, after monthly averages this year ranged upward toward \$42 billion, which implies a staggering cut in social services and support for municipalities beyond anything that U.S. Budget Director David Stockman has imagined.

Finally, Spadolini has scheduled negotiations with the employers and the trade unions for the purpose of dealing with what the government calls "the second central problem in fighting inflation, the reduction of labor costs."

### Pressing an incomes policy

A reduction in labor costs is also the subject of the recent pronouncements of the West German Bundesbank. Its central council attacked the results of the most recent round of wage negotiations, "which endanger price stability," as well as "the unexpected expansionary effects of the public budgets." These remarks, whose political weight is evident from Chancellor Schmidt's aggrieved statement after the Ottawa meetings, came in the context of an announcement that the Bundesbank would steer its monetary course toward the extreme lower limit of its targets for money-supply expansion.

A handful of commentators hope that a more straightforward approach toward the suppression of incomes (through reduced wages and transfer payments) might take the edge off the crisis which the central banks have unleashed.

In the back of the central bankers' minds, there appears to be a witting intent to force a crisis to achieve precisely this result. In its annual *World Economic Outlook*, dated July 19, the International Monetary Fund has the following to say:

Another aspect of the solution lies in the use of incomes policy to support, or complement, sound fiscal and monetary policies. Incomes policy is now frequently identified with the setting of wages and prices through controls or other administrative means, often without a supporting program of restraint on aggregate demand. Several experiences along these lines in the mid-1970s failed, bringing incomes policy into a certain disrepute. There are, however, more flexible forms of incomes policy—varying among countries according to their political and social environment—that may contribute to the fight against stagflation. In a few European countries, for example, the authorities have been directly involved with industry and labor in a process of negotiation in which efforts are made to relate the growth of real wages

to the average economy-wide gain in productivity.

Although a few pundits, e.g. the editors of the *New York Times* in a July 19 editorial, seem to believe that this sort of game will avert an interest rate-induced credit crisis, the appropriate reference for "incomes policy" of this sort is the Thatcher disaster in Great Britain. The most important economic action of the government following last month's rioting in major cities was to announce a cut in unemployment benefits for laid-off workers to \$71 per week from over \$100 per week, effective Jan. 1, 1982.

No such action has been taken by any British government since William Pitt the Younger commissioned Malthus's *Essay on Population* in 1798 as a justification for eliminating poor relief.

Thatcher, of course, wants to save about \$600 million in a budget that has grown by 50 percent over the Treasury's projections, due to loss of revenues and higher unemployment payments. Unemployment has doubled in Great Britain since Thatcher took office to 3 million, or 11.8 percent of the workforce. The magnitudes of income reductions required in Great Britain now, and other countries subject to a monetarist regime momentarily, is past what could merge from the type of negotiations the International Monetary Fund alludes to. Those who propose to take the edge off the crisis through officially sponsored reduction of incomes are in fact proposing to force such income reductions by springing a crisis.

### Crisis of competence

No one is more aware than the central banks themselves of the unpredictability of the consequences of their actions. A source close to the New York Federal Reserve Bank's top management says, "At the Board of Governors in Washington, the staff are fighting the last war—they know what to do if there's another Herstatt [the West German bank that folded in July 1974] but not how to handle what's coming up. At the New York Fed bank the staff is a lot smarter—and they're just sitting there chewing their fingernails."

Below we discuss in more detail the lacunae in the crisis-management procedures of the central banks (see International Credit). What is especially telling, however, about the confidence with which the managers of the present international monetary system are entering a period of crisis is reported by *EIR's* gold columnist, Montresor, in this issue. The statistical evidence demonstrates overwhelmingly that old European money is hoarding as much gold as it can get hold of, to the extent of shaking out the gold hoards of the developing sector for reimport and melting down into bullion in Europe. The supposed crisis managers have already voted "no confidence" with their own money.



# Norman Ture muses about an industrial recovery under Reagan

*Dr. Norman Ture, interviewed below by EIR's Stanley Ezrol on July 6, is the Treasury Department's Undersecretary for Tax Policy. A disciple of Milton Friedman, he prides himself on being one of the most eloquent spokesmen for "supply-side" economics in the Reagan administration.*

*In his first speech as a Treasury official, at the Feb. 26-29 National Governors Conference, he proposed a policy of steering tax benefits, and thus capital, away from "older plants located in the steel, auto, and rubber" sectors, toward "newer" industrial sectors. In the interview excerpted here, he expresses a different emphasis. This may reflect the outrage engendered among industrial-belt spokesmen by his earlier remarks.*

**Q:** Could you start by giving us your view of how the tax policy supported by the administration will lead to economic recovery?

**Ture:** The economy has been suffering from a combination of bad economic policies, primarily those that preceded the current alignment, and it's going to take a considerable change in structure of public policy, not for the economy to recover in the usual cyclical sense, but to recover its sense of direction, vigor, forward thrust.

The question now is, "What's the tax program got to do with this?" Our perception is that a substantial part of the explanation for the deteriorating state of the economy is to be found in the tax system that was really biased to begin with and becomes more biased with every passing year, against savings and investment, against work, against the kinds of activity that promote advances in productivity, risk-taking, innovation, and so forth: the kinds of activity upon which economic progress rests.

The descriptors of that would be found in higher rates of increase of real output, positive and significant changes in productivity, significant gains in real wage rates, significant gains in employment. We would see much larger additions to the inventories of new products, new production processes. Probably the most difficult thing, but perhaps the most important, is what all of us

would have: we'd see a lot of zest.

**Q:** Do you see any change in the profile of American industry?

**Ture:** The administration's economic program is focused on the long run. It's not a short-run, fine-tuning program, so it's appropriate to ask what's going to happen to the complexion of industry. With that in mind, I think what we aspire to, and expect to realize, is some reversal of the deindustrialization of the U.S. economy that has been going on for the last decade or longer.

We expect to see that a larger fraction of employment will be in manufacturing and goods-producing industries, and, without specifying particular types of activity, we expect to see, by virtue of more rapid productivity advances, a redrawing back into manufacturing employment. We expect to see an increase in R&D activity and technological activity flowing therefrom, and that's the most difficult thing for anybody to predict. . . . But I think you ought to expect a lot more impetus for industrial expansion geared to new products, new industries.

**Q:** So you think this trend toward a service-oriented economy should be reversed?

**Ture:** I don't offer that as a normative judgment. I simply say that when you observe bad policy, and inflation as the prime mover in that direction, you can't applaud it. You can't even take a neutral attitude.

**Q:** It has been argued that a combination of a tight monetary policy and an across-the-board tax cut will tend to benefit those industries which have been doing well and will tend not to benefit those industries which have not been doing well.

**Ture:** Well, what you've got to look at is one of the leading industries in this country, which is not doing well: the thrift industry. The thrift industry will benefit enormously from the results of the tight-money policy. The results of a tight-money policy will be a substantial decline in the yield structure, the level of interest. They



*Dr. Norman Ture*

will benefit substantially less, obviously, from the tax reductions and revisions that we have proposed, insofar as they tend to alter the flow of savings away from strictly financial into real-capital formation. Concomitant with this should be a revival of the housing industry which has been in considerable straits. I don't think that characterization of the outcome of the policies is accurate. All industries will benefit from the reduction of interest rates, which is the natural outcome of a tight-money policy. And the economy as a whole will benefit from the tax relief. I'm sure not everybody will benefit equally. It's very difficult to pick out those who will benefit more than others. I think that small businesses are going to be among the principal beneficiaries of the tax cut.

We have had it drummed into our heads for years past, and it's the most mischievous sort of thing that one can envision that the benefits from this, that, or the other kind of fiscal program are to be found in the changes in liabilities, or the changes in advantages that come floating into your pocket. Well, I think that's as wrong as you can be. The ultimate benefits from any kind of tax revision are to be found as a result of changes in the level or composition of economic activity that result therefrom.

The fact that a loss company will not have a reduction in its taxes, doesn't mean that that company will not benefit enormously from the tax program if, as a result of that tax program, that loss company finds that it has a bigger market, has a more productive market, than it had before.

It's very difficult to use the tax system to provide relief for people who are not paying taxes. Very difficult. If you're not on the tax rolls it's very difficult to use the tax system to help you.

**Q:** Some critics of a tax cut at this time claim that it

might counter some of the efforts that have been made in other areas to limit the growth of the monetary supply.

**Ture:** Well, the administration can't do anything about the money supply. It's a matter over which the Federal Reserve has jurisdiction and control. All the administration can do is consult with, urge upon, offer aid and succor to the Fed in pursuit of slow steady growth in the monetary aggregates.

You can have a slow steady growth in the monetary aggregates with the tax cuts. You can have a slow, steady growth in the monetary aggregates without the tax cuts. There simply is not any necessary connection.

**Q:** What do you see as the time frame in which the economic policies of the Reagan administration will bring about a regime of low interest rates, below 10 percent, let's say?

**Ture:** I think interest rates will decline and decline substantially and swiftly when participants in our financial markets are convinced that inflation rates will decline. Participants in our financial markets will be convinced of that when, in turn, they are convinced that the monetary authorities will hold firmly to a policy of slow and steady growth in the size of the monetary aggregates.

**Q:** You're saying that there's nothing the administration can directly do?

**Ture:** I think that an independent monetary authority will continue the policy it seems to have been pursuing over the last several weeks, because if they do that, sooner or later, we've got inflation under control. But I think that one has to be more or less continually concerned about locating more and more authority in the federal government, particularly in the executive branch. And I think it's clear that one of the major thrusts of this administration is to reduce that authority, not to augment it.

**Q:** There are two terms which have been used a lot lately to describe economic theories: monetarism and supply-side. Both of them seem to have merged in this administration.

**Ture:** Well, they're not at odds. They're both derived from the same neoclassical set of propositions. Supply-side says that instead of examining fiscal changes or any other kinds of public policy changes, for that matter, in terms of what it does to people's disposable income, the appropriate way to look at it is in terms of what it does to the relative cost that's involved, because that's the way public policy can affect the nation. A tax cut, for example, doesn't in and of itself increase anybody's income. It is only by virtue of the fact that the tax may make it more or less attractive for people to work and save, and do things that expand the supplies and productivity of production. That's perfectly consistent with monetarism.

## Tracking the money supply

*Volcker's license for unproductive C&I loans bulges M1-B, a pretext for further rate hikes.*

The huge leap of M1-B money supply of \$6.9 billion for the week ending July 8 not only ends a period of very slow M1-B money supply growth of 1.9 percent for the last three months, but raises the possibility of a new interval of burgeoning money supply growth.

As Ben Laden, chief economist of T. Rowe Price Associates, told *EIR*, "If \$3 to \$4 billion of that money supply increases washes out of the banking system during the month of July, then there is no problem. But if it remains, this could spell difficulties." Laden foresees that the money supply could grow even if real business activity weakens, because a large amount of business borrowing in the economy is going to takeovers and mergers, involuntary inventory buildup and debt refinancing. In last week's column I showed that investment in waste, speculation, and overhead expenses increased by at least \$18 to \$20 billion in the second quarter; the amount of credit extended to productive industrial investment, as well as agriculture and transportation, was *negative*.

Eventually, such nonproductive expenditures can swell currency in circulation as well as bank deposits, or M1-B, and will definitely increase checking accounts, which are included in M2-B. In fact, over the recent period, while M1-B was barely moving, M2-B was rising above its target range set by the Volcker Federal Reserve Board of

2.5 to 5.5 percent.

Ultimately, the behavior of M1-B, M2-B, and so forth is an economic consideration of only fifth- or sixth-rate importance. Nonetheless, because Federal Reserve Board Chairman Paul Volcker is attempting to manage the economy by manipulating money supply, the money supply acquires importance.

Volcker told the House Banking Committee in his July 22 mid-year economic review report that he plans to keep interest rates right where they are. This policy has resulted so far in 1981 in bringing the 91 U.S. Treasury bill rate at 14.58 percent, more than 3.5 percentage points above where the Reagan administration estimated it would be. Specifically, Volcker said that he wants the M1-B money supply growth range held to the lower end of the 3.5 to 6.5 percent growth target band for the remainder of 1981, and lowered to 2.5 to 5.5 percent in 1982.

Volcker added that this policy would throw unemployment to 8 percent and beyond in 1982. He then intoned that to break inflation, labor contracts must be broken (a false assumption which opens a yawning pitfall for President Reagan).

Sam Nakagama, chief economist for Kidder, Peabody, told *EIR* July 22, "The high interest rates have created quite a problem for the economy. We had better have an upturn in the economy in the fourth

quarter or we're in trouble. The slowdown in housing has been sharp. If there is not an upturn, after so many months of bad housing figures, there will be big failures in the S&Ls, bigger than some expect. And if auto sales do not pick up by the fourth quarter, one company may not be around and there will be plenty of trouble in Detroit.

"What is highly unusual are the capital spending figures. The machine-tool orders are down," Nakagama continued, referring to the 47 percent drop in machine tool orders in May compared to May of 1980. "This should not be happening in a Republican administration," Nakagama said. "In Republican administrations, capital spending should be up, but interest rates are stopping that."

For the second quarter of this year, GNP in constant dollars was down 1.9 percent; even here, there is more than meets the eye. In the second quarter, final sales rose in current dollars from \$2.848 trillion to \$2.860 trillion, but in constant dollars, actually fell by 4.8 percent. The difference is accounted for by the fact that in current dollars, corporations added over \$20 billion in unwanted inventories in the second quarter. These inventories must come out of third-quarter production and sales levels, foreboding continued negative economic growth.

If M1-B and M2-B continue to grow, Volcker has indicated by his July 22 testimony that he will not move against nonproductive lending for mergers and acquisitions but will pull in the availability of credit. The marginal, purely ideological consideration of money supply will push the economy toward outright disaster.

## Central banks send out alarm signals

*More crisis management means more crisis, the Western central bankers reason.*

**I**nternational Monetary Fund Managing Director Jacques de Larosière projected a \$100 billion current account deficit for the world's poorest countries in a speech last month, confirming an estimate first made in *EIR*. The IMF, the official arbiter in such matters, has, in effect, sent out a danger signal by issuing an estimate of Third World financing requirements double the actual figure for 1980, and substantially higher than the standard commercial-bank estimates.

The IMF's parallel regulatory center, the Basel-based Bank for International Settlements, issued a similar danger signal in its just-published review of second-half 1980 lending patterns. According to the BIS, fully two-thirds of international bank lending in the second half of 1980 was short-term, against only 50 percent short-term during the preceding two years. Latin America took \$23.1 billion, 62 percent at a maturity of less than a year, and Asia took \$6.2 billion, 77 percent at short term.

Judging by first-half 1981 lending rates, the lending explosion on the short-term side has kept up, if only because commercial banks have no choice but to refinance the interest due them from Third World borrowers who cannot pay it without borrowing more. IMF Director de Larosière's warning of a \$100 billion payments deficit for these countries in 1981 is, in effect, a warning.

Making the best of a bad situation, the commercial banks themselves have insisted that the current rate of lending to refinance bad paper is no problem. "The ability and efficiency with which the Eurocurrency markets adapt to changing financial conditions can be just as impressive in times of seemingly little stress as during times of crisis," writes Chase economist Bluford Putnam in the July 20 issue of the bank's *International Finance* newsletter. "The imposition of credit controls in the United States in the spring of 1980 caused 'tight' monetary conditions in the classic sense, as some market participants were denied sources of credit. . . . But such tightness failed to carry over to the Euromarkets because such rationing of credit requires regulations that cannot be imposed on the Euromarkets."

The West German banks display no such optimism; in a recent pronouncement West Germany's Commerzbank, one of the big three, says that the Euromarkets "have reached the limit of expansion," warning that the private banks cannot continue handling the growing developing-sector deficit.

Former British central banker Lord Cromer, Italian central banker Giovanni Magnifico, and a former chief adviser to Prime Minister Harold Wilson, Lord Lever, are circulating a plan for an international mechanism among governments

and central banks to handle potential crises of country or commercial-bank default in the Eurocurrency market, as a prelude to the creation of a "new international bank." The plan emerged publicly in articles by Lord Lever in the *London Times* July 15 and 16.

However, Federal Reserve officials warn that an open effort to install a crisis management mechanism with real operational powers might trigger an uncontrollable situation. The Catch-22 of central banking, an official said, is that if banks are told that everything is in control, they will go out of control. "Once there are written rules as to how a bank may draw on central bank resources, the banks are much more likely to engage in irresponsible lending practices," that is, get themselves deeper into the mess!

For that reason, the Fed concludes that there is an "overwhelming case" against a formal international crisis management setup. At present the monthly meetings of central bankers at the headquarters of the Bank for International Settlements in Basel are limited to discussions and suggestions, "where horror stories are put on the table."

However, under existing arrangements, the BIS, including the regulatory club, or "Cooke Committee," has no real operational powers or firm commitments for action—and the possibility always remains that one central bank could decide to break ranks. The Bundesbank is already considering separate exchange controls "to isolate West Germany from the worst effects of a dollar blowout," says a high-level Bundesbank source.

The story appears to be that central bankers talk a crisis better than they could manage one.

## Those who know, accumulate

*In spite of the gold price drop, certain private gold holdings are growing quietly.*

**I**t would appear that the more loudly the oldest banks of Italy and Switzerland predict a bottomless fall in the gold price, the more of the yellow metal they accumulate.

After some weeks of noting the gold advice of the Freemasonic banks such as the Union Bank of Switzerland and Italy's Banca Commerciale Italiana, who have persisted in making much ado of the small amounts of gold they have sold, I decided to investigate the facts of the matter. These venerable institutions have, it is true, of late been implicated in Italy's Propaganda 2 Freemasonic lodge scandal, yet that was not in itself sufficient to cause me doubt on their continued assertions that new plummets in the price of gold are yet before us.

Actual numbers on the secretive movement of world gold holdings are hard to obtain, but by close examination I was able to determine what has happened to the size of private European ownership of gold, which is almost entirely concentrated in the hands of the Venetian and British families who control the banks in question.

During the span of the 1970s, it has commonly been remarked that large net volumes of gold have made their way out of the major European gold trading centers in Zürich and London, and into the jewelry factories of Italy, famed for their ancient craft. From Rome, Milan, and Siena, during each of

the past 10 years, fabricated jewelry, to the extent of some 370 tons per year, or more than one-third of the world's annual gold production, has been exported, net, into the developing sector nations. These were principally the oil-exporting countries, and Asia, where gold investment takes the form of jewelry purchases.

It appears, however, that in the course of 1980 and 1981, this substantial flow has been reversed, and that the same quantities of gold formerly accumulated points east of Suez are now being accumulated by private European holders.

The severe credit contraction policy of the American central bank chairman, Mr. Paul Volcker, is the policy of the Basel-based Bank for International Settlements and the Italian oligarchy, which controls the latter institution. Mr. Volcker's interest rates, it now appears, have not only made it extremely expensive for the small American holder of gold to continue to finance his investments, and has forced so many private investors on this side of the Atlantic to abandon their gold plans; that policy, which has caused extreme economic hardship in the developing sector, has also forced a large-scale offloading by these gold consumers of their own holdings. Developing sector imports of gold, mainly in the form of jewelry, stood at 488 tons in 1978, at 263 tons in 1979, and in 1980 fell below zero to a net sale to the mar-

ket of 131 tons. Furthermore, demand for gold bullion in the developing sector dropped from 172 tons in 1979 to a mere 2.5 in 1980. These sales continue this year. As a result, the total accumulation of gold in the West fell from 1,704 tons in 1979, to 803 tons, or by more than half.

Nevertheless, in spite of all of this, private gold investment by individuals in Western Europe during the same time period increased substantially, from 216 tons in 1979 to 280 tons in 1980—increased, that is, by more than the absolute rise in the official foreign exchange reserves of all the Western nations, or by some \$3 billion at today's low \$400 price.

According to my investigations, it is the oldest families of Europe whose private hoards have benefited from this movement, and who expect a dollar crisis and a rise in the price of gold later this year. It is they who have not only encouraged Mr. Volcker's credit policy, but who control the Italian and Swiss banks which loudly proclaim that no bottom exists to the gold price.

For example: the Banca Commerciale Italiana. This bank, investigations show, is the commercial arm of the Assicurazioni Generali di Venezia, perhaps the most important financial institution in Italy. On its directorate and those of the companies it controls, are the Luzzattos, the Medicis, the Dorias, the Giustinianis, and also comparatively parvenu English and French families, including those of Baron Elie de Rothschild, Baron Leon Lambert, members of the board of London's N. M. Rothschild, and Holland's Pierson, Heldrin, and Pierson.

They now hold the gold.

## U.S.-Soviet farm trade at standstill

*After losing his fight on the embargo, Haig still wants control of grain exports.*

In early June U.S. Department of Agriculture officials conferred with representatives of the Soviet Union in London, the first such conference since President Reagan defied the wishes of his secretary of state and abolished the embargo on grain sales to the Soviet Union. Undersecretary for International Affairs and Commodity Programs Seeley Lodwick happily reported the Soviets to be open and amiable, and Secretary of Agriculture Block expressed his optimism for expanded U.S. sales and a new long-term trade agreement to replace the five-year pact expiring in September.

Nearly two months later nothing further has happened. For the past several weeks it has been reliably rumored in Washington that Block's communication to the Soviets listing suggested dates, possible sites, and a framework for the talks has been embargoed by the State Department.

State has been reviewing the five-year agreement, and wants to delete Article II, a vaguely worded assurance that supplies would not be cut off due to political unrest, and a section which State reads as a prohibition of future embargoes.

At recent testimony before the Senate Finance Subcommittee on International Trade, Block admitted that the administration is feuding over embargo policy. Block himself has endorsed a bill in the Senate that would outlaw the imposition of selective embargoes on food products without legislative

approval. Both Commerce and State have stated their opposition to the measure.

Asked during the hearings to elaborate on the relationship between USDA and the State Department on trade matters, Block said the final decision falls in the hands of the President. But, he insisted, "In no case have I had an issue I felt strongly about that I have not had an adequate opportunity to voice my opinion."

Block's victory over Haig on the hard-fought issue of the grain embargo did not quiet fears that Block would be unable to prevent Haig from seizing control of farm trade policy. These fears came to the surface again in June when the secretary of state convinced President Reagan, over Block's objections, to refuse to sell government stockpiles of surplus butter to the Soviet Union.

Haig used the same argument he had leveled against lifting the embargo: it would "give the wrong signal" to the Soviets. But the buildup of dairy stocks in government warehouses has hurt the industry, giving free-market opponents of the dairy program the chance to attack it.

While State has put the clamps on USDA, the Soviets have proceeded to make agreements with one more new long-term supply partner after another. Since the embargo was lifted, they have not bought one single bushel of grain from the U.S., and Canadian and

Argentine agreements will more than take them through September. As of a week ago, the Canadian Wheat Board had sold more than 2 million tons of wheat and barley to the Soviets under the five-year agreement signed in May.

The most recent development is the conclusion of a new long-term agreement between the Soviets and Brazil. Brazil pledged to sell a minimum of 500,000 tons of soybeans, 400,000 tons of soybean meal, and 40,000 tons of soybean oil annually to the U.S.S.R. from 1982 to 1986. The Soviets in turn will provide 20,000 barrels of crude oil daily to Brazil, or about 3 percent of the Brazilian import requirement.

The agreement also calls for Brazil, to date a corn importer, to ship 2.5 million tons of corn to Russia beginning in 1983. Recall that Brazil's formidable soybean industry was built up by the 1974 U.S. embargo on soybeans exports to Japan—in the face of the embargo Japan went to Brazil with heavy investments in expanded soybean production to assure continued development of its livestock industry.

In its latest report on Soviet grain needs, USDA acknowledges that the Soviets have suffered a serious shortfall and are likely to need upward of 38 million tons of grain over the next year. But, USDA adds, "Whether the Soviets resume their purchasing directly from the U.S., they will very likely meet their 1981-82 import needs." So far the Soviets have kept mum, but USDA officials say their purchases from the U.S. could range all the way from zero to 20 million tons.

What happens now could mean everything to American wheat farmers now harvesting a record crop with nowhere to sell all of it.

# World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$5 bn.	Brazil/ U.S.S.R.	Brazilian Planning Minister Delfim Netto signed 6 agreements during his mid-July visit to Moscow that provide for massive increase in bilateral trade during next 5 years and for eventual 3-way projects in countries such as Peru, Ethiopia, and Angola.	Negotiations continuing at new Brazilian trade center in Moscow on long lists of products appended to accord. Specific sales include:
\$300 mn.	Brazil from U.S.S.R.	Brazil will immediately double its take of Soviet crude to 20,000 bpd through end of 1982.	Price: \$35/barrel
\$120 mn. each way	Brazil/ U.S.S.R.	Soviets get to provide 5 of 20 generators for Ilha Grande Dam, but 75% of each unit reserved for Brazilian capital goods sector. For this order, Soviets agreed to buy Brazilian manufactures worth 100% of order.	Previous agreement was only 30% counterpart manufactures.
	U.S.S.R. from Brazil	1 mn. pairs of jeans from private Alpargatas textile giant; for September delivery.	One of many private sector orders.
	U.S.S.R. from Brazil	Grains: 900,000 tpy soy and soy meal from 1982 to 1986; 40,000 tpy oils; 500,000 tpy corn from 1983 to 1987; rice also possible.	Brazil, which imported corn for last 3 years, is upping plantings by 10% for Soviet demand.
	U.S.S.R. from Brazil	100,000 tpy bauxite	
	Brazil from U.S.S.R.	Technology and financing for up to 15 wood alcohol plants using Soviet acid hydrolysis process.	Brazil shifting alcohol focus from sugar cane to wood.
	Brazil from U.S.S.R.	Technoexport will aid São Paulo state Paulipetro in oil prospecting.	Soviets helping break Petrobras onshore drilling monopoly.
	China/Japan	Seiko watches will be assembled in People's Republic by Hangzhou Municipal Wristwatch Manufacturing Factory under new deal with Daini Seikosha Co. Chinese will assemble automatic winding parts for 30,000 watches per month.	Seiko watches will continue to be marked, "Made in Japan."
\$48 mn.	Saudi Arabia from Japan	Jameel Shipping ordered two 40,000-ton bulk carriers from Tsuneishi Shipbuilding.	
\$30 mn.	Chile from U.S.A.	Foote Mineral Co. of Exton, Pa. is building a lithium carbonate plant in Chile in joint venture with state-owned CORFO.	Engineering, procurement, construction by Fluor Mining (Pittsburgh).
\$20 mn.	Mexico from U.S.A.	Intel Corp. building assembly plant in Chihuahua.	
\$130mn./ capital	Thailand/ Belgium	60,000 tpy zinc refinery will be built in Thailand. Ownership of Pha-Daeng Industry Co. is 30% Belgian; 20% Thai govt.; 50% Thai private.	45% of zinc to be exported to Southeast Asia.
<b>UPDATE</b>			
	Spain/ Portugal	Portugal is negotiating to become junior partner in Spain's nuclear program. Deal includes 30% stake in Sayago plant near border and training of technicians.	Spain will have first option on future Portuguese nuclear projects.

# New lobbying push for MHD program

by Marsha Freeman

This spring, a potential users group of more than a dozen electric utility companies launched its first lobbying effort to save the U.S. program for developing magneto-hydrodynamics (MHD), an advanced energy conversion process that promises to double the efficiency of all forms of energy production.

As a result of the pressure, Congress restored \$29 million to the fiscal 1982 MHD budget that had been cut by the Reagan administration. (This compares with a fiscal 1981 budget of \$66 million.)

Now, industrial contractors involved in the program are preparing to form a complementary lobbying organization to promote MHD development, as this reporter learned at the 19th symposium on Engineering Aspects of Magneto-hydrodynamics held at the University of Tennessee June 15-17.

The importance of this joint lobbying effort and of obtaining full support for the U.S. MHD development effort cannot be overstressed. MHD is an energy-conversion process that converts the heat of combustion from fossil fuels, or from nuclear or fusion reactions, directly into electric power, with no moving parts. Under development since the mid-1960s, the MHD process could potentially double the amount of electric power extracted from each pound of fuel.

In conventional electric energy production, the heat from combustion is used to produce steam from water. The steam operates a turbine made up of copper wires that generate electricity when rotated through a magnetic field. In this conversion from thermal, to mechanical, to electric energy, using large rotating turbine generators, more than two-thirds of the original heat is lost.

The MHD process, by contrast, is a direct conversion process that can use any electrically conducting working

fluid to produce electric power through the interaction of an ionized fluid and an external magnetic field. The hot, ionized gas produced in burning coal, for example, is accelerated through a magnetic field producing an electric current, bypassing the turbine stage and the loss of energy.

### Why so long?

MHD is a relatively simple concept, yet it has required a long development process—15 years so far. First, the relationship between the speed of the moving, hot gas, the strength of the magnetic field, and the temperature of the gas have to be delicately balanced to get the most efficient conversion. Second, a hot, coal gas is a very corrosive environment, because coal is a dirty fuel with ash, sulfur, and other impurities. Therefore, new materials with an ability to withstand the MHD environment have had to be developed for the electrodes inside the channel. Results reported at the 19th symposium indicate progress in this area, using very expensive platinum on parts of the electrodes to extend their useful life.

The high magnetic fields needed for MHD devices require superconducting magnets, which do not lose power as conventional electromagnets do. These superconducting magnets are kept super-cold, near absolute zero, and are very delicate systems. They are also being developed for magnetic fusion devices.

One of the problems discussed by the electrical engineers at the conference was the electric current that is captured and collected on the electrodes. There will be dozens of pairs of electrodes in commercial MHD generators, each with varying voltages. These separate voltages have to be "conditioned" into a coherent flow of current which can then be converted from direct to alternating current to be put into the utility power grid. Reports at the conference also indicated progress in designing electrical systems that can handle such a complicated configuration.

Preliminary designs were also discussed for a first engineering test facility for MHD that would burn coal and produce a significant amount of electrical power—at least 50 megawatts. At the present time, the largest coal-burning MHD experimental facilities in the United States are designed to produce 50 megawatts *thermal* energy, which will only be a few megawatts electric after MHD conversion.

The conference hosts gave the participants a tour of the University of Tennessee Space Institute Coal Fired Flow Facility; when finished this facility will be a complete MHD coal plant on a small scale. Also toured was the High Performance Demonstration Experiment at the Arnold Engineering Development Center nearby, a facility designed not for long-duration experiments but for short experiments on scaled-up components,



such as coal combustors, magnets, and channels.

In testimony before the Senate Committee on Energy and Natural Resources April 30, Dr. George Seikel, the manager of MHD Systems at the Lewis Research Center run by NASA, stated: "It is in the nation's long-range economic interest to retain our international coal-fired MHD leadership by maintaining a critical core of MHD support and participation of the utility industry, suppliers of equipment to that industry, research and development organizations specializing in energy R&D, and universities. . . . Reassembly of such a team and the necessary facility investment by industry and government would be difficult and costly," if the program were temporarily halted due to budget constraints, he warned.

"Although high in payoff potential," Seikel continued, "the long term and high risk of MHD R&D are such that government involvement will be required through 'proof-of-concept.' MHD thus directly meets the OMB criteria for energy R&D support. An MHD Users Group has been formed and interest has been expressed in supporting MHD demonstration plants if an adequate technology base is first established."

At the 19th engineering symposium, Dr. Heinz Pfeiffer, the keynote speaker, addressed directly this question of broader-based support for the MHD program. Pfeiffer is the head of the utility users group formed after the threatened elimination of the MHD program, and he represents Pennsylvania Power and Light. He reported that more than a dozen electric utilities were involved in the potential users group that lobbied for the MHD program, but he chastised the MHD researchers present for not taking "the information and potential value of MHD to decision-makers."

"At Pennsylvania Power and Light we are using the results from MHD coal-slugging studies now in our coal-burning plants," he said. "This can be used by other utilities. Coal combustor development work in MHD can be applied in the electrical industry which already burns coal, and in the synthetic fuels, steel, and chemical industries. The applications today for MHD technology should be brought out, in general.

"If the transition team had known about these technical accomplishments in the program, the budget wouldn't have been zero," Pfeiffer concluded.

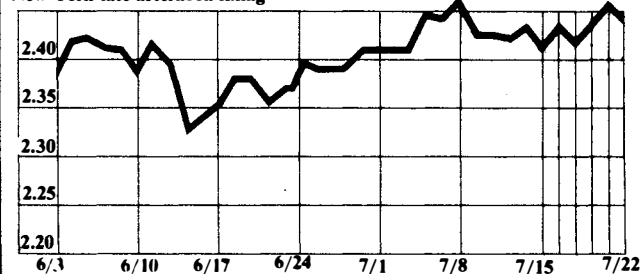
One utility, Montana Power Company, has offered to donate land and a new conventional coal plant to be hooked up to an experimental MHD unit if the Department of Energy comes up with the financing for the MHD generator.

How soon the U.S. MHD program completes the research and development phase and goes on to build commercial power plants now depends largely on the amount of financial support that can be mobilized for the program.

## Currency Rates

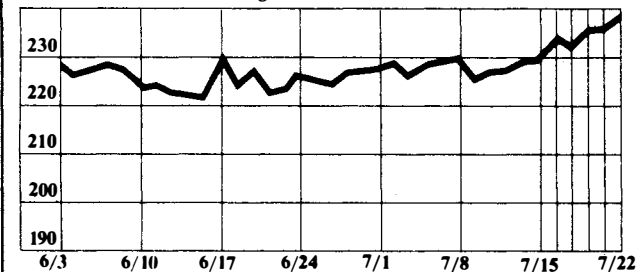
### The dollar in deutschemarks

New York late afternoon fixing



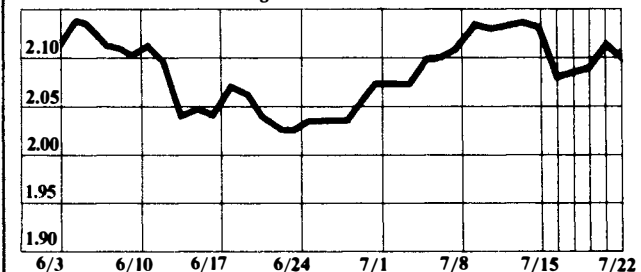
### The dollar in yen

New York late afternoon fixing



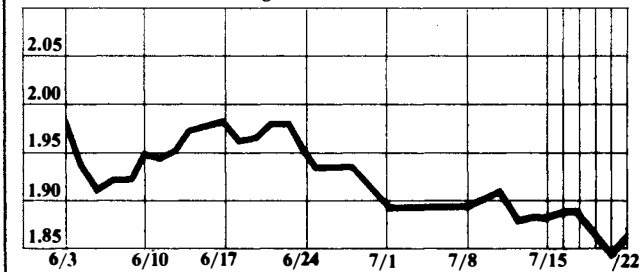
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



# Business Briefs

## Banking

### A mystery in the Bahamas

Treasury officials are conducting a study to determine why \$4 billion worth of U.S. hundred-dollar bills has accumulated in the Bahamas. "For some reason, they like hundred-dollar bills in the Bahamas. In Florida, all the extra cash is ten-dollar bills. We can't figure it out," a Treasury staffer involved in the project told *EIR*.

Last year, the Treasury released a study showing that \$3.6 billion in cash over and above normal banking needs ended up in the Florida Federal Reserve district during 1979. The study's conclusion was that the buildup of cash was related to Florida's reported \$13 billion annual volume of illegal narcotics traffic.

The Bahamas, according to well-informed banking sources, are a wholesale money-laundering center for illegal drug revenues drawn from the Florida and other retail markets.

## Underground Economy

### Kattan and the Florida connection

Newspapers in Bogotá revealed this week that a "travel agent" and "professional foreign exchange dealer" arrested earlier this year in Miami, Florida happened to be the most important "launderer" of drug monies for all of Latin America. Isaac Kattan was reportedly earning \$100 million annually in clear profit on his drug money laundering business until U.S. federal agents picked him up in February 1981.

Kattan's arrest has just been made public, with a report in *Newsweek* as well as the Colombian press. However, the long delay in reportage indicates that his arrest will not be the occasion for a serious crackdown on the Florida-based narcotics-laundering industry, estimated at \$80 billion annually.

Florida became a prominent drug en-

try-point in 1976, at the time Colombia harvested a bumper marijuana crop, and replaced Mexico as principal exporter after a paraquat-based crackdown on marijuana production there. The proceeds of Colombia drug exports were being laundered in Venezuela, which, as an oil-producer and large purchaser of U.S. dollars, was able to cover up the actual source of the reinvested revenues. In turn, "the Venezuelans single-handedly rescued Florida real estate," according to a New York banker, on the strength of Carter Democrat Gov. Robert Graham's "statewide banking deregulation." Graham was backed by the Southeast Banking Corporation of Lloyd Cutler, who was chief counsel to President Carter; the Florida National Bank of Edward K. Ball, who was linked to Billy Carter during the "Billygate" scandal; and the Barnett Banks of Charles Zwick, a military affairs adviser to Carter, plus Fred Schultz, a Carter appointee to the Fed whose specialty at Barnett was placement of foreign investments in Florida real estate.

## Trade

### Bonn to help finance Soviet pipeline deal

West German Chancellor Helmut Schmidt is willing to back his commitment to the long-negotiated natural gas pipeline project with the Soviet Union by government financing, according to West German industrial sources. Schmidt apparently ignored President Reagan's objections to the deal, based on the argument that West Germany's energy supply might become subject to Soviet political control, in discussions at the Ottawa summit.

About half of the 10 billion marks of financing required for the present stage of the project may be provided by the Ausfuhrkredit Bank, which would discount DM 5 billion of suppliers' credits from the major supplier of steel pipe to the project, Mannesmann. The official institution's export loans are pegged to

the Bundesbank's discount window, currently the lowest-interest-tier of Bundesbank credit facilities, at a present interest rate of 9.5 percent.

However, no final agreement on details of the pipeline deal is expected immediately, as the German and Soviet side wrangle over price and interest-rate considerations. The West German consortium, led by Deutsche Bank, have answered Soviet objections to high German interest rates, which have risen since the negotiations began, by asking for a price reduction on Soviet gas.

However, federal government-supplied credits should be a plus for the success of the negotiations.

## Stock Markets

### New York exchange views 200 million-share days

John Phelan, Jr., president of the New York Stock Exchange, predicts a trading turnover of up to 150 million shares a day in the very near future and expects to gear the exchange for peak days of over 200 million shares. Elaborate computer systems whose capacities have been doubled and in some instances tripled recently will be adequate to handle the enormous pace of transactions according to NYSE spokesmen.

The expected volume surge is attributed to a lowering of the capital gains tax, a large influx of venture capital and recent mergers of large brokerages with industrial or financial conglomerates.

Security analysts predict a rapid "internationalization" of the securities markets as the markets attract large flows of flight capital into new ventures on the market.

In addition to large corporations turning to the securities markets to raise funds, like the \$1 billion raised by AT&T, analysts believe that the recent mergers of brokerage houses was in part due to the acquiring company's desire to speculate in the market rather than merely facilitate the sale of securities. This could add a significant amount of funds to the

markets with the NYSE gaining a large part of those funds.

## Agriculture

### Breakthrough near on coyote control

Environmental Protection Agency Administrator Anne Gorsuch has announced that hearings will be held on a possible repeal of a controversial ban on Compound 1080, a poison used by ranchers to kill coyotes. The hearings are scheduled for July 28-29 in Denver. Gorsuch has stated that she will make a decision on whether to revoke the ban after studying information supplied in the hearings.

In making the announcement, Gorsuch reported that sheep and cattle ranchers are complaining of losses from coyotes that are "well in excess of \$100 million." Compound 1080 was banned in 1972 by President Nixon in an Executive Order that came from a rotten deal between the White House, the Department of Interior and environmentalists.

The federal predator control program was one of the first targets of the nascent environmental movement that went on to win the more highly publicized ban of DDT, an environmentalist "victory" that may also prove Pyrrhic. The Reagan administration is reportedly also reviewing the DDT ban now.

Environmentalists have insisted that the poison would kill eagles, condors and other endangered species in addition to coyotes and should therefore be proscribed, in favor of a variety of "natural" and other remedies which have proven ineffective.

During the seven years following the Nixon Executive Order, more than 10 million sheep with a value of more than \$500 million were destroyed by coyotes. Ranchers argue that 1080 is not only safe, but can be tightly targeted for one species—the coyote. And there is no derth of studies backing them up—more than 5,000 on coyotes and predation and at least 207 on Compound 1080 itself.

## Foreign Exchange

### West Germany and Japan moot intervention policy

Japanese officials deny that an agreement is in force with West Germany for joint intervention on behalf of the Japanese yen, which reached a 14-month low on foreign exchange markets July 22, and the West German mark, the London *Financial Times* reported July 23. Nonetheless senior European foreign exchange dealers told *EIR* that the extraordinary volume of West German central bank intervention on behalf of the mark, in the volume of over \$500 million in the last week, represents a break in the Bundesbank's pattern which could mean that such an agreement had been decided upon.

The dollar fell to DM 2.47 in trading July 20, as U.S. interest rates rose sharply, but rose back to DM 2.429 July 22 in response to heavy intervention. The mark stood at 2.445 at deadline on July 23.

Lending credence to reports of a German-Japanese deal is the following report published by Japan's Kyodo news service July 18:

"Japanese Finance Minister Michio Watanabe Saturday expressed his hopes for the opening of talks by specialists on America's high interest rates. Watanabe told newsmen that he would propose his wishes at a meeting of the finance minister accompanying the leaders participating in the seven-nation economic summit in Ottawa on Monday and Tuesday. . . .

"At a meeting in Ottawa with the finance ministers of the six other Western industrialized nations, he also intends to propose a joint intervention into foreign exchange markets in times of currency unrest, Watanabe said. He said he considers it necessary for the central banks to jointly intervene when the currency markets fluctuate widely due mainly to speculative reasons.

"Watanabe also said he proposed separate meetings with the finance ministers of the United States and West Germany in Ottawa."

## Briefly

● **FEDERAL RESERVE** injections of liquidity into the credit markets the week of July 20 may have been motivated by cash problems of some bond dealers, Wall Street sources said.

● **CHASE MANHATTAN** Bank jumped the gun July 21 on interstate banking takeovers with a \$125 million investment into Pittsburgh's Equibank, including an option to buy \$75 million of the bank's stock if Congress passes legislation permitting it.

● **DURABLE GOODS** orders fell 0.8 percent in June, their first fall in nominal terms since January of this year.

● **FOOD AND ENERGY** prices will start rising again in the fall, Chase Manhattan's *International Finance* newsletter predicted July 20, raising the inflation rate from the 8.4 percent annual rate registered in May and June.

● **GOLD** remonetization is a major agenda item in White House deliberations, pending the October release of a report by the President's commission on gold.

● **CITIBANK** is poorly managed, overly aggressive, and, in its monetarist enthusiasm, guessed wrong that interest rates would fall at the start of the second quarter of this year, noted the July 17 London *Financial Times*. Last month Kuwait withdrew billions from its investment portfolio managed by Citibank because of the bank's performance.

● **RICHARD PIPES** dwells on the economic vulnerability of West Germany and Japan, sources say, when he complains to other National Security Council officials about their unaccommodating relations with the U.S. by comparison with the governments of Mitterrand and Thatcher.

## U.S. defense policy back to Schlesinger's 'aura of power'

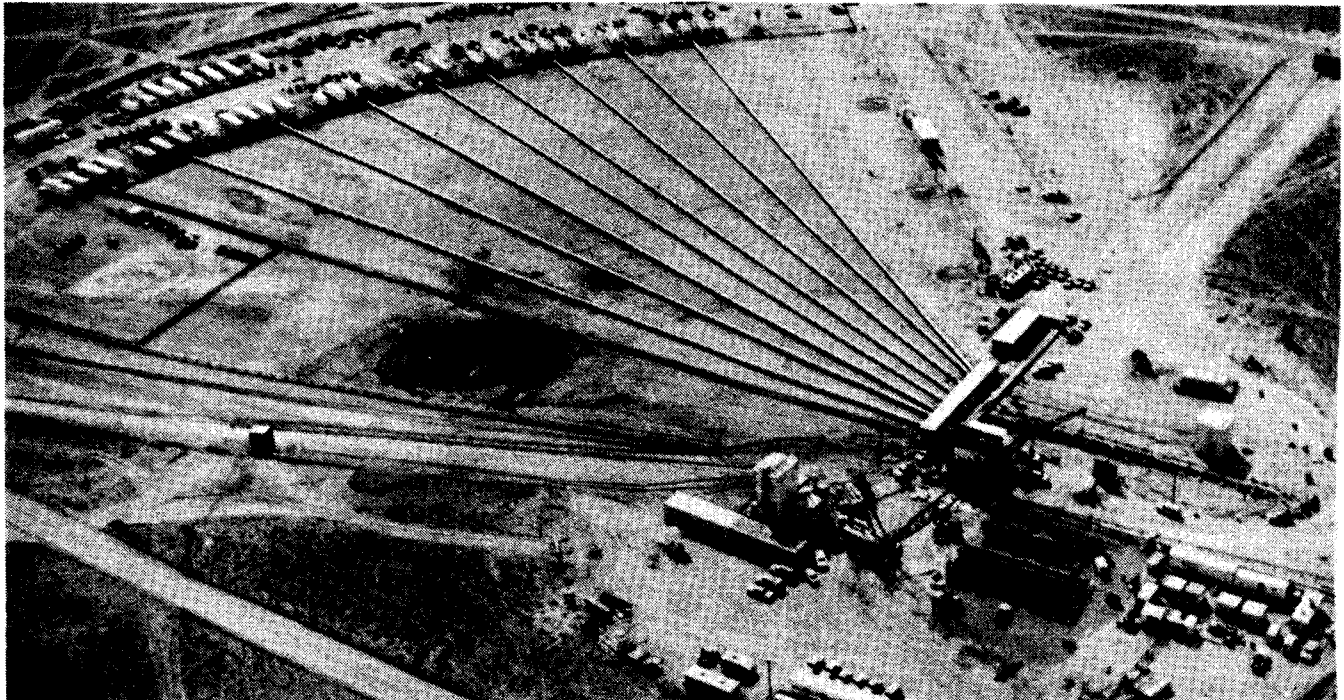
by Criton Zoakos, Editor-in-Chief

The strategic imbalance between the United States and the Soviet Union is no longer a theoretical issue feeding a pathetic "great debate," so-called, on the pages of leading weeklies and in the halls of Congress. Since the dismal French presidential election of last May, the consideration of the existing strategic imbalance has fed into a policy in Washington leading toward a strategic calamity which may occur at any time between now and the end of 1982.

The world has in fact entered a phase in which every single political development is dominated by calculations respecting this strategic imbalance between the two superpowers. This publication was among the first to point out the flaws of U.S. strategic policies during the tenure of James R. Schlesinger, Jr. as Defense Secretary during the 1974-75 period. Over a year ago, *EIR* conducted detailed comparisons between American and Soviet scientific, industrial, manpower, and doctrinal potentials whose results we published with the hope that the absurd methods of "postindustrial society" planning and "futurology" studies responsible for these imbalances would be jettisoned from policy-making bodies and a sane climate of scientific, technological, and industrial revitalization would ensue, which alone could redress the dangerous imbalance.

That hope has apparently been dashed for the time being. A deeply entrenched network of "futurologist" mentalities has emerged dominant in the defense-related policy-making areas of the Reagan administration, working with the cost-cutting "supply-side" maniacs who administer economic policy. Intelligence "leaks" in the daily press and high-grade information through private channels have confirmed the following developments:

- A plan has been activated by Pentagon leaders including Secretary Weinberger, Fred Iklé, Frank Carlucci, and the Joint Chiefs of Staff, on how to cope with the "window of vulnerability" which, as a result of the strategic imbalance, is now about to threaten the United States. This plan involves a posture of attempting to throw the Soviets "off balance" by means of successive "first-strike" types of deployments, such as Pershing II missile



Courtesy of ERDA

Lawrence Livermore Laboratory's underground nuclear test site: will the U.S. pursue bluff or war-winning capacity?

stations in Western Europe. The ostensible purpose of this "aura of power" policy is to force upon the world and upon the U.S. population and its institutions a "Pearl Harbor" type of crisis which will then be exploited to launch a national defense mobilization that could absorb up to 50 percent of the GNP.

- The Soviet leadership has also activated its own appropriate response to this strategy of Washington's. Whatever the tactical operational details of the Soviet response, it includes the following key features: a) the U.S.S.R. shall not under any circumstances permit the deployment of Pershing II missiles on Western European territory; b) the Soviet economy has been deploying the entirety of its reinvestable surplus for defense production, and has motivated its population to accept the accompanying sacrifices; c) utmost emphasis has been placed on the advanced research and engineering effort of Soviet science under qualified military leadership.

- Western Europe has been implicitly put on notice that it cannot rely on the American nuclear umbrella, that it must accept its role as a tactical nuclear battlefield and that it must now move in the direction of totalitarian domestic regimes as presaged by the national-socialist regime of François Mitterrand in France.

- As of the Ottawa summit, the central banks of the major Western industrial nations have been given authorization to override their national governments on behalf of budget-cutting, credit-tightening, depression-inducing policies dictated by the Bank for International Settlements, the IMF, and the OECD.

- This last set of measures is understood to mean that

no economic policies will be permitted which might help reverse the existing strategic imbalance. Furthermore, Western planners now look to the prospect of a world financial collapse during the September to October period. *October 1 is one deadline toward world disaster.*

- Arrangements between the United States and its West European allies indicate that the placement of the Pershing II in Europe is to commence no later than the end of 1982. *December 1982 is the second ultimate deadline toward world disaster.*

- These deadlines, however, are known among governments West and East, and as such have themselves become decision-making factors with a determining influence on world developments tending to shorten the already very short fuse which threatens world detonation.

Either these deadlines themselves are cancelled, or the descent to Inferno seems assured. Cancellation is possible if policy-makers comprehend certain very simple arguments demonstrating that their present course of action will lead to disaster, including especially their own disaster, and further understand the simple steps required for an effective policy, primarily economic policy, which will ensure emergence of a competent military policy.

The entirety of strategic alternatives represented within the Departments of State and Defense, and their "think tank" adjuncts is incompetent, because the shared premises are virtually infantile. What the country needs is a restoration, in the public debate, of the classical military-economic assumptions that once led to pre-eminence.

# What the U.S.S.R.'s military leaders are saying about war and warfare

by Rachel Douglas, Soviet Sector Editor

In late June and early July, a parade of Soviet generals and marshals marched across the pages of the military daily *Red Star* and the Communist Party press, with a single message: the U.S.S.R. has committed resources to ready itself for "the possible war which the imperialists are preparing against the countries of socialism."

The official news agency TASS narrowed this generalization by the Soviet military's top political officer, General Yepishev, with a July 15 commentary that recent statements by United States Secretary of Defense Caspar Weinberger "can only be qualified as a call to war." This was Moscow's response to Weinberger's public pronouncements and to leaks from his department confirm that his policy is a "first strike" doctrine without in-depth warfighting capabilities behind it.

Moscow will do anything, politically and militarily, to prevent NATO from acquiring the ability to inflict a first strike, with the installation of Pershing II missiles in Europe or otherwise. Already, the Soviets are channeling funds into a quantitative and qualitative arms buildup, in response to American policy and the realignment of political forces in Europe.

The last time the Soviet military so openly enunciated strategic doctrine and motivated the arms budget as Yepishev and others are doing now, was in early 1978. After that, with Brezhnev's May 1978 trip to West Germany to sign a 25-year economic cooperation treaty with Chancellor Helmut Schmidt and the immediately subsequent formation of the European Monetary System by Schmidt and then French President Valéry Giscard d'Estaing, Moscow had a Europe-centered war-avoidance policy. The Bonn-Paris-Moscow triangle was a strategic stabilizer, despite the dangerous Carter administration.

Now Giscard is out of office, Schmidt is under fire, Britain's Lord Carrington is chairing European foreign policy, and the Soviet marshals have their uniforms on again. Particularly since the election of Socialist François Mitterrand as president of France in May, the Soviet leadership has shifted into a military-strategic mode of functioning.

On July 16, the Russian-language service of TASS

issued advance copy from a forthcoming article in the party journal *Kommunist*, by Chief of Staff Marshal Nikolai Ogarkov. The Soviet armed forces have to be advanced, he said, because of American policy, and the priority would be development of the strategic nuclear forces.

Ogarkov wrote that war between the superpowers would involve all continents, with "the whole of mankind . . . at stake," as Soviet weapons could strike accurately against targets located anywhere on the globe. Although he described Soviet doctrine as defensive, Ogarkov warned that, if it came to conflict, the doctrine provided for "vigorous and up-to-date offensive actions."

A participant in the negotiations for the two SALT treaties, Ogarkov is widely considered the high-ranking military officer nearest to Brezhnev's détente policy and less close than some other military men to the theory of "peaceful coexistence." In this *Kommunist* article, however, the Soviet Chief of Staff says that war between the great powers will be "the decisive clash of two antagonistic systems."

## Strengthen strategic arsenal

Col. Gen. Engineer V. Shabanov, the Soviet Deputy Defense Minister for Armaments, presented the case for a buildup in the June 26 issue of *Red Star*:

"It must be stressed most clearly: our party and its Central Committee and the Soviet government are compelled to earmark the funds necessary for the improvement of armaments and military equipment, in order to maintain the high combat readiness of the army and navy and to safeguard the security of the socialist fatherland and our allies. . . . Those Western circles which hope to achieve military superiority over the Soviet Union should always remember the potential of our socialist country. ' . . . The economy, science and technology in our country are now at such a high level,' Marshal of the Soviet Union D. F. Ustinov . . . points out, 'that we are capable of creating within a very short time any type of weapon on which the enemies of peace might like to gamble.' . . .

“Our efforts . . . are directed toward a continued scientific quest. The interests of the motherland’s defense require efficient utilization of the results of scientific and technical progress, to create promising models of weapons and combat hardware. As a system of scientifically substantiated views on questions of the development of arms and combat hardware, our unified military-technical policy serves us well in maintaining the technical equipment of the armed forces at the level of modern requirements.”

### **The Euromissile doctrine**

On June 30, military analyst Lev Semeiko took to the pages of *Red Star* for a review of the strategic importance of NATO’s emplacement of Pershing II and cruise missiles in Europe by 1983. Calling them first-strike weapons, Semeiko promised Soviet countermeasures. Semeiko wrote:

“It is a matter not only of the quantitative but also the qualitative aspect of the question. For it is a question of an increase in the might of the strategic potential aimed at the most densely populated and industrially developed part of the Soviet Union. . . . Another aspect is also important. Carter’s Directive 59 must not be forgotten—the Reagan administration has by no means abandoned it. And the directive envisages maximally extensive strikes at military and administrative installations. In their attempts to ensure effective strikes at them, American strategists place particular hope on reducing the time the Euromissiles take to reach their targets. Whereas this totals roughly 30 minutes for strategic missiles and less than 15 minutes for submarine-launched missiles, for the Pershing II missiles . . . it will be only 4 to 6 minutes. Moreover, Washington takes into account the fact that the U.S.S.R. has no analogous strategic potential near the American continent. . . .

“If you add to this the Euromissiles’ great accuracy, their military importance becomes even more obvious—they would constitute a qualitatively distinct and essentially new strategic potential. In these conditions, it is thought in the United States, American strategic superiority would be reborn. . . . Of course such calculations are totally unrealistic, considering the inevitable Soviet countermeasures. As a result of the new turn in the arms race, the world has drawn considerably nearer to the brink of a nuclear catastrophe. . . .

“In strategy they see . . . a chance of gaining an opportunity to launch a surprise, disarming strike. It is not fortuitous that the number of new American missiles—572—was calculated so scrupulously. ‘This number reflects the military assessment of what is necessary for a counterforce strike at Warsaw Pact military installations,’ the American journal *Fortune* frankly admitted. But these calculations have no prospects. As Comrade

L. I. Brezhnev stated in his speech in Tbilisi [May 22, 1981], ‘We will not be able to let the deployment on European soil of new American nuclear missiles aimed at the U.S.S.R. and our allies pass without consequences. In this case, we will be forced to think about additional defense measures. If required, we will find most impressive means for protecting our vital interests.’ This most important provision of Soviet policy indicates how utterly unrealistic are Washington’s and NATO’s strategic schemes.”

An article in an April issue of *Kommunist* shows even more precisely why the Euromissiles, with their reduced flight time, cannot be tolerated by the Soviet command. The current Russian answer to an attempted counterforce strike is as follows:

“What is meant by a limited ‘counterforce strike’? . . . If it refers to a launch of several rockets against military targets of the enemy, this idea is no less absurd than the threat of a suicidal massive strike. A step like that, after all, would obviously mean the unleashing of a ‘central’ thermonuclear conflict and, moreover, would give the other side the initiative, permitting him to use his remaining, practically untouched strategic arsenal. If the Washington planners intend a coordinated missile strike at the entire complex of land-based strategic targets, then this consequently means firing several thousand nuclear warheads at the other country’s territory. In this case, the aggressor should have no doubts, that the answer to such a, so to speak, ‘selective’ strike would be full, annihilating retaliation, possibly not waiting for the ‘counterforce’ attack to reach its targets.”

### **TASS on Weinberger**

From its Washington bureau, TASS on July 15 filed a dispatch on Weinberger’s speech at the National Defense Institute at Fort McNair the previous day. It said, in part:

“Defense Secretary Caspar Weinberger yesterday gave an inflammatory speech, which can be qualified only as a call to war. . . . He said that there existed many opportunities for direct confrontation between the Soviet Union and the United States and that there was no guarantee that the existing nuclear balance could avert a major conventional war. The United States, the Pentagon chief said, should recognize that this war might be found in many theatres of operations, or, in other words, on a global scale. . . .

“Caspar Weinberger said he did not accept the argument that the very talk of the possibility of a nuclear conflict made it more probable. But his speech . . . and Washington’s concrete militarist actions indicate that Washington does not rule out the possibility of such a conflict and is conditioning American public opinion for it.”

---

# Free naval policy from geopolitics

by Lyndon H. LaRouche, Jr., Contributing Editor

*On July 19, 1981, Katharine Meyer Graham's Washington Post published what the Post purported to be the draft of a directive by Secretary of Defense Caspar Weinberger to each of the military arms. Although the public information staff at the Pentagon declined comment on this publication, on grounds of secrecy, there are strong reasons to believe high-level reports that this information was intentionally leaked to the Post through influential channels of the administration, possibly the White House itself.*

*It is strongly believed, as the Post leak argues for this assessment, that Secretary Weinberger is looking ahead to a series of levels of crisis which will make it politically feasible to double and then treble the U.S. defense budget, up to as high, eventually, as half the GNP. It is the high-level, although unofficial view of the secretary's thinking, that this military spending would boost the economy as a whole in a manner echoing FDR's mobilization for World War II.*

*There is a germ of competence, although many more fallacies, in such an economic policy, if such a policy is indeed Mr. Weinberger's at this time. Certainly, whatever Mr. Weinberger may in fact be thinking presently, the policy-direction we have indicated is the dominant vector in defense and some related areas of administration policy at this juncture.*

*The proposal to establish saturation, short-warning "first-strike" nuclear capabilities against the Soviet heartland, with aid of Pershing II and Cruise missiles stationed in Europe, does represent an impulse toward "perpetual brinkmanship." Clearly, the Kremlin is presently committed—and ruthlessly—to take some countermeasure before such missiles are emplaced. One way or the other, the present drift of administration "first-strike" policy is leading toward as many severe crises as any booster of increased defense spending might desire, and within the duration of the coming 12 months, quite apart from the looming "financial blowout" of the dollar, widely and increasingly predicted to occur later this year.*

*Contributing Editor and Founder LaRouche has most recently written a proposed new defense doctrine for the*

*United States, which is being circulated as a policy bulletin of the National Democratic Policy Committee (NDPC). EIR coopted LaRouche's pen to inaugurate a new series of background intelligence reports on selected key topics of current defense-policy importance. LaRouche chose to take up a critical response to some of the more important policy-outlooks of the Naval War College.*

It is unnecessary and counterproductive to encumber debate respecting U.S. naval doctrine with the cultist geopolitical metaphysics of either Britain's Lord Alfred Milner or our own Adm. Thayer Mahan.

The simple secret of the continued importance of naval forces in the age of airborne nuclear weapons, and the emerging age of relativistic-beam weapons, is the elementary fact that water-borne freight continues to be, by approximately an order of magnitude, the cheapest means of transport. By applying the fundamental principles of land warfare to the sea dimension—*logistics, cutting edge, mobility and depth*—the requirement for applying the most-advanced existing technology to the naval arm defines the criteria of proper U.S. naval doctrine.

The "gut" of U.S. naval strength is properly a fleet of U.S. flag, nuclear-powered transports, complemented by and adapted to efficient standardization of universal containerization of freight and "star port" interfaces among all modes of land and air transport. The ability to bring such containerized freight, by ships of the U.S. flag, to any point in the world's shores or navigable waterways, and to move that freight inland to points at which bulk is to be broken, is the kernel of a proper naval capability. This capability must be armed, to secure such movement against adversary forces, and as armed means included among the totality of means for preventing an adversary from maintaining comparable logistical capabilities.

Presently, we have no such naval reserve fleet of nuclear transports operating as civilian transport under the U.S. flag. It is best estimated that half or more of our



military ranks, including naval and marine ranks, are users of "recreational substances," including marijuana, which tend to impair irreversibly the moral and intellectual capacities of users. Our fleets are becoming floating drug ghettos, like much of our ground forces, and no successive lowering of standards of testing can conceal with its rigged official scores the simple fact of a downward spiral of mean functional-literacy levels within all of our military ranks.

What is the point of launching more naval warcraft if we lack adequate personnel with the levels of literacy needed to man the technology modern naval equipment requires?

### Decay of infrastructure

This sorry state of affairs is not merely a reflection of the take-down of military capabilities over the period from Robert S. McNamara's lunatic "cost-benefit analysis" through the neo-Malthusian carnage wrought by the Trilateral Carter administration. The present lack of means adequate to repair the damage is a product of what has been done, especially over the recent 15 years, to our national agro-industrial economy, its energy production, its transport system, and growing portions of the rock-drug counterculture-afflicted population. We are being transformed into a nation stripped of the basic agro-industrial base, the skills, and the moral qualities required of an effective defense capability in all aspects, including each of the military arms as such.

The problem is not that we lack sufficient budgets for ships and advanced military technology. The problem is a rotting away of shipyards, a basic metals industry predominantly contracting and rotting in obsolescence, ports going out of existence, a collapsing rail system, a "deregulation"-disrupted trucking and air transport system, and a population of which increasing portions prefer the moral, technological, and intellectual incapacities of a "postindustrial society" to the form of sovereign industrial republic capable of mobilizing an adequate national defense.

That, in summary, is the stunning paradox confronting Secretary of Defense Caspar Weinberger. Without demanding the removal of such influences as Paul A. Volcker, David Stockman, David Rockefeller and the Fabian Heritage Foundation—it is impossible for the secretary to propose any competent military policy. Mr. Weinberger is correct if he estimates that a Pentagon budget of more than \$500 billion annually would be needed to develop an adequate defense establishment. However, were he given such funds, from where would he purchase most of his material requirements: Japan, perhaps?

Presently, it is forbidden to criticize Secretary Haig, Paul A. Volcker, David Stockman, and David Rockefeller within the precincts of the administration, or even

among significant portions of the Republican Party. President Reagan has been pressured into continuing President Carter's Volcker policy of usurious interest rates, and is otherwise trapped into an "economic package" broadly identical with that of President Herbert Hoover during the spring and summer of the fateful year 1929. It is not permitted to observe that President Reagan has embraced, for the moment, at least, the imminent destiny of President Hoover of 1929.

Instead, we have two fallacious approaches to military policy afoot. The first, associated with Secretary Haig, is the rewarming of a much-decayed version of the Schlesinger MC 14/4 NATO policy proposal of 1974-1975: to shelter the lack of in-depth capabilities of NATO forces behind a ruse of nuclear blackmail deployed under such rubrics as "forward defense" and "first strike." The second is the presumption that the political shock of combined economic and strategic crises will cause the United States to tolerate military expenditures rising toward one-half the Gross National Product.

It is fully justified to describe the present "first-strike" tilt, involving a combination of forward-based Cruise and Pershing II missiles, as a "much-decayed version" of the old Schlesinger doctrine. Then, in 1974-1975, the stability of NATO and the U.S.-France alliance was far greater, and the relative scale of in-depth capabilities, in both conventional and advanced-technology features, was relatively much greater than today. Moscow is relatively much stronger, and much closer to the deployment of relativistic-beam weapons.

The sheer idiocy of such mere nuclear blackmail is summarily this. Those who have seized upon this policy have grabbed it hysterically, with impassioned consoling delusions. "See," they insist, "this tactic will force the Soviets off balance, force them to tolerate this, then that, and so forth and so on." Such impassioned credulity overlooks two facts of decisive strategic importance. First, the Soviets will never tolerate any concession which, in their estimation, represents a point-of-no-return of strategic victory-potentials of an aggressive NATO force. Second, any means which portends the subsequent emergence of such a point-of-no-return will be neutralized by Soviet countermeasures before such means can begin to operate to such effect. The very reasons impassioned fools gloat so manically over the benefits of such means are reasons the Soviets would act preemptively to prevent such means from being put into place. *Those who propose the present version of "first-strike"-oriented "forward defense" are plotting a "reverse 1962 Cuba Missile Crisis."*

The second of the two policies, scaling up military budgets of a contracting U.S. economy, is premised on a nominalist's misinterpretation of something lying between FDR's war mobilization of the depressed U.S.

economy and the Nazi rearmament. To be precise about the matter, what the *Washington Post* indicates Secretary Weinberger as projecting is a replay of the policies of Nazi Finance Minister Hjalmar Schacht. It is not irrelevant that the leading figure of the British Fabian Society, Friedrich von Hayek, and his cothinker, Prof. Milton Friedman, consciously model their policies on those of Schacht's Nazi Germany. West Germany's Chancellor Helmut Schmidt has recently given clear enough warning that Hjalmar Schacht's Brüning-Hitler track is a policy which Schmidt's opponents have very much in mind for the period immediately ahead.

To understand why and how Schacht's and his successors' Nazi policies appeared to work—in the eyes of the ignorant outside observer—one must focus on two crucial aspects of the history of the Nazi economy over the 1933-1945 period. First, the limited scale of rearmament accomplished by the Nazi economy up through 1936-1938 looted the economy and its labor force to the point that even Nazi officials warned of an imminent internal collapse, a warning echoed from a slightly different standpoint by Schacht himself. The Nazi arms buildup depended upon the successive looting of Austria (1938), Czechoslovakia (1938-1939), Poland (1940 onward), Scandinavia, the Low Countries, France, French North Africa, the Balkans, large regions of occupied Russia, occupied Italy. As the rate of expansion into areas to loot slowed down after Stalingrad, the genocidal slave-labor system of Albert Speer looted wealth from the starved bodies of slave workers and occupied regions' populations.

The ability of an economy to carry the cost of a significant defense buildup depends upon increasing the per capita output of the population to such levels that the population can be maintained, and the industrial base expanded, through technological advancements in increasingly capital-intensive, and increasingly energy-intensive employment of the labor force in increased percentiles of labor-force employment in goods-production and transportation.

What Weinberger appears to be intending would succeed, without Schachtian Nazi-like consequences, only if the impending crisis were used not only to reverse absolutely Volcker, Stockman, Rockefeller policies presently prevailing in Washington. The administration would be obliged to remonetize gold reserves at \$500 an ounce or higher, and to issue gold-reserve-based currency-notes for lending at low interest rates to agricultural and industrial production, for technologically progressive forms of capital-intensive investments in increased production of goods. A 50 percent increase in the goods-output component of GNP could be realized within a relatively short period. Military expenditures could be increased accordingly, without significant inflationary or other regressive impact upon the basic economy as a

whole.

On the assumption that the administration turns to the outlined, latter option, we have the practical basis for projecting a competent naval policy.

### **The fallacies of Jomini**

The greatest single error introduced to the professional curriculum of West Point and Annapolis was the disorientation associated with emphasis on Jomini's misinterpretation of the lessons of the Napoleonic Wars. That disorientation has fostered susceptibility to the "geopolitical" doctrines associated with our own Adm. Thayer Mahan as well as of Britain's Lord Alfred Milner and Halford Mackinder, and of the influence of Nazi geopolitician, Major-General Prof. Karl Haushofer over the programs of Georgetown University.

A summary correction of the fallacies associated with Jomini's point of view is therefore the most useful and direct means for reaching corrected military-science doctrines applicable to naval planning.

The summary history of the crucial features of the military history of 1793-1814 is this.

Two of the leading scientists of 18th-century France, Gaspard Monge and Lazare Carnot took over leadership of the French Military Committee in 1793, organized the toppling of the British Jacobin Terror of Robespierre in *Thermidor*, and created the greatest military instrument the world had known within a few years. The centerpiece of this accomplishment was the development of a new steel industry, the most modern yet in existence, producing masses of new, mobile field artillery. Carnot et al. redesigned the arms of warfare and their deployment around the new geometry of warfare defined by mobile mass artillery fire.

This transformed industrial state, France, and its associated military capabilities, became the instrument placed at Napoleon's disposal. Napoleon achieved this position of command after Carnot had already shattered the 18th-century doctrine of set-piece warfare in battle, an exercise Napoleon repeated to decisive effect at Jena in 1806 against the Prussians.

The Prussian defeat of 1806 turned to the advantage of Prussia. A group of German republicans, centered around Baron vom Stein, Scharnhorst, and Wilhelm von Humboldt, of the same political persuasion as Carnot, used the humiliation of the Prussian oligarchical factions to use Prussian Minister Hardenberg as the "stooge" for a series of sweeping military, educational and related reforms of the Prussian state. Although vom Stein and his republicans were dumped through influence of Britain and Austria over Prussia at the 1815 Treaty of Vienna, the military, industrial and educational reforms of (approximately) 1809 persisted in never-worse-than-diluted forms into the period of the First World War, and were not entirely eradicated from

Germany until the Willy Brandt chancellorship of 1969-1974.

Later, after 1815, Carnot, exiled from France, spent the remaining years of his life at Berlin, collaborating with Alexander von Humboldt to transfer the French science, exiled from France by Orléans and A. Cauchy, into Prussia, under the protection of the Prussian military *Kriegsschule*. Carnot, earlier an associate of Benjamin Franklin, had been approached to work in Prussia as early as 1780. The Prussian republicans knew they were not "imitating" Napoleon; the Prussian military reforms were consciously known to have been the work of Carnot.

This understanding of the limitation of Napoleon in military science was key to Napoleon's defeat. Using Friedrich Schiller's in-depth study of the Thirty Years War, Scharnhorst's circles designed, baited, and operated the Russian Trap used to destroy Napoleon. This was accomplished with considerable difficulty, as the Germans had to overcome strong Russian opposition to permitting Napoleon to occupy the mined city of Moscow.

There was nothing accidental in either the genius of Monge and Carnot, or the fact that Scharnhorst and his associates understood Carnot's genius far better than Napoleon. Gaspard Monge, Carnot's teacher of the Oratorian Order, had mastered geometries which were classed as a state military secret of France earlier, because of the superiority these principles of geometry afforded the design of France's fortifications and design of the geometry of battle. Carnot's most famous military writings, prior to 1793, included the design of the lighter-than-air dirigible as a weapon whose military functions were defined. It was Carnot who worked with his protégé Fulton in promoting naval technology, including the steamboat and submarine.

The source of figures such as Monge and Carnot was a Neoplatonic tradition in statecraft and science traced in military science from the early 15th-century statesman, Plethon, who first defined the relationship between economy and warfare. Leonardo da Vinci, whose leading role as a statesman and military specialist is seldom adequately grasped, and da Vinci's collaborator, Niccolò Machiavelli, are part of this tradition, as was da Vinci's ally, France's Louis XI, Johannes Kepler, John Milton, Jean-Baptiste Colbert, and the protégés of Colbert, Huyghens and Leibniz. During the 17th and 18th centuries, into the early 19th century, this current was known in France as the *mercantilists*, and in Germany as the *kameralists*. Leibniz was educated as a *kameralist* at Mainz, whence he moved to Paris under Colbert's patronage. It was Leibniz, during his period of close collaboration with Huyghens, who revolutionized *kameralism* by inventing economic science (1670s), and introducing the interrelated notions of work, power,

and technology. Göttingen University was based on the influence of Leibniz. Both the von Humboldt brothers were educated as *kameralists*, just as Monge and Carnot were trained as *mercantilists* by the Oratorians.

Into the middle of the 19th century, German science and military science were fully conscious of these connections, as surviving primary sources from the 17th through mid-19th century document that fact beyond dispute.

Two crucial points of correction of prevailing U.S. naval thinking are to be derived from such correction of usually falsified history. First, the history of warfare is the history of mortal combat between the republican and oligarchical orders of society in the world. The military policy of Carnot's France, Scharnhorst's Prussia and the young United States of Washington, Hamilton, John Quincy Adams, et al., was fully conscious of that and informed its practice accordingly. The technologically progressive republic relies upon the most-advanced technology, applied to matters of logistics, engineering, and mobility, to destroy the war-fighting capabilities of the adversary in depth, and to maintain as the goal of warfare the extension of sovereign nation-state republics, to the disadvantage of zero-technological-growth-oriented one-world systems of oligarchism. The war of Alexander the Great against the forces of the Persian Empire is the paradigm for the modern science of warfare.

Second, we consider the fact that Carnot wished to accomplish on sea what he had accomplished on land, and failed in that purpose only because of the foolish Napoleon's rejection of the proposals of Fulton and others of Carnot's circles.

### **Britain and geopolitics**

Britain today is the same form of society which the leaders of the American Revolution, the War of 1812, and the subsequent decades understood to be the mortal adversary of the United States. Although the principal direct source of the republican culture of the United States was John Milton's Commonwealth party in Britain, the Stuart, Orange and Welf phases of the post-1660 Restoration re-established the dictatorship over Britain of the common, mortal enemies of both the Commonwealth party and the republicans of the English colonies of North America.

Britain is predominantly a rentier-financier continuation of feudal society, which has more or less successfully adapted to the advancements of technology which Britain could not shrug off from outside without undermining Britain's strategic capacities. This character of the ruling, rentier-financier British oligarchy, from 1660 to the present, is key to British strategy and the peculiarities of British military policy leading through Milner and the bloody set-piece war-fighting atavisms of Field

Marshal Montgomery.

Traditional American policy is expressed by the term "community of principle," employed successfully by Secretary of State John Quincy Adams to argue against accepting a treaty with Canning's Britain, but to issue the unilateral Monroe Doctrine against Britain as well as Britain's Hapsburg allies, as an affirmation of the fact that the United States would ally only with sovereign republics committed to the same republican policies for themselves as the United States was for itself. As Adams stressed, the United States had no basis for a "community of principle" with its mortal, oligarchical adversary, Britain.

The destruction of our professional officer corps, our failure to select as leading military figures professionals sharing the traditionalist outlook of Gen. Douglas MacArthur, is a reflection of the accelerated development of a "special relationship" between the United States and Britain over the period since 1938. The credulous embrace of the myth of "British brains directing American muscle," has been the key to the aggravated undoing of our nation's capacity for competent strategic thinking. The spread of the oligarchist cult-doctrine of "physiocratic" geopolitics is the leading symptom of this corruption.

Politically, U.S. strategic thinking has become a parody of the children's game of "cowboys and Indians." "Who's the adversary? Let's whip his butt!" is the underlying banality and sophistry spoiling our political and military strategies.

What are the fundamental strategic interests of the United States, as these bear on matters of alliances, adversaries, and vital self-interests at home and abroad? This is the question for which competent answers have been lacking in the deliberations of the military professional's public journals, the plethora of papers and texts purporting to reflect solemnly on strategic issues, and the deliberations of administrations and Congress.

Our republic's interest is defined by the order of our federal constitutional republic as a nation under natural and constitutional law, as the framers of our Constitution rightly understood this. We are committed to the development of the individual now and among posterity to follow us, a development fostered through technological advancement of the goods-producing productive powers of labor. We demand to be free of overreach of foreign agencies, such as the International Monetary Fund and the Hong Kong drug-debits financier interests, and free to pursue those constitutional policies which define the self-interests of ourselves and our posterity.

To secure this self-interest for the benefit of ourselves and our posterity, our proper policy today is that of Secretary of State John Quincy Adams's formulation in 1823. We desire the transformation of other nations into sovereign republics committed to the same principles as

our own. The entire objective of our proper foreign policy is to foster the spread of a worldwide community of principle among such republics, to spread the republican order, committed to sovereign, technologically progressing republics, through weakening of the oligarchist powers and their colonial systems. We seek to create and strengthen among nations around us, neighbors of the sort which share the same moral outlook and interests of the framers of our Constitution.

Anything else is merely unpleasant expediency, if we are obliged to tolerate it for a period. Otherwise, any foreign policy proposal is counterproductive rubbish.

It is that foreign policy which properly informs our military policy, including a definition of the ends to which the conduct of warfare is to be shaped.

Let it be our policy that the people of any nation subjugated to oligarchical rule could desire nothing but that their nation could be occupied for a brief period by the military forces of the United States. In the endgame of war, the point at which our infantry can be deployed without significant resistance on what was formerly adversary territory, we must be welcomed because we are nation-builders, who spread modern logistics, improved productivity of farms, and other elements of modern sovereign industrial states wherever our forces put their feet. A force designed to fulfill that endgame task of war and to bring war-fighting to such a conclusion ought to be the fundamental military doctrine of the United States. *Let us become, according to the technology of our age, what Alexander the Great would have wished his forces to have been in his time.*

That healthy point of view clears the mind of the cult nonsense of "geopolitics."

### **The naval anomalies of the Napoleonic Wars**

The work of Monge and Carnot, even up to the time of Benjamin Franklin's coordination of world affairs from Paris, shows that there was nothing of a "fluke" in Fulton's naval designs. Steam-powered naval craft, at least for near-coastal and Mediterranean deployment were already a fully feasible revolution in naval warfare at the beginning of the 19th century. Had France committed itself to this available option, as Carnot wished, and implemented that decision as Carnot had redesigned the land forces of France, Britain's defeat on the sea would have been soon assured.

The policy of developing coal, to replace "renewable resources" such as wood and charcoal, was recognized as necessity in 16th-century England, during the period and among the associates of the great scientist and foe of Francis Bacon, William Gilbert. The first glimmers of the development of the modern steam engine are traced to this source. The actual development of the steam engine was accomplished by Denis Papin at the beginning of the 18th century, under the influence of

Leibniz, and embodying the fruits of the collaboration between Huyghens and Leibniz on this matter. Leibniz generalized this to the notions of work and power, defining the notion of *technology*, which he invented, in terms of the general principle of a heat-powered machine enabling "one man to do the work of a hundred."

It also bears directly on our working point here, that Leibniz specified, in the 17th century, the need to develop the cartridge and breech-loaded weapon, and also emphasized the necessary changes in warfare's arms required by such an increase in firepower.

The point we are stressing is that it is a grave error to fall into the *post hoc ergo propter hoc* school of military science, in which the credulous attempt to explain the necessity for certain developments to have occurred in the time and specific sequence they were deployed in history. Once we realize that the naval steam-powered vessel should have, and could have been developed during the first decade of the 19th century, with decisive effects on the strategic outcome, we have confronted ourselves with what should be for many specialists a stunning, health-giving refreshing of their criteria of judgment.

This reflection forces us to look more deeply into the differences between the geometry of Carnot's statecraft and that of Napoleon Bonaparte. It is the peculiarities of the policy-making geometry of the mind of governments which affect the shaping of military capabilities, as well as actions, often to tilt the balance between defeat and victory. It is the whole policy of government which must be considered in this whole overview of strategic thinking, not merely matters deemed military per se by convention.

It instructs us to eliminate from power to make policy decisions those who either underrate the urgency of orienting naval policy to the age of relativistic-beam weapons, or who imagine that we can enter the age of beam weapons while tolerating savage constraints on our NASA and fusion-energy development efforts.

What can be the effect of long-wave phenomena in targeting naval vessels, including submarines? What is the significance of generating gravitational waves in naval as well as land and missile warfare? What is the environment of naval warfare within a geometry in which space-based x-ray or gamma-ray beam weapons can punch through the atmosphere to strike naval craft?

The basic military doctrine of the United States must be to be absolutely first, and a leap ahead of everyone else in both the research and development tasks of the most-advanced technologies, and in not only their general application, but in situating military technology and ordering of the arms of warfare in terms of such technology.

Let us hang a slogan in every naval planner's office: "Think like Lazare Carnot."

## Has the Pentagon been brainwashed?

by Lonnie Wolfe

A group of men and women are sitting around a large table in a windowless room. At the center of the table is a small TRS-80 computer with a video display terminal. In each of the participants' hands is a small device resembling a pocket calculator, joined by wire to the computer terminal.

At the head of the table sits a man with a large stack of papers. To his left and right sit two nervous gentlemen clutching black looseleaf notebooks. The man at the head of the table begins to speak. "Well crew, you know why you are here. Today's question is: 'If the U.S. government gives sophisticated weapons to China, what will the Soviet Union do? Or more precisely, what is our risk of nuclear war in the near term and in the long term?' The parameters of the aid program and intelligence on the Soviet leadership personality profiles are in the papers you have already received. You've done this before, so you know the ground rules. Let's begin with you, Sam. What are your feelings on the subject?"

Sam speaks for approximately five minutes, followed in turn, by each person at the table. If someone rambles too long, or if he gets off the topic, the man at the head of the table cuts him off curtly saying, "Let's stick to the topic. You know the ground rules. You're a pro."

After each person has spoken, the man at the head of the table speaks again. "Well, you've all said your piece. Let's see if we can get a consensus. You know how to use the sensor. Let's rate the risk of a Soviet nuclear strike on the U.S. on a scale of 1 to 10, with 1 being least likely. Let's do it first for the near term. Please, only press the sensor once."

Each person grabs for his little calculator and pushes the button. A few seconds later, the man at the head of the table, looking at the graph on the video screen, announces proudly, "I do believe we have a consensus."

The Soviets are not likely to launch a nuclear strike in the near term. Let's see if we can strengthen the consensus. Sam, I think you can see now that you were way out of line saying that the Soviets would definitely nuke us. Maybe you would like to revise your feelings on the matter. . . ."

And the process is repeatable.

According to members of the Futures Group, the Connecticut-based think tank, this is how a Delphi session of a program called Political Stability Prospects works, and it is today playing a large role in shaping all U.S. national security doctrine, including the 1981-86 secret consolidated guidance of the Department of Defense.

Prospects was designed by the Futures Group during the Carter administration for the U.S. Joint Chiefs of Staff (JCS). The program forms the core of the JCS Long Range Appraisal and as such is the basis for all U.S. defense posture policies, including such policies as arms sales to the People's Republic of China. Similar programs are also used in the National Security Council and the Haig State Department.

In the growing field known as "strategic risk analysis," the Prospects program and others like it are now dominant. All share the use of the Rand Corporation's Delphi method for manipulating a group of experts toward a rigged conclusion. The Futures Group, as the cream of the Rand Delphi practitioners, boasts the most sophisticated program. It is certainly the most well connected. "We've hooked the Defense Department and the JCS pretty good on our method," brags Futures Group treasurer Hal Becker. "It simplifies their decision-making process."

When boiled down to essentials, Prospects is a series of Delphi sessions linked together by a simple computer program. The specific form of the Delphi computer "razamatazz" is termed Trend Impact Analysis, a system developed by Futures Group founder and president Ted Gordon.

The centerpiece of Prospects is a summary index of the potential for instability in any given country. A yearly time series of destabilizing events is listed, including riots, strikes, and terrorist acts, along with a second time series measuring economic deprivation. A historical index is developed by combining the two.

Then the oracle of Delphi comes in.

"We Delphi a consensus," said a Futures Group member. "We feed this material to a group of experts. They decide how much a political assassination is worth versus a riot or two, or how much a bad harvest should be weighted against growth expectations. We judge perceptions. We look at the way people perceive things both in leadership and in a given country as a whole. It is role-playing on a grand scale. Then we Delphi it. We get a consensus on all the key points, on what the economies

will look like, on the importance of riots, of the growth of terrorism."

The weighted numbers emerging from the Delphi sessions are then plugged into this computer program. Presto. The oracle of Delphi speaks through a computer graph which charts a country's probable instability. This is then presented to the assembled Joint Chiefs of Staff or their representatives. The Prospect printout with appropriate comment is then dispatched to the policy planners, who have their own Delphi sessions and arrive at an action-policy consensus. This is how U.S. security doctrine is made.

At several stages in this Delphi process, the Futures controllers dispatch their patented consensor, the handheld calculator-like device that enables experts to score their feelings on a particular question from 1 to 10 and watch as the consensor tallies their responses on a video screen.

"It is the great equalizer," said Becker, describing the consensor as if it were more than an elaborate adding machine. "Decision-makers or experts, faced with a complicated set of variables will either push themselves to an extreme or they become paralyzed. With the Delphi method and the consensor, we avoid this. We produce a nice neat consensus, so that no single expert opinion matters more than any other. This simplifies things for the people who make the decisions. They will perceive power behind the consensus. They will be more likely to act, especially where the choices are difficult. They feel part of a group, not so alone."

According to Becker, Prospect confirms the worst prognostications of such lunatics as Gen. Maxwell Taylor who has proposed writing off most of the developing sector, letting more than 1 billion people die. "Taylor or somebody like him could scream till he is blue in the face," said a Futures Group source, "but Prospects shows a consensus to policy-makers and will prod them to act—even if they don't like Taylor or his ideas. That is the beauty of the Delphi method. The consensus is what is important, not the people who make it."

The Futures Group has worked for the State Department to plan U.S. response to Third World demands at international conferences for technology transfer. Another Futures Group study, classified, analyzes other advanced sector nations' policies toward technology transfer. By acting against technology transfer programs, the State Department blocks economic development in targeted Third World countries. Prospects shows that there will be "dozens of Irans, El Salvadors, and Cambodias," said Becker. Its results have been used to change U.S. military doctrine toward Taylor's and former Defense Secretary Harold Brown's Rapid Deployment Force. "Why should we have a military to fight wars we are not going to fight," he

said. "The new wars will be population wars in the developing sector. That is where the battlefields will be."

It was pointed out to Becker and his cohorts that policies formulated by the JCS, the State Department, and the National Security Council from Prospects could have the effect of turning trend predictions into self-fulfilling prophecies. "Do we do some things that create instability?" Becker asked himself. "Certainly. You should have asked whether it was intentional. . . . That you have to ask the State Department."

The Prospects program, according to Becker, also routinely analyzes advanced sector nations, including Atlantic Alliance members Italy, West Germany, and France.

### **A consensus for war?**

The obsession of such futures planners as Becker is the Soviet Union. "It is our most important adversary," said Becker. "It is our biggest mystery, the key to all our other puzzles. . . . You bet we are obsessed a little with it."

Becker and other Futures Group Delphi planners feel that what they call the "Soviet Empire" is entering into a period of decline that will occur over decades.

Their idea is to persuade the Soviet leadership that succeeds Brezhnev into accepting a "new Yalta" agreement—global redivision that would hold until internal contradictions would begin to rip the Soviet bloc apart. In the meantime, the Soviets can be induced into building a costly moat around their country, as the NATO allies trigger instability along the Soviet border. The Soviets, say Becker and his futurists, would react militarily to each of these provocations, moving as they did in Afghanistan. To accomplish this strategy, countries on the Soviet border like Pakistan and Turkey would have to be sacrificed, explains Becker.

"We throw the bear some bones and hope he chokes on them," said Becker, spinning out his scenario: crises fester in the bloc countries and in the Balkans; Iran plunges into anarchy, and the Soviets move in. At this point, the United States deploys its RDF and there is a small shooting war. Tactical nuclear weapons are used, but neither side fires its strategic weapons systems. The fighting quickly stops, and the new Yalta is agreed to.

The new Yalta would not eliminate conflict, but merely provide a code of conflict, eliminating the threat of superpower strategic confrontation.

"We are talking about agreeing on how to crisis-manage things like major population reductions," said Becker. "We want to keep things under control."

Becker, who drafted a new Yalta scenario in a January 1981 document, says that the concept originally met with stiff resistance. Several Delphi sessions later, however, Futures Group people say that it is now the

*operational policy mode*. In other words, the new Yalta is live.

The thinking behind Becker's scenario, as he openly states, is that the Soviet Union will never resort to the first use of strategic nuclear weapons. According to Becker, Delphi groups on this subject produce an overwhelming consensus that a general strategic war cannot happen.

The recently leaked U.S. consolidated guidance, signed by Defense Secretary Caspar Weinberger, is a product of this consensus. According to well-placed sources in the defense community, the guidance was produced by a combination of Delphi planners, including the Futures Group-created planning unit in the Joint Chiefs Long Range Appraisal. In fact, one knowledgeable source reported that the first-strike orientation of the guidance was lifted almost entirely from the JCS planning group, J-5, or five-year-plus strategic planning perspective. J-5 uses the Futures "Prospects" program to develop its baseline estimates.

According to these sources, the Weinberger guidance had three basic purposes, all of which were linked to the concerns expressed in Becker's scenario. The purpose of the leak is to make explicit the threat to strike the Soviets anywhere in response to Soviet pressure in the Persian Gulf, the threat to go to first-use of tactical nuclear weapons, and most importantly, the implicit first-strike capability of the Europe-based Pershing II and the cruise missile systems.

The Delphi planners find the U.S. out-gunned and out-manned *vis-à-vis* their Soviet adversary, a fact they admit among themselves, if not always in public. Nonetheless, by threatening first strike, they assume they can bluff the Soviets—or at least keep them out of a strategic nuclear exchange. The United States is operating in what the Delphi planners call a "crazy state" mode, borrowing a concept developed by the Tavistock Institute for Human Relations, the psychological warfare training center of the British royal family. The idea is to create an international, controlled aversive environment, within which to manipulate the Soviets. They define a "crazy state" as a nation whose doctrine is in fact the deliberate manipulation of perceptions in an attempt to create a new strategic reality. By acting insane, U.S. "strategic" thinkers hope to force the Soviets to accept the world on their terms.

But what if the Soviets don't buy the whole scheme? What if they choose instead to launch strategic nuclear war against an unprepared West? What if the Delphi people have miscalculated? "That is not the consensus," said the Futures people. "That is not the consensus. The Soviets won't go to all out war. They just won't." And what if these oracles of Delphi are wrong? "Well, I really don't think that we should spend too much time considering that," said Becker.

## Who lost at the summit: Schmidt . . . and Reagan

by Vivian Zoakos, European Editor

By deciding to "stand firm" in defense of the U.S. Federal Reserve's high interest-rate policy, President Ronald Reagan set himself up into having to make an important concession at the July 20-21 Ottawa summit of the seven largest industrialized countries. The concession, heralded as a major victory by "one-worldist" Canadian Prime Minister Pierre Elliott Trudeau, involved Reagan's acceptance of the principle of "global negotiations" on various issues.

Trudeau, among others, is viewing this as a foot in the door to supranationalism and the erosion of the principle of national sovereignty.

At the same time, by refusing to budge on the interest rates question, President Reagan put his one real ally, West German Chancellor Helmut Schmidt, into a difficult economic position that will substantially weaken him politically. Schmidt is now being forced to implement precisely those "Brüning-style" austerity measures which he has been warning against for the past two weeks, and which could presage his political demise. Control of Germany would then pass into the hands of one or another representative of the "one-worldist" crowd allied to the Canadian Trudeau.

At the concluding press conference July 21, Helmut Schmidt announced that "we have decided that the state should take a step back as a public borrower to give the central bank more leeway in dealing with interest rates." He indicated later over German radio that the cuts in the German budget would have to be deeper than had been expected before Ottawa.

Prior to the start of the summit, Schmidt had been insisting that failure to bring down U.S. interest rates would mean the need to adopt "Brüning-style" austerity in West Germany. To any responsible German a Brüning economic policy represents nothing short of a nightmare. It was the deep austerity of 1930-1932 imposed by Brüning that prepared the way for the rise of Hitler in that country. Schmidt has been warning that American economic policy, if not reversed, would force him into a Brüning posture—followed by results parallel to what occurred in Weimar Germany after 1932.

This is what President Reagan put into motion through his much praised "success" in defending the Federal Reserve's interest rates policy. At the same time he approved what the London *Financial Times* gloated July 22 was a "vital change in position by the U.S.": acceptance of the principle of global negotiations to deal with central North-South and economic matters.

To gain this concession had been the prime stated aim of Canadian Premier Trudeau. He had stated this in his address to the Canadian Parliament June 15, where he identified global negotiations with the Brandt Commission report on North-South relations.

The final communiqué at Ottawa included support for various of the positions endorsed by the Brandt Commission report. Among these are condemnation of population growth ("We are deeply concerned about the implications of world population growth"), support for the strengthening of supranational institutions ("We welcome the recently expanded role of the IMF"), dein-



dustrialization in the advanced sector together with veiled union busting ("We must . . . change . . . expectations about growth and earnings, change . . . labor relations and practices, change the pattern of industry, change the direction and scale of investment"), and of course the principle of global negotiations, the linchpin of the Brandt Commission report ("We are ready to participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress").

As the *New York Times* noted the following day, "The Canadians, in particular, greeted this as a major concession by the Reagan administration after it had expressed little interest in and some puzzlement about global negotiations."

The essence of the Brandt Commission report, as the above indicates, is to call for the deindustrialization of the advanced sector under the guise of providing aid to the developing sector. This is based on an "equal distribution of wealth" schema that would impoverish the developed countries while leaving the Third World at starvation levels through forbidding the transfer of any but the most primitive technologies to these countries.

Intrinsic to the implementation of this program is the weakening of the national sovereignty of the advanced sector nations. Otherwise, enlightened national self-interest would tend to prevent the substantial industrial dismantling of the industrialized nations.

As a first step in the implementation of such a program, Canadian Prime Minister Trudeau was able to announce at the end of the summit that a permanent economic consultative mechanism had been established. This "mechanism" essentially institutionalized the yearly economic summit as an ongoing body with responsibilities for immediate crisis management in the expected cataclysms that will be hitting the international monetary system.

However much the "language" of the summit communiqué is interpreted as mere rhetoric, or symbology, let no one deceive himself. The heads of state at Ottawa took an important step in abdicating the traditional responsibilities of national leaders to control their own economies in favor of supranational institutions, whether they be already in existence like the IMF or be some newly formed organization like the New International Bank proposed last month by Sir Harold Lever of Britain.

### **Focus on East-West relations**

The stated purpose of the meeting in Ottawa was, as with those that have been held over the last seven years, to discuss and formulate economic policy. In fact one of the major foci of attention—aided by Israeli Prime Minister Begin's daily blitzkrieg raids into Lebanon—was East-West relations. This became a point of significant conflict, with West German Chancellor Schmidt

and Japanese Prime Minister Zenko Suzuki the focus of dissent.

In response to pressure from the U.S., Canada, Britain, and France, who argued against trade with the Soviet Union involving significant technologies, Schmidt and Suzuki refused to buckle. Schmidt declared that the Soviets are a natural trading partner with West Germany, and he refused to consider renegeing on the gas pipeline deal that has been under negotiation between the two nations.

In fact, the day after the summit, Salzgitter steel, a government-owned corporation, signed a large contract with the Soviets. The explanation of Schmidt's spokesmen was that trade with the East bloc has been a lifeline to the German economy in the midst of the major recession in the West. Diplomatically, he did not mention the fact that under a new confrontationist stance in the West, West Germany would be the first to be sacrificed to Soviet tanks and hence the Germans are determined to do nothing to disrupt what remains of détente.

For his part, Premier Suzuki's government loudly announced a new sizeable deal with the Soviets the day after the summit concluded. A consortium of five Japanese steel companies signed a deal with Moscow to sell them 750,000 tons of steel pipeline to be used in the construction of the natural gas pipeline being negotiated with Germany and France. The initial dollar figure for this deal is \$400 million, with an option to expand the tonnage shipped.

Nonetheless, despite the minority opposition from Germany and Japan, the majority were able to include in the final communiqué a clause calling for consultations and coordination "to ensure that, in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives. We will undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the U.S.S.R."

Trudeau announced at his concluding press conference that the East-West strategic trade issue covered in the communiqué will be taken up at a meeting of the Atlantic Alliance's strategic trade coordinating committee, CoCom, this fall.

Despite the smile of comradeship, the summit was correctly summarized by West Germany's largest newspaper *Bild Zeitung* as "harmonious disharmony." Despite standing firm, however, Suzuki and particularly Schmidt will be coming under increasing pressure over the coming year on both the economic and strategic front, as the summit results indicate. Unless the decisions taken at Ottawa are reversed, it can only be counted as a turning point toward world fascist dictatorships warned of by Schmidt in his repeated references to Brüning.

# Will Washington finally halt Israel's war rampage in Lebanon?

by Nancy Coker

Waves of Israeli air force jets swoop over Beirut, bombing an entire section of the city to rubble. Apartment buildings are leveled. More than 600 Lebanese civilians are killed; thousands are wounded. It is the July 17 air strike—the largest against Lebanon by Israel in seven years. Israeli Prime Minister Menachem Begin pledges to continue hitting at civilian targets, justifying his policy of wanton murder by stressing his commitment to liquidate “Palestinian terrorists” wherever they may be.

A curious paralysis grips the Reagan administration. President Reagan is described by aides as “confused” and “perplexed.” Secretary of State Alexander Haig refuses to condemn Israel.

The effect of Begin's bloody rampage—and Reagan's toleration of it—will be to shatter U.S.-Arab relations and propel the Arab world into the Soviet camp. The result could be a superpower confrontation and oil crisis in the weeks or months ahead.

## Cowboy politics

Reagan's support for Begin is a direct result of his poor grasp of the realities of the international strategic situation and his shortsighted insistence on viewing the world in black-and-white cowboy fashion—i.e., the “good-guy Israeli capitalists” taking on the “bad-guy Palestinian communists.” Deluding himself that he is defending the free world by backing the lunatic Begin, Reagan is in fact setting the stage for a major international crisis and, potentially, a third world war by allowing Begin to run amok in Lebanon.

Reagan is thus susceptible to a larger policy design, devised and backed by Great Britain and French President François Mitterrand: using Begin to polarize the Middle East, Yalta-style, along superpower lines and establish a Western-aligned “strategic consensus” against the Soviets.

Reagan administration tolerance for Begin is reflected in the totally inadequate U.S. response to Israel's provocations in Lebanon. Reagan's decision to suspend the delivery of ten F-16 jets to Israel can hardly be deemed punishment, even by the Israelis, who gracious-

ly accepted the delay. “We understand that Washington can't do anything but that,” said one of Begin's aides sanguinely. “We understand their embarrassment. If the jets are held for a while, Israel won't be so endangered. I believe the planes will be delivered.”

The ineffectual response on the part of the Reagan administration was matched by a statement issued by the heads of state at the Ottawa economic summit that even-handedly called for an end to the violence and urged “restraint” by “all sides and parties,” without even singling out Israel!

## Beyond the Litani

According to intelligence sources, Begin is preparing for a full-scale invasion of Lebanon aimed at annexing territory as far north as the Zahrani River. The Zahrani, which is located just 27 miles south of Beirut, is well beyond the current “red line,” defined as the Litani River. An “Operation Zahrani” would culminate in the expulsion of all Palestinians in Lebanon living below the Zahrani and within rocket range of Israel, the *Baltimore Sun* reported on July 21.

The first phase of Operation Zahrani took place on July 20, when Israel sent ground units deep into Lebanon to knock out Palestinian positions along the Zahrani River. It was the first Israeli ground attack since hostilities began two weeks ago.

To prepare for an invasion, Israel has been systematically destroying Lebanon's communications and transportation infrastructure. At least 10 bridges have been blown up, along with key roads and supply lines. Last week, Israeli jets destroyed an oil refinery near the Zahrani. The refinery produced one-third of Lebanon's gasoline. As a result, an acute gasoline shortage has gripped the country.

Other preparations for war include the stationing by Israel of tanks and other armored vehicles in areas of southern Lebanon controlled by Israel's Lebanese puppet Maj. Saad Haddad.

An aide to Begin confirmed this week that Israel is not interested in pursuing a negotiated settlement to the

fighting and is ready to launch "a wide conflict against Syria on Lebanese soil." "Air strikes alone" cannot "break the PLO," said one Begin official.

Yehoshua Saguy, the chief of Israeli military intelligence, stated July 22 that one motive for Israel's massive bombing raid on Beirut was to generate Lebanese civilian resentment against the Palestinians. "I would say at least they have something to think about now," Saguy said.

Reports meanwhile persist that Syrian President Hafez Assad is considering deploying "air defense weapons in Beirut" to protect the Lebanese capital against Israel. A number of Syrian soldiers stationed in Beirut were killed in the Israeli bombing. In addition, 50 Soviet warships are reported to be positioned off the coast of Lebanon, having stayed in the area following their joint maneuvers with Syria last week.

### Is Begin going too far?

A number of Israel's leading moderate newspapers have started to question Begin's policy. Israel's most prestigious paper, *Haaretz*, wrote that what "has already been harmed is Israel's moral superiority over its enemies." Another daily, *Al Hamishmar*, stated, "It is an illusion to think that it is possible to eliminate the terrorists, even if we use the air force against them." And the *Jerusalem Post* editorialized, "To what extent is this stepped-up military action guided by a well-thought-out policy? What was the decision-making process of the government, which in fact is only a transition administration? . . . Given [his] narrow majority [in the June 30 election] was it not incumbent on Begin to seek broad national support for such extreme action by consulting the Labour opposition beforehand? How far can Israel strain its already tense relations with Washington without dire consequences?"

Numerous American Jewish leaders have reacted similarly. In Philadelphia, one prominent Jewish spokesman stated how difficult Begin's bombing raids have made it for parents to maintain pride in being Jewish in their children. "Begin has gone too far," said another leader. "Begin doesn't know when to quit, when to restrain himself."

Even some of his erstwhile Anglo-American backers may be concerned about Begin. Signs that this may be the case appeared in the French daily *Le Monde* last month which reported that Begin's excesses are alienating the entire Arab world, including the moderates, making Alexander Haig's plans for a strategic military alliance among Jordan, Saudi Arabia, Egypt, the Gulf countries, and Israel an impossibility.

Whether, and for what reason, the Reagan administration will move to constrain Begin is still unclear. However, there are signs that the threshold of tolerance may have been crossed.

On July 22, Deputy Secretary of State William Clark, known for his personal loyalties to Reagan and not to Haig, made his first major public statement since assuming his position six months ago, and attacked Begin. Reflecting Reagan's growing irritation with Begin, Clark said, "Our commitments are not to Mr. Begin but to the nation he represents, and without question he is making it difficult to assist Israel." Clark's statement echoed an earlier comment by Reagan: "That fellow Begin sure makes it hard to help him."

Referring to the decision not to go ahead with the delivery of the F-16s, Clark said, "You just don't ship gasoline to a fire." Clark stressed, "Our commitments to the area may not parallel Mr. Begin's. Israel is not our only friend in the region." Clark went on to suggest that the delivery of the F-16s could be postponed indefinitely and that the ban may be widened to include F-15 jets and M-60 tanks as well.

Clark's statements take on added significance in light of reports that he did not clear his comments with Haig, who, it is estimated, would have disapproved. In addition, the *New York Times* reported July 22 that the prevailing view among Arabs is that one of the motives for Israel's provocations in Lebanon is to thwart the strengthening ties between the Reagan administration and several Arab countries, namely Egypt, Saudi Arabia, and Iraq.

The same day, Defense Secretary Caspar Weinberger also issued a round of milder criticism of Begin. "I think that [Begin's] course cannot really be described as moderate at this point," said Weinberger. "It is essential that there be some moderation and some general realization of how volatile the region is and how quickly individual acts of violence or individual acts of aggression or retaliation, or whatever, can lead to something much more violent."

## New Arab moves toward Moscow

by Judith Wyer

The pro-Israel bias of the Reagan administration combined with the lack of support for pro-U.S. Arab nations is pushing those Arab states to make overtures to the Soviet Union.

This is not occurring because the leaderships in Saudi Arabia or Jordan are in ideological agreement with Moscow, but because they no longer see the United States as the trustworthy ally it used to be. "It's just a

question of power," observed a Middle East source. "The U.S. isn't as strong as it used to be, and Begin's current aggression against the Arab world calls into question whether Washington will rein Begin in. Under these circumstances the Arabs will seek out other allies that can exert power, so they go to the Soviets."

The recent visits of the foreign minister of Kuwait and Jordan's King Hussein to Moscow were closely coordinated with Saudi Arabia. Syria and Iraq, which both have close relations with the U.S.S.R., are reportedly acting as mediators between Riyadh and Moscow. Through these channels it is anticipated that Saudi Arabia may possibly renew direct contact and relations with the Soviets, should Reagan's Middle East policy remain unchanged.

Meanwhile, a faction within Britain associated with Foreign Secretary Lord Carrington is encouraging a certain amount of Soviet contact with such states as Saudi Arabia. This conforms to Britain's so-called new Yalta policy, which would give the Soviets influence in parts of the world until now exclusively associated with the West. According to this calculation, such a strategy would give NATO badly needed time for a military buildup in anticipation of a future confrontation with the presently militarily superior Soviets.

Carrington et al. meanwhile estimate that they can control Soviet influence in the strategic Persian Gulf through British agents within the Soviet KGB associated with triple agent General H. A. R. "Kim" Philby.

It is no secret in the corridors of power that Reagan and Carrington are at extreme odds on crucial strategic issues centering around the Soviet policy. Carrington would offer dangerous concessions to Moscow to postpone confrontation. Reagan envisages forging a world consensus now to confront and force a showdown with the Soviets. Thus Reagan values Israel as a chief ally in this pursuit. But if the Mideast is any example, Reagan may end up throwing U.S. Arab allies to the Soviets faster than Carrington. Begin's current terror raids against Lebanon have been labeled by the Arab world an American adventure, and have accelerated the Arab-Soviet relationship.

### **Syrian-Soviet exercises**

Earlier last month, the Syrian forces and the Soviet Red Army held joint maneuvers. The Soviet troops landed in Syria, the first time ever they had operated on Arab soil during military exercises. The exercises occurred days after Begin's re-election, in the midst of a worsening conflict between Syria and Israel over Lebanon. Shortly after the maneuvers, Syrian President Hafez Assad told the French newspaper *Quotidien de Paris* that war with Israel over Lebanon was imminent. That same day Vadim Zagladin of the Soviet Communist Party Central Committee, in an interview with

French television, pledged Soviet backing to Syria in the event of such a war.

Assad then traveled to Libya and Algeria to confer with Algerian President Chadli Benjadid, who has just returned from a stay in Moscow, and Col. Muammar Qaddafi, on tightening Arab ranks for a confrontation with Israel. Following the brutal Israeli air raid on Beirut, even the press of the conservative Arab states issued harsh attacks on the United States for giving Israel a "green light." An editorial in Saudi Arabia's *Al Riyadh* newspaper blasted Philip Habib, Reagan's special envoy to the Middle East, calling him the successor to Henry Kissinger, hated in the Arab world for his role in fomenting the Lebanese civil war of 1976. Riyadh noted that "it has become necessary to watch the man's [Habib] movements very carefully. . . . In fact Habib has outdone 'dear Henry's' traveling to and fro across the Middle East as if the area were an American ranch under the command of the Zionist cowboy."

The day following the Israeli raid on Beirut, July 18, Palestine Liberation Organization chief Yasser Arafat held an emergency meeting with the Soviet ambassador to Lebanon, Alexander Soldatov. Arafat gave Soldatov a message for Soviet President Brezhnev. The week before Farouk Kaddoumi, head of the PLO foreign ministry, led a delegation to Moscow to tighten Soviet-Palestinian relations.

The Persian Gulf state Kuwait and the United Arab Emirates (UAE), both historic allies of Britain, have taken the lead in the Gulf region in pressing for increased contact with the U.S.S.R. Following the Israeli raid on Beirut, Kuwait urged Lebanese President Elias Sarkis to fly to Moscow urging that "now is the time to play Lebanon's Soviet card."

UAE president Sheikh Zayed in June issued an unprecedented statement of approval for the Soviet military occupation of Afghanistan, the first time an Arab Gulf leader has done so. The Gulf states have been vocally opposed to the Soviet occupation for fear that it might foreshadow a Soviet move into the Gulf. Zayed later retracted the statement, reportedly after Saudi Arabia expressed its displeasure. But the government of South Yemen, a strong ally of the Soviet Union, praised Zayed for the statement.

During the recent Ottawa summit, President Reagan was subjected to harsh criticism by the European participants. One French diplomat at the United Nations summed up that criticism to *EIR*: "The Soviets will win everything. Look at Jordan and Kuwait. They are already approaching the Soviet Union, as secret envoys of Saudi Arabia. The U.S. does not understand anything. They still support Begin after hundreds died in Beirut. Washington still refuses to condemn Israel. The European Middle East peace initiative is dead. The Arabs now have only one place to turn."

## Israel and NATO versus the Arabs and U.S.S.R.?

EIR correspondent Mark Burdman conducted the following interview July 21 with T. Hazou, the information adviser to Prince Hassan.

**Burdman:** I saw the Crown Prince's comments in the *Observer* this week about Israel "balkanizing" the Middle East. Could you give us details?

**Hazou:** What the Crown Prince had in mind is the process of balkanization which is already ongoing. Israel has succeeded in breaking up Lebanon. The West Bank has been administratively broken into three zones: Samaria, Jerusalem, and Judea. This gives the Israelis more effective means of population control. Then Saad Haddad in southern Lebanon has created a mini-state. Israel would love to see the same process develop in Syria too. Being a minority themselves, the Israelis want to be *primus inter pares* [first among equals] among the minorities of the Middle East. I don't know of a more specific origin than that.

**Burdman:** I saw a reference to another interview of the Crown Prince where he talked of Israel being integrated into NATO. How would that work?

**Hazou:** Israel would prefer to be associated with NATO rather than with the United States alone. I think that is what the Crown Prince had in mind. But I don't think the Western countries like the idea very much; they see it as harming Western interests. What we expect next from Israel in the area is in the short term a lessening of tension immediately, but followed by new efforts to convince America that Israel wants to be the policeman in the region. So Israel's strategy, simply put, is to keep bringing the area to the brink of war, and then drawing back, to the brink and back. It's a very dangerous strategy. Lebanon has just nearly escalated into a wider conflict. And Begin personally might be carried away to do something irresponsible, you can never tell with him.

**Burdman:** Is the Crown Prince of the opinion that the Middle East is heading toward a kind of Euro-Arab perspective, in which European influence supplants a weakened U.S. position?

**Hazou:** The Euro-Arab idea is possible, if the Europeans decide to genuinely act with some independence from the U.S. . . . [Hassan] was impressed at Ottawa with the European efforts to impress upon the U.S. the need to

deal with the Middle East from a somewhat different perspective, to take the Palestinian issue more seriously.

**Burdman:** The Crown Prince referred to Arab-Soviet relations' now improving greatly, including possible association with the Warsaw Pact. What is the process going on here?

**Hazou:** It is unfortunate, but if the policy of the U.S. does not become more even-handed, then Arab-Soviet relations will improve. This will not go so far as joining or associating with the Warsaw Pact. It will involve, for example, increases in arms contracts with the Soviets, definitely, and other steps in that direction.

## Jordan's Crown Prince cites Soviets' 'bold role'

*Below are excerpts from an interview with Jordan's Crown Prince Hassan which appeared in the July 17 issue of the London-based Arab journal Al Majallah.*

Begin and his military aides and the opportunist Zionist right in general are aware that this is the time for Israel to shift from the framework of coexistence with the area's states to the framework of imposing recognition of a fait accompli. In fact this constitutes part of a security deal to be concluded between Israel and the United States.

An American quarterly magazine refers to this matter in its latest issue. According to this view, Israel will in the next few months ask to become a full member of the Western alliance. I also believe that Israel will announce an effective nuclear stance and, on the basis of its concept of public security, will intensify its efforts to realize the world Zionist movement's dream of turning the inhabitants of the occupied territories into minorities. . . .

I believe that Israel is seeking to achieve a formula of "mutual dependence" between it and America. This could take the form of a defense pact. However, according to the concept I have mentioned, Israel should reject the idea of a permanent American military presence to safeguard the Zionist identity but would provide industrial, military, and medical services and everything the American forces would need in order to act in the area. . . .

The Soviets call for a comprehensive solution of the Middle East crisis and the area has begun to appreciate the boldness of their distinguished role. We used to advocate isolation from the big powers, but that is something which Begin would like to see so he can further the U.S. policy in the area.

# López Portillo charges international conspiracy against Mexican peso

by Dennis Small, Latin America Editor

On the morning of July 17, Mexican President José López Portillo denounced the existence of an "international conspiracy" to destroy the Mexican economy, and warned: "I will fight like a dog to maintain a stable peso."

Although Mexican officials have publicly denied that the current assault is similar to the massive run on the peso and forced devaluation of August 1976, in private many are far less sanguine. One high-ranking security official confided to *EIR* earlier this week that the 1976 scenario is not only a possibility, "it is happening already, and it's the same damned crowd at it once again."

In 1976, specialists in international flight capital provoked a \$4 to \$6 billion run on the Mexican peso in a period of weeks, and forced President Luis Echeverría to devalue the peso by 50 percent. This led to a deep recession of the Mexican economy and serious damage to the country's political stability, which President López Portillo has painstakingly rebuilt in the intervening five years. As a result, Mexico today is far stronger both economically and politically than it was five years ago, and thus more able to withstand "international conspiracies." But the *strategy* of Mexico's enemies then and now is identical.

The forces seeking to once again throw Mexico into turmoil are centered in Wall Street's financial houses, the Socialist International, and the notorious Trilateral Commission—whose former executive director Zbigniew Brzezinski gained infamy in the Carter years for proclaiming an American policy toward Mexico of "never tolerating another 'Japan' south of the border."

This grouping's goals in the current attempted rerun of 1976 include:

- 1) sabotage Mexico's exemplary industrialization effort, which has resulted in 8 percent annual growth rates in each of the last three years;
- 2) destabilize President López Portillo on the eve of his critical October 1981 selection of his successor, and in this way try to impose a candidate to Wall Street's liking; and
- 3) deprive prodevelopment layers in the U.S. of a \$100 billion export market for capital goods, and thereby

help shut down the heart of American industry as well.

The key weapon in the current anti-Mexican campaign is the declaration of full-scale economic warfare against that country, orchestrated by David Rockefeller and his Trilateral Commission. Over the past month, Mexico has had its oil boycotted by the Exxon Corporation and other Rockefeller-linked oil companies, and suffered a strong assault on the parity of the peso through a calculated rumor campaign which was kicked off in the pages of the *Wall Street Journal* in early July. Since then, the international press has been filled with one story after another purporting to demonstrate that Mexico can only solve its economic ills by cutting back sharply on its ambitious development projects.

It was this "informational terrorism" that was the special object of López Portillo's fury at his July 17 press conference. With a bluntness that disarmed the gathering of foreign journalists, the Mexican president scathingly denounced those who were trying to stampede people into dumping the peso. The Mexican president declared total warfare against these Wall Street forces, and tore into their Mexican errand boys—"those little bank employees who tell their clients to buy dollars." He insisted that the Mexican economy is "growing like never before," and that Wall Street's prescription of austerity was ludicrous and unacceptable.

The Mexican president's call to arms—echoed and endorsed by every editorial in every Mexican newspaper and by the top spokesmen of the country's labor movement—was enough to quiet the exchange markets for the time being, and force a drop in peso sales. But the story is far from over.

López Portillo himself has stated that he will now allow the peso to float downward somewhat more rapidly—some analysts believe a yearly rate of 8 to 10 percent is likely—and he has also not ruled out a modest devaluation at some point in the future. But the Wall Street-Trilateral crowd is not interested in a technical devaluation as such, but in an economic and political *confrontation* with Mexico. They can therefore be expected to renew their anti-peso campaign shortly.

A July 21 *Journal of Commerce* article—the only coverage to date in the U.S. press of López Portillo's important address—said as much: “The pressures on the Mexican peso are real, not imaginary,” wrote Alan Robinson, “and the Mexican economy does not need an international plot to send it down.”

This last week, Wall Street added another weapon to their anti-Mexican arsenal: the deliberate political destabilization of the country through the activation of radical Church networks. This strategy was delineated in detail in a July 21 *Wall Street Journal* article, which argued that a repeat of the 1920s bloody showdown between the Catholic Church and the fledgling Mexican republic—known as the Cristero Rebellion—could easily be repeated. The resulting “civil war between the Church and the state,” *Journal* scribbler George Getschow noted merrily, “could threaten the political and economic stability of Mexico.”

The particular area of the country that has been targeted for trouble this time, is the oil-rich southern state of Chiapas, which borders on volatile Guatemala and which has an inordinate concentration of Jesuits and other troublemakers.

In this context, Mexican security officials will be closely watching the upcoming trip to Mexico of Father Theodore Hesburgh of Notre Dame University, who is on the Board of Directors of the Rockefeller Foundation. *EIR* has learned that Hesburgh's closest collaborators were responsible for planting the call for another Cristero Rebellion in the *Wall Street Journal* (see below), and are also actively working with Theology of Liberation priests in Mexico's south.

### The interest-rate question

In his press conference, López Portillo indicated a two-level response to the “international conspiracy” against Mexico. The first, as mentioned above, was to mobilize the nation on the straightforward basis of patriotism, asking citizens to come to the defense of Mexico's currency and institutions. The second was to recognize that the full solution to Mexico's problems lies not inside Mexico, but in the international arena.

The Mexican president noted in his remarks that the economic difficulties Mexico is facing are shared by most nations in the world, and that this is due to the “scissors” effect created by the combination of reduced prices for raw materials (such as Mexico's oil) and stratospheric interest rates on the U.S. dollar. López Portillo therefore called on the recently concluded Ottawa summit to force the U.S. to lower interest rates.

After Ottawa, Mexico plans to make these issues the central topic of discussion at the October 1981 North-South meeting in Cancún, Mexico. But Wall Street is counting on having brought the Mexican president to his knees before that time.

## How currency warfare worked in 1976

On Aug. 31, 1976, four months before the inauguration of President José López Portillo and on the eve of then-President Luis Echeverría's sixth and last State of the Union message, Mexico was forced to devalue its currency—the peso—by 50 percent. It was the first devaluation in 22 years!

The devaluation was the result of a coordinated destabilization against the Mexican nation, kicked off in March 1976, when Wall Street and Trilateral Commission press outlets started to systematically call for devaluation with lengthy rumor-mongering and scare articles. The leading publications in that campaign were *Money Manager*, *Barron's*, and the *Wall Street Journal*, which even suggested that the “best time” to “effect the mechanisms of devaluation” would be September.

Politically, the calls for devaluation were accompanied by a tourist boycott of Mexico, organized by Rockefeller protégé Jacob Javits and the Zionist lobby, coordinated with ex-President Miguel Alemán, the head of Mexico's Tourism Council, who has notorious links to international Zionism.

While the Zionists attacked Mexico for “anti-Semitism,” U.S. Rep. Larry McDonald sponsored full-page ads in the major U.S. press warning of Mexico's “slide toward communism.”

This classical “right-left” operation was designed to foster a lack of confidence in Mexico, and to provoke massive capital flight from the country.

Within days of the devaluation, rumors abounded that Mexican bank accounts would be frozen by the government, triggering a national banking panic. Thousands of people besieged banks throughout the country attempting to withdraw their deposits. Other rumors—that the government planned to nationalize the banks, or that a military coup was in the works—also spread like wildfire during the second week of September. Things got so bad that, on Sept. 16, in an unprecedented statement in Mexican politics, the chief of staff of the armed forces, General Gutiérrez Castañeda, was forced to announce that “the doors of the military are closed . . . to any fascist coup.”

The Echeverría government at the time denounced the rumors as a “form of terrorism” fostered by “small groups” which pay others to spread rumors to “disorient people.”

## *'I sense a conspiracy'*

*The following are excerpts from Mexican President José López Portillo's remarks to foreign journalists in Mexico City, delivered on July 17.*

### **On the attack against the peso**

I would like to underline the fact that frequently certain interests—that I would call petty—manipulate news items, they transmit them, and they fall on a naive audience or on a malicious one that propitiates and enlarges them. . . . Every day, some cable or other from some foreign bank arrives, talking about the peso and its status. And this encourages the little bank employee, who confidentially calls up the lady who is his client, and tells her: "Madame, I want to give you a tip—buy dollars, because of this, that, and the other." And in that way an internal climate is created which is the cause of the serious tensions. . . .

I sense that there is a conspiracy—and I am not suffering from a persecution complex—because I see it in the informational terrorism against our poor peso. Both inside and outside Mexico, many people are committed to a sudden devaluation. . . .

I will fight like a dog to maintain a stable peso, I will fight with all my strength, because I don't want to reward the speculators. . . . I don't want to reward the least positive—I should actually say the most negative—elements of our society, because this would harm a lot of good people, who have shown solidarity with our nation. . . . I don't want to reward the arrogance of the fatalistic technicians who have issued pronouncements against the peso. . . .

At exactly the moment that our economy has strong vital signs—we are growing like never before, we have more work than ever before—that we have, for speculative reasons, been hit with this blockade, this foreign or domestic siege, against our peso. . . .

Every morning some cable from some foreign bank arrives saying they are limiting their purchases of pesos, because a devaluation in Mexico is imminent. Well no, it is not imminent. And here inside [we have] those little bank employees who tell their clients to buy dollars. . . .

I have had enough of weak nations like ours being victimized by foreign manipulation by the money markets, of having our future determined by an alien and

hostile market. . . . Our future is our peso, and so we will fight against this because it is an unjust order.

I have a special interest that in the very heart of the powerful nations [the Ottawa summit—ed.] one of the most conflictive problems be posed . . . [a problem] that is affecting the world very negatively: the problem of the high interest rates on the dollar. . . . The artificially high interest rates are forcing the countries of the world into very severe monetary and financial problems that we cannot resolve. . . . We must emphasize the ruin being caused in every country, by the deformation of having its capital sucked out artificially. . . .

If we add to this the fact that raw materials prices are dropping . . . this has created a scissors in a way that is unprecedented in recent times. . . . These are the problems that we cannot solve inside Mexico and that we must solve outside, or at least pose outside, and that is what we want to do at the North-South meeting.

### **On mobilizing the nation**

Mexico is we Mexicans, and Mexico will be what we Mexicans want it to be. . . . We who are here, who have our families here, whose destiny is here and who will stay here, are the ones who will make this nation great or small. It depends on our will, and it depends on our solidarity. . . .

Pay no attention to the rumorologists. . . . What can I say to you? Ally with your nation, gentlemen. I am not asking you to fight against your own interests.

## *'I back a strong defense'*

Lyndon H. LaRouche, Jr., *EIR* founder and a leading figure in the Democratic Party, late on July 17 expressed his public support for President López Portillo's defense of the peso earlier that day. According to a spokesman for the noted economist and politician, "Mr. LaRouche expressed his sympathy and agreement with the remarks and analysis made by President López Portillo, and commended his mobilization of the Mexican nation to defend itself against the thuggery by international financial powers who would impose the depressionary policies of Nazi Finance Minister Hjalmar Schacht on the world, in the name of fighting inflation.

"Mr. LaRouche also takes this occasion," the spokesman concluded, "to inform his friends in Mexico that he, as one leading political figure in the United States, will continue to denounce as unconscionable, the virtual warfare against Mexico that is being mobilized by the evil Father Theodore Hesburgh of Notre Dame University, and the fanatical genocidalist George Ball."



## Two case studies in press 'terrorism'

More than one U.S. businessman may have had the feeling in recent months that information he is supplied by the *Wall Street Journal* and the *Journal of Commerce* is more designed to sever U.S. business opportunities with Mexico than foster such opportunities. His presentiment is absolutely correct and constitutes one of the great scandals of the financial press.

The sabotage efforts of the two papers, responding to leading factions of Anglo-American finance based in lower Manhattan, could not have been more obvious over the past two weeks. While the *Wall Street Journal* ran front-page articles designed to sink the Mexican peso and boost Church-state strife, the *Journal of Commerce* ridiculed López Portillo's efforts to protect America's fastest growing export market—the Mexican economy—from being ravaged by economic warfare. It is such attitudes that López Portillo recently characterized as "informational terrorism."

The *Journal of Commerce* has played a particularly marked role for the past six months. Among the daily's key behind-the-scenes string-pullers, our sources report, are Vrimmer de Vries of Morgan Guaranty, Robert Roosa, and the "Group of 30." The Group of 30 is an IMF think tank founded by former IMF Director Johannes Witteveen. Its current chairman is Geoffrey Bell of Schroeders Bank and its executive director is Robert Pringle, the former editor of *The London Banker*.

Highlights of the *Journal of Commerce's* Mexico coverage:

**Jan. 7, 1981:** In extended editorial commentary on the Jan. 5 López Portillo-Reagan summit, the *Journal* bitterly attacks Mexico's leading political institution, the PRI party, as a "cozy arrangement between the government and the privileged." The paper gives its full support to a *Foreign Policy* magazine article by a London-based couple, Michael and Nanneke Redclift. The Redclift article appeals for a reduction in Mexico-U.S. economic cooperation and the devolution of the Mexican economy back to labor-intensive forms of production. "Mexico should increase controls on foreign investment, limit oil sales further, and make a serious effort to diversify manufactured exports," quotes the *Journal* approvingly from the Redclift study.

**April 24, 1981:** *Journal of Commerce* Mexico cor-

respondent Alan Robinson, formerly of the *London Times*, promotes Wharton School propaganda that "growth must be slowed and the overheated engine cooled down." Robinson's forte is not subtlety: "The Wharton Econometric Forecasting Associates, whose warnings that the Mexican economy was overheating have been largely borne out by events, now says that if something is not done soon to correct the nation's economic course, the 1976 recession and monetary crisis could be repeated."

**July 7, 1981:** "Is Mexico's Oil-Fueled Boom Over?" heralds a Robinson special. "A spiraling inflation that may exceed 30 percent this year, lost revenues from canceled or suspended contracts . . . and a sharply overvalued peso are sending shock waves through the foreign financial community."

**July 8, 1981:** Robinson devotes a major column to charges that Mexico's oil company had broken government policy by putting up Mexican oil for sale on the Rotterdam spot market. Robinson does not inform his readers that the information comes verbatim from a column by Mexico's noisiest and most discredited critic of oil development, Heberto Castillo, in the pages of the left-Jesuit scandal magazine *Proceso*—and were entirely baseless. Robinson gives the game away with his own editorial interpolation: "It remains a mystery how anyone could take the oil agency [Pemex] as the means to bring the nation out of economic crisis."

There are indications that there is more to this media story than meets the eye.

On June 16, Mexican journalist José Carreño Carlán wrote an article charging that in early 1973, the Rand Corporation asked a group of experts from MIT to develop a program for using the media to destabilize governments that are "potentially hostile" to the U.S. In February of that year, the MIT experts reportedly charged the well-known advertising agency, J. Walter Thompson, with implementing its set of recommendations and, according to Carreño, this was done in Allende's Chile through the newspaper *El Mercurio*.

The "success" of the psychological warfare campaign in that country was subsequently transplanted to Jamaica and its *Daily Gleaner* in the late 1970s. It is now reportedly slated for application against Mexico.

## The scenario for a new 'Cristero revolt'

A year ago, *EIR* published exclusive reports on the details and strategic importance of Jesuit-run peasant violence in the southernmost state of Chiapas. The key ingredients: a backward, largely Indian population; close proximity to Mexico's vital Reforma oil fields; one of the most entrenched positions of the Theology of Liberation Church forces in Mexico; and increasing "spillover" effects from violence in neighboring Guatemala.

Now the region is being plunged into a major crisis under the code name, "the New Cristero Rebellion." In the 1920s, peasants in economically depressed west central Mexico were formed into shock troops against Mexico's national government under the banners of traditionalist Catholic teachings. The uprising was supervised by Wall Street financial and oil interests; The U.S. ambassador at the time, J. P. Morgan partner Dwight Morrow, administered Cristero/government negotiations on the scene. Leading Anglo-American theoretician Walter Lippmann issued marching orders on the conflict direct from the pages of the Council on Foreign Relations' journal in New York, *Foreign Affairs*.

The "New Cristero Rebellion" substitutes "Christian-Marxist" ideology for the traditionalist slogans of the 1920s, and the backward south for the west central highlands. The spark today is spillover from Central America.

### The Guatemala quandary

At the end of June 3,000 Guatemalans entered Mexico's Chiapas state asking for refugee status. The choice for Mexico: let them stay, setting a precedent for further massive influxes which would destabilize the Chiapas region and provide the infrastructure for left terrorist groups that could turn their sights on the Mexican oil fields—or turn them back and face an international outcry about "denial of human rights."

The Mexican government announced three weeks later that only 48 Guatemalans had been found to be legitimate refugees from political persecution, and the rest would be returned.

Mexico's gamut of left and human rights groups, which had mobilized for months in anticipation of such

a government predicament, unleashed a torrent of protest. The head of the Mexican Front for Human Rights, Laureano Luna, told the press that his organization will appeal the ruling to the United Nations. A spokesman for the U.N. High Commission on Refugees, which sent a delegation to the scene last week, stated that returning the refugees to Guatemala was tantamount to signing their death warrant. The Jesuit-run *Uno mas Uno*, the newspaper that is leading the campaign against the government, published an editorial stating that civil war is about to break out in Guatemala and that this is just "the beginning of an endless flow of Guatemalan refugees who will run away from torture and death."

The same week leaders of Mexico's left and "Theology of Liberation" groups met in a summit of the "Christian-Marxist" dialogue in Mexico City. One of the topics was "repression of peasants" by government and army forces in Chiapas, and the Guatemalan refugee issue. On July 23 a leading Jesuit-linked columnist, Manuel Buendía, announced a Northern Ireland technique: 30 peasants in Chiapas were starting a hunger strike.

The personnel at the meeting were identical to the support networks within Mexico for Central American leftist insurgency, a fact of special importance in the midst of renewed terrorism on a regional basis. Pacing the concurrent developments was the retooling of the Socialist International's Eden Pastora in Nicaragua as a new "Che Guevara" of the region, and Pastora's hookup with the "International Brigades" of Panama's Hugo Spadafora.

Who's coordinating the New Cristero Rebellion from the top? Evidence points to Father Theodore Hesburgh, president of Notre Dame University, as one of the most important links in the chain of command.

Hesburgh is in the top echelon of the Rockefeller/Council on Foreign Relations apparatus currently being investigated for ties to the fascist P-2 Masonic lodge in Italy. Chairman of the board of the Rockefeller Foundation and longtime president of the Overseas Development Council, the official sponsor of the Brandt Commission report in the United States, Hesburgh chaired the Select Commission on Immigration and Refugee Policy and shaped its policy of sealing the border with Mexico—a prescription for exploding U.S.-Mexico relations and destabilizing Mexico.

Hesburgh maintains two agents as his "eyes and ears" on Mexico. One is Jorge Bustamante, the Mexican immigration expert parked at the Colegio de Mexico, who studied under Hesburgh at Notre Dame.

The other is Father Claude Pomerleau of Notre Dame's political science faculty, one of the closest individuals in the U.S. to the "liberationist" priests of Mexico's south, and the chief source for the *Wall Street Journal's* July 21 gameplan for creating "civil war" conditions out of Mexican Church-state conflict.

## 'Church-state war is near'

The following quotes were taken from a front-page article by George Getschow in the July 21 issue of the Wall Street Journal. The article was titled: "Religious Conflict—Mexico's Old Rivalry Lingers Despite Truce."

The centuries-old conflict between the Mexican Roman Catholic Church and the state lives on. The hostilities generally aren't bloody today, but the possibility that some spark could ignite another civil war is always present, for the conflict has left festering scars.

As a result of the power struggle, Mexico has imposed the most anticlerical and antireligious laws in the non-Communist world.

But the "Mother Church" still represents to millions of Mexicans an attractive antithesis to the government's atheistic dogma.

"... Its choice is to either continue as a quiet defender of the status quo or become a strong voice against political and economic injustices in Mexican society," says Father Claude Pomerleau, a Latin American Church specialist at the University of Notre Dame in Indiana. . . .

Rising unemployment, income disparity and political repression in the oil-rich land are stirring revolutionary sentiment among a few bishops and many lower level clergy. In fact, in southern Mexico, an area of widespread poverty, violent clashes between the army and hundreds of peasants have embroiled the clergy in the most bitter struggle since the Cristero Rebellion in the 1920s.

"The repression is as severe as anything in Latin America," Arturo Lona Reyes, the bishop of Tehuantepec in the southern state of Oaxaca, charged. . . . Bishop Lona Reyes and several other southern bishops espouse the "Theology of Liberation," which preaches popular resistance to politically and economically repressive governments.

"There's growing enmity among poor people, and their local clergy toward the government," says David Ungerleide, the editor of *Christus*, an influential Mexico City-based Jesuit magazine. "If it doesn't change, civil war may be unavoidable."

## Hesburgh aide: 'Jesuits best'

The July 21 *Wall Street Journal* article on the potential for new, fratricidal Church-state conflict in Mexico was datelined "Dolores Hidalgo, Mexico." But *EIR* investigations reveal that it was actually planned in South Bend, Indiana, by Father Theodore Hesburgh's expert on the

Mexican Church, Claude Pomerleau. Pomerleau confessed that author George Getschow discussed the article frequently with him over the past month and that he shaped Getschow's thinking on the major points in the article. Getschow cites Pomerleau in the article.

Pomerleau, an unabashed promoter of the "Theology of Liberation" doctrine with intimate first-hand knowledge of the Mexican Church, is, like Hesburgh, an ordained priest of the Holy Cross order. The order, he states, was established in the late 19th century "on some of the same principles as the Jesuits."

In a recent conversation, Pomerleau made the following points:

"I've spent considerable time in the south, in Chiapas and Oaxaca. There is simply no participation by the people on the bottom, and the pent-up anger could explode at any time. I don't want to make an unqualified claim that rebellion is at hand, but if economic pressures suddenly worsen, the anger could well up.

"The only alternative organization to the [ruling] PRI [party] in these areas is the Church. The Church and state are competing for loyalties, and in a showdown, I see no doubt that the peasants and Indians will leave the PRI and maintain their 400-year-old religious loyalties.

"Arturo Lona, the bishop of Tehuantepec, has the most authentic credentials as a popular leader. The Communist Party, which has gotten the headlines, is the most naive, unradical, unradicalizing, group. Samuel Ruiz [bishop of Chiapas] is the most important intellectual leader. In Chiapas under Ruiz, there is a sense of cooperation among militant Church people that doesn't exist anywhere else.

"In Mexico the best group working in the Church area—scholarly, well informed, active—are the Jesuits. I say this without any qualification, even though I'm a member of a rival order. Of the Jesuit organizations, the two best are the Centro de Estudios Educativos [CEE] and the Centro de Estudios Sociales [CES]. The CEE is privately funded, by the Jesuits, fronted by lay people. Then there's *Christus*, another Jesuit publication. That's a different animal, much more radical, explicitly Theology of Liberation. The Jesuits' best theologian works there, a good friend of mine, Luis del Valle.

"There is serious division in the Jesuits, but less than in any other group. They've most successfully gone through a renewal, to give more resources to the poor than the rich. It's a very interesting approach, of rather radical social renewal.

"The other Church person to keep in mind is Pepe Alvarez e Icaza, head of Cencos. He's a longtime lay leader, also a good friend of mine, and very, very close friend with [bishop of Cuernavaca] Méndez Arceo. As an intellectual he's somewhat exhausted, he hasn't found his point of focus and integration. But he's the best guy for contacts, and is especially good for liaison with Protestant groups."

# The Italian P-2 Socialists launch a counteroffensive against the judiciary

by Umberto Pascali, Rome correspondent

Bettino Craxi, the head of the Italian Socialist Party, stood up in the Italian Parliament in mid-July and delivered a violent attack against Pier Luigi dell'Osso, one of Italy's most active prosecutor-judges. Craxi charged that dell'Osso, who is known for his courageous investigations into the drug mafia, was directly responsible for the suicide of Luciano Rossi, an official of the Italian Finance Police.

Luciano Rossi was the key witness against Licio Gelli, Grand Master of the P-2 Masonic lodge that was caught plotting the fascist overthrow of the Italian republic in late May. The publication of the list of high-level members of Gelli's "lodge" toppled the Forlani government and implicated, among others, several leaders of Craxi's Socialist Party.

Now Craxi and the other P-2 tainted politicians are on the counteroffensive, demanding the destruction of the independence of the Italian magistracy, the national network of prosecutor-judges who have been seeking to put all the fascist plotters behind bars. In mid-July Craxi and Social Democratic Party head Pietro Longo—whose name appeared on the P-2 list—led the assault on the magistrates with the battle-cry "Stop the witch-hunt." Among those political leaders who joined the call for an immediate halt to investigations was Flaminio Piccoli, the secretary of the Christian Democratic Party. Piccoli said in the Chamber of Deputies that the magistrates investigating P-2 are not objective, are too quick in issuing arrest warrants, and are de facto working on behalf of the "communists."

Craxi had already advanced his plan to put the magistracy "under control" during the Socialist Party congress in Palermo in late April. Although the P-2 list was still secret at the time, Craxi's right-hand man Claudio Martelli was already under investigation for corruption. According to reports in the Italian press, Martelli (and Craxi himself) allegedly received a \$7 million bribe through the P-2-linked Swiss bank, Union des Banques Suisses.

The campaign against "communist magistrates" has now been taken up with a vengeance by the Italian press controlled by P-2 forces—i.e. of the press. News

on the investigations began to disappear from front pages, displaced by mud-slinging against the judges. The weekly *Europeo*, whose publisher is P-2 member Angelo Rizzoli, ran a cover illustration representing Communist Party Secretary Enrico Berlinguer dressed as a judge. Inside long articles on the "misdeeds" of the magistrates—who are in fact mostly conservatives—were illustrated by cartoons of Berlinguer winding up the keys of small puppet-judges.

The aggression became so violent that the magistrates of Milan, the ones attacked by Craxi, wrote a letter to Italy's President Sandro Pertini denouncing the campaign organized to "block the investigations" and threatening to resign en masse. In an interview with the daily *La Repubblica*, Judge dell'Osso blasted the socialist maneuver, asserting that "if the proposal to put the magistrates under political control passes, this will be a very unhappy day for Italian democracy and the beginning of a new dark age."

Dell'Osso is the judge who directed the raids on four heroin-refining laboratories in Italy reported on by Colonel Rossi in a speech he gave at an Antidrug Coalition conference earlier this year. The P-2 probes have already shown that Gelli's lodge is *identical* with the international drug cartel and its financial apparatus.

## Coverup of NATO role

The rapidity of the P-2 coverup is given away by the behavior of the West German press. For the first time since the scandal exploded, it has received major coverage in West Germany. The *Bayernkurier*, controlled by Gelli's crony Franz-Josef Strauss, and the *Frankfurter Allgemeine Zeitung* jumped like hungry dogs on the issue of "stopping the communist judges." Before this campaign opened, all mention of the involvement of former NATO commander and present U.S. Secretary of State Gen. Alexander Haig, has disappeared from the media. This despite the fact that documents "marked with the name of Haig" had been found in Gelli's villa, and the new documents found in the false-bottom suitcase of Gelli's daughter, who was arrested July 5 at the Rome airport, included a description of a

destabilization plan organized by NATO.

According to reports in *Corriere della Sera* and other papers, that plan is a guideline for profiling and manipulating terrorist groups to destabilize governments not liked by the NATO leadership.

In Maria Grazia Gelli's suitcase, the magistrates also found documents about the Socialist State Industries Minister, Gianni De Michelis. De Michelis, according to these papers, has been involved in financial crimes with his brother-in-law, Count Barnabò, a Venetian nobleman believed to be hiding in Latin America because of his role in helping one of the top neofascists involved in the 1969 Milan Bank of Agriculture bombing massacre.

De Michelis and his Venetian oligarch friends have also been linked to "red" terrorism. The Socialist minister sponsored the early career of Prof. Toni Negri, the head of the Autonomi who was jailed for masterminding the Aldo Moro murder at the hands of the Red Brigades. The first left subversive magazine in Italy was launched by the De Michelis family publishing house in the 1960s.

But the arrogance of the Socialists has no limits. After the documents on his crimes had already been sequestered, De Michelis—engaged in the new Spadolini government's campaign to cut the cost of living escalator and impose tens of thousand of layoffs in the public industries—accused the unions opposing his austerity of being communist and "terrorist."

The strategy of crushing the labor organizations, the principal task of the Spadolini government, is parallel to the efforts to cover up the P-2 scandal. In fact, despite the investigations, the only real obstacle the P-2 forces now encounter is the trade unions. Once the cut in the cost of living escalator is imposed, nothing can block the successive destruction of the unions, and no force will be able to oppose the plan to "restructure" the Italian economy, as follows.

According to the Spadolini-De Michelis plans, the whole economy will be put in the hands of the Banca Nazionale del Lavoro, Banca Commerciale, and the Monte dei Paschi under the supervision of the British-controlled Bank of Italy (see Economics). These are the banks of P-2!

The recent crash of the Milan stock market is part of this plan. The crash was provoked directly by the Venetian financial interests represented by Cesare Merzagora, the former Senate president and the boss of the powerful Assicurazioni Generali insurance conglomerate. Merzagora and his oligarchical owners have already succeeded in changing the law under which banks cannot intervene in buying shares of industries. If this project goes on, in a short time Merzagora's crowd will be able to buy up the entire economy at half-price and kill the industries they don't find "useful."

---

## FRANCE

---

# Mitterrand clinches national socialism

by Dana Sloan

Two months into François Mitterrand's seven-year term as president of the French Republic, a series of dramatic shifts is taking place in the country's policies and institutional structures. Unchecked, they will mean the end of the French Republic.

This should not be taken as a warning that concerns the much-publicized participation of four Communist Party members in the new government. France's drift toward "1984" stems from the person of Mitterrand himself. Mitterrand was described to *EIR* sources, some years ago, by a senior member of the French ruling elite, as one of the very few leading French politicians who had any grasp of world strategic realities. In his case, this means a knowledge and commitment to the zero-technological-growth, "world federalist" order that is the near-term strategic objective of the Venice and London-centered "old families" which expended so much effort over the past decade to bring him to power. Mitterrand was put into power with aid of massive funding from Qaddafi's Venetian colony of Libya, and British intelligence rigging of the French elections.

If Mitterrand has any commitment to "French" interests, it is not to the nation-state rebuilt by de Gaulle, but to the subservient role of a revived "French Empire" within the world empire of the Venice-London forces.

Mitterrand was a Nazi collaborator, receiving the highest decorations of the Vichy government. By D-Day, he had placed himself at the service of British intelligence. During the Fourth Republic, he held various ministerial posts, advocated French prosecution of the Indochinese and Algerian wars, and demanded French subservience to NATO. With de Gaulle's restoration of France, Mitterrand became his most vocal and venomous political opponent, not ending his denunciations of de Gaulle, "the dictator," until the great general's retirement. He built his Socialist Party on the strength of the *sans-culottes* "spirit of May 1968," and continuous campaigning for the destruction of the institutions, the industrial capabilities and the nation-building foreign policy of Fifth Republic governments. Mitterrand personally is described by leading circles today as a dictatorial Robes-

pierre, who has the backing of powerful international oligarchical forces, and sees himself as the mystic prophet of the new French national socialism.

### Foreign policy

France under Giscard d'Estaing directed its policies toward nation-building in the Third World. Exemplary was Giscard's "trialogue" proposal for French cooperation with Arab states to achieve economic development in Africa.

On July 15 a Mitterrand foreign policy spokesman announced that the embargo on weapons sales to Qaddafi, imposed by Giscard after Libya's Chad invasion, was being lifted, and that all other contractual relations between France and Libya would be resumed. Normalization of French-Libyan relations, signaling the end of any positive, nation-building French role in the Third World, began immediately after Mitterrand's May 10 election victory. Qaddafi, who made considerable campaign contributions to Mitterrand, publicly claimed personal credit for Giscard's overthrow.

The July 15 statement of the French foreign ministry spokesman declared that, "on the economic and commercial levels, the French government seeks to entertain normal relations with Libya." Concretely, in addition to 30 Mirage F1 fighter-jets, helicopters and rapid-patrol boats that will now be delivered to Qaddafi, France's state-controlled oil company, Elf-Aquitaine, will resume drilling and exploration activities in Libya.

The Arab side of Giscard's "trialogue" is also destroyed. Mitterrand proudly proclaimed recently that he was the only French politician who really supported Camp David—the Carter administration scheme to extend NATO into the Middle East based on a core alliance between Israel and Egypt. To his alignment with the Tripoli dictatorship, Mitterrand has added an alignment with Menachem Begin's Jerusalem, and Khomeini's feudal theocracy in Teheran which also recently benefited from the lifting of an arms embargo imposed by Giscard.

The European-Arab collaboration, which Giscard developed to provide an alternative to Camp David for a general Mideast peace, is now finished. Mitterrand will continue the strong military and intelligence role of France in countries like Saudi Arabia. But France's military role in the Middle East will now be subsumed under a general redeployment and extension of NATO forces into the region. According to Pierre Uri, a Mitterrand adviser who heads the Atlantic Institute in Paris, Mitterrand wants a general renegotiation of NATO's prerogatives in order to expand NATO into new "geographical spheres." Under the arrangement Mitterrand desires, France would serve as NATO's extension into the Middle East.

The International Institute for Strategic Studies in

London, and the Council on Foreign Relations in New York, have both recently made proposals to this effect.

In Latin America, Mitterrand is shifting French policy toward strict observance of the Socialist International doctrine of "wars of national liberation," a doctrine that places France in alliance with the Jesuit order and Cuba's Fidel Castro. The new French government will get its first opportunity to begin setting the new policy into motion when Foreign Minister Claude Cheysson embarks on a trip to Central America which will take him from Costa Rica to Nicaragua and Honduras during early August.

On the European front, Mitterrand has declared the end of the Franco-German axis initiated by de Gaulle and developed by Giscard; he has put relations with the Soviet Union in the deep freeze. The counterpart to this policy is the new "intimacy" with London, as Cheysson has called it, the emergence of new relations with China, and favorable pronouncements on the deployment of NATO's Euromissiles that previously would have been considered impossible.

### Relations with Bonn and Moscow

On every possible occasion, including his recent summit meeting in Bonn with West German Chancellor Schmidt, Mitterrand and his ministers have declared that the Franco-German alliance, previously at the center of Western European policy-making, never existed at all, and that Europe must be organized around a series of equal relationships. Some relationships being more equal than others, open arms will now go toward London, with whom Foreign Minister Cheysson in particular is developing a special rapport. Cheysson has emphasized the need to coordinate *industrial* as well as foreign policy with London.

Adding insult to injury, Mitterrand has asked Schmidt's principal opponent inside his own party, Socialist International president Willy Brandt, to spend his holiday at Mitterrand's summer villa. This invitation to the unofficial leader of Europe's anti-NATO "peace movement," Brandt, by a Mitterrand who has now endorsed NATO's deployment of Pershing and Cruise missiles on West German soil, only emphasizes the purpose of the "peace movement," the destabilization and early overthrow of Schmidt's government.

Although traditional Gaullist détente policy over the past 20 years would have dictated that, shortly after Cheysson's trip to Washington last month, he would undertake a similar introductory visit to Moscow, Cheysson announced in early July that France would not have "normal" relations with the Soviet Union so long as Soviet troops were in Afghanistan. Mitterrand announced that he will not make any trips to Moscow either. Mitterrand has now cut off the Soviets' heretofore single most important connection to the West, a

connection which more than once has pulled the world back from the brink of war.

Mitterrand's declaration of full support for NATO's decision to deploy Pershing and Cruise missiles in West Germany and other NATO countries is an even more radical shift from his predecessors. The very fact of taking a public position on this question—which the Giscard government had made a definite point of not doing—has, in the words of *Le Figaro's* foreign policy commentator, Paul Marie de la Gorce, crucial implications for “the political and strategic interests of the country.” De la Gorce, who often reflects the thinking of Giscard's circles, warned on July 8 that Mitterrand's support for a NATO “counterforce confrontation strategy” has all the earmarks of being a “first, disguised way of putting France's own strategy into question,” undercutting the Gaullist doctrines that have prevailed since France withdrew from NATO's military command in 1966. The Soviet Union could now include French forces in the headcount of NATO strength for purposes of any arms negotiations, thereby destroying France's ability “to freely develop its research and production of nuclear weapons at a sufficient level to ensure its security,” de la Gorce concluded.

Another event which, though it passed without official commentary from Moscow, could not have gone unnoticed, was the unprecedented five-day visit to France made by the Chinese army's chief of staff who, after meeting with Defense Minister Charles Hernu, spent much time inspecting French military bases.

All told, the changes taking place in French foreign policy draw the world significantly closer to the threshold of war with the Soviet Union.

### Domestic policy

Domestically, France is in the process of being turned into a totalitarian state, under the usual socialist guise of “democratization.” The parallels to the “democratic” reforms initiated by Robespierre and his zealots during the French Revolution are striking, but even as Mitterrand's most consistent backers in the French press admit, what took place in 1789 pales in comparison to what lies ahead. *Le Monde*, which has been the high priest of Mitterrand's new revolution, recently wrote that the administration reforms being carried out by Minister of the Interior and Decentralization (and protector of the heroin racket as Marseilles mayor) Gaston Defferre, add up to “the most profound revolution in the State since King Louis XI set it up in the latter part of the 15th century.”

Under the Defferre Laws, now voted up by the Socialist Party-dominated National Assembly, the prefectural system of state-appointed “governors” is being abolished, with power instead being transferred to locally elected regional assemblies—elected, it should be

noted, during a period of Socialist fervor at the polls. Exploiting frustration with a bureaucratic system requiring small towns to get permission from Paris for any local projects of significance, the new measures will now make any such projects *entirely dependent on the local financial resources of said town, thus bringing economic development to a stand-still.*

The National Assembly also put its rubber stamp on a bill to abolish the State Security Court, created by General de Gaulle to put the terrorist criminals of the OAS on trial for crimes against the state. Since then, the State Security Court has sentenced hundreds of terrorists, ranging from Corsican or Breton autonomists to the Direct Action “left” terrorists, to jail. By the time Mitterrand gets through with his post-inauguration amnesty—a measure usually limited to minor infractions such as parking violations and the like—something in the neighborhood of 10,000 terrorist criminals will be set free to roam the streets. The Military Courts will also be abolished by the Defferre Laws.

The transformation of France goes beyond the alteration of forms of rule. Under the Socialist Party and its hatchetman, Defferre, an unprecedented series of purges and witch-hunts have been opened up affecting not only the police and intelligence community, but the media and educational institutions, and there are also signs of warfare breaking out between branches of organized crime and drug-running networks that have different political allegiances. In one of his first measures, Defferre ordered the closing down of the Cercle Haussmann gambling casino in Paris on charges of fiscal evasion. Its owner, Marcel Francisci, belongs to the Marseilles-based Corsican clan that swears allegiance to Jacques Chirac's “Gaullist” party. Simultaneously, Defferre had 2,000 policemen purged from his own native city of Marseilles.

Several hundred intelligence officers were also purged from the military and civilian intelligence agencies within days after Mitterrand took over. Some of the purged were accused of being too zealous in their activities against Libya's Qaddafi.

Defferre has also announced his intention to begin a political witch-hunt reaching quite far up. He has given directives that going after “right-wing” terrorism is now the number-one priority and hinted that he “expects” the investigations to lead to the doorsteps of one of France's most important political figures. A prominent figure on the black list is Prince Michel Poniatowski, former President Giscard's Minister of the Interior and still a staunch Giscardian loyalist.

In two months, Mitterrand has moved fast, and with the strong powers invested in the president under de Gaulle's Fifth Republic constitution, the damage done to France and the world during his seven-year term will far outlive his reign.

# FRANCE

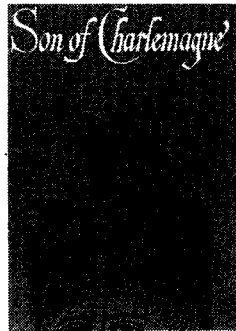
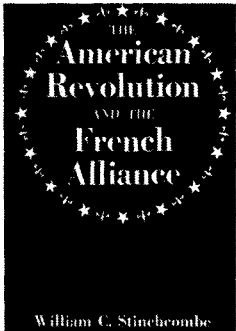
## Then & Now

from  
Syracuse University Press

### DeGaulle and the WORLD

The foreign  
policy of the  
Fifth French Republic

W. W. Kulski



### DeGaulle and the World

By W.W. Kulski

"This thoroughly documented and impartial study reviews every aspect of DeGaulle's foreign policy from his election in 1958." 1966 \$14.95

### The American Revolution and the French Alliance

By William C. Stinchcombe

"Revive the Alliance, revive the Revolution!"

1969 \$14.95

### Son Of Charlemagne: A Contemporary Life of Louis the Pious

Translated, with Introduction and notes by  
Allen Cabaniss

"This biography of Louis by an anonymous contemporary provides an important historical source in English for the little known period between Charlemagne and his famous grandson, Charles the Bald." 1961 \$14.00

- The American Revolution and the French Alliance Send \_\_\_\_\_ copies at \$14.95  
DeGaulle and the World Send \_\_\_\_\_ copies at \$14.95  
Son of Charlemagne: A Contemporary Life of Louis the Pious Send \_\_\_\_\_ copies at \$14.00

TOTAL ENCLOSED \_\_\_\_\_

New York residents add 8% sales tax. Add \$1.25 postage for one book and \$.25 for each additional book.

Mail to:  
PMS SALES 5th Floor, 304 W. 58th Street, New York, N.Y. 10019

## 1959 Rolls Royce Bentley S-1

left-hand drive  
silver over gray  
AM/FM radio  
cassette stereo  
air conditioning  
new white wall tires  
excellent condition  
\$22,500

Patrick Ruckert  
(213) 383-2912



The world is still ...

# HOSTAGE to Khomeini

**This book is being used to stop him!**

Now, Robert Dreyfuss tells the entire history:

**\$4.25**

Why Jimmy Carter let 60 Americans be taken hostage—his secret alliance with Khomeini.

How British intelligence orchestrated the mullahs' revolution.

Why the April "rescue" raid failed.

The Soviet's role.

Order from your bookstore or from:  
**The New Benjamin Franklin House Publishing Co., Inc.**  
304 W. 58th St. 5th floor. Dept. F.  
NY, NY 10019

Add \$1.50 per book postage for 1st class. \$.75 per book for 4th class.

Mastercharge/Visa holders call toll free  
**800-358-9999**



## DOS backs Peking's Cambodia plan

by Ramtanu Maitra

The five-day conference on Kampuchea sponsored by the United Nations capitulated to Chinese demands, opening the door to a return to power of the Pol Pot forces. This was in direct contrast to a draft written by the Association of South-East Asian Nations (ASEAN—Indonesia, Malaysia, Singapore, Thailand, Philippines) which called for disarming all factions including the murderous Khmer Rouge and for U.N. peacekeeping forces following a Vietnamese withdrawal. Participants in the conference explained that the adoption of a French “compromise” acceding to China’s objections to the ASEAN draft was possible only because the U.S. delegation led by Alexander Haig, twisted the arms of other attendees to go along with China.

The ASEAN nations are genuinely seeking a solution, though their present proposals for Vietnamese withdrawal, U.N. peacekeeping forces, and an interim government to run free elections are seen as unrealizable. Vietnam boycotted the conference, saying China’s support for Pol Pot represented the real threat to stability in Southeast Asia. Vietnamese ambassador Ha Van Lau reminded a press conference that Pol Pot had murdered half of Kampuchea’s population. He referred to earlier statements that Vietnam would withdraw its troops from Kampuchea when China ended support for Pol Pot.

China, on the other hand, stated explicitly that it seeks to keep the fighting going in Kampuchea in order to “bleed” Vietnam, and that it seeks the return of Pol Pot to power. On these grounds Peking and Washington strongarmed the conference into deleting calls for the disarming of all factions, references to an interim administration and to U.N. peacekeeping forces. The final draft simply hopes “armed factions will not be able to prevent or disrupt the holding of free elections” [emphasis added].

China’s open efforts to reestablish the bloody-handed Pol Pot, while disregarding the ASEAN draft, has its roots in the recently evolved U.S. policy toward China. Haig’s decision to lift the U.S. ban to sell advanced weapons to China last month encouraged the Chinese to take this militant posture, in defiance of ASEAN, against Vietnam. Haig, while addressing the U.N. on the inau-

gural day of the conference, echoed the Chinese line and called for an economic blockade against Vietnam. The purpose is the same as that of the Chinese—to ‘bleed’ Vietnam. U.S. Assistant Secretary of State for East Asian and Pacific Affairs John Holdridge, speaking before the U.S. Senate Foreign Relations Committee on July 15, called for “diplomatic isolation and economic deprivation” against Hanoi. Holdridge went on to say, “This policy of isolation and pressure is, of course, supplemented by the presence on Vietnam’s northern border of hundreds of thousands of Chinese troops and the continuing guerrilla activity of several resistance groups inside Kampuchea.”

This is not the first time John Holdridge has threatened Vietnam. Last month, while accompanying Haig on his trip through China and southwest Asia, Holdridge threatened that the U.S. would “exert economic, political and, yes, military pressure on Vietnam.” During the U.N. conference, the U.S. proved that those were not rhetorical words.

Attendees were shocked that China dropped its previous lip service to some sort of anti-Vietnam “united front,” and insisted on the return of Pol Pot. They suggested that China’s extremism came in response to the realization, following the ASEAN nations’ summit in June, that the Southeast Asian nations objected to U.S. arms to China and that they wanted to end the Kampuchea tension rather than keep it going as China desired. During the U.N. conference, for example, ASEAN spokesman S. Dhanabalan of Singapore directly countered China’s language by saying ASEAN had no intention to “bleed” anyone, or to bring any people “to their knees.” He added “We are not here to put Vietnam on trial.” China, thus, dropped its “reasonable” posture.

China’s intransigence at the U.N. is likely to increase existing resentments among the Southeast Asian nations. Since Haig’s China trip such resentment has become more explicit. The *Christian Science Monitor* reported last week that in a meeting with the ASEAN foreign ministers in Manila last month, U.S. Secretary of State Alexander Haig irritated some of the ASEAN leaders by “coming on too strong” against Vietnam, with a too-strong pro-China tilt. Kuala Lumpur International Service in its July 14 commentary said, “Hanoi has never failed to hide the fact that it is most wary of China. Its contention has been that once its forces have withdrawn from Kampuchea, it would only lead to the return of the Pol Pot forces and that would pose a serious threat to its well-being all over again. Vietnam has good cause to worry about this danger.”

It is becoming clearer by the day that the U.S.-China alliance against Vietnam is a growing concern amongst the Southeast Asian nations, and by playing its “China Card,” the U.S. will end up having only one ally in Southeast Asia—China.

## Sir Harold Beeley's U.S. tour

*A lesser British aristocrat does advance work for Lord Carrington's diplomatic maneuvers.*

Approximately three weeks before the arrival of British Foreign Secretary Lord Carrington in the United States, a small gathering of Americans met to discuss U.S. policy toward the Middle East with a distinguished British guest.

The guest was Sir Harold Beeley, the former British ambassador to Egypt who is presently the unofficial chieftain of the vaunted London "Arab lobby." Beeley is a high-ranking representative of the British SIS, or Secret Intelligence Service, and an intimate of the Queen's circle, dispatched to Washington as a sort of advance man for Carrington.

Currently, Beeley is a coordinator of British policy toward the Islamic world and a controller of the secret society known as the Muslim Brotherhood from his position as director of the "World Festival of Islam" Trust.

Meeting with Beeley were a select gathering of Anglo-American intelligence specialists. Among the participants: former *Newsweek* editor Arnaud de Borchgrave; John Duke Anthony of Johns Hopkins' international center; L. Dean Brown of the Middle East Institute; a group of ex-CIA Middle East hands, including Miles Copeland; Jeffrey Gaynor and Philip Lawler of the Heritage Foundation; J. B. Kelley, a British strategist for the Persian Gulf; and two members of Richard Allen's National Security Council (NSC) staff, Douglas Feith

and Raymond Tanter.

At the meeting, Beeley stated his frequently expressed sentiments that the United States is acting "like a satellite of Israel." In response, Tanter and Feith of the NSC reportedly replied that the United States would not look with favor on any European Middle East initiative—as Carrington has proposed—aimed at dealing with the Palestine Liberation Organization. The NSC men, backed by Borchgrave and others present, flatly refused any accommodation with the PLO.

The confrontation at that meeting reflected the broader problems of U.S. Middle East policy as viewed by Carrington and Beeley. The British see the Middle East as an area to be bargained over in the context of Carrington's sought-after "new Yalta" accord with the Soviet Union.

In that context, the London crowd is prepared to offer a series of concessions to the influence of the Soviet Union in the area, including support for the creation of a Palestinian state.

The much talked-about European Middle East initiative, fashioned after the 1980 Venice Declaration written by Carrington, is meant to be a vehicle for talks with the Soviets about redrawing zones of influence in the region.

But Beeley—and Carrington—are reportedly annoyed over a tendency among a certain layer of Rea-

gan's pro-Israeli aides, such as Richard Allen's NSC staff, to the concept of Israel as a U.S. military outpost in the region.

To promote the British view, Beeley oversaw the creation of a new institution that will serve as a virtual lobby for British Middle East policy in the United States. It will be called the "Council for U.S.-European Cooperation on the Middle East."

The council is presently run by L. Dean Brown and Landrum Bolling, former head of the Eli Lilly Foundation and now president of the Council on Foundations.

Overseeing the day-to-day activities of the new council is one John P. Richardson, formerly with the National Association of Arab-Americans (NAAA). Richardson is a confirmed anglophile close to the Beeley circuit in London.

According to one of the new council's principals, the Beeley visit was aimed at finding out who in the U.S. administration is prepared to follow British advice on the region. "Defense Secretary Weinberger is basically already on board," he said.

"Allen is hopelessly pro-Israel. But Alexander Haig is willing to listen. If we can convince him, educate him, we will be in good shape. We have to get Weinberger and Haig to sing out of the same hymn book."

According to one insider, it is hoped that Vice-President George Bush will soon assume a dominant role in Middle East policy-making. "We have to get Bush in there. Of course Reagan is too pro-Israeli now. But Reagan is just an actor, a Charlie McCarthy. We have to get someone else to write Reagan's script."

## Tension at U.S.-Mexico business meeting

*Economic warfare is clouding the relationship between the two North American neighbors.*

I attended the two-day conference of the U.S.-Mexico Chamber of Commerce here in Mexico City on July 9 and 10, which was the first large public gathering of government and business officials from the two countries since the successful June summit between López Portillo and Reagan. Thus the conference was very useful for getting the true pulse in bilateral relations.

My conclusion: the combined impact of rumor campaigns against the Mexican peso, the cancellation of Mexican oil imports by the leading American oil firms, and other recent policy decisions in Washington, have cast a cloud over the good relations established by Reagan and López Portillo.

Overshadowing the conference was the action taken by Mexico just a few days before against France, in retaliation for that country's cancellation of oil purchases from Mexico. It is not very usual to see representatives of the largest American corporations genuinely scared about the actions a foreign government may take. Sentiment among the Americans favored a compromise on the part of the U.S. oil multitis in their negotiations with Mexico, to avoid such a fate.

A representative of one of the oil companies told me that his firm was bracing for Mexican action similar to that taken when James Schlesinger unilaterally canceled negotiations between the two coun-

tries for the purchase of Mexican natural gas by the U.S.

The highlights of the official proceedings were the presentations by Commerce Undersecretary Olmer and Mexico's Industry Undersecretary Nathan Warman, who traded barbed remarks. Presentations by Pemex officials were anxiously awaited, but their speeches were largely rehashes of existing Pemex policy, and they sidestepped answering any questions.

Mr. Olmer is one of those American officials committed to preventing Mexico from industrializing and becoming "a new Japan." This idea dominated his speech, and the hostility of his remarks was not well hidden behind his calm smile. He stated that trade disputes between the U.S. and Mexico are serious, and stem from "different levels of development" and "differences in economic policy." In particular, he cited the Mexican government's subsidies to industry, and he backhandedly urged Mexico to participate in the General Agreement on Trade and Tariffs.

Olmer barely stopped short of openly calling for the peso to be devalued, when he argued that the trade imbalance between the two countries is the result of "uncompetitive" pricing for Mexican products in the American markets.

Olmer himself evasively told me that he was not calling for the peso to be devalued, because "only the

Mexican government can decide that." However, his true thinking emerged when I asked him if these policies might not disrupt Reagan's desire for good relations with Mexico. "The President is not all-powerful and cannot get everything he wants," Olmer responded.

Only the very useful and friendly remarks of U.S. Ambassador John Gavin at a luncheon on the first day kept the true spirit of the Reagan-López Portillo summit alive, and prevented the conference from ending in a climate more reminiscent of the Carter years. Gavin argued that America's true interests lie in "a strong and independent and prosperous neighbor south of the border."

It was interesting to see how many Americans were "coincidentally" vacationing in Mexico at the time of the conference and decided to drop in. One not-very-tanned "vacationer" was George Leiken, director of Latin American studies at Georgetown University. Leiken was talking to anyone who would listen to him, spreading the line that Mexico had "overreacted" to France's oil cancellation.

Another vacationer was former American special representative for U.S.-Mexican relations Robert Krueger, who says he is preparing to take another shot at a campaign for the U.S. Senate. It appeared to me during the conference that Mr. Krueger was having as much trouble getting the attention of Mexican officials as he used to have while representing Jimmy Carter's Mexico policy.

---

*This column was contributed by Peter Ennis, EIR's Director of Special Services, who is currently traveling in Mexico.*

# International Intelligence

## ***Nigeria targeted for destabilization***

A series of articles in the British and American press have charged that Nigeria's growth and its fourth development plan are imperiled because of its slump in oil sales due to the oil glut. The London *Economist* referred to the situation as the "Nigerian nightmare," and the *New York Times* on July 23 predicted that if the glut continued, "black Africa's economic giant could be forced to slow development projects, possibly adding to urban unemployment, and restrict imports."

Nigeria's oil production has fallen from over 2 million barrels per day in January to less than 1 million by June, according to some reports. Oil exports account for over 80 percent of Nigeria's foreign exchange. Nigeria's budget was planned based on an average annual production in the area of 2 million barrels per day.

The London *Financial Times* of July 16, in an article focusing on the political tensions in Nigeria, asserted that if, due to the fall in oil production, President Shagari "has to start taking unpopular decisions . . . opposition to his administration could grow quickly."

Already Shagari's partner in the Nigerian government, the Nigerian People's Party (NPP), has pulled out of the coalition. The NPP had been dissatisfied with Shagari's formula for distributing oil income to the 19 Nigerian states.

## ***Untried members join Warsaw's Politburo***

The new Polish Politburo consists of "unknown and unpredictable people," according to one close watcher of Polish politics. It is delicately balanced between liberal reformers, including one Solidarity member, and advocates of cracking down on the unions.

Of the newcomers to the Politburo,

only Foreign Minister Jozef Czyrek and former Interior Minister Mirosław Milewski have national leadership experience. The others are four workers, four regional party officials, and one professor of economics.

Under these circumstances, Prime Minister Wojciech Jaruzelski emerged during the congress as a pivotal leader in the immediate future. General Jaruzelski, who is also defense minister, surpassed even Kania in the vote for the Central Committee. As a professional soldier and member of the top Polish leadership since 1968, Jaruzelski also provides assurance to Moscow that Poland will be loyal to the Warsaw Pact.

Many observers doubt that other members of the Warsaw Pact will rush to emulate Poland's reform, because the past year of crisis has caused such havoc in the Polish economy.

## ***Moves afoot to oust Suzuki***

The Trilateral Commission's allies in Japan have resurrected their efforts to dump Prime Minister Zenko Suzuki because of his opposition to high U.S. interest rates, the China Card, and U.S. Secretary of State Haig's confrontationist policies toward the Soviet Union.

In particular, these forces are trying to end the influence over Suzuki of former Prime Minister Takeo Fukuda, who is Helmut Schmidt's chief ally in Japan, and of Foreign Minister Sunao Sonoda. One hawkish figure, for instance, complained that "Suzuki these days only listens to Fukuda." Former Prime Minister Mishi, a fascist from the World War II era, accused Sonoda of being "inherently pro-Soviet."

It had been expected that Suzuki would automatically get another two-year term as prime minister when his current term ends in December. However, over the last few weeks Trilateral opponents have begun sending out rumors that Suzuki's re-election bid will fail.

Under the pressure Suzuki has backtracked somewhat on his anti-Trilateral stands. Although he had promised support to West German Chancellor Helmut Schmidt against the U.S. interest rates at Ottawa, Suzuki chose to remain silent; and his foreign minister, Sonoda told an interviewer just before the summit that "Japan cannot go along with Europe on the Soviet question. Cooperation with the U.S. is the cornerstone of Japanese foreign policy."

However, on the China Card and defense issues both Suzuki and Sonoda continue to resist the Haig-Weinberger strategic folly.

## ***P-2 chief Calvi's sentence commuted***

Roberto Calvi, the convicted president of Banco Ambrosiano, the bank that operates as a financial arm for the Propaganda 2 Masonic lodge conspiracy, was allowed to go scot free after a mild sentence was imposed at the conclusion of his trial.

Calvi, who was accused of carrying out various dirty financial operations on behalf of P-2, was sentenced to four years in prison and a heavy fine. However, by manipulation of an obscure legal clause that continues to mystify the Italian press, Calvi's sentence was immediately commuted and he was allowed to return home rather than going to jail. Each of his co-defendants was acquitted.

During the trial, the leader of the Social Democratic Party of Italy, Pietro Longo, had been publicly defending Calvi before Parliament. Joining his defense of Calvi was Bettino Craxi, chief of the Socialist Party of Italy and a would-be Mussolini, many of whose members' names appear on the P-2 list.

The fact that Longo and Craxi suddenly became willing to defend Calvi indicates that a political "fix" had been engineered to minimize the damning evidence against the P-2 banker and put a stop to the internationally significant revelations, especially the involvement of

the Trilateral Commission, that have come out since the P-2 membership list was released.

### ***ELP sets election campaign in Hannover***

The European Labor Party (ELP) headed by Helga Zepp-LaRouche has launched a campaign for city council elections in the West German city of Hannover to be held Sept. 27. The campaign committee has pledged to make this campaign a model of how a small party can transform the politics of an entire region.

The first major campaign event in August will be a forum on economic policy for West Germany, titled "Never Again Brüning." Chancellor Heinrich Brüning helped pave the way for Adolf Hitler in the early 1930s, issuing emergency decrees that imposed economic austerity, and his policies are a current focus for debate in West Germany as demands are heard for cutting the state budget and wages.

In September a conference will be held on the great Hannoverian humanist Gottfried Wilhelm Leibniz, and how his ideas in science and education can generate a renaissance in Europe. This event will be followed by an address by Zepp-LaRouche on education policy and the humanist tradition of Alexander von Humboldt.

A special party program on education will be circulated throughout the summer, including an exposé of the German Marshall Fund and related networks fomenting youth unrest in West Germany today.

Prime focus of the campaign will be the fight for economic growth and against Malthusianism, under the slogan "More thinking people create more economic wealth." A pronuclear energy citizens-initiative group has invited the ELP to participate in a panel discussion on nuclear energy, and area businessmen are expressing interest in this aspect of the campaign.

### ***Soviet-Brazilian trade shifted into high gear***

Brazil's economic links with the Soviet Union made a big jump in size and shape during the July 12-15 visit to Moscow of Brazilian Planning Minister Delfim Netto and 115 Brazilian businessmen.

Delfim's top aide, Botafogo Gonçalves, who had taken part in the trip's year-long preparations, boasted that the Soviets showed they were even willing to change their overall development plans to make room for Brazilian participation.

From the Brazilian perspective, the biggest breakthrough was the promise made by Soviet representative Ivan Arkhipov that the Russians would accept Brazilian manufactured consumer products as full payment for exports of Soviet heavy equipment. Under a 1975 agreement, the ratio had been only 30 percent.

As an example of the new relationship, Brazil's textile industry, which has been slack due to Delfim's recessionary policies, will be sewing over the next two months a million jeans for the Russians. Most of the private sector representatives on the trip have similar deals in the works; they will be aided by a new center for Brazilian trading companies in Moscow.

The Soviets are fighting to reverse their chronic trade deficit with Brazil, which was expected to be 20 to 1 this year, before the trip. To do so, they are yielding to the tough demands of Brazilian industrialists that up to 75 percent of the equipment be made in Brazil. They signed for electric generators, oil prospecting, and wood alcohol plants under such conditions. And, they are offering to finance machinery for bauxite projects, such as the huge Carajas pit, with payment in bauxite or alumina.

Botafogo concluded, "What they suggest is a more intensive trade relation to seize all opportunities, including the complementarity of the two economies, as is evident in their special interest in joint participation with Brazil in projects in third countries," such as Peru, Ethiopia, and Angola.

## ***Briefly***

● "THE DELEGATES of the guest states of black Africa will be required to rise to the enlightened and progressive political and cultural level they will find in Tripoli." There exists "a lack of political and social development through the influence of the cultural backwardness that afflicts much of Africa." These insults were contained in a memorandum sent to all 50 Organization of African Unity member nations by Libya's Colonel Qaddafi, who had agreed to host the OAU meeting next year.

● ITALIAN Minister of Finance Nino Andreatta comes from a well-known family in Trento, where his father took a leading role in establishing the sociology department at the university. The department has been identified as a key NATO intelligence center for selecting and deploying terrorists.

● OGILVY & Mather International recently bought out the PR firm of Underwood & Jordan, for many years the representative of U.S. utilities and nuclear power companies. Founder David Ogilvy, a British espionage expert, sits on the executive council of the World Wildlife Fund, which the firm represents, along with Royal Dutch Shell, Monaco, British government entities, and Joseph E. Seagram & Sons of Canada.

● PRAVDA carried a July 20 commentary by Vsevolod Ovchinnikov on the Ottawa summit, asserting that the Seven seem "ready to float into a nuclear catastrophe, toward which the current policy is steering." Noting that the U.S. share in world production has sharply declined compared with Europe and Japan, *Pravda* says the U.S. instituted the Trilateral Commission to bring the allies under control, and now Washington is using "the Soviet threat" to keep the Western Europeans in line.

## The Trilateral Commission's rapid end to democracy

by Lyndon H. LaRouche, Jr.

*Below, we excerpt sections of a release issued July 16 by the National Democratic Policy Committee, written by its advisory board chairman, Lyndon H. LaRouche, Jr., and entitled "Security Nightmare at Ottawa." The document is LaRouche's latest analytical report on the capabilities and motives of financially powerful "families, foreign-based allies of David Rockefeller's Trilateral Commission," to effect President Ronald Reagan's near-term assassination.*

*"In warning against this plot," LaRouche qualified, "we see in ourselves a frightening resemblance to those who warned again the consequences of the Hitler regime during the 1932-38 period—during which London was fully supporting Hitler. We fear that most members of Congress and the administration are 'too dumb' to recognize the accuracy of timely warnings of impending catastrophe. . . ."*

*LaRouche described official Washington as "divided between 'kooks' (such as David Stockman) and 'cowboys.'" LaRouche's National Democratic Policy Committee, he reported, directs its activity toward the "basic good will and intelligence" of the "cowboy," who is capable of shedding impassioned delusions in times of crisis. But, he concluded: "The problem is not the lack of such goodness and intelligence among our citizens—at least between two-thirds and three-quarters of them. The problem is the danger that that goodness and intelligence may not be awakened on a large scale until it is too late to escape from the grip of a new Trilateral Commission Adolf Hitler."*

As we warned earlier, the point at which even the ordinary, poorly informed member of Congress might begin to pick up the trail leading to the President's would-be assassins is a July 5 Sunday *New York Times* column by James "Scotty" Reston, a man so British that even the British find his "Aaron Burr" enthusiasm embarrassing. Reston echoed an earlier, June 30 piece by IISS-linked Canadian columnist Gwynne Dyer. Some excerpts from Dyer's column provide the reader the flavor of the policy.

. . . it came as a mild shock when J. P. Taylor, one of the leading historians of our age, told me recently that he believes the only hope of avoiding a catastrophic world war that would end civilization was **for somebody to create a world empire** [emphasis added].

This is heavy stuff, but unfortunately Taylor is largely right. A world of 150 sovereign states, all supporting military forces and accepting war as a normal way of settling disputes, is doomed once it has access to weapons of mass destruction. . . . So long as there are separate states in the world, the eventual collapse of civilization is inevitable.

Yet those 150 sovereign states will not voluntarily abolish themselves. Almost two-thirds of them are new since 1945, and their people are still entranced by **the heady delights of independence**. Even the older countries are still afflicted with **the disease of nationalism**; indeed, being also the more

industrialized countries, they constitute the main present danger to everyone's survival [emphasis added].

... The old slogan of the 1950s is still relevant: one world, or none.

This was the formula echoed on July 5 by Reston, and, immediately following Reston's column, by several other key columnists who are prominent official news media mouthpieces for the forces associated with Rockefeller's Trilateral Commission.

David Rockefeller and the **Congressional Research Service** are both out-and-out liars when they insist that the Trilateral Commission is not a high-level conspiracy against the United States. Conclusive evidence that the Trilateral Commission is a conspiracy is already provided by published resolutions and other official statements of the Trilateral Commission itself. On those grounds alone, we are not in the slightest danger of exaggerating in naming Rockefeller and the Congressional Research Service as liars.

- **The Trilateral Commission is committed to terminating democratic-republican forms of sovereign government** (1975 Tokyo resolution, drafted by Samuel P. Huntington, and set into motion by a series of measures enacted under Trilateral Commission puppet-President Jimmy Carter). These measures include congressional apathy in permitting Executive Orders establishing the Federal Emergency Management Agency (FEMA), and the Omnibus Banking Act introduced by Rep. Henry Reuss (D-Wis.), giving the Federal Reserve chairman dictatorial powers over FEMA in case of a national emergency.

- **The Trilateral Commission has been consistently committed to destroying the sovereignty of the United States throughout no less than the past five years.** The immediate objective of the Trilateral Commission is to place the monetary, economic and defense policies of the United States under the dictatorship of the International Monetary Fund, a policy repeatedly stated by Anthony Solomon and others during the Carter administration's systematic wrecking of the U.S. dollar.

- **These same world-federalist schemes against the United States are outlined in a series of books published on behalf of the New York Council on Foreign Relations by McGraw-Hill Publishing Company: the "1980s Project."** These policies were drafted under the direction of key figures including Carter administration cabinet members **Cyrus Vance, Zbigniew Brzezinski, and W. Michael Blumenthal.** These same policies of "controlled disintegration" of the United States economy were publicly embraced by Federal Reserve Chairman Paul A. Volcker, a former Chase Manhattan Bank executive who performed a leading role in the 1971 and 1979-81 phases of destruction of the economic and monetary

power of the United States.

- **The Trilateral Commission is dedicated to genocide on a scale a hundred times worse than that accomplished by Adolf Hitler.** George Ball, a leading Trilateraloid closely linked financially to the fascist P-2 Freemasonic lodge of Italy, has been a raving genocidalist, especially against both Mexico in particular and Latin America in general, since prior to the 1976 U.S. presidential election, as LaRouche emphasized in a November 1, 1976 nationwide NBC-TV address. The Carter administration's *Global 2000* proposal recommends the death of approximately 3 billion persons over the coming 20 years, and Kissinger additions to the U.S. State Department (the **Office of Population Affairs, Oceans and Technology**) and the National Security Council (the **Ad Hoc Population Group**) are as dedicated to using U.S. government agencies to implement genocidal policies as is General Maxwell Taylor of the racist-genocidalist Draper Fund and the Draper-linked Delphi project at Chase Manhattan Bank.

- **The Trilateral Commission is linked massively to supranational forces also enthusiastic for genocide, terrorism, and world-federalism.** It is linked directly to the forces behind the efforts to assassinate Pope John Paul II, President Ronald Reagan, and others. **Both Kissinger and Alexander Haig have been actively linked to the coordinators of international terrorism—these same forces—since 1969.** Kissinger's and Haig's involvement in coordinating international terrorism has been on front pages of the European press, in addition to massive official documentation of the connections by governmental agencies in Italy. (President Reagan does not know this important fact, because the friends of Haig have successfully duped the White House into swallowing outright lies on the Propaganda 2 issue.)

### **The grand scenario**

The general operation which motivates the Trilateral's accomplices to assassinate President Reagan and others centers on the orchestration of a financial collapse of the United States and Western continental Europe. **This collapse, being orchestrated through the IMF, Switzerland and London,** has the narrowest objective of collapsing the values of the U.S. dollar and continental European currencies to the point that the British pound sterling takes over as **the sole reserve currency for trade and investment throughout the world.** It is that lesser aspect of the matter which defines Chase Manhattan and Paul Volcker as traitors to the United States in the most profound sense of *treason*.

The final touches on additional features of the broader plot are to be settled in the context of the marriage of Britain's Prince Charles and Lady Diana, when all forces being brought into the plot are to be represented in London, and to be briefed and drawn

into the final preparatory phases of the operation.

The plan is to combine the collapse of the financial system of the United States and most of Western Europe with other crises, to create a global "crisis management" scenario on the largest and most catastrophic scales. This situation of crisis management, to be aided by urban rioting and terrorist activities, is to be used as pretext for establishing "emergency-decree" governments in the United States and every nation of Western Europe, Britain included. In Britain, **Prime Minister Thatcher is to depart, and Prince Charles is to emerge as a parody of his idol, George III, as de facto dictator of Britain.**

The financial crisis is to be used to subject the United States, among other nations so treated, to a dictatorship by decree of the **International Monetary Fund. With this blow, the sovereignty of all principal capitalist industrialized nations excepting Japan is to be eliminated in substance.** The following additional measures are to be implemented as adjuncts to that international dictatorship by the IMF.

- All of the subjugated nations are to be submitted to economic policies modeled upon those introduced by **Nazi Finance Minister Hjalmar Schacht** under the **Brüning** and **Hitler regimes.** (**Chancellor Helmut Schmidt** has warned publicly against the plan to establish a Brüning-modeled dictatorship in Germany.

- The unemployment problems caused by financial collapse are to be addressed through labor-intensive forced-labor programs modeled on the precedent of **Nazi concentration camp czar Albert Speer.**

- The governments of the affected nations are to be transformed by aid of emergency-decree actions into fascist states modeled on **the 1920s Italy of Benito Mussolini.** In general, these fascist regimes will be governed by Socialist International prime ministers, such as P-2-linked Haig protégé **Bettino Craxi** in Italy.

- The policy of genocide for the Third World is to be put immediately into full-scale operation, through aid of IMF "conditionalities" policies to promote genocide through famine and epidemic, and through orchestration of perpetual states of regional warfare and insurrections in the regions targetted by such agencies as **Gen. Maxwell Taylor's Draper Fund.**

- In Europe, this operation is to be directed to the included purpose of restoring monarchies, such as **the House of Savoy for Italy.** This is the "bait" being held out to representatives of royal and aristocratic pretenders during meetings held **under the auspices of the Charles-Diana wedding.**

The token figure of reference for this aspect of the operation is **the Austrian pretender, Duke Otto von Hapsburg** of the **Pan-European Union** and **Mont Pelerin Society.** Hapsburg has publicly stated his hope to become the "Emperor of Europe" under a system of carved-up European nations modeled upon the defunct Austro-Hungarian Empire.

- The system of world federalism so projected is to be federalist on two levels. First, the world is to be divided into regions—Europe, North America, Latin America, the Middle East and Mahgreb, Africa, Asia—each with its own currency-bloc and administrative arrangements for the region as a whole. Each of the regions is to be apportioned into a network of (chiefly) microstates, each based on the limited autonomy of some ethnic or religious distinction, as outlined for the Middle East in the "**Bernard Lewis Plan**" adopted by Henry A. Kissinger and by the Carter administration (the policy behind **Brzezinski's coordination of both the bringing of Khomeini to power and the taking and holding of U.S. hostages).** Switzerland and the British pound sterling are to be the coordinating, controlling force regulating the policies of and conflicts among the various regions. This administration is to be mediated through the International Monetary Fund and beefed-up institutions of the United Nations Organization.

- To remove stubborn and probable obstacles to this scheme, the **plotters allied to the Trilateral Commission intend to eliminate Pope John Paul II** (to remove Vatican enmity against Carter's *Global 2000* genocide proposal), and American-nationalism-linked President Ronald Reagan. The projected killing of Reagan has the additional value to the plotters of creating the conditions for emergency-decree government of the United States by **a de facto junta including Haig and Volcker.**

All of the financial and economic scenarios for the listed plot are presently openly proposed by the Trilateral Commission, leading British spokesmen, and other relevant parties.

The special features of the present situation, which makes the threat to the President so immediate is the fact that the Trilateraloids' successful pressuring of President Reagan, to turn himself into a **new, ill-fated Herbert Hoover,** has brought the United States to the verge of the greatest financial collapse in our nation's history. The very impetus of the general financial collapse caused by Volcker's October 1979 to July 1981 treasonous monetarist policies, has brought events to the point at which the plotters must either give up the scenario or plunge ahead to immediate implementation of the operation.



## Leftists try coup in California party

*Warren Hamerman is the chairman of the National Democratic Policy Committee, whose advisory board is headed by EIR founder Lyndon H. LaRouche, Jr.*

On Saturday, July 18, some would-be modern Robespierres linked to Jerry Brown and Tom Hayden passed through the small executive committee of the California Democratic Party a resolution censuring the traditionalist wing of the party organized around the National Democratic Policy Committee (NDPC). What is the meaning of this new sociological phenomenon, where the far left wing of the Democratic Party, typified by Brown and Hayden, goes on an attempted rampage against the traditionalist or moderate Democratic Party forces, typified by Lyndon H. LaRouche, Jr.?

While the new sociological phenomenon can be observed elsewhere in America—for example, in the collapse of the Michigan State Democratic Party or the activities of the notorious William Winpisinger—the clearest example of the new process can be seen in England.

In the recent local elections in Warrington, an industrial town racked by widespread unemployment and economic collapse, the new moderate Social Democratic Party of Roy Jenkins and Denis Healey polled a huge vote of 42 percent in its first electoral test, nearly outpolling the left-wing Labour Party of Wedgwood Benn. Margaret Thatcher's local conservative candidate finished with a dismal 7 percent of the vote. No one expected the new Social Democratic Party of Jenkins—formed in opposition to the left-wing rampages of British Labour Party leader Anthony Wedgwood Benn—to get such a large vote. Because of widespread hostility to the economic austerity policies of Thatcher, the new Social Democratic Party enjoyed many cross-over votes from disgruntled conservative Tories.

While we in the National Democratic Policy Committee are anything but social democrats, the sociological phenomenon in the Warrington by-elections is precisely analogous to the actions of the California State Democratic Executive Committee. In the United States, when left-wing Democrats go on a rampage and try to throw normal Democrats out of the party, they will stimulate the normal, traditionalist-oriented rank and

file of the Democratic Party and its constituencies to rally instantly and forcefully around the “censured” traditionalist wing.

In England the insane left-wing antics of Anthony Wedgwood Benn (the friend of Willy Brandt and Mike Harrington), combined with the voters' disgust for the disastrous economic policies of Thatcher, propelled the voters to cast 42 percent for the new party.

In California, the would-be modern Robespierres will catalyze the ranks of the Democratic Party to rally around the traditionalist LaRouche. This phenomenon will be greatly augmented by the widespread fears in the American population that Ronald Reagan, despite his decent personal intentions, is wrecking the economy by capitulating to Paul A. Volcker's insane high interest-rate policy and allowing a foreign policy mess to worsen because of the President's failure to remove Alexander Haig as secretary of state.

Across the United States the left wing of the Democratic Party is attempting to move against the traditionalist orientation of the Democratic Party's own rank and file. This explains, at a moment of generally increasing perception of economic crisis in the country, the rapid growth of Lyndon LaRouche's National Democratic Policy Committee. From California to Michigan, Texas, and Pennsylvania, the left wing of the Democratic Party, excited by the successes of the left Socialists in France and Italy, are moving to wreck the Democratic Party at the expense of the sentiments of Democratic constituencies themselves.

The process is most advanced in California, where Jerry Brown is in serious trouble for his mishandling of the fruit-fly situation *because he acted not from sensible thinking, but from the blind emotional commitment to his ideological prejudices* against “big agriculture” and for “environmentalism right or wrong.” Tom Hayden, the radical Wedgwood Benn of California, has infiltrated the Democratic Party with an organization he calls the Campaign for Economic Democracy (CED). At the last California State Democratic Convention Hayden controlled 419 delegates—192 of them elected and the rest appointed by Brown-linked party officials. Hayden is a warrior against all forms of economic progress: big labor, big agriculture, big industry, and big science. He therefore calls for the overthrow of “America's gods of power, technology and profit.”

French President Mitterrand's allies in America call themselves the Democratic Socialist Organizing Committee (DSOC). Recently one of the leaders of this organization told the press that they are organizing their faction in the Democratic Party through umbrella groups, putting forward their socialist ideas as ultra-“liberal” because they will sell better. Already the Democratic Socialist Organizing Committee (headed by Michael Harrington) has three members on the Demo-

cratic National Committee: William Winpisinger, president of the International Association of Machinists; Jerry Wurf, president of AFSCME; and Jolene Unsoeld from Washington State.

The Socialist International of Wedgwood Benn has also inserted its machinery into the state levels of the Democratic Party. David Livingston, president of District 65 in New York, recently affiliated with Doug Fraser's UAW. In the state of Washington, the Coalition for Democratic Socialism backs Karen Marchioro for state party chairmanship. Four members of the Democratic Socialist Organizing Committee already sit on the Kansas State Democratic Committee and they are taking the lead in drafting a state socialist platform for the Kansas party. Forty elected officials are members of DSOC, including Ron Dellums of California, Ed Wallace and Ruth Messenger of Ed Koch's City Council in New York, and Detroit City Council President Mary Ann Mahaffey. Also in Michigan, the man who wrote the McGovern rules of the Democratic Party—Morley Winograd—has presided over the wrecking of the state party.

### **Mainstream Democrats on the line**

The intensified actions of the left wing of the Democratic Party directly defy the sentiments of the mainstream of the Democratic Party. For example, at the Rules Committee meeting the night before the California State Executive Board voted its censure of the National Democratic Policy Committee, three reasons were presented for censuring LaRouche:

1. LaRouche and the National Democratic Policy Committee have forcefully attacked Paul A. Volcker's depression-causing high interest-rate policy at the Federal Reserve as well as the botching of American foreign policy against the interest of the nation by Alexander Haig;

2. LaRouche and the National Democratic Policy Committee have exposed Jerry Brown as the "candidate of sodomy" whose policies promote the moral and physical destruction of youth;

3. LaRouche and the National Democratic Policy Committee have been the most visible opponents in Europe to Willy Brandt, Mitterrand of France, Craxi of Italy, and their Socialist International allies.

Each of these policy positions taken by LaRouche and the NDPC reflect the policy orientation of the mainstream of the Democratic Party. The would-be Robespierres in California, as the left socialists in England, will now find broad forces rallying to LaRouche and the National Democratic Policy Committee in answer to their pledge to rebuild a strong traditionalist-oriented Democratic Party to defend the interests of Democratic constituencies, and pursue policies in the national interest.

---

## U.S. Social Democrats

---

# Winpisinger on the Jacobin gameplan

In a rambling interview last month, William "Wimpy" Winpisinger, the socialist president of the International Association of Machinists, spoke of the need for a "grass roots education campaign" that could produce mass unrest against the Reagan administration. Winpisinger was an important participant at a "Eurosocialism and America" conference last December in Washington, where Socialist International president Willy Brandt, Sweden's Olof Palme, and French President François Mitterrand gathered to plot the overthrow of the American government—first, by "Hooverizing" the President through manipulating him into disastrous economic policies, and then, by organizing riots and other forms of "class warfare" among the disaffected populus.

Winpisinger, vice-chairman of the Socialist International's American arm, the Democratic Socialist Organizing Committee (DSOC), concentrated his interview remarks on the second, "class warfare" aspect of the anti-Reagan plan. In the process, the structure of both the labor movement and the Democratic Party would have to be changed, he indicated.

"The main thing the labor movement has to do is change its image," stated Winpisinger. "We have to go on a massive public education campaign and bust the Reagan myth. The idea that this guy got a mandate from the population last November is a crock. Look at the budget fight. This proves what this guy is all about. The whole budget fight went up in smoke, with Reagan trying to ram his program down the throats of Congress. We have to get the Democratic Party to take the role of the loyal opposition. Tip O'Neill sitting on his big tuchas finally started to get off it after it was almost too late."

The IAM president wants people out in the streets: "We have to start now with a grass roots education campaign, showing people how this right-wing nut is trying to rip up social programs; this will be the way we will change labor's image. If we don't start doing something about this guy now, this country will be turned into a fascist corporatist state."

Winpisinger spoke of "getting coalitions going all over the place to stop this Reagan business," reminiscent of Washington conference speaker Anthony Wedgwood



*William Winpisinger*

Benn, the noble-born British radical who called for alliances between blue-collar workers, black nationalists, potheads, homosexuals and socialists to destabilize American society. François Mitterrand, vice-chairman of the Socialist International, is a "great guy" to Winpisinger. "Mitterrand showed everyone that the myth of Giscard, a conservative like Reagan, could be broken. Now the whole world knows that this conservative crap is on the way out. Mitterrand is great."

"For now," said Winpisinger, "we have to work within the Democratic Party to get this kind of reform going. If that doesn't work, who knows." In the United States, Winpisinger stated, "Ted Kennedy still has a lot of important things to say. Walt Mondale is not washed up yet. In the House of Representatives . . . some of the good people there are Bob Marchey [Ed Marchey] from Massachusetts; Downey from Long Island; Panetta from California; and Phil Burton."

Asked about his position on U.S. defense industry, Winpisinger replied "I did a study which disproved this whole nonsense that defense spending creates jobs as soon as I became president in 1977." He had, he boasted, tried to convince the defense giant United Technologies—whose chairman was Alexander Haig—to reorient production to service industry. Asked what he would do to improve U.S. defense, Winpisinger said, "I would build more tanks, ships and so on, and shore up conventional weapons. The Russians can bomb all our on-the-ground missiles anyway and it still wouldn't matter because we have submarines all over the place with enough firepower to blow them away. We have to stop giving the wrong people and the wrong programs money which are duplicating unnecessary areas of defense. Look at Boeing—they're doing great since they got away from the defense area and went into the consumer market.

"I think wages should be adjusted around the world," he added, "a kind of parity adjustment to make up for the amount we spend to defend everyone else. If Japan and others picked up, and they should, then we could drop the amount we spend. I refuse to think anyone will use these awesome weapons to blow up the world. We just have to tell them if there is any nonsense we will push

all the buttons and that's it. . . ." He argued that make-work "social programs" are the way to create jobs.

Winpisinger refused to condemn Federal Reserve Chairman Volcker's interest rates, which have made job-creating industrial investments a vanishing species. "The main problem," he insisted, is industry itself. "We need to stop the flow of capital all over the place outside of the United States. The problem is these big multinational corporations who use the money for their own ends. . . . The way you ban capital export is the same way you do it for anything, just put a tax on the export of capital and keep the money inside the United States."

Winpisinger commented on farmers, and farm programs that ensure food production: "Food production in this country is big business. The big agrobusiness outfits don't need any subsidies to help them. That is the problem with this country. The poor guys get nothing, while agro business and the corporations are pulling all sorts of social raids on the Treasury."

And the auto industry? "The first thing I would do is appoint a trade ambassador who would lay down the law to the Japanese to limit their exports. Our unit labor cost is just as good as the Japanese, but they give their industries all sorts of help and we don't."

Does Winpisinger think we should give our industries help, in the form of cheap credits? No: "I wouldn't give the corporations anything until they cut out their anti-union operations. I don't even support the reindustrialization plan of the AFL-CIO. Why should we support a corporate raid on the Treasury?"

Winpisinger was pleased that Doug Fraser's United Auto Workers had rejoined the AFL-CIO, because this will give the Socialist International added clout in the labor federation's executive councils. But the Teamsters, who built their union by building their industry, he would like to see busted. "The Teamsters are raiding other unions all over the place. They think they have some sort of God-given right or something. We won't take it though; we fight right back. We can raid. They think they own the brewery industry, and every time we start to go at that, they have a fit. They look for weaknesses in our membership, but we just do the same with them. We are in touch with the ones in their union who don't like them."

As far as the Socialist International's riot-organizing plan, Winpisinger concluded: "I don't think we should make a big deal out of national demonstrations. We have to focus on the grassroots organizing back home. We have to get community organizers out there, and hire them if necessary. There are a lot of good organizers and the AFL-CIO should hire them. If they don't do it, then I will make the IAM's funds available for that purpose. We have to make available union halls, churches and build coalitions to pull together all the coalitions we have been working with."

## Growth plan could revive a crucial industrial belt

by Laurence Hecht

The Upper Ohio Valley from Pittsburgh to Youngstown, Ohio, once the world leader in steel production, and still one of the greatest concentrations of skilled industrial labor in the world, is in a fight for survival. Long allowed to decay by corporations such as U.S. Steel more interested in speculative investments than steel-making, the region's industrial capability is now targeted for complete destruction by the advocates of deindustrialization and global population reduction.

But a recently formed coalition of labor and business interests has taken the offensive to turn all this around.

At a press conference last month, the Pittsburgh to Cleveland Committee announced that bills had been introduced before houses of both the Pennsylvania and Ohio legislatures calling for construction of a barge canal that would permit direct water transport from Lake Erie to Pittsburgh, and tie the Upper Ohio Valley steel towns into the great Ohio-Mississippi river system. The waterway plan has received the full backing of the National Democratic Policy Committee.

The proposal is not a new one, but because it was not carried out earlier, say its sponsors, the region's steel mills have fallen into decay, and many, particularly in Ohio, have shut down forever. "We warned people 30 years ago that we had to do this, or the valley couldn't compete in world markets," charged John McCarrell, retired president of United Autoworkers Local 544 in Pittsburgh who chairs the committee.

Sam Neff, a former state legislator from Beaver County, Pennsylvania who is on the group's steering committee was in the battle for a similar canal in 1947. The state of Ohio passed the enabling legislation, Neff recalls, but Pennsylvania rejected it. "R. K. Mellon and the Pennsylvania Railroad were against it," Neff says, "and they pulled many of the other Pittsburgh steel interests in with them. They didn't realize that in the long run the whole upper Ohio Valley was in the same boat, because they needed the transportation. We may have lost the steel industry here as a result," Neff says. Neff believes the West Virginia and Pennsylvania coal

interests are a new force that can be pulled behind the fight for the canal, and may be able to win the battle that Pittsburgh steel interests have previously sabotaged.

The bills before the Pennsylvania legislature (H.B. 308, S.B. 436) and the Ohio assembly (H.B. 553) call for establishing an interstate waterway authority that would manage the local aspects of the project in a way similar to the Tennessee-Tombigbee project. It would be funded federally except for local damages—shifting of bridges and highways, etc.—and carried out by the Army Corps of Engineers.

The route and dimensions of the new waterway would be similar to that proposed in a 1965 Army Corps of Engineers study prompted by earlier efforts of the region's business, labor, and industrial leaders.

At that time the Upper Ohio Valley (stretching from Pittsburgh northwest to Youngstown, Ohio) had already lost its position as the nation's leading steel-producing region, and it was getting worse. The waterway would have cheapened the cost of raw-materials delivery—the principal component of the cost of producing iron—and allowed the Upper Ohio Valley to again become a highly efficient steel-producing area.

The waterway would also create a new North-South continental route—from Lake Erie clear through the Ohio-Mississippi river system to the Gulf Coast. Only 10 miles of excavation between the Grand River in northern Ohio, and the Beaver-Mahoning which flows south to the Ohio stood in the way (see Divide Cut on map).

By a series of 10 dams and locks on the two rivers, and construction of a 29-mile breakwater on Lake Erie, the Army Corps of Engineers plan would have created a direct barge channel from Cleveland to New Orleans. The potential benefit to the entire Lake Erie coast from Buffalo to Detroit was inestimable.

The waterway would not only mean that Lake Superior ores could find their way into the Pittsburgh-Youngstown steel belt more cheaply. It would also provide an outlet for Appalachian coal via the waterway into Lake Erie and on to the markets of Europe by way of the St. Lawrence Seaway. Local benefits were also to be gained in terms of improved flood control and irrigation, better water quality, pumped-storage power generation, and the creation of a 33-mile long reservoir open for recreational use.

The Corps of Engineers' 1965 study projected a cost of \$100 million a year for 10 years to complete the project. Though authorization passed the Ohio state legislature it was turned down by the Commonwealth of Pennsylvania under Gov. William Scranton.

### Rebuilding steel

The nation's entire steel industry is now suffering the effects of the Volcker depression. But where some steel plants are cutting back, those in the Upper Ohio

Valley are shutting down entirely. This region where Andrew Carnegie gave American steel-making its start, is now the largest concentration of outdated and inefficient plants in the world. There are plants here that date back to World War I, and many others of World War II vintage. Many steel-makers have made the decision to let their plants here die a natural death. What expansion they have carried out has been elsewhere, usually on seaboard locations.

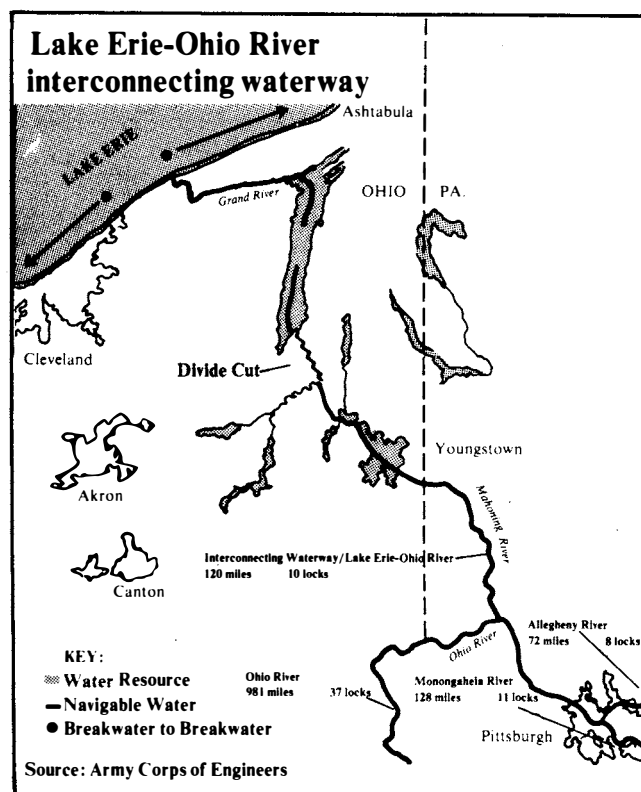
But if America is to have energy, housing, jobs, and the standard of living it once enjoyed, we will need steel. The Upper Ohio Valley region still contains a concentration of skilled workers and the industrial infrastructure needed for steel-making. It is also strategically located near to important markets for steel products. Ohio, for example, is a leading producer of machine tools, electrical equipment, automobiles, and heavy machinery, all products that will be in demand in an industrial recovery, and all require a high steel component.

In the short term, easing of EPA emission standards and stepped-up demand could aid a minor recovery in the region. But the lack of the interconnecting waterway will prevent any longer-term growth, and ultimately doom the entire integrated raw materials/industrial belt stretching from Western Pennsylvania into Ohio, Kentucky, and West Virginia to stagnation. Workers will either move elsewhere, or adjust to "permanent unemployment" and lowered living standards as the proponents of the Volcker depression advocate.

In 1965, steel production in the Pittsburgh-Youngstown zone was already declining from a 1950 high of 37 percent of the nation's ingot production to 28.6 percent. Projections showed it falling steadily to below 25 percent by 1975. The problem was twofold. First, the landlocked Pittsburgh-Youngstown region has inadequate access to the rapidly growing new markets outside the traditional Midwest industrial belt it serviced. Second, new technologies in steel manufacture were increasing the amount of new iron (as opposed to scrap) required per ton of steel. Most of the cost of pig iron consists of transporting the basic raw material—iron ore, coal, and fluxing stone—to the mill. In 1964, already 2.74 tons of these materials were needed for every ton of new iron produced, and the figure was going up.

The solution was obvious to the local boosters: build the waterway. Most of the cost of transporting the Lake Superior iron ore was incurred in the last 135 miles of its 1,000 mile journey to the Pittsburgh steel plants.

From Duluth, Minnesota to Ashtabula, Ohio on the Lake Erie shore, 882 miles, the ore is carried by laker at low cost. But at Ashtabula it must be unloaded into railroad cars for the trip inland. The trip from ore boat at Ashtabula to the Pittsburgh furnaces, though only 13



percent of the distance, represented 60 percent of the cost. The interconnecting waterway would cut the cost of that last leg by more than half, and lay the basis for the Upper Ohio Valley to become competitive again as a steel-producing region.

But the waterway's best boosters did not necessarily include the steel companies that had their start there. Some, like U.S. Steel, for example, were already beginning the "diversification" that by this point has them looking for growth in almost every area but steel.

They were later aided by such "postindustrial society" promoters as the Academy for Contemporary Problems which set up headquarters in 1972 in Columbus, Ohio, using the estate of Armco Steel magnate George Battelle to study ways to sell permanent unemployment to the region's producers.

The region soon became a magnet for kooky, left-wing outfits deployed to sell the new lifestyle of lower living standards. A succession of left front groups associated with New Leftist Staughton Lynd targeted the area for this treatment in the early 1970s. Then in 1977, Gar Alperovitz of the Exploratory Project for Economic Alternatives set up shop in Youngstown, at the height of its steel crisis, attempting to sell the community on a scheme to "buy back" the recently closed Campbell steel works.

The entire game would not have been possible but for the defeat of the Interconnecting Waterway in 1965. The region now has a second chance.

## Volcker is causing an 'economic Waterloo'

Federal Reserve Chairman Paul Volcker was denounced for his high interest-rate policies July 21 when he appeared before the House Banking Committee, to announce that he was going to tighten the money supply even further.

The strongest attack came from Rep. Henry Gonzalez (D-Tex.), who has been warning that the United States faces an "economic Waterloo" because of the high interest rates. At the hearings Gonzalez accused the Fed chairman of "legalizing usury" and announced that he is preparing a bill of impeachment covering Volcker and a majority of the Fed's seven-member board of governors.

In addition to Gonzalez, a bipartisan group of congressmen including George Hansen (R-Idaho), Norman Shumway (R-Calif.), and Frank Annunzio (D-Ill.) all denounced Volcker's policies. Hansen charged that Volcker's credit squeeze is "destroying the small businessman . . . destroying middle America . . . destroying the American dream." Criticisms by the other congressmen were also sharp, with Annunzio pounding the table and shouting.

In response, at these and hearings the following day in the Senate Banking Committee, the Federal Reserve chairman denied that high interest rates were the real source of the problem, and blamed the American wage levels instead. Volcker declared that the series of labor-union contracts coming up in January could lock the U.S. into

three years of inflation. "We cannot have price stability and 12 percent increases in wages," he told the Senate Banking Committee.

Behind the scenes, a number of liberal Democrats who favor Volcker's demands for a wage ceiling are mooting implementation of some form of wage and price controls.

At the Senate Banking Committee hearings, Volcker also got backup from Committee Chairman Jake Garn (R-Utah). Referring to the attacks on Volcker's policies by House members the day before, Garn declared, "I feel very strongly that we are experiencing a tremendous amount of demagoguery. I'm referring in part to what happened yesterday in the House Banking Committee. The Federal Reserve is not the cause of high interest rates, it's the Congress."

## House supports minimum Social Security level

The House voted overwhelmingly July 21 to back a resolution that calls for preserving the minimum Social Security benefit for those now receiving it. Earlier in the day the Senate had voted down the same resolution 52 to 46. The House vote was 405 to 13, with the Republicans joining the Democrats against the proposals of the President.

The Republicans acted on the advice of House Minority Leader Robert Michel (R-Ill.), who, obviously aware that the resolution would pass, did not want the Republicans on record against the

minimum benefit.

The resolution was introduced by House Majority Leader Jim Wright (D-Tex.), who declared that although he hoped the resolution would influence the budget reconciliation conference, his real concern was that the resolution would be a moral commitment for future legislation.

Both the House and Senate budgets eliminate the minimum Social Security benefit, the only difference being the date this is done. Thus the conference will not actually take up the issue unless there are special rules changes. (The Republican defenders of the move say that its victims can go on the welfare rolls!)

However, the Congress will be taking up a number of Social Security financing issues almost immediately. The House Social Security Subcommittee has been holding hearings on H.R. 3207, sponsored by Rep. J. J. Pickle (D-Tex.), which makes a number of proposals for Social Security financing, including lifting the retirement age for full benefits to 68 from 65. Markup on the bill could begin possibly as early as July 24. Sen. William Armstrong chairman of the Senate Social Security Subcommittee, at a breakfast meeting with reporters July 16 endorsed the proposal on the retirement age. The Senate Subcommittee will be taking up the financing issues, including proposals made by the Department of Health and Human Services in a May press release. Among these proposals are reducing the benefits given to those who retire at age 62 from 80 percent to

55 percent. Legislation to restore the minimum benefits, at least for those now receiving them, is expected to be introduced in the context of the House and Senate debate on these various proposals.

### **Administration declares war against foreign trade**

At July 19 hearings of the Senate Banking Committee's International Finance Subcommittee, two administration officials testified in opposition to the Competitive Export Financing Act, S. 868, while maintaining a singularity of purpose with its principal author, Subcommittee Chairman John Heinz (R-Pa.). Newly installed Export-Import Bank Chairman William Draper III and Robert Cornell, Assistant Secretary of the Treasury for Trade and Investment, indicated that they preferred not to pass S. 868, which will give Exim an additional \$1 billion credit line to "combat predatory export financing by other countries," but would prefer to leave it "on the table" as a bargaining chip in negotiations with Europe and Japan.

Cornell bluntly stated that "we oppose official export credit subsidies," and launched into a tirade against European and Japanese trade policies. Cornell, who is a U.S. trade negotiator, stated in quite undiplomatic language that "many have what I would consider an irrational conviction that there is some 'proper' or 'natural' level for interest rates, unreflected in week-to-week, month-to-month, or even year-to-year market fluctua-

tuations. These countries argue that stable and fixed export credit rates reflect this underlying 'proper' level of interest rates."

Adding that the U.S. "disagrees with and disbelieves" such assumptions, Cornell announced that the administration will "target Eximbank's resources against those countries" which maintain a commitment to export credit subsidies. Draper announced a shift in Eximbank financing away from the traditional financing patterns which have benefited U.S. industrial exports and toward criteria based solely on the need to combat other countries' export subsidies practices.

Heinz expressed no disagreement with the administration's underlying approach, but felt that administration rejection of his \$1 billion credit line represented "unilateral disarmament" in negotiations with our trading partners.

### **Stockman defends waterway user fees**

Testifying before the Senate Environment and Public Works Water Resources Subcommittee on July 14, Office of Management and Budget Director David Stockman defended the administration's proposal to collect "user fees" on federally constructed and maintained inland waterways and ports. Reversing a 200-year-old policy of the appropriateness and necessity of a national role in internal improvements development, Stockman declared, "When the federal government renders a service directly to

economic enterprises at less than cost, the service amounts to a subsidy. Subsidies not only increase the size of the federal budget, but almost inevitably distort the workings of our free market economy. Such distortions decrease economic efficiency."

Amidst the budget-balancing frenzy of Capitol Hill, subcommittee members did not challenge Stockman's allegations as they accepted as necessary cutbacks in federal expenditures. Nor did anyone raise Stockman's historical antipathy to internal improvements, not for fiscal reasons, but because he is an advocate of the "post-industrial society," and believes that internal improvements breed economic development and population; hence, they should be curtailed. This was evident in his testimony: "I believe that not requiring users to bear the full cost of the activities encourages overdevelopment of high-cost ports because dredging becomes a free good."

Several senators *did* take issue with Stockman's proposals from a more chauvinistic standpoint. Sen. Max Baucus (D-Mont.) pointed out that the institution of user charges could price inland navigation out of reach for Montana grain shippers and force them, as "captive shippers," into the hands of Burlington Northern Railroad, which would then charge monopoly rates. Stockman shrugged this off as an inevitable result of reducing existing "distortions" in the market. Observes noted that the railroads and environmentalists have long been implacable foes of inland waterway development.

# National News

## Koch's New York is 'model,' says NORML

George Furnham, official spokesman for the National Organization for the Reform of Marijuana Laws (NORML), told a reporter July 22 that Mayor Edward Koch "has turned New York into a model of drug decrim [decriminalization]." "Koch was instrumental in getting the state legislature to endorse marijuana decriminalization when he was still a congressman," Furnham added. "Koch has told the police to make arrests of people carrying marijuana for personal use their lowest priority."

According to Keith Stroup, former executive director of NORML, Koch was also instrumental in setting up the Shaffer Commission on drugs, a national "blue-ribbon" panel, established during the Nixon administration, which called for national marijuana decriminalization. Stroup commented that, although Nixon rejected its proposal, "the panel's findings were absolutely indispensable to NORML at the statewide level. It shot down all the scientific and medical evidence against marijuana use. Without it, we wouldn't have gotten anywhere."

"Without Koch's work in establishing the Shaffer Commission, we probably still wouldn't have any marijuana decrim laws."

## Committee hearing looks at laser warfare

Presidential Science Adviser-designate George Keyworth told the Senate Commerce, Science and Transportation Committee July 19 that the "existing Defense Department program doesn't have adequate balance" and is too heavily concentrated on systems analysis at the expense of basic research in such areas as laser technologies.

Appearing at his confirmation hearings, Keyworth stressed the need to de-

velop an electron-beam or laser antibalistic missile capability, in response to questions from Sen. Howell Heflin (D-Ala.), a vigorous advocate of laser R&D, who stated that the science advisory position "could be the most key government position in the Western world outside the actual titular heads of government."

Senator Harrison Schmitt of New Mexico, who chairs the Senate Science and Space Subcommittee, queried Keyworth's future relationship with Office of Management and Budget Director David Stockman, whom Schmitt termed someone that could "nickel and dime" science to death, urging that the science adviser and not the OMB originate science policy and policy statements in the administration.

Keyworth, ironically a product of U.S. research laboratories, has maintained his dangerous insistence that magnetic nuclear fusion energy development is not yet ready for its engineering phase, despite congressional findings and legislation to the contrary. Keyworth claimed that fusion will not be a workable energy source until well into the 21st century.

## NDPC launches campaign to defend the Constitution

Warren Hamerman, chairman of the National Democratic Policy Committee, announced that his group has launched a nationwide mobilization against of what he termed the "clear and present danger" to the Constitution coming from Averell Harriman's wing of the Democratic Party. In a press release July 21 Hamerman declared that "the objectives of this [Harriman] operation are to restructure both the Democratic and Republican parties . . . and under economic crisis conditions, to overthrow the American Constitution by reordering America into a parliamentary-style government."

The organizations involved in this end of democracy project include:

Democrats for the 80s, a political action Committee which is chaired by Pamela Harriman and whose members in-

clude Averell Harriman, Robert Strauss, Edmund Muskie, Stuart Eizenstat, Tip O'Neill, Robert Byrd, Bill Clinton, and Harry McPherson, former head of the New York Council on Foreign Relations.

The Committee on Party Renewal, which was set up to turn the two major parties into tightly centralized organizations. Its chairmen have included Minneapolis Mayor Don Fraser, a close associate of Socialist International head Willy Brandt.

Committee on the Constitutional System, which was set up to review the possibilities for transforming the United States into a parliamentary system. Its members include former Treasury Secretary Douglas Dillon, former White House Counselor Lloyd Cutler, Prof. James MacGregor Burns, and Rep. Henry Reuss (D-Wisc.). Reuss has already introduced a number of constitutional amendments to create a parliamentary system.

The Democratic Conference, headed by Mayor Fraser, and backed by DNC Chairman Charles Manatt.

## U.S. riot potential tested in New York

A planned riot broke out in mid-Manhattan on July 21 when a gang of 300 associated with the "Blacks for Economic Survival" (BES) attacked a construction site, under cover of protesting "racist hiring practices." Two policemen were stabbed by demonstrators during the fracas. BES is closely affiliated with Harlem Fight Back, headed by former member of the radical Progressive Labor Party Jim Houghton.

The New York incident is only one outbreak in a potential scenario developed by "conservatives" of the American Enterprise Institute (AEI) and liberals such as Bertram Gross, author of the book *Friendly Fascism*, whose aim is to facilitate establishment of ghetto "enterprise zones." Gross told a reporter that riots would "help to clear people out of areas that might become valuable in the



future.”

AEI is working to create a national network of ghetto “security companies” comprised of youth gangs like the Crazy Homicides and the Savage Skulls, which will act as “anticrime” vigilantes. Already participating in this project are the Guardian Angels, which are now expanding from New York to major cities; the House of Umoja of Philadelphia; and Ramsey Clark’s Inner City Roundtable for Youth. The mastermind of the AEI project is Jesuit Michael Novak, now a consultant to the State Department.

## Union Leader covers LaRouche declaration

The widely read conservative daily *Manchester Union Leader*, of Manchester, New Hampshire prominently covered the “Princeton Declaration” of Lyndon H. LaRouche July 19. LaRouche, chairman of the advisory board of the National Democratic Policy Committee, declared on July 12 in Princeton, Wisconsin that he was available to run for the 1984 Democratic presidential nomination.

In an article titled “The Lyndon LaRouche Campaign Returns,” Frederick Waterman wrote that LaRouche’s reason for announcing his availability at this time was that “the Reagan administration has capitulated to the evil forces behind Secretary of State Alexander Haig and Federal Reserve Chairman Paul Volcker.” . . . He said his action was necessary to mobilize moderate Democrats into a force able to pry the Reagan administration free of its present capitulation to the rewarmed policies of President Herbert Hoover and [Hoover Treasury Secretary] Andrew Mellon in 1929. . . . He said his announcement was not the result of personal ambition, but rather because he sees the nation as being in ‘the gravest danger in more than a century.’”

The paper notes that “LaRouche forecast a depression or a ‘Hoover collapse’ within six months, most likely in October. He lamented that the ‘British-

‘directed overthrow’ of France’s former president, Valéry Giscard d’Estaing, eliminated one of the few countries capable of preventing a new depression.”

## Philadelphia voters defeat the media

Democratic State Senator Joseph Smith has won the congressional seat for Philadelphia’s Third District, in a stunning electoral upset of city Democratic Chairman David B. Glancey. The Smith victory is being studied closely for its national implications.

David Glancey, a young liberal, had the support of not only Philadelphia Mayor William J. Green, but former Vice-President Walter Mondale, and Massachusetts Sen. Edward Kennedy, both of whom made personal appearances in Philadelphia to campaign for him.

Glancey conducted a strong media campaign, outspending Smith 4 to 1—\$9 for each of his 25,000 votes.

Smith, a moderate Democrat with a prolabor voting record and the endorsement of almost every trade union, conducted a “constituency campaign,” going ward-by-ward addressing clubhouses full of voters and rallying his people on the streets.

He bought no television time at all, and few radio advertisements. One veteran political observer notes: “This is the first defeat of a media campaign that I can recall.”

Smith said that he was a Democrat and would vote with House Democrats. The black vote, normally expected to go for a liberal like Glancey, was neutralized by Smith endorsements from three prominent black trade-union executives.

The seat had been vacated by Raymond Lederer, victim of an Abscam frameup designed to further cripple the political machine that appears to have come back together to elect Smith.

On the streets of the city, there was joy, with car-horns honking at 1:00 in the morning, and people shouting: “We did it.”

## Briefly

● **THE FEDERAL** Advisory Committee on Reactor Safeguards has reported to the NRC that Three Mile Island’s undamaged Unit I nuclear reactor could be restarted “without undue risk to the safety of the public.” The reactor has been shut down since the March 1979 incident at Unit II.

● **CHRIS BUCKLEY**, Bill’s son, has become a speechwriter for George Bush. A former *Esquire* editor, the younger Buckley promoted Alexander Haig’s presidential candidacy. Asked why he had given up his *Esquire* job, Buckley replied, “No other administration will ever be crazy enough to offer me a job.”

● **DENIS HAYES**, the guru of solar energy, has been fired as director of the Solar Energy Research Institute in Golden, Colorado. Now that the Reagan administration has cut back on the solar research budget, Hayes will have to look for another place in the sun.

● **THE GAMSCAM DOSSIER** is the title of a new document by the National Democratic Policy Committee. It is subtitled “The Trilateral Commission’s Organized Crime War on Constituency Leaders.” GamsCam is the Washington State counterpart of Abscam.

● **WILLIAM PRESSER**, national official of the International Brotherhood of Teamsters, died July 18 at his home in Lyndhurst, Ohio, of a heart attack. Mr. Presser, who was 74, had been a local Teamster leader since the 1930s, and was elected president of the Ohio Conference of Teamsters in 1952. He held that post until his death and was also a leader of the Teamsters Joint Council 41 in Cleveland. In 1976, he was overwhelmingly re-elected as international vice-president of the IBT and as a member of the union’s executive board. His son Jackie is currently an international IBT vice-president.

## A not-so-strange dispute

*Interior Secretary Watt finds a knife being aimed at his oil leasing schedule from a sector of industry.*

Again that chronicle purporting to represent the business community, the *Wall Street Journal*, has been caught with egg on its face. The issue this time revolves around a July 6 article which gleefully heralded that "Offshore Energy Leasing Plan Is Trimmed As Interior's Watt Retreats Amid Criticism."

It seems that an unholy, if not unfamiliar alliance has emerged between certain major integrated oil companies, particularly Exxon and Atlantic Richfield, and certain devotees of the so-called environmentalism. At issue is the laudable public commitment of the Reagan administration to dramatically accelerate the schedule of Outer Continental Shelf (OCS) oil and gas lease sales over the five-year period from the pathetic 15 million acres a year proposed by Watt's environmentalist predecessor from the Carter days, Cecil Andrus.

Secretary Watt called a press conference last week to definitively restate his earlier proposal to offer for lease each of the 18 Planning Areas in the OCS as an entire bloc. Carter-era lease sales had chopped tracts into tiny patchwork blocs that discouraged the kind of wide-ranging exploration most knowledgeable geologists believe is required to map and tap the potential giant offshore oil fields.

James Watt's announcement was greeted by a procession of representatives from Exxon, Arco, Gulf, and Pennzoil, urging him to

act a little more like Carter! A spokesman for Gulf in Pittsburgh expostulated that Carter's "five-year oil and gas leasing schedule as issued in June 1980 provides a sufficiency of exploration opportunities" through 1984. To which Arco, whose chairman Robert O. Anderson personally bankrolls the anti-growth Aspen Institute, echoed its claim. The Watt timetable, Arco said, "would upset the capital equipment and manpower planning efforts of many firms, including our own." To which one Interior Department spokesman replied, "I am surprised. They have been saying for a long time that they want more acreage available to them."

I for one am not surprised. As I have said, the major 20 or so multinational integrated oil companies have increasingly become adjuncts of David Rockefeller's Chase Manhattan Bank or similar institutions, and rarely give a hoot about energy production, much less a tinker's damn about the welfare of the nation. That's not to say we don't need the manpower and technological resources of companies such as Exxon or Gulf. It is to say that their priorities have been systematically corrupted almost beyond recognition.

This opposition to Watt's leasing program was the subject of recent remarks by the highly respected independent petroleum geologist Michel T. Halbouty. Halbouty,

former president of the American Association of Petroleum Geologists, chaired Reagan's Energy Task Force and Transition Team several months ago. In a speech before the annual meeting of the International Oil Scouts Association in Houston at the end of June, Halbouty pointed to the decades of "snail's-pace" OCS leasing, the fact that of a total of 1.8 million square miles of federal offshore lands, only 1.5 percent has been ever leased! Even so, he added, we have been able to add over 5 billion barrels of oil and 45 trillion cubic feet of natural gas to U.S. energy reserves.

"Therefore," he emphasized "what is most difficult for me to understand is the blatant hypocrisy of a segment of our petroleum industry. I am referring to those major oil companies that are objecting to the proposed increase in lease sales. . . . No wonder there are those who say we have the worst public image of all industries." Halbouty then proclaimed that it was "too bad the real independents are not large enough, nor have the full resources, to drill offshore. We would welcome the increased lease sales; and we would find more oil and gas than the majors."

Halbouty's sharp remarks were underscored by a flurry of statements over the past days from the drilling industry. The International Association of Drilling Contractors passed a resolution in support of Watt's accelerated leasing. The National Ocean Industries Association, whose member companies supply equipment for offshore drilling, expressed complete industry readiness for the accelerated program.

It will be very interesting to see the evolution of this battle.

**LaRouche and Goldman  
campaign to  
lower interest rates.**



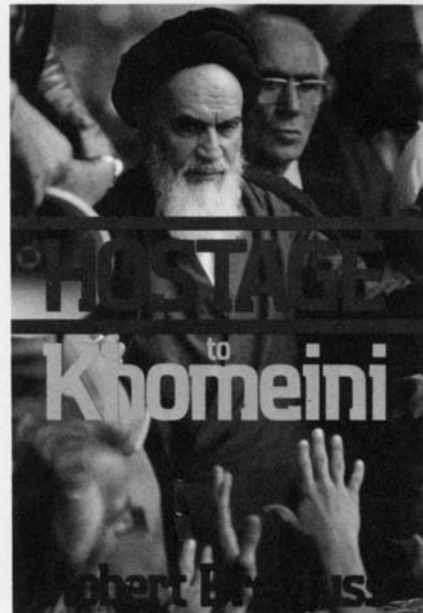
**The Ugly  
Truth About  
Milton  
Friedman**

Lyndon H. LaRouche, Jr. David P. Goldman

**“Best Title Award”**

—L.A. Times

**Robert Dreyfuss’  
indepth investigation**



**The real story of  
the Carter-Khomeini  
connection that  
held the world hostage.**

**Special Offer - Choose Any 5 books for \$25**

**The LaRouche Series** Books by *Lyndon H. LaRouche Jr.*

- The Ugly Truth About Milton Friedman with David Goldman \$3.95
- How to Defeat Liberalism and William F. Buckley \$3.95
- Will the Soviets Rule in the 1980s? \$3.95
- Basic Economics for Conservative Democrats \$3.95
- What Every Conservative Should Know About Communism \$3.95
- Why Revival of “SALT” Won’t Stop War \$3.95
- The Power of Reason: A Kind of Autobiography \$2.95

**Franklin Tradition History Series**

- \*Dope, Inc.: Britain’s Opium War Against the U.S. \$6.00
- Hostage to Khomeini by Robert Dreyfuss \$4.25
- \*The New Dark Ages Conspiracy: London’s Plot to Destroy Civilization by Carol White \$4.95
- The Civil War and the American System by Allen Salisbury \$5.95
- \*The Political Economy of the American Revolution Nancy Spannaus and Christopher White, 2nd ed. \$5.95
- The Industrial Development of Poland by Rosa Luxemburg, Intro. by Lyndon LaRouche \$3.95
- Energy Potential: Toward a New Electromagnetic Field Theory, by Carol White \$7.95

\* Will be mailed as soon as released

- The Ugly Truth About Milton Friedman
- Hostage to Khomeini
- Special \$25 Offer (postage included)
- Other books as marked

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone (\_\_\_\_\_) \_\_\_\_\_

Enclosed \$ \_\_\_\_\_

Master Charge/Visa # \_\_\_\_\_

Exp. date \_\_\_\_\_

Order from your bookstore  
or from:

**The New  
Benjamin Franklin House  
Publishing Co., Inc.**  
304 W. 58th St., 5th floor, Dept. E, N.Y. 10019  
(Add \$1.50 per book postage for 1st class. \$ .75 per book  
for 4th class. Postage is included in the Special offer.)



Mastercharge/Visa holders call toll free 800-358-9999