

EIR

Executive Intelligence Review

September 29, 1981

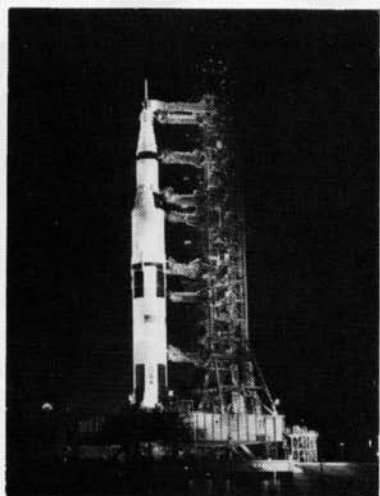
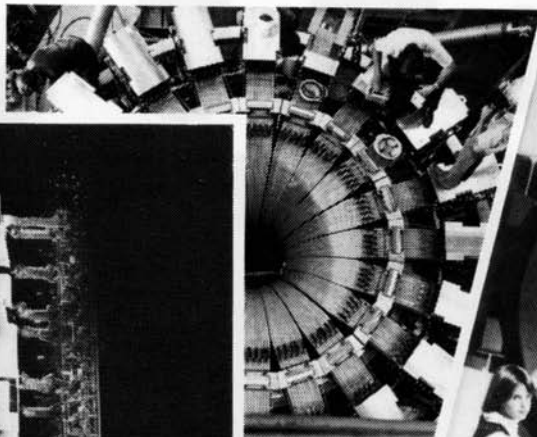
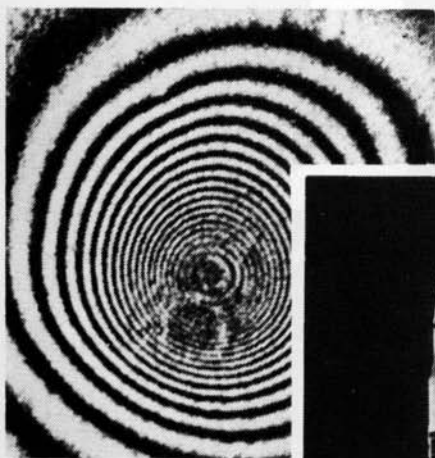
\$10.00

An October banking emergency?
Helmut Schmidt's counter-options to depression
EIR interviews Heng Samrin in Phnom Penh

**The results of Haig's Peking alliance:
an eyewitness report from Kampuchea**



Finally, a magazine that brings the science of progress to America's children



The Young Scientist

**How does fusion energy work?
Why are the Saturn results important?
What is recombinant DNA?**

The Young Scientist answers questions like this in every issue—and has puzzles and experiments, stories of scientists and their discoveries, interviews, inventions, and photographic tours of the nation's leading scientific labs, museums, and high-technology industries.

Published bimonthly (monthly beginning fall 1981) by the Fusion Energy Foundation, **The Young Scientist** is part of a nationwide campaign to reverse the collapse of American education.

Parents: Subscribe to the magazine that you'll wish you could have read as a child.

Students: Read **The Young Scientist** and learn what you need to help make America's future.

I want my family to talk about science.

Enclosed is:

- \$8 for 1 year of **The Young Scientist** (5 issues)
- \$25 for a 1-year membership in **The Young Scientist Club** (includes books, special meetings and trips)

Charge my purchase to:

- MasterCharge** **Visa**

Card # _____ Exp. date _____

Signature _____

Name _____

Address _____

State _____ Zip _____

Make checks payable to Fusion Energy Foundation, Suite 2404, 888 Seventh Avenue, New York, N.Y. 10019

Endorsed by Leaders in Education, Science, and Industry

"I want to congratulate you for having introduced this magazine... There is nothing more important these days than to confront the young mind with the scientific and technical challenges of our time in hope of a better future."

Dr. Friedwardt Winterberg, Professor of Physics, University of Nevada, Winner of the Hermann Oberth-Wernher von Braun aeronautics gold medal, 1979. • Dr. Frederick Tappert, Professor of Physics, University of Florida. • Dr. Joseph R. Dietrich, Chief Scientist (retired), Combustion Engineering Company. • Dr. Charles F. Bonilla, Professor Emeritus of Chemical, and Nuclear Engineering, Columbia University. • R. Thomas Sawyer, Founding Member, Gas Turbine Division, American Society of Mechanical Engineers. • Dr. Roy Hudson, Scientific Liaison, Manager, The Upjohn Company, Past President, Hampton Institute.

Affiliations are listed for identification purposes only.

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editor-in-chief: *Criton Zoakos*

Editor: *Robyn Quijano*

Managing Editor: *Susan Johnson*

Art Director: *Martha Zoller*

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 Menendez*

Milan: *Muriel Mirak*

Monterrey: *M. Luisa Gómez del*

Campo

New Delhi: *Paul Zykofsky*

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 Lalevée,

Barbara Spahn

Executive Intelligence Review
(ISSN 0273-6314) is published weekly

(50 issues) except for the second week

of July and first week of January 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 © 1981 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

For the past two years, *EIR* has persistently presented the actual history of the genocide perpetrated by the Khmer Rouge under Pol Pot and Ieng Sary in Kampuchea. Last month, we sent our veteran Asia editor, Daniel Sneider, to report first-hand on that Kampuchean history and its aftermath. What he found demonstrates the nature of the Chinese regime and its Western allies, who set out deliberately to clear *Lebensraum* for primitive Chinese agrarianism and to rapidly and methodically exterminate the Kampuchean they regard as *Untermenschen*. This is the *Global 2000 Report* policy faction of Henry Kissinger and Alexander Haig, who, as *EIR* has documented, consider China the admirable exemplar of zero-growth policy, and candidly describe the Vietnam war as an experiment in reducing civilian populations. The *Global 2000* group around the Draper Fund personally oversaw that war, as Special Services Director Peter Ennis, who worked with Mr. Sneider for six years as an Asia specialist, shows in his introduction to the Kampuchea report. I also want you to know that next week we will challenge another State Department alliance: Haig's pact with General Zia of Pakistan, who, *EIR* will demonstrate, is deeply implicated in the opium production and export of the region's "Golden Crescent."

In this issue we present as well the first installment of a series on the Jesuit "Theology of Liberation" schismatics' efforts to drive the American branch of the Roman Catholic Church, and the Vatican itself, into acquiescence to their depopulation blueprint. European Editor Vivian Zoakos analyzes the scandals mounted against Cardinal Cody, Archbishop of Chicago, from that standpoint.

Our National coverage features an interview with Sen. Harrison Williams, the New Jersey Democrat whose Abscam conviction and Senate Ethics Committee expulsion order represent, in our view, part of the same overall effort to intimidate and eliminate partisans of economic growth and defenders of the moral rights of "useless eaters."



EIR Contents

Departments

38 Middle East Report

Will Begin doublecross
Sadat?

39 Dateline Mexico

Behind the
Michigan meeting.

49 Interview

Sen. Harrison Williams,
New Jersey Democrat and
Abscam defendant.

53 Law

The philosophical problems
with "strict construction."

60 Congressional Closeup

64 Energy Insider

Canada's strange oil
politics: phase two.

Note: *World Trade* columnist Mark
Sonnenblick is still on special
assignment in Mexico.

Correction: In our Sept. 15 editorial,
New York City's *Jewish Post*
was misidentified as the
Jewish Press.

Economics

4 Push comes to shove after October first

Same-day clearing, all-
savers certificates' drain on
funds for corporate
borrowing and quarterly
debt-rollover requirements,
add up to a turning point.

Documentation: Volcker's
comments in Brazil, and
interviews with the Federal
Reserve and a Dresdner
Bank spokesman.

8 LaRouche: how a gold standard should work

9 Currency Rates

10 Gold

Mr. Volcker's
cross of gold.

11 Banking

A deregulation
blitzkrieg.

12 Foreign Exchange

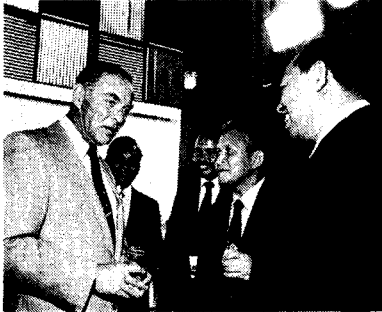
How far will the
dollar fall?

13 International Credit

A new set of
basket cases?

14 Business Briefs

Special Report



Alexander Haig (left) with Pol Pot's deputy Leng Sary (far right) this July in New York City.

16 Haig and Peking enforce Global 2000's Kampuchea model

An introduction.

19 Life after death in the Kampuchean hell

Asia Editor Daniel Sneider's report from Phnom Penh.

28 An interview with Heng Samrin

Mr. Sneider's discussion with the rarely interviewed current president of Kampuchea.

International

32 Schmidt's counter-options to Washington's folly

And what the State Department is doing to undercut them.

34 Brazil, Mexico join challenge to Haig

From Brazil, a rebuff to the SATO policy, a pledge to defend Angola from South Africa, and a warning about U.S. interest rates. In Mexico, a deeper link to Bonn, and an exposé of the Global 2000 military policy.

Documentation: Brazilian news reports and official statements, with *El Sol's* attack on Haig and Weinberger from Mexico City.

40 International Intelligence

National

42 Why Chairman Volcker remains so self-confident

Congress has pulled together no strategy for both reducing interest rates, averting budget cuts, and promoting industrial growth.

Documentation: Statements by senators and representatives on the Hill—and by the Federal Reserve chairman.

46 'This administration must wake up'

A statement by Lyndon LaRouche on the boldness needed to be truly practical.

48 Depopulation cultists declare war on Cardinal Cody and the Vatican

A dossier on the year-long scandal campaign.

52 Thomas Puccio and his sponsors

If the Abscam prosecutor becomes U.S. Attorney, he will finish wrecking the CIA.

56 Behind New York's election fracas

57 Candidate Klenetsky on New York's future

58 X-ray lasers and the Winterberg approach

62 National News

Push comes to shove after October first

by David Goldman, Economics Editor

October 1 just might stand out as the most significant day in monetary history since August 15, 1971, that is, as a turning point of general transformation of the monetary system. Some American and European bankers are suggesting that a major liquidity crisis could rip the markets on that date, although no such development is within the limits of predictability. However, a series of events converging upon that date will likely mark the beginning of an entirely new universe of monetary developments.

The events we refer to include:

- 1) The introduction of "same-day settlement" into the \$160 billion per day clearing mechanism of the New York banks, the Clearing House International Payments System (CHIPS);
- 2) The introduction of "all-savers certificates" per the direction of the Reagan tax bill;
- 3) Probable congressional debate on the Thrift Institutions Restructuring Act of 1981;
- 4) The convening of a secret meeting of 100 commercial bank regulators from the major industrial countries at the offices of the Federal Reserve Board of Governors in Washington, as a spinoff of the simultaneous International Monetary Fund Annual Meeting in Washington and;
- 5) The extraordinary condition of the Sept. 30 payments period for international loans, made messy by the default or quasi-default of Romania, Poland, Costa Rica,

Turkey, Ghana, Bolivia, Nicaragua, and possibly some surprise additions to the list.

Viewed from inside the mind of the Federal Reserve, October appears to be a *managed crisis*. That the Federal Reserve is aware that its actions produce a general crisis of the banking system, we have argued for more than a year, and now have the documentation to prove it. A Federal Reserve document prepared by Board of Governors economist Robert Flood and University of Rochester economist Peter Garber, dated April 1981 and revised August 1981, sets forth two related scenarios for a banking collapse. The authors state:

"Our aim is to determine conditions under which a collapse eventually will occur and the timing of such a collapse. . . . We set up a model for the behavior of bank owners and produce a sufficient condition for setting off a systematic bank collapse; the condition amounts to a *floor on the nominal interest rate*. . . . At least in some instances, a banking collapse can be viewed as a predictable phenomenon, rather than as a sudden outburst of mass hysteria."

The Federal Reserve's intent

Since October 1979, with a brief interruption in the May-August period of 1980, Federal Reserve policy has been to put a *floor on the nominal interest rate*. And Paul Volcker declared in Brazil on Sept. 4 that he intends to maintain a high floor for *two more years* (see

page 6).

What the Federal Reserve staff declares—as if it were not already obvious—to be the “sufficient condition for setting off a systematic bank collapse” is the Federal Reserve’s own monetary policy. Stripped of the mathematical-symbolic mumbo-jumbo, the analysis amounts to a simple statement: high nominal interest rates which collapse the value of banks’ fixed-income portfolios (a problem principally applicable to the savings banks and savings and loan associations) and which simultaneously force the banks to fund old low-interest assets with new high-interest liabilities produce a collapse.

In this context, the introduction of all-savers certificates starting Oct. 1 becomes problematic. The expected result of the introduction of a tax-free bank certificate of deposit offered by both commercial and thrift institutions will be a reflow of a couple of tens of billions of dollars out of money market funds, whose assets swelled to \$152 billion so far this year at the expense of the banks.

According to the president of one large East Coast bank, the problem of “reverse disintermediation” could hit the sensitive commercial paper market badly. The money market funds will have to liquidate a substantial volume of paper to repay depositors who shift into the all-savers certificates, including a large amount of commercial paper (unsecured corporate IOUs), a standby of money market fund portfolios. The problem is that the commercial banks and thrifts will not invest in commercial paper, preferring Treasury bills. Since a great deal of corporate financing this year has taken place through the commercial paper market, the potential ramifications of a drop of institutional investor interest in commercial paper are obvious.

We will have a great deal more to say on the witting culpability of the Federal Reserve in this matter. The “October Scenario” summarizes as follows:

First, the Bank of England, the Fed, and the Bank for International Settlements staff will make other major central banks an offer they are not expected to refuse at the bank-regulatory meeting held in secret during the IMF’s annual festivities, namely, that they agree to unify regulatory standards for international lending or face the likelihood of messy and intractable banking crises on the international markets.

Second, the Senate Banking Committee chairman has already backed down from his opposition to legislation which would turn the savings and loans into big money market funds, among other things, and eliminate their mortgage-lending role to a great extent; passage of this legislation is expected during October preparing the ground for the administration’s already-promised “total review” of the Glass-Steagall restrictions on in-

vestment banking by commercial banks, and the McFadden Act restrictions on interstate commercial banking. Third, the “same-day settlements” procedure at the CHIPS, which is on the surface an innocuous improvement in the way international business is conducted, may well administer a form of “shock therapy” to the international markets. Apart from the level of dollar interest rates, no other action by the American monetary authorities has excited such suspicion among foreign bankers.

The ‘same-day’ consequences

What is at issue is so remote from the usual interests of most financial market participants as to appear esoteric, and indeed so complex that leading participants in the clearing house itself are honestly unsure of what the consequences may be. Presently the vast majority of international market transactions (Eurodollar payments and foreign-exchange transfers) are made through the CHIPS computer in New York City. A Eurodollar, after all, has legal status as a claim on an American bank account deposit. The \$1.5 trillion Eurodollar market contains about \$1.2 trillion Eurodollars, whose transfer in legal terms must ultimately take place in the United States. Over 100 international banks, therefore, clear their Eurodollar transactions with each other through CHIPS, which is really a giant computerized ledger for “netting” out the thousands of obligations the big banks incur to each other in the daily course of doing business.

Presently, transactions booked on Tuesday are settled at 10:00 a.m. (or a bit later if necessary) on Wednesday. As of Oct. 1, transactions booked Tuesday will be settled at 6:30 p.m. Tuesday.

Nothing in this technical shiftover by itself should represent a problem, as Federal Reserve officials correctly insist (see interviews). However, an undetermined number of domestic and international banks are funding a large portion, if not the majority, of their operations with overnight money or the equivalent. The entire banking system is highly *illiquid* in that sense, and the distribution of illiquidity falls most heavily on a narrow spectrum of the international banking community. In plain language, this means that daily life for a large number of banks is a matter of making the day’s payments square with the day’s collections, and of borrowing money from other banks if the collections fall short. Since major categories of lenders starting with about a dozen big developing-sector borrowers, are not paying, collections are falling short right and left.

The “technical” impact of the Oct. 1 change at the clearing house is that the bankers’ elbow room for making their balance sheet add up is reduced from 16

hours to 2 hours. Rather than seeking free funds overnight in the Singapore market or the next day in the London market, who do their business before the next-day 10:00 a.m. CHIPS deadline, the banks will have to find the necessary funds to cover their accounts the same day. Just as important, instead of bidding in the Asiadollar market or the Eurodollar market, they will compete with domestic U.S. banks in the afternoon federal funds market (which the Federal Reserve extended by an hour last spring).

At least, the federal funds rate will hit the ceiling when the same-day system is introduced. Probably, some members of the system will be driven to the New York Federal Reserve's discount window to obtain funds, which the Fed says it stands ready to pay out if needed (see interviews). The New York Fed denies suggestions made in a *Journal of Commerce* editorial on Sept. 11 that it is using the circumstance to extend its credit-management powers into Eurodollar operations. But such will be the final result of the process, under the best of circumstances—which dovetails into the objectives that the Fed Board of Governors will demand of European bank regulators at the Washington meeting the same week.

The race-track principle

However, as the cited spokesman for Dresdner Bank argues, it is by no means certain that such a tightening of control could take place without breaking the entire chain of international payments, and throwing the system into full-scale crisis. We do not predict any such development, but merely indicate that the potential for such a crisis is an ominous weight on the hand of the Federal Reserve. Crises, as we have emphasized on a number of occasions, do not break out when two lines intersect on an economist's demand curve, as Fed economists Flood and Garber seem to imply. In real practice, crises occur when the comptroller of a major bank is caught with the bank's (inadequate) previous quarter's earnings at the racetrack, putting the bank's survival chances on a long shot. In one form or another, bankrupt institutions tend to try to gamble their way out of problems, and end up magnifying the problems out of all decent proportion.

If a handful of banks out there are in such a position, and it is hardly to be excluded that there are, the Oct. 1 business could produce a shock similar to the Herstatt events of July 1974 or the Franklin National bankruptcy of May 1974. A shock of that magnitude in the far more illiquid market of 1981 would have incalculably more serious consequences.

What dampens out shocks of this sort under normal conditions is the same sort of civil morality that normally prevents an ugly street incident from turning into a riot. Each citizen recognizes that uncivil behavior may

ultimately redound to his own detriment. Bankers understand perfectly well that a hasty decision to cover their positions in a weak credit-risk situation might lead to a general pulling-in of horns, and produce a panic.

However, the open confrontation between the United States and Europeans over monetary policy, among other major issues, produces conditions peculiarly appropriate to "riot" conditions in the international market. American banks, in particular, have taken every possible opportunity to dump weak credit problems on their European counterparts. This emerged clearly in the case of Poland, and occurred with less publicity two weeks ago in the case of Romania, when New York banks forced Romania to pay down overdrafts of \$50 to \$100 million at each of a half-dozen banks by borrowing more from reluctant European lenders. Plainly, the Europeans do not accept the Federal Reserve's recommendation that they accept a restriction of commercial lending, i.e. a restriction of their foreign trade, to compensate for the consequences of a Fed monetary policy which Europe considers insane in the first place. To the extent that the European banks, e.g. Dresdner, are thinking of the crisis potential in the Fed's actions, they indicate that they have no intention of walking quietly into the gas ovens. These political circumstances, more than anything else, make the Federal Reserve's program for a "managed crisis" incalculably dangerous.

Volcker: two more years of high interest rates

From the Brazilian daily Jornal do Brasil on Sept. 5, headlined: "Volcker Gives No Hope of a Drop in Interest Rates."

The president of the Federal Reserve Bank of the United States, Paul Volcker, warned yesterday in a meeting with businessmen at the São Paulo Club, that they should not expect over the next two years, a perceptible fall in the interest rates in the United States. "I know that this is not good for a number of countries, including Brazil," he commented.

That policy is part of the United States' fight against inflation. He [Volcker] said that attempts of labor unions to raise their members' salaries by 10 percent is not opportune, because it will prejudice the country's fight against inflation. Mr. Volcker traveled from Brasilia to São Paulo in the company of the president of the central bank, Carlos Geraldo Langoni.

Mr. Volcker gave a 15-minute speech, explaining that in his country there is an effort to reduce inflation, and this implies the existence of high interest rates in the

internal market. "I do not see the possibility of a perceptible drop in interest rates in the North American market in the next two years," he affirmed.

For him, "high U.S. interest rates are uncomfortable for other countries, among them Brazil." Immediately he declared that Brazil is one of the few countries in the world that will shortly emerge from the difficulties caused by the economic crisis, which is worldwide. . . .

From the Brazilian daily O Estado de São Paulo on Sept. 10, headlined "U.S. Policy Will Be Maintained."

The president of the Federal Reserve Board, the U.S. central bank, Paul Volcker, recognized yesterday that it is "painful" for Brazil to pay high interest rates, as a result of North American economic policy; however, he emphasized more than once that United States authorities will continue to restrict, "to the maximum possible," the growth of the money supply, as a means of obtaining desired results: reducing inflation and balancing public accounts. He did not want to predict when interest rates would begin to come down, adding that inflation in 1981 "for the first time in several years," will be below 10 percent.

Speaking at the seminar "The Perspectives For The World Economy" sponsored by the central bank, and later in an interview with the press, Volcker reaffirmed the necessity of maintaining a monetarist-contractionist policy until the fight against inflation is won. Only at that point, he says, can what he calls the "basis for future growth" be built. For Volcker, in the long term "monetary restriction is the best thing to do," because it will lead to a reduction and stabilization of interest rates which, to his way of thinking, would not rise to their previous high levels.

EIR interviewed a senior official of the Federal Reserve on Sept. 15.

EIR: The New York Clearing House banks are moving their international payments deadline from 10 a.m. the next day up to 6 p.m. on the same day, as of Oct. 1. Does this drain overnight credits from the banking system and promote panic?

A: No. There is no overnight credit or "float" in the New York banks' CHIPS [Clearing House International Payments System] computer to eliminate. If you have a payment outstanding on CHIPS, you also have a debit outstanding on CHIPS, and they both clear together. Occasionally, the New York banks do make loans to European or U.S. regional banks to tide them over to the next day payments, and now they will no longer have to do so, because the Europeans can collect their CHIPS money the same day. The move eliminates an overnight risk to the New York banks without harming anyone else.

EIR: But European bankers say this could cause a crisis.

A: It will not cause anything, but it will put additional strain on whatever problems are already there. For the first time, everyone will be settling international payments not at 10 a.m., when the fed funds market is quiet, but at 5 or 6 p.m., when the entire U.S. regional banks are also trying to settle domestic payments. And 6 p.m. will be an absolute limit, whereas in practice banks often exceed the 10 a.m. limit. But the markets close at 6, so this adds pressure.

EIR: Aren't banks scrambling to get backup loans for this?

A: Yes, because everyone wants to make sure he has enough to pay his fed funds debts on Oct. 1 and for the weeks thereafter.

EIR: But if some don't get it, could this cause Herstatt's?

A: Only if there are already potential Herstatt's. There is no guarantee that all necessarily get them. This will certainly heighten awareness of any cases which already exist. It will bring on an awareness and ensure that the lending banks make prudent credit judgments about banks coming to borrow. It will tighten credit standards throughout the payments system.

EIR: Is the Fed ready to bail out any bank rejected in the scramble, or isn't it true that the Fed, too, will have to "make its judgments," and might have to reject some?

A: The Federal Reserve is a bank, and is run like a bank. The Fed has to make the decisions. We intend to open the discount window if the need develops, if the fed funds system can't handle it, but we don't just open the discount window to all comers. It does depend on how credit-worthy banks are in the first place.

EIR interviewed a Dresdner Bank director on Sept. 17.

EIR: It certainly looks as though Chancellor Schmidt used his trip to Italy to catalyze a more serious campaign against U.S. interest rates than ever before.

A: Absolutely. It is now a matter of life and death, and if you like Schmidt's behavior in Italy, just wait another week or 10 days. He is moving way out front, and you are going to see a lot more coming from him now.

EIR: The dollar is dropping, and the markets are rumoring that major investors are moving out of dollars now, especially the Arabs.

A: This is true. The Arabs have gotten word that the U.S. budget is an unredeemable mess, it cannot and will not be financed. Our own budget situation is improving. That is pulling the dollar down, but it will probably take some time before it reaches the 2.20 level. The present

threshold of 2.40 marks is psychologically conditioned, not only by the Americans' high interest rates but also by the flareup of talk about remonetization of gold. No one here in Frankfurt believes that any of the gold plans under discussion in the administration right now are viable, so that the minute that anything just a little more dramatic happens, the dollar will start to slide to 2.20 at least.

EIR: How will the "same-day settlement" system affect you?

A: It could well be that the entire system will come crashing down the day "same-day settlement" goes into effect. Even if it takes only one day to get all the bugs worked out of the system while everyone is trying to adjust, there are definitely going to be a few failures. Some people are going to get caught short, and then the only question will be whether the Fed wants to, or can, move fast enough to keep enough shortfall cases afloat. The problem will not be this or that case, but rather the chain reaction. For example, we clear \$15 billion daily. If money we expect from certain sources does not come in, the treasurer has the job of trying to dig it up somewhere else. So far we have managed it, and the Bundesbank functions as lender of last resort. If the Fed does not do the same thing—and fast—bust.

EIR: Won't this also curtail your own lending operations? Poehl says central banks want more control on volume and velocity of growth of lending. This looks right down that line.

A: Not really. The squeeze they want is on inner-American banking. We have set up private standby-lines with American banks. And not only in New York. If we have to rely on pulling funds in from other subsidiaries, it will mean we are de facto giving up clearing in New York. It may come to that, but it will not present us with any survival problems.

EIR: How does German banking evaluate the Washington revolt against Volcker's interest rates? Has it come down to a time question, or are people still cynical about the chances for any political motion against Volcker to really be effective?

A: Not cynical. What is now happening in Washington has everyone convinced that the people talking to those senators and congressmen in the recess period were really serious and made their point. It is a time question in a certain way, but actually everyone here sees President Reagan, and thinks he is going to be willing to defend his economic policies and high interest rates at the gun-point of the National Guard if necessary.

EIR: Fine, that's your evaluation as of now. But how do you evaluate your own position now?

A: All I can say is that the war-cry in Frankfurt now is "Bang that damned dollar bloody!" I do not know, no one knows what the Bundesbank will do at the IMF meeting in Washington [on Sept. 29], but I can tell you that German bankers are going to be telling everyone and the Americans that the United States needs lower interest rates. At this point we think it is appropriate to tell the Americans the obvious, which is that those interest rates mean suicide for the American economy itself. Since monetarists never listen to reason anyway, it will also be necessary to point out to people who listen to them that the experiment never worked in Britain, and there is no reason why it should work in the U.S., unless of course the Americans really want a British-style economy.

EIR: Chancellor Schmidt is showing a good deal of strength. Thatcher and Mitterrand are propagandizing that they too agree on almost everything. Who has more weight in Europe?

A: Mitterrand and Thatcher have no more than their common stupidity with respect to the Soviet Union in common. The British economy is a disaster, and the French are working overtime to destroy what has been built in the last 20 years. As far as their attitude toward the Soviets, they are in agreement with the Americans. All I can say is that I could care less about being dependent on the Soviets for raw materials and energy supplies to the tune of 20 percent and more. Who cares? At least they keep to the contracts, which is much more than you can say for jerks like Qaddafi.

LaRouche: how a gold standard should work

Lyndon H. LaRouche, Jr., the noted economist who is chairman of the advisory board of the National Democratic Policy Committee, has issued a call for serious open discussions of plans for returning gold to a central place in the world monetary system.

To prevent the imminent onset of a new depression, already upon us due to the incompetent usurious policies of Federal Reserve Chairman Paul A. Volcker, we have no alternative but to put the U.S. gold reserves to work as a base for massive credit expansion in capital-starved industry and agriculture.

The upcoming meeting of the Presidential Gold Commission presents an ideal forum for debate on how to return to a gold-based system.

Unfortunately, the most prominent spokesmen on the President's commission come from the British Fabian school of economics epitomized by Milton Friedman

aficionados Arthur Laffer and Jude Wanniski. The Wanniski-Laffer proposals, also shared by Lewis Lehrman, repeat the insanity of the 19th-century British type of gold reserve system. In other words, by linking credit issuance to gold backing on a one-to-one basis, they intend, and will create a massive *deflation* in the monetary system, and a total crash in economic activity.

The guts of a competent return to the gold system is the use of gold as the anchor for a *credit policy*.

The first step is to monetize gold as a backing for the dollar internationally at a price that should be approximately the average of the last five years' gold price (about \$500 per ounce.) This would make gold once again the ultimate unit of account, to be used for reckoning international trade imbalances.

Second, the President and the Congress must create a new special issue of gold-reserve-denominated U.S. currency, or Treasury, notes. These notes, amounting to several hundred billions of dollars, are not to be spent by the government in the way that Federal Reserve currency creation occurs today. Instead they are to be loaned at not more than 4 percent annual interest strictly for agro-industrial goods production and technologically progressive energy production, water projects, and transportation, through the private banking system.

That is, the U.S. Treasury must direct the Federal Reserve System to take a percentage of the loans by private banks for investments in technologically progressive forms of agro-industrial production of goods, energy production, transportation improvements, and water projects. The criterion for these loans will not be the standard test of creditworthiness that now de facto rules out any long-term high-technology projects on the basis of certain frauds like "cost-efficiency." The appropriate standard for "performance-worthy" projects will be the contribution that project will make to the productive powers and overall efficiency of the now sadly depleted economy.

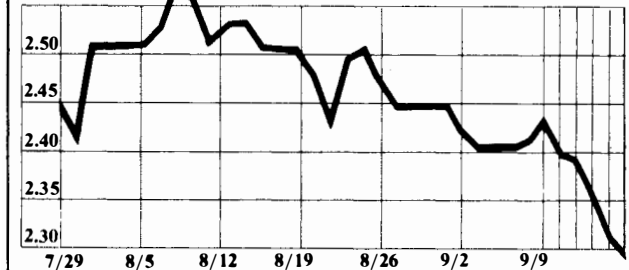
Putting gold behind our currency once more will bring new stability to our monetary and credit system, provided that its reserve base is used in order to anchor a rapid expansion of credit for productive wealth. It is not the magic of the metal that we seek, but a sound unit of account whose success will be measured in the Treasury's willingness to foster credit for productive industry and agriculture, and to slam the gates on the usurious speculators who have looted our basic infrastructure and industry in the name of fiscal responsibility.

Let the public debate begin. Closed-door consultations bring the danger that the followers of Milton Friedman will reverse their bolt from the gold system in 1971 in such a way as to compound the damage to the productive base of the U.S. economy. The U.S. needs credit, not deflation. And an American System-style gold-reserve system, outlined above, is the way to do it.

Currency Rates

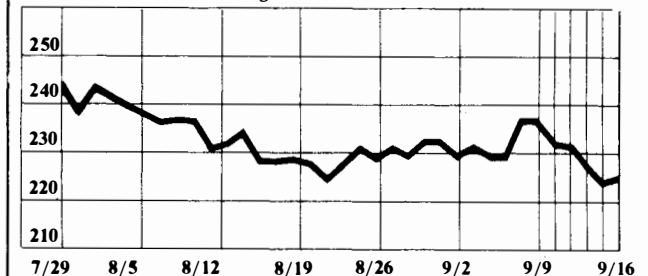
The dollar in deutschemarks

New York late afternoon fixing



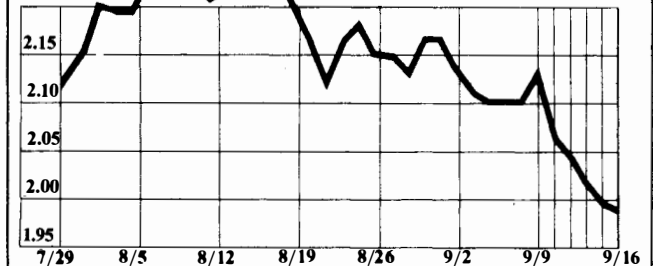
The dollar in yen

New York late afternoon fixing



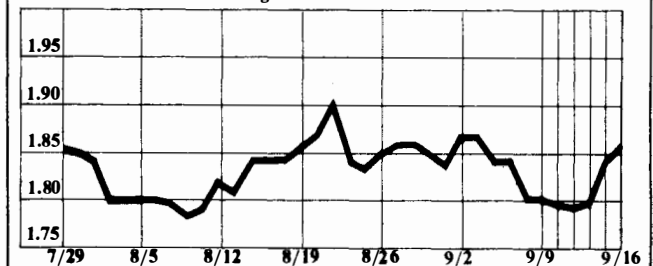
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Mr. Volcker's cross of gold

The Federal Reserve chairman lays certain plans for the yellow metal, explained by an obscure document.

It was early this week that a document of some 40 pages, replete with extensive mathematical formulae and carefully hand-drawn diagrams, came into my hands. The circumspect title, "Gold Monetization and Gold Discipline," drew my attention less than the authorship and point of publication. These were Robert P. Flood and Peter M. Garber, two young professors of finance lately of the University of Virginia. The publication, however, came from the Board of Governors of the Federal Reserve in Washington, where Mr. Flood currently resides in the Division of International Finance.

In spite of all protestations by its chairman, the central bank is planning a return to gold. Spokesmen for that bank may attempt to dismiss these documents as academic studies for the newly formed Presidential Commission on Gold; and Governor Wallich, a member of the Gold Commission, may acknowledge that Mr. Flood serves upon his staff, but he will deny the study is for his board. It is Mr. Flood's private affair, he will say.

These studies were begun as early at the Fed as 1978, by members of Mr. Wallich's staff who frequent Basel, and know its thinking. They aim, as the present document at hand states with clarity, to utilize gold as a fixed point upon which to nail the growth of credit in the American banking system, to fix such deflation as will halt the econ-

omy we know.

Some at the Fed will admit to their designs, will admit that the Bank for International Settlements at Basel, Switzerland does seek to in fact impose its own peculiar "discipline" upon the United States at some point, a discipline that Paul Volcker can as yet only dream of. The Basel bank, which directs the Fed board in Washington, seeks to know whether my readers will suffer such insolence in silence.

Gold, the board writes, is to be fixed in advance as to both price and the date by which said price must be attained. Only from that fixed point "must government seek the implied paths for the government's currency issue and gold stock holdings." Whatever drastic reduction in the supply of credit to the economy is necessary to attain this immovable point must be carried out regardless of economic cost.

The purpose of the exercise, the board states, is to give total political control over the economy to the central bank, which is to enforce the standard gold fix by strictest "monetary control." "The monetary system . . . can readily be characterized as a 'gold-paper-gold' cycle," they write disparagingly of the mere "paper" known as the U.S. dollar. "Since the current 'paper' phase has allowed price-level instability, there has been some agitation to return to the gold standard. . . . The basic point of this paper is that such poli-

cies will lead to price-level stability only in the presence of very specific monetary control."

The board derides the recent proposals of University of California Prof. Arthur Laffer and New York financier Lewis Lehrman, both members of the "supply-side" cult, to let the "free market" fix the price of gold. What childishness, say Volcker's men. We may talk in public of the "free market" but that is not how we make policy.

Our goal, writes the Fed, is a fixed level of general *price deflation* throughout the economy. "Since the goal of policy is *not to monetize gold per se, but to stabilize the nominal price level*, the actual policy target is a given path of prices.

"Since merely fixing the gold price at some market-determined level will not produce price-level stability and may indeed be quite inflationary, it is reasonable to study gold monetization . . . specifying desired paths for the nominal price level."

The board's elaborate econometric computer model then proceeds to fix the real rate of interest in the economy, which is assumed to be quite high. It also fixes a low price level. Then, "once gold's price is fixed, the money supply becomes" a fixed formula-range equation linearly based on a summation of currency and gold stocks outstanding at the time of gold-price fix.

That is not deflationary enough, they conclude, for an even narrower range of gold price and monetary constraint is necessary to keep the gold standard from eventually collapsing.

"We refer," they conclude, "to this constraint as the *discipline of the gold standard.*"

A deregulation blitzkrieg

The "Thrift Institutions Restructuring Act of 1981" is about to be railroaded through by the Fed and Wall Street.

The financial world is changing rather dramatically," the Senate Banking Committee chairman Jake Garn told the press on Sept. 14. "There is now generally sentiment in Congress for going further," on sweeping new bank deregulation legislation.

The senator understates the matter. The conservative from Utah has not only reneged on his position, published in a Dec. 10, 1980 *EIR* interview, that the nation's savings and loan and regional banks must be protected from further deregulation. The entire U.S. Congress, unless halted by appropriately angered constituents, is about to cartelize the U.S. banking system.

Overseeing the proceedings are Federal Reserve Chairman Paul Volcker, Treasury Secretary Donald Regan, and Federal Home Loan Bank Board (FHLBB) chief Richard Pratt, who are working together to create an atmosphere of panic on Capitol Hill. "We're forcing the congressional leadership to face up to the fact that something must be done, because if something is not done, there are going to be a lot more bankruptcies and mergers of S&Ls," said an aide to Pratt.

He was referring to the major Sept. 8 FHLBB authorization of the merger of three S&Ls in three states that has created the country's first "super S&L." The bankrupt West Side Federal Savings & Loan and Washington Savings & Loan in

Miami were gobbled up by the Citizens Savings & Loan of San Francisco, creating a \$6.8 billion institution, all of whose mortgage holdings are now fully guaranteed by the FHLBB's Federal Savings & Loan Insurance Corporation (FSLIC) at taxpayers' expense.

"This is a precedent, because West Side and Washington were about to collapse," said the Bank Board source, "and now Congress has got to act if it wants to prevent more bankruptcies, before the FSLIC is forced to exhaust all funds." Any threat to the FSLIC would send millions of depositors nationally into a run on the S&Ls.

Next month, the New York Clearing House banks' giant CHIPS computer—as I emphasized last spring—moves its payments up by 16 hours and goes to "same-day settlement," sending banks around the world scrambling for U.S. federal funds (see *EIR*, May 5, 1981).

Interest rates on fed funds could rocket to 25 percent or above, Fed sources say, and if that happens dozens of S&Ls, among others, would be pulled under. "It would balloon the cost of S&Ls' jumbo deposit certificates past what they could pay," said Pratt's aide.

What do Volcker, Regan, and the hapless Mr. Pratt (once a pal of the S&Ls) want? They want to panic the Congress into carrying out the dirty work of Henry Reuss and William Proxmire; they want to cartelize the U.S. banking system

on the British model.

They want a new "omnibus banking deregulation" bill, more horrible than the Reuss/Proxmire March 1980 Deregulation Act which destroyed the S&Ls' profits and handed the banking system over to Volcker—and they say Congress will give it to them.

It's called the "Thrift Institutions Restructuring Act of 1981," and it would "rewrite the Federal Home Loan Act," which created the S&Ls, and as Mr. Pratt announced recently, move them out of home-mortgage lending altogether and shut down U.S. homebuilding. As I warned here on July 28, the act would force S&Ls into speculative real-estate ventures, international Eurodollar loans, commodity speculation, and every other nonproductive scam.

I say "force," because it's designed to go with Volcker's 20 percent-plus interest rates, which Volcker said Sept. 4 he intends to maintain for at least another two years. In that environment, only these kinds of speculative loans are profitable. Senator Garn and House Banking chief Fernand St. Germain (D-R.I.) plan to "ram the bill through before the next congressional recess, maybe as early as October," Pratt's aides say. Garn himself says he likes the bill.

As for Citibank and Chase, "they think it's great," Pratt's office says, because the New York commercial banks intend to demand their own deregulation bills on a quid pro quo basis. Jake Garn himself is "cooking up a commercial-bank deregulation bill" which will abrogate the McFadden Act and allow them to move across state lines and gobble up regional banks around the nation, my source said.

How far will the dollar fall?

Although the present rapid fall may reverse, analysts see the deutschmark at 2.20 and even stronger.

The U.S. dollar stood at less than DM 2.27 at deadline on Sept. 17, fully 30 pfennig less than its peak during the second week in August, and down 6 pfennig from the previous day's opening of DM 2.33, an overnight decline of 4 percent. The rapidity of the fall indicates a basic shift of sentiment against the dollar irrespective of U.S. interest rates.

Western European bankers polled by *EIR* are less sure that American short-term interest rates will continue to decline, as they did marginally over the period of the dollar's sudden trouble, than that the fabric of the Reagan economic program will come unstuck.

Like the British pound during 1979, the dollar remained strong despite severe underlying economic weakness because the Federal Reserve made the dollar a good bet: speculators who bid up the dollar were safe as long as there were "greater fools" to take the dollars off their hands later. In the meantime, they enjoyed the highest real interest rate "since the birth of Jesus Christ," as German Chancellor Helmut Schmidt complained.

The same factors that bid the dollar up past all accounting for economic fundamentals are now working in the opposite direction. Dollar investors, including Arab groups, are more concerned to protect against exchange depreciation than to earn still-high dollar interest rates. Anyone still holding unhedged dollar assets against Ger-

man mark liabilities has lost 12 percent of his investment in the past month, a small compensation for 17 to 18 percent interest rates.

The myth of dollar strength has been shattered. On Aug. 11, this column warned—while the dollar was at peak strength—that "international markets may boomerang against the dollar," citing the fact that the German central bank had prepared exchange controls to protect against a *dollar inflow into German marks*, the opposite of what then was occurring.

Now the German government's August prediction of a DM 2.20 rate for the dollar, still echoed through Frankfurt banking circles when the dollar began falling steadily the week of Sept. 14, appears conservative. One U.S. currency expert, Philadelphia-based investment adviser Nicholas W. Altemus, is now warning that "the dollar may be headed for real trouble."

Countervailing factors must be taken into account to prepare for the next few months' foreign exchange markets. The market's propensity to "overshoot" desired rates because of speculative backwash could easily take the dollar down below the DM 2.00 level before year's end.

Moreover, two factors are likely to work in the direction of short-term dollar recovery, without changing the medium-term outlook.

First, a sharp upward move-

ment in short-term dollar rates is likely for the first week in October, if only due to the effects of change in settlement procedures at the Clearing House International Payments System, and additionally because the self-feeding credit demand in the U.S. and foreign credit sectors has not diminished. Although dollar interest rates have ceased to be the primary determinant of the dollar's behavior, a sharp rate movement would probably buoy the dollar briefly.

Second, a Soviet invasion of Poland by the end of the year, would almost certainly push the German mark down about 10 pfennig, that is, about one-third of the way it has already risen. Most of the money that might leave Europe due to "political risk" has already left, and the impact of a long-expected Soviet invasion would not have a permanent effect on the rate.

In summary, the current Federal Reserve policy stance and the prostration of the Reagan administration's economic program point to a dollar rate of DM 2.00 over the next three to six months. However, the downtrend is unlikely to occur in a straight line, and a dollar recovery of more than 5 percent interrupting the path down is a distinct probability.

The combined deterioration of the dollar and the stock market may, by the beginning of 1982, put U.S. equity at a discount of 40 percent relative to mid-1981 levels from the standpoint of foreign investors holding German marks or Swiss francs. The most immediate result of the decline will be that foreign investors, who already control up to one-third of American equity, will have a field day picking up sections of the U.S. economy.

A new set of basket cases?

The rumors that Portugal, Argentina, and Ecuador are facing debt crises have an ulterior motive.

The U.S. Federal Reserve will sponsor two days of secret talks designed to impose "common lending rules" on international bank loans at a meeting of 100 central bankers on Sept. 27-28 in Washington. According to the West German sources who leaked the existence of the conference, the meeting, which convenes a day before the IMF's annual conference, is motivated by the alleged anarchy of lending to Poland, lending performed by banks under widely differing guidelines and rules. The Fed ostensibly seeks to establish integrated, harmonized precepts for "proper banking conduct."

This is the latest phase of the Fed's efforts to gain control over all Eurodollar lending internationally. Earlier, the Fed, in collaboration with the leading New York banks, collapsed the rescheduling arrangements previously agreed upon between Poland and the European banks that hold the bulk of Poland's debt. By citing Poland now, the Fed is indicating clearly that it intends to use the leverage provided by U.S. banks' share of Eurodollar lending to compel the European banks to accept Fed-dictated "rules and guidelines."

This threat is made more credible by the reports received from New York banking sources that several LDCs that have not been in the news are actually in shaky shape and could go the way of Bolivia and Costa Rica, both of which have

suspended payment of principal on their debts and entered negotiations to reschedule their debt service payments.

According to a high-level New York bank economist, the "known problem cases" such as Bolivia, Zaire, Turkey, or Poland, may not pose a serious problem because the banks dealing with them have long ago prepared themselves with credit lines against any tightness in the interbank markets that might be touched off by the Oct. 1 switch to "same-day payments." Several "surprise situations" only now coming to light, for which no preparations have apparently been made supposedly include Portugal, Ecuador, and Argentina.

Investigations by *EIR* have failed to turn up any objective basis for this assertion. A major West German bank had received word that "Portugal's credit standing has dropped very fast in the last few weeks," but found this "hard to understand," because Portugal's rising cost of oil imports and the deleterious effects of a drought on both hydroelectric production and agricultural exports, all had been foreseen. Portugal's strengths include a very sizable gold reserve (almost \$10 billion at today's price) and its imminent entry into the European Community, which would support Portugal should it get into real financial trouble.

Some New York banks agreed that they had seen nothing justify-

ing loss of confidence in Portugal. The country's 39 percent debt-service ratio (debt payments to exports) is high, but the economy has been growing at better than a 4 percent rate, and an improvement in the weather will help it greatly.

All evidence points to efforts emanating from locations in New York, probably including the Fed, to create an artificial loss of confidence in order to shore up Fed demands for worldwide credit "guidelines."

At bottom, there definitely *is* a "Third World debt crisis," caused by the extremely high amount of Third World paper that exceeds any reasonable expectation of countries' abilities to repay. The general practice is to continue rolling it over until more general solutions can be found. The Bolivian, Argentinian, and Costa Rican cases show that virtually any situation can be "managed" if the desire exists.

Bolivia, widely publicized in the press including a scare article in the *Los Angeles Times* erroneously asserting that Citibank and Bank of America were about to walk away from several hundred million dollars in bad debts, had bounced several multimillion-dollar checks before suspending all attempts at payments last month. Nonetheless, the banks think a suitable rescheduling will be achieved.

Argentina has a potentially more disastrous situation because it involves tens of billions, but there is confidence in the government's ability to maintain payment schedules, despite its \$14 billion debt service, which is more than 50 percent larger than total export revenues. And Costa Rica, which suspended some payments two weeks ago, is not causing undue concern.

Business Briefs

Public Policy

Mont Pelerin Society meets in Sweden

The Mont Pelerin Society, a semi-secret organization of monetarist economists and sympathizers founded in 1947 by Friedrich von Hayek, met at the beginning of September in Sweden to forecast the "end of the welfare state." Munich Professor Günter Schoelders took the occasion to praise the Reagan administration's budget-cutting policy as a model for the advanced industrial sector, in contrast to Margaret Thatcher's England, where the policy was attempted without success in reducing actual expenditures, the Swiss newspaper *Neue Zürcher Zeitung* reported Sept. 16.

In the conference's major presentation, Prof. Gordon Tullock of Virginia Polytechnic denounced social insurance, starting with the Bismarck social program in 19th-century Germany, as the source of all economic evils. In a paper entitled "Mercantilism, Socialism, and Prince Bismarck," Tullock proposed a general *privatization* of social services and a rollback of the welfare state as a solution to the encroachment of the state on the economy.

The welfare state, Tullock maintained, is motivated by "envy of those people who have created wealth through non-socialist methods," the Swiss newspaper said.

Banking

Lazard: S&Ls will crash dollar, permit buyouts

A bankruptcy wave among S&Ls will lead towards an unprecedented collapse of the dollar's value against other currencies, making it possible for foreign interests to buy out the U.S. cheap, according to a scenario developed at Lazard Frères.

The FSLIC has arranged a three-state merger of S&Ls, at a cost of close to \$500 million, picking up the tab for

the losses at two of the merged institutions. However, the FSLIC had to poll several dozen institutions before finding a willing buyer for the bankrupt entities—even though it was willing to pick up the entire tab! All the major California banks turned the offer down. "There's no business left at these institutions even if the losses are covered," one banker said.

"Europe did this better after World War II," said a source familiar with the Lazard program. "They wiped out everyone's savings and created an entire new class of poor people overnight."

Two outcomes are possible, and they are not necessarily mutually exclusive, according to the Lazard plan. One is that depositors will be forced to take a loss, by being forced to accept 9 percent, 10 year bonds in place of present 15 percent, six-month certificates of deposit. The second is that the federal government will have to print about \$30 billion starting in March 1982 to repay depositors, something that both FSLIC and Fed officials insist they will do if the alternative is bankruptcy.

"The solution will be at least half-again more inflationary than the problem of inflation that a tight monetary policy was supposed to have solved," said one source. "The dollar will collapse, perhaps to DM 1.50. . . . The ultimate result is that we will lose ownership of our productive capacity."

World Trade

Japan steps up technology hookups overseas

Japan is accelerating the pattern of private and governmental links with overseas enterprises in high-technology and industrial fields.

On the governmental level, Japan signed a pact with Britain on Sept. 4 to "study ways to promote industrial cooperation regarding new communications technologies," reports Kyodo news service. Meanwhile, the Ministry of International Trade and Industry (MITI) announced plans to seek an ex-

port-insurance agreement with West Germany, similar to existing pacts with France and Britain, that will facilitate joint export of industrial plants to third countries, particularly OPEC and developing countries.

On the private level, the Sept. 15 *Nihon Keizai Shimbun* reports several tieups including the purchase by France's prestigious pump-maker Pompes Guinard of 25 percent of Marushichi Iron Works, leading to cooperation in the production and marketing of pumps for nuclear power plants and petrochemical facilities; an agreement by Fujitsu to extend highly advanced computer and semiconductor technology to Britain's ICL, the first such Japan-U.K. tieup in the high-technology field; talks between General Motors and Toshiba Corporation and Mitsubishi Electric for the latter to provide semiconductors for electronic devices for their autos; and a pact between Volkswagen and Nissan Auto for the joint production and marketing of a new VW model both in Japan and for export to other Asian countries.

U.S. Economy

Industrial production falls in August

The Federal Reserve Index of Industrial Production showed a decline of 0.4 percent in August, the largest fall since July 1980, and the first fall in the month of August in many years. This left the index less than one point above its level in January, confirming the total stagnation in the tangible output of the U.S. The fall in August, normally a buoyant month, presages a further decline during the remainder of the year.

The fall validates a Sept. 4, 1980 prediction by *EIR* that the Volcker recession, begun in October 1979, from which there was a slight rebound in late 1980, would hit again in the third quarter of 1981. The cause of the fall is the interest rates that have decimated housing and automobiles, the bedrock of the economy, and placed most small

businesses and industrial enterprises in very precarious financial positions. Most of the fall was accounted for by large declines in autos and home-building supplies.

Not pointed out by the Fed in its release is that industrial production is 1 percent below the level of 1979, the highest level ever reached, but itself a year that saw the beginning of the Volcker collapse. And since 1973, the compounded average rate of growth of industrial output has been a paltry 2.0 percent, revealing that the industrial economy has essentially been stagnant for almost a decade.

International Credit

India receives the largest-ever IMF loan

India is slated to receive almost \$6 billion over the next three years from the IMF if the loan proposal submitted by the Indian government and the IMF staff is approved by the Managing Director and the Board of Directors of the Fund. A three-year IMF loan, to India for \$5.75 billion at today's exchange rates, is expected to be approved in the near future.

The loan is to be made from the Fund's Extended Fund Facility (EFF), established three years ago, which provides loans to countries with foreign-exchange deficits which are not yet facing crisis situations. Most observers were surprised that the Fund would grant its largest-ever loan to India, which strongly defends its large public sector industries, which the Fund is known to oppose. The previous largest loans to Britain in 1947 and to Pakistan recently, were both for less than \$2 billion.

According to a Fund spokesman, it is anticipated that India will invest heavily in oil development over the life of the loan to reduce its oil import bill, presently the cause of a large balance-of-payments deficit. This is consistent with efforts coordinated by the oil multinationals, the World Bank, the IMF, and

other agencies to spend huge sums developing non-OPEC oil while neglecting nuclear energy production and diverting resources from other industrial projects. However, India is also planning to use much of the money for other development projects.

While the conditions of the loan have not been made public, India has said that they have not compromised the national interest. Yet the example of Sri Lanka, now in its last year of a similar loan for \$350 million, reveals the Fund leverage the EFF confers on a country. Last year, when Sri Lanka embarked on an ambitious public investment program, their rate of monetary expansion exceeded the Fund's "performance criteria," and the loan was suspended until Sri Lanka cut way back on its development projects.

Foreign Exchange

Swedish devaluation reflect Europe's problems

Sweden's Finance Minister announced a 10 percent devaluation of the Swedish crown at a Sept. 14 press conference. The devaluation was motivated by the disorder among European currencies arising from the 30 percent appreciation of the U.S. dollar through the month of July, which resulted in a 10 percent rise of the Swedish crown against the then-weakening German mark during the last several months. In order to remain competitive in West Germany, Sweden's largest markets, the government was, compelled to devalue.

In addition to the price freeze, the government announced a Swedish crown 3.9 billion budget cut, including a small cut in the defense budget, following West Germany's lead in this direction.

Denmark, a member of the fixed-rates European Monetary System whose currency has been under pressure in recent months, denied strenuously that it also planned a devaluation.

Briefly

● **JAPAN'S** \$91-ton purchase of gold in the first 7 months of this year understates considerably the actual amount of gold that has flowed into Japan, according to Japanese sources. Illustrating how this may have happened, one source pointed out that in the 1960s, when the U.S. put ordinary pressure on Japan not to buy gold, the pressure was acceded to, while Japanese citizens quietly bought the gold instead.

● **GERMAN BONDS** are rallying due to the falling U.S. dollar and rising German mark, with a gain of about 1 percent on 10-year bonds between Sept. 11 and Sept. 14, while "selective foreign purchases accounted for an improvement in tone in the equity markets," the daily *Handelsblatt* reported Sept. 16.

● **ITALY'S** unemployment rose to 2 million, or 10 percent of the labor force, between July 1980 and July 1981. Three-quarters of the unemployed are under 30 years of age.

● **KUWAIT**, reportedly withdrawing up to \$7 billion worth of assets from Citibank because they are unhappy with Citibank's management, is said to be planning to switch \$4 billion to Morgan Stanley and \$3 billion to Chemical Bank.

● **DROUGHT** has badly hurt the rice harvest in northern India and cut down on the available hydro-power for the nation's industry. India, which purchased 1.5 million tons of wheat from the U.S. in July, will now buy 2 to 4 million tons more; rice is not available on the world market. The purchases will strain India's balance of payments situation, already suffering the affects of high oil-import prices.

Haig and Peking enforce Global 2000's Kampuchea model

by Peter Ennis

Over the course of the last 50 years, genocide has twice been inflicted. The first case, the atrocities committed by the Nazis and their collaborators, provokes outrage and horror in every part of the earth, as children are rightly instructed from an early age that the world can never again tolerate such an occurrence.

The second of these episodes has been far less publicized; it was the systematic murder of some three out of seven million Kampuchean (Cambodians) during the years 1975-1978: almost half the nation's population was killed in less than four years.

It was genocide more successful than Adolf Hitler's. What follows is an eyewitness account of the current situation in Kampuchea, and an extensive recounting of the "dark age" years in that country as told by numerous survivors.

The report makes it clear that a "master plan" for the elimination of the Kampuchean people—in fact, the nation of Kampuchea—existed, and was being carried out until Vietnam put an end to it in January 1979. Also firmly established is that the primary responsibility for the horrors of Kampuchea lies with the People's Republic of China, together with the proponents of a "China Card" alliance, who have agreed to cede much of Asia to the destructive economic and political policies of Peking—*Henry Kissinger, Cyrus Vance, and Alexander Haig.*

No Nuremberg tribunals have been convened on the slaughter in Kampuchea, even as Secretary of State Haig's continues his *public support* for Peking's Pol Pot instruments.

Haig, Kissinger, and Vance, acting for forces typified by Britain's Prince Philip and his World Wildlife Fund, share with Peking a violent opposition to the urban, technologically advanced society, and aim for a return to the "old days," when the world was ruled by aristocratic empires squatting on and aborting the advancement of science, technology, and human life. The controllers of Kissinger and Haig share with the Chinese a blatantly racist contempt for "inferior" people, and use the neo-Malthusian specter of



Travis Photography

Pol Pot's second in command, Leng Sary (far right), confers with the U.S. secretary of state at a reception July 13, 1981 held at the Austrian U.N. mission.

“overpopulation” and “resource crises” to inhibit the industrial advancement of the developing countries and impose massive depopulation.

In Kampuchea, precisely this alliance of China, the Kissinger policy faction, and “population control” experts, planned and carried out step by step the “final solution.” It is the truth behind the ongoing bloodshed in Central America, where Haig’s former deputy on the Kampuchea project, Thomas Enders, is implementing a master plan as well. It is the truth behind the Carter administration’s *Global 2000 Report*, the most ambitious plan for world depopulation issued to date.

The destruction of Kampuchea was a direct outgrowth of the American involvement in Vietnam. Contrary to popular “domino” myths, China was never a serious target of that involvement. Vietnam, a known opponent of Maoist economic and political policies, was the chief target of the war: Vietnam’s destruction, not its restoration to “the Western camp” was the goal.

One of the main institutions whose personnel knew the true intentions of the Vietnam war was the Draper Fund-Population Crisis Committee. Draper personnel, such as “hawks” Robert McNamara and Gen. Maxwell Taylor, and “doves” Edgar Snow and George McGovern, played key roles in both the planning of the Vietnam war, and the opening of public American ties with China. The strategic orientation of the Draper Fund was unabashedly discussed by its founder, Gen. William Draper, Jr., in a 1971 pamphlet, “Why Not Adopt China’s Population Goals?” which states: “Eventually, the earth and its resources being finite, the human race

must limit its growth to zero, and adopt for the whole world Chairman Mao’s concept for China of a stable replacement-only population.”

Since at least World War II, when sections of the State Department led by Dean Acheson openly advocated victory by Mao’s communist forces in the Chinese civil war, it had been recognized that there was a close affinity between the Chinese communists and Prince Philip’s environmentalists.

And, despite short-term interruptions during the Eisenhower administration, much of American policy in Asia has aimed at preventing the consolidation of the strength of Asian nations—especially Korea, Vietnam, and India—that could stem the spreading of Chinese agrarianism in the region. The Chinese collaboration with Britain at the two Geneva conferences to keep both Vietnam and Korea divided, are examples of how this worked. And, as will soon be clear, Henry Kissinger coordinated with his good friend Chou En-lai, every aspect of the American withdrawal from Vietnam and the coming to power of Pol Pot.

Aside from this “geopolitical” goal, the American involvement in Vietnam was an outright experiment in depopulation. “Body-counts,” “bomb them back to the stone age,” defoliation, “strategic hamlets,” and other slogans and campaigns that most Americans sinkingly knew on some level had a nonmilitary purpose, suddenly begin to make sense.

Consider the following: There is deep overlap between the “hawkish” architects and implementers of the American policy toward Vietnam, and the “dovish”

citizens "concerned" with "overpopulation." *They are the same people.*

- **Robert McNamara:** Perhaps more responsible for the Vietnam war than any other American official, McNamara developed the idea of the "body count," which reveals the true intention of the war. He left the Pentagon because he reportedly became "disillusioned" with the war; however, he went to the World Bank, where he became a chief architect of "population-control" programs, and glorified China as a model for other developing countries. Moreover, when the United States invaded Cambodia in 1970, "dove" McNamara immediately reconverted to a "hawk," and worked the telephones with Henry Kissinger at the State Department to drum up support among American opinion-makers for a spreading of the war. He is currently on the board of the Population Crisis Committee.

- **Maxwell Taylor,** former chairman of the Joint Chiefs of Staff during the Kennedy administration: Taylor, together with Walt Rostow, wrote the policy document urging the massive deployment of American forces into Vietnam. He is currently one of the most active Draper Fund leaders, and openly asserts that the biggest danger to American national security is the "overpopulation" of the developing countries.

- **Gen. William Westmoreland:** Westmoreland was for years the commander of American forces in Vietnam. At this time, he is a leader of the Draper Fund.

- **Ellsworth Bunker:** While American ambassador in Saigon, Bunker administered the escalation of U.S. involvement in the war. He is currently an active spokesman for the Draper Fund.

- **Marshall Green:** U.S. assistant secretary of state for Asia during part of the Vietnam war era, Green was one of the chief architects of the opening to China. He is now one of the day-to-day administrators and spokesman for the Population Crisis Committee.

- **Henry Fowler:** Treasury secretary for President Johnson, Fowler is a partner in the Wall Street investment house Goldman Sachs, to which Henry Kissinger is an adviser; author of *Diplomacy in a Crowded World*; and an architect of American involvement in Vietnam. Fowler fundraises for the Draper Fund.

- **C. Douglas Dillon:** Treasury secretary for President Kennedy, Dillon was another architect of American involvement in Vietnam. He is now a leader of the population-control-oriented Institute for World Order, and the Draper Fund.

This gridding indicates why official of the State Department's Office of Population Affairs happily told *EIR* recently that the most significant outcome of the war was the abortion of long-planned projects on the Mekong River, which studies show would turn Indochina into a vast ricebowl of the region.

And it should be noted that the Office of Population Affairs prepared the *Global 2000 Report* with the sanction and encouragement of Cyrus Vance.

Planning for Pol Pot

The spreading of the war to Cambodia, and the ascent to power of Pol Pot, was a joint project of Henry Kissinger and the Chinese. This brings us to the role played by Kissinger deputy Alexander Haig.

Kissinger and Haig together planned and carried out the so-called "Vietnamization" of the war, involving the gradual withdrawal of American troops from the region. The key to this plan, which the public record shows Kissinger discussed in full with Chou En-lai, was to wind down the American presence while keeping Vietnam divided.

Part of the plan involved ceding Cambodia to Peking, by bringing to power the Pol Pot-led faction of the Khmer Rouge (Cambodian communists), the faction allied with Peking. Alexander Haig was the on-the-scenes desk officer for this mission, regularly shuttling back and forth from Washington to Phnom Penh, coordinating the operations that included massive American bombing of the country. Haig's right-hand man residing in Cambodia was Thomas Enders, the chief of the U.S. embassy in Phnom Penh, and currently Haig's deputy at the State Department in charge of Latin America.

It was primarily these three men—Kissinger, Haig, and Enders—who secretly and illegally took direct control of the bombing of Cambodia, consciously deceiving Pentagon and State Department officials. Secretary of State William Rogers virtually lost control over his embassy in Phnom Penh.

Enders's main job, which he is said by Kissinger's colleagues to have performed with "skill and efficiency," was to make the decisions, day after day, as to which areas of Cambodia would be bombed and how military and civilian aid would be distributed throughout the country. All records of these bombings were destroyed, on orders from Kissinger and Haig; the very existence of the bombings was concealed from the normal chains of command.

Bit by bit, the fabric of Cambodian society was devastated, and the Pol Pot forces were assembled. It is a matter of public record that Kissinger, Haig, and Enders regularly received reports on the factional strife in the Khmer Rouge, in which Peking worked with Pol Pot to eliminate the sections of the Khmer Rouge friendly to Hanoi.

Once Haig had brought the Pol Pot regime to power, Peking took over. The way was cleared for mass slaughter, whose scope and consequences you are about to discover.

Life after death in the Kampuchean hell

by Daniel Snider, Asia Editor

*The Guide and I, entering that secret road,
Toiled to return into the world of light,
Nor thought on any resting-place bestowed,
We climbed, he first, I following, till to sight
Appeared those things of beauty that heaven wears
Glimpsed through a rounded opening, faintly
bright;
Thence issuing, we beheld again the stars.*
—*The Inferno, Canto XXXIV*

With those words the great poet Dante Alighieri ended the first part of his *Divine Comedy*, the consummation of the descent into hell and the beginning of the ascent toward paradise. I have visited a nation, Kampuchea, an entire people who have made their own descent into hell, into the darkness under the Khmer Rouge. They are a people now slowly climbing out of hell, those who are left alive. I shall try to be your guide to what I saw and heard in a short visit here.

I start my tour with Kampuchea as it exists now and as it underwent the Dark Age of the Pol Pot regime. Kampuchean will supply you with their own histories. I shall conclude with what is most important: why two to three million Kampucheans were murdered in the space of four short years, in the fullest genocide against any people in this century, and who I find to be responsible. At that point, I tell you in advance, it will be clear to you as it was to me that the ultimate authors of this hell are not to be found in Kampuchea: they live, and rule, in China, whose regimes have practiced such methods on their own populations for many centuries, and continue to do so at this moment to the applause of evil people in the West.

PHNOM PENH—South of the Kampuchean capital, in a field near the village of Cheung Ek, there stands an old weather-beaten tree. Two years ago, the branches of the tree were dead—killed by the blood of victims of the Pol Pot regime, particularly infants, whose skulls had been cracked against its trunk, their salty blood soaking the soil at the base of the tree.

Today the branches are again green with leaves. The tree is an unintended sign of life in Kampuchea today, of

the undeniable reality that there is indeed a kind of resurrection here. Yet the tree is also a reminder that all that a visitor sees must always be placed against the shadow of the past, seen in relief against the four years of dark horror which have scarred every citizen of this nation who is thankful to be alive today.

On the other side of that field is a scene of death, one of so many in this country. It is an eerie sight of piles and piles of human skulls, and beside them bones, dug out from a mass grave of victims of Pol Pot butchery. The empty eye sockets of the skulls stare at you, sitting on the edge of the holes, 129 of them found so far here, in which the bodies were dumped.

Digging continues at this site. Thus far, over 6,200 bodies have been discovered. We walk to another part of the grave, where fresh holes have been dug and the stench of rotting, recently uncovered corpses rises up to strike you in the face. There are still bones tied together with rope or wire—the remains of Kampucheans who were brought here, their arms tied behind their back and, with a crack on their skulls, toppled, some still alive, into the holes of Pol Pot's executioners. There are some skulls which have the remains of cloth bandages that were tied as blindfolds on the victims.

I stand by the edge of the mass grave, the blue waters of a swollen river beyond, the green fields of the village behind, and talk with a local district official and two villagers who bear the task of escorting visitors to this showplace of death. One villager begins to tell me what he knows. During the Pol Pot period, his village here, like all others close to the Phnom Penh capital, was forcibly evacuated, and no one lived here, except the cadres of Pol Pot who ran a prison camp nearby.

When Pol Pot was overthrown in January 1979, the villagers who were still alive, like those all over the country, walked back to their homes, to start life again. However, in this field close by the village, they noticed strange depressions in the ground and a "bad smell" coming from the area. They told the local authorities, who came and soon started digging: this horror is what they found.

The local district chief turns to me with an anger in his voice uncharacteristic of the soft Khmer people.

There are many graves like this in every province, all over Kampuchea, he tells me. Some remain undiscovered in the forests; many remain undisturbed; one was found in Siem Riep—while a Japanese journalist observed in undisguised shock, a single huge hole was uncovered with more than 5,000 bodies heaped into it. The eyes of the Khmer official look into mine as he demands: “You must tell people what has happened here; you must tell them why we cannot allow Pol Pot to return.”

On the dirt road back from the village I pass two stucco buildings, adorned by a gate with a sign in Khmer, the red Kampuchean flag with the yellow symbol of Angkor Wat in the center flying from a small flagpole in a courtyard, and tens of children everywhere. What is this place? I ask my interpreter and guide, Ung You Teckpio. “An orphanage,” he says. I ask to stop: It is one of many orphanages I will see along the roads and in the city of Phnom Penh during my short stay.

The children play in the courtyard or stand by the buildings to look at their unexpected visitor. They seem to range in age from the very young to older teenagers. A middle-aged man and woman emerge from the smaller building to greet me; he is the director of the orphanage, the woman his assistant and a nurse. This orphanage, with about 150 children, contains children from this district. There are many more like it in the province and children who are not yet taken care of. The director and his assistant quietly explain this to me. They glance at the children crowded around us as we talk and say that “someone must take care of our children.”

My guide later tells me that there are perhaps one million orphans in Kampuchea, their parents killed by the regime. Indeed as you travel it is soon apparent that women (many of them widows) and children (many of them orphans) by far outnumber the men of Kampuchea. The children, the nurse tells me, were at first difficult to handle—having done nothing during the Pol Pot period but carry dung and steal to stay alive. Now, she says, they are better; they are calmer and they are learning to read—schools were abolished in Pol Pot’s hell. Their faces, particularly those of the older ones, remain aged beyond their years.

Phnom Penh: a city that is not a city

All this I saw on my first afternoon after arriving in Kampuchea. Early that morning I had boarded a Soviet-made passenger jet of the Vietnamese airline in Ho Chi Minh City (formerly Saigon). The plane flew low over the vast green fields of the Mekong Delta, now covered in parts with the red-brown flood waters of that mighty river, spread like a sheet across the horizon. We passed over land covered with what looked like yellow polka-dots, the water-filled bomb craters still left as a reminder of the war. In less than an hour, the plane landed at the tidy airport of Phnom Penh.

My guide met me and soon we were on a short drive

into Phnom Penh, once renowned as one of the most beautiful capitals of Asia. I had in mind a description of the city given to me by an Indian friend who had visited here almost exactly two years before, six months after the Vietnamese and their Kampuchean allies had toppled Pol Pot and his Chinese controllers. Then the city was desolate, having been emptied completely of its inhabitants by Pol Pot’s army, the streets strewn with furniture, books, money—the objects of civilization hated by Pol Pot’s peasant cadre and thrown from the houses of the city.

The Phnom Penh that greeted me, as I later recounted to my Indian friend, is a place of new life. The streets have been cleared of debris and cleaned; both the houses and the streets are now full of people—some 400,000 to 500,000 Kampucheans have returned to live in Phnom Penh and its immediate environs. Shops are open again and cafés facing the streets are filled with people; the avenues are bustling with constant streams of bicycles, even motorcycles, and cars and trucks, used mostly by relief agencies and the government; the markets are again there.

The life is extremely simple: the authorities, with the essential help of the numerous intellectual and private relief agencies functioning here, along with the aid of the Vietnamese and the Soviet-bloc countries, have managed to restore the basic necessities. The city has a supply of electricity—though for only part of the day; a supply of water—though not in all the houses; and, most important of all, a supply of food, including now, as you can readily see in the central Phnom Penh market—vegetables, fruits, rice, and even fish, chicken, and pork. The government does not seem to mind an open black market that supplies goods brought in from Thailand, mostly needed consumer items like clothing, as well as cigarettes. In addition some 10 factories around the city, making glass, cloth, and even a bottled soft-drink plant, have been restored to partial functioning, though a lack of power and raw materials keeps their production at a minimum.

Judging from the trucks you see all over, out in the countryside as well as the city, many of them marked with United Nations or Red Cross symbols, the international relief effort is essential to this revival. With new floods occurring while I am here, deluging the entirety of two provinces in the east, hopes for increasing food production to about 800,000 tons of rice this year will not be met. Continuation of the relief aid, then, which is scheduled to shut down in large part at the end of the year, is crucial to ensuring that the progress that has been made will not be lost, but will continue. Yet, under any circumstances, as people will tell you here, a corner has been turned in the ascent out of Pol Pot’s hell. One water engineer, working for a relief agency, told me that the changes here are dramatic from a year ago, even from three months ago.

In Phnom Penh at every point I found that new life, alongside ugly reminders of the past. On my first afternoon I walk down the main avenue of the city. Part-way through my walk, two young boys came up to me. Speaking a stiff but lilting English, they ask me eagerly where I am from. "America," I reply. Their faces brighten: "can we talk to you?" they ask. "Of course," I answer, though somewhat apprehensively, vaguely expecting to hear some plea to help them leave the country or perhaps to denounce the authorities to a foreigner.

Their desires are nothing of the kind. They are originally from the city, were driven out six years ago, and recently returned. One is aged 18, the other 21; they have resumed their education, which was halted six years ago, and are now studying English in a Phnom Penh secondary school—they show me an American textbook they are using—and they want to "practice their English" with a native speaker.

They offer to show me around, and talk as we walk. The older boy I find out is an orphan; the four others in his family were killed, although he is not sure what happened to his mother, who was sent somewhere else when they were "evacuated" in April 1975. The younger has only his little brother left alive with him. This is a story I am to hear countless times. Of everyone I met in this city and in villages around it, not one single person lost less than half his immediate family during the Pol Pot period. The boys do not want to talk about this; they are asking me how to pronounce this word and that, their eyes eager with learning and the future.

We wander off the main avenue to side streets, where I encounter a bizarre sight: on almost every corner are piles of rusted carcasses of automobiles, heaped on top of each other, and bleached white by the sun. I find out that they are lesser mechanical versions of what I saw in the mass grave—indeed, outside Phnom Penh is a field, a mass grave of technology, of hundreds of such autos.

The illiterate peasant boys who came to occupy the city in April 1975, the cadres of Pol Pot's Khmer Rouge, were told to destroy all "imperialist things"—by which was meant every single manufactured item, both foreign and Khmer, that could be found. The boys take me past the destroyed building which formerly housed the central bank, blown up by the Khmer Rouge as a symbol of the hated "old" society, the bank notes left lying about, to be found drifting in the streets four years later when the liberators came. Under Pol Pot there was no money, no currency, at all.

As I walked through the city streets on that first day, past buildings faded with their paint peeling off and the automobiles piled up on the corners, I also tried to put my finger on a specific impression. There is indeed life here, but something is wrong—it is poor, yes, but something else; people are here, but it does not

feel like a city. It struck me that they are inhabiting Phnom Penh, but they have not yet made it again a place with a particular active conviction of permanence. They are still individuals, who wandered back dazed, as one person put it, "with nothing but our bare hands," thankful to be alive. The full confidence in that life, in its endurance, is only now beginning to come back.

What happened to these people? I ask myself. I find that it is the easiest question to answer: you only have to strike up a discussion, and soon you will hear the same story, again and again.

The Pol Pot inferno

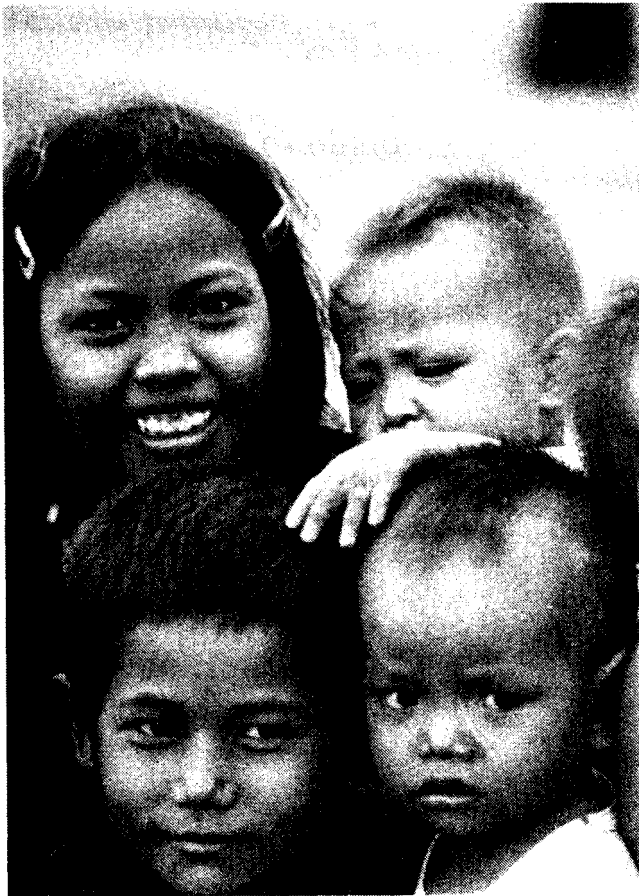
The first lengthy account of what happened here was told to me by the young man Ung You Teckpio, who acts as my guide and interpreter. Ung is in his mid-twenties, a Phnom Penh resident who was a student when the black Pol Pot curtain descended on April 17, 1975. As the Khmer Rouge forces entered the city following the surrender of the Lon Nol regime, Ung was forced to leave within the first day—"evacuated," they were told—due to the threat of U.S. bombing.

He was sent to a small village in Battambang province in western Kampuchea, where he stayed for the next four years. For four years his was a life filled only with hard labor, accompanied by the constant threat of death either directly at the hands of the "Angkar"—in Khmer literally meaning the "organization"—or indirectly through starvation and overwork. He was separated from his family, most of whom are dead now, and kept in a camp only with other young people.

Under the Khmer Rouge's Angkar, all Kampuchians, he tells me, were divided into three categories: first, on the top, were the members of the Angkar itself, including the peasant soldiers of Pol Pot's army. Second, also semiprivileged, at least in the beginning, were the so-called old people. These were the inhabitants of the "base areas" of the Khmer Rouge before 1975; in these "liberated zones," the peasants were trusted and considered already purified.

At the bottom were the "enemy," those that suffered most and died first in Pol Pot's hell. The enemy comprised former soldiers and officials of the Lon Nol regime, of course; but those were part of the broader category of "new people." The "new people" included anyone from the cities, anyone who had lived outside Khmer Rouge control, and particularly anyone who was literate, educated, even semi-urban in their ways.

Ung was an "enemy," a member of the "new people," for he came from Phnom Penh, was educated, and could even speak some English, although he concealed this fact from his prison guardians. The Angkar was composed of the uneducated, the illiterate, the most backward of peasant society—except, of course, at the very top, where Pol Pot, his Sorbonne-educated top



Daniel Sneider/NSIPS

At an orphanage near Phnom Penh.

men, Ieng Sary and Khieu Samphan, and their “central committee” operated.

Ung is always coming back to this point. In his not-so-perfect English learned years ago in a Phnom Penh high school, he tells me, “They wanted to kill all the intellectuals, all of the intellectuals.” Ung and the others were to be purified of all “imperialist things,” sent to labor in the fields starting at 4:00 in the morning; stopping at noon for a half-hour lunch break; and continuing work into the night. They might, he told me, work until 10 or 11 at night, for they were told that they must complete a certain amount of labor—prepare a hectare of land or dig three cubic meters of earth for an irrigation canal (with their hands)—before they could sleep that day.

The slave-labor was unending; there was no time to talk, to smoke a cigarette. For this labor, 20 people were fed with one cup of rice a day, enough to make a weak rice soup supplemented by anything they could find to eat, including leaves from the trees and things that crawl on the ground. Existence under the Angkar got steadily worse, not better: Ung says that there was more to eat in the first two years, that the 1977-78 time was the worst.

Most of those who died, died of disease and starva-

tion, of exhaustion. The strong survived and even of those, Ung said, “We were just waiting to die.” Some did not have to wait. “They came and took people away in the night and they never came back. This is what happened to my father.”

Death, indeed, was what kept the Angkar’s system together. Death was the punishment for the “crimes” of the “new people,” for failing to complete their work, for talking at the wrong time. Death was the threat over the heads of everyone: even the executioners, the guards of this vast prison called a country, were threatened with execution if they did not succeed in getting results. Kampuchea was a land of death, and death alone. “We only survived,” Ung told me, “to stay alive, nothing else.”

Do not ask Ung what happened in Kampuchea for those four years; do not ask him what happened in his province, or even in the village a few kilometers away. He doesn’t know himself, because during those years he could not move, he could not even pass in the night from one house to another, on pain of death. In the land of the Angkar there were no newspapers, no radios, no printed words at all—only the occasional indoctrination sessions of the cadres.

Neither were there families anymore in this hell. Families were broken up by the Angkar. Even marriages were arranged top-down in mass ceremonies by the Angkar. Ung escaped such a marriage, he told me, by being sick at the time it happened; “then I guess they forget about me.”

Ung tells his story with the passion of one who lives because he cherishes his identity as “an intellect,” of whom there are so few left alive in the country. “We intellectuals,” he tells me later, disdaining those who left the country to live in exile, “must stay to save our motherland.”

The ‘new people’

The next day I heard a different story that was essentially the same. In the afternoon I came downstairs to await Ung’s arrival, and sitting in the lobby in front of the hotel (one of two revived in Phnom Penh) was another young man, a companion of Ung’s also acting as a guide for a Japanese journalist who had come on the same flight with me. Always courteous, and trying hard to perfect his high-school-taught English, as we sat in the lobby he told me a little of his story.

“I lived in Phnom Penh with my family. My father was a teacher. When Pol Pot came, we were told we would have to evacuate the city for three days, so we did not take much with us, thinking we would soon come back. When we were told we could not return, we did not know what to do because we did not have enough food.

“We decided to go to the old village of my family, where some of our family—our cousins—still lived

because we thought they would take care of us. We were wrong. It was worse for us there than in another place. The village was, since 1972, in a base area of the Khmer Rouge and our own family was against us. When we arrived we were treated as the enemy, as new people, from the city. It was even worse, because our relatives knew all our history; they knew what my father did and so on, so we could not conceal it from the Khmer Rouge.

"I was separated from my mother and father, who were living a few kilometers away. But I managed to see him [the father] every six months or so by slipping out in the night and going to his village. And he used to send me fruit, so I would have something extra to eat.

"There were a thousand 'new people' in the village. The old people lived better than we did; they were especially the poorest people, who had been in the village. Those people were made Khmer Rouge cadre, and they did everything to the new people. It was terrible. . . . One day I was so hungry that I picked some fruit from a tree, a Khmer Rouge saw me, and I was arrested and put in prison for three days. . . . At the end, of the new people, only 20 people were alive, mostly widows.

"When the liberation came [he was living in the east, in Kompong Chom region] many of us wanted to take revenge on the Pol Pot butchers. But we were too weak."

"What happened to your family?" I ask heavily.

"Until the middle of 1978 my father and mother were alive. Then all I knew was that the fruit stopped coming. I could not leave to see them, so I could only wait. When liberation came, I went to find them. They were gone."

I found tears in my eyes. I could only look down and say, "terrible, terrible." Before I came here, I had heard and read about what happened. I had consciously steeled myself, and unconsciously prepared myself to sit back like a "journalist," and ask questions. At this moment my preparations had been washed away by these tales of hell.

Turning his face toward me, this man who lost so much said quietly, "You are a gentle man." Our conversation ended. Later that evening, after I have thought about this and decided that others must hear the story I have heard, I met him. I ask him if he would mind sitting and telling his full story to be taped. He looks up at me and says quietly, "It makes me sad to remember, and I want to forget the past."

In the course of the next few days I hear more. I hear villagers in a town near Phnom Penh who were also "evacuated" tell me similar stories of death. Out of 33 in one family, 10 are left alive; out of 12, four are left; and on and on. I numbly ask the village chief what is different now. He looks at me as if I am a fool: "Under Pol Pot, at this hour, we would have no time to

sit and talk like this." We are chatting, women and children gathered around us, in front of a thatched-roof hut. Of 1,500 people who once lived in this village, only 70 came back.

I ask further questions about "now" and "then." At one point the village chief, a literate, grey-haired man who had lived in the city for a time, gets quietly angry, misunderstanding the purpose of my questions.

"Perhaps you do not believe us. I will tell you. They would take the husband away to kill him, and at night the Khmer Rouge village chief would come and sit under the house and listen. If his wife was crying, they would take her away the next day. We learned not to cry. That is what happened."

An old woman, her teeth stained brown by the betel nut chewed here, has joined the conversation. I turn to her at one point and put a question I have asked of others: I ask what she thinks of the Vietnamese, whose troops are seen everywhere. She answers, "Because the Vietnamese came and liberated us, we are alive. Because the Vietnamese came here, we have freedom. It is different from Pol Pot: even if we have no food, we are happy. Under Pol Pot, we had no food and we were not free."

The word "freedom" is perhaps a loose translation. It has no general meaning here—beyond the ability to sit and talk, and walk from one village to another; the fact that their children, all of them in the village, now learn to read and write in a simple school; the fact that they are alive. I meet no one here who does not feel that way about the Vietnamese—they don't want them to leave so long as Pol Pot and his butchers still exist.

The two phases of hell

On the evening of the day before my departure, I had an encounter that adds another dimension to my understanding of what happened here. I was walking in the dusk of evening down a city street when a man emerged from a vacant storefront, where he apparently lives. He approaches me, and in good English asks where I come from; I tell him, and he invites me to sit and have a cup of tea with him. Over the tea, the man (let us call him P.) tells me a fascinating story. It soon becomes clear that P. wishes to tell his story because I am an American—he has questions of his own.

P. was a minor official in the Lon Nol regime, one of a handful alive today. He had learned his English partly from a stay in America, and was close to officers of Lon Nol's army, for whom he sometimes served as an interpreter. At the same time, his brother had joined the Khmer Rouge sometime in the 1960s. His mother and father lived with his brother in a Khmer Rouge-controlled village. His father was killed by the Khmer Rouge, though before 1975, when he had crossed battle had seen Chinese "advisers" come to inspect dam and irrigation sites. One reported that most of the people

lines into Phnom Penh to visit his son. When he returned to the village he was accused by the Khmer Rouge of having provided information to the Lon Nol regime and having received money in return from his son. His family ties to the central government did not save him from execution.

In March 1975, not long before the end of the Lon Nol regime, P. was witness to goings-on between senior army officers of the regime and the American advisers who were pulling out. In March he attended a special briefing given by an American colonel to top Lon Nol officers. They were told that the U.S. was pulling out, but that they should not worry, as there would soon be peace in Kampuchea—*peace between the regime and its Khmer Rouge opponents*.

P. said that one of his friends was told something still more explicit in private. Those assurances, one U.S. officer confided to a Kampuchean officer, were based on the fact that the United States was in touch with both sides of the conflict. Even more, he was informed, the United States had been funneling funds to Khieu Samphan, the leader of the Khmer Rouge, through a Khmer Rouge support group in Paris. Something P. also suspects, which I have heard elsewhere before, is that the United States had a deal with the Chinese to let the Khmer Rouge win.

At any rate, as he bitterly recounts, it was due to such assurances that many of the Lon Nol regime's officers, unlike their Vietnamese counterparts, did not flee with their American backers when they left: they were left waiting in Phnom Penh for what they thought would be a very different outcome.

The takeover by the Khmer Rouge in April was, of course, followed by the forced evacuation of Phnom Penh and all other cities. According to P.'s brother, even senior Khmer Rouge cadre did not know of the plan to empty the cities. The orders came at the last moment from Pol Pot and his most intimate circles, including, I later found out, Pol Pot's Chinese "advisers." Some people, P. told me, tried to stay in Phnom Penh until the arrival of Khieu Samphan, who was well known as a former cabinet minister of the Sihanouk days, thinking he would countermand the orders. They did not succeed—indeed, I was told by an official here that Khieu Samphan's brother, still alive in Kampuchea today, was among those forcibly sent out.

P. was consigned to a prison camp for former Lon Nol officers and officials in the east. He had in fact been turned in by his brother, who by that time was a district chief of the Khmer Rouge. He was in that camp for 20 months—until late 1976—during which time his brother would visit him twice a month and tell him what was going on. Of the more than 200 Lon Nol officers who started out in that prison camp, only 14 were left alive when P. was released. "We ate anything that moved,"

he told me. P. was released due to his brother's yielding to the constant pleas of their mother to save his life; his brother interceded, got P. released, and P. went to a province in the east.

P.'s brother then became caught up in the shifting tides within Pol Pot's hell.

The account P. gave me is coherent with others that I heard, distinguishing two clear phases in those four years.

For the first two years, until late 1976, the people who were killed were almost all former Lon Nol people and "new" people. But the outright murders, aside from mass deaths by simple starvation and genocide, during the next two years, 1977-78, were almost entirely within the ranks of the Khmer Rouge itself.

Purges within the ranks were a second phase of Pol Pot cleansing aimed at anyone suspected of opposition to Pol Pot, an opposition that became a factor as more and more Khmer Rouge cadre, particularly in the eastern region bordering Vietnam, came to know what was really taking place throughout the darkened country. These cadres were arrested and accused of being "KGB agents" or "Vietnamese agents," whereas previously the charge had been mainly "CIA agent."

In late 1976, another internal forced migration was carried out, mostly herding people from the eastern region toward the west. The purges and murders of Khmer Rouge cadres are clearly linked to this. P.'s brother was arrested in early 1977, accused, among other things, of allowing his family to influence him to free his brother, who was placed in a special prison camp in the east. From 1977 through what is known to many as the "coup" of May 1978, the purges intensified.

During this time the cadres of the southwest region, an area which is Pol Pot's personal hard-core base, were deployed throughout the country to carry out the killings. The southwest, as I was later told, was run by Pol Pot's favorite henchman, Ta Mok, a brutal man who had built for himself a special fortress, its security guaranteed by systematically killing the workers as they constructed it, story by story.

Finally in May of 1978—as I recall from P.'s story, around May 25—was the "coup," a full-scale attack by Pol Pot's hard-core forces on the eastern region. It was during the confusion of this attack that P.'s brother escaped from his prison camp (he is still alive, working quietly as a farmer somewhere, P. tells me).

These events, P. says, were linked to the escalating war Pol Pot was carrying out from the east against Vietnam, where tens of thousands of Kampuchean had fled as refugees. Pol Pot's armies, in increasing intensity from mid-1977 onward, launched vicious raids into Vietnam, slaughtering Vietnamese villagers in larger and larger numbers. P. says that his brother told him in the beginning of 1977 that he would soon become a

district chief in Vietnam, that the Pol Pot regime was going to capture the entire Mekong Delta, which centuries before had once been part of the old Khmer empire.

P. wants to know why the Americans did what they did. "I am pissed off," he said, using his American English, "at the Americans." After his release from prison, he had somehow managed to get hold of a radio which he kept hidden: "I listened all that time to the Voice of America broadcasts, but I never heard anything about what was going on inside Cambodia except that there were food shortages. Why," he asks me, with his story of the 1975 American evacuation in mind, "didn't you do something?"

Now he has thought it through, and he is looking for confirmation for his understanding that somehow it has to do with the relationship between China and the United States. He knows some of the former Lon Nol officers who are working with former Premier Son Sann in one of the groups operating against the new government along the border. He holds them in contempt—"they are just smugglers"—and he tells me he decided to stay, "to help the country."

P.'s story is part of the evidence I had been looking for to answer the question of all questions: how did this incredible hell come to Kampuchea? The hard, direct evidence required to answer that question is harder to find. Certainly the pieces that one can find here begin to solve the riddle.

The Chinese gauleiters

Some time in 1977, in a paper factory in eastern Kampuchea, two Chinese technicians were talking. One of them had been there for some time, probably since Pol Pot took over in April 1975. The other Chinese had arrived to replace him. The following conversation was overheard by a Kampuchean working there who, unbeknownst to his overlords, could understand Chinese.

The new arrival said to his friend: "I heard most of the Kampucheans had been killed, but I still see plenty of them around. What is happening?" His friend replied quite blithely: "Don't worry: in a few months, it will be different."

The man who overheard this conversation fled the paper factory soon after hearing this exchange. He survived to recount the terrifying story to a close friend, who in turn told it to me one night in Phnom Penh.

Such stories give one mere inkling of the Chinese monstrosity that was the Pol Pot regime in Kampuchea. Putting all the evidence together, including that relayed to me firsthand in Kampuchea, certain things about what happened there under Pol Pot become undeniably clear:

First, the events that occurred, from the first orders on April 17, 1975 to evacuate all of Kampuchea's cities,

to the dispersal of the population, rural slave-labor camps, and the systematic elimination of some two to three million of the population, were obviously carefully *planned* and *prepared* beforehand. There was indeed, somewhere, a "master plan," and the Kampucheans are so convinced of this that they are searching for documents left behind which they believe will prove this fact to the most skeptical person.

Second, that among the Kampucheans themselves, the full scope and nature of what was going on inside the country, from the beginning to the end of the regime, was known only to a tiny handful of people, the closest aides to Pol Pot, Ieng Sary, and Khieu Samphan—the ruling triumvirate—and not even to members of their "cabinet," at least seven of whom were eventually executed in their own prison camps. As for the population, they were chained to one spot, perhaps moved once or twice, for the four years deprived of knowledge of events even in the next village, except perhaps for rumor.

Third, that only one other group of people were in a position to know what was happening in the country and that is the Chinese who had thousands of advisers, estimated between 10,000 and 20,000, stationed all over the country, at production sites and with every military unit. The closest people to Pol Pot were not Kampuchean—they were his Chinese "friends," including the infamous Chinese Ambassador Sun Hao, who is better known as the "Governor-General" of Kampuchea during those years. Even the few foreign embassies allowed in Phnom Penh, as has been reported by others, were kept so tightly under control that their personnel were permitted to travel only on certain selected streets of the almost-deserted capital, and had to seek permission to travel from one embassy to another.

It is further true, and documented extensively, that the proclaimed guiding ideology of the Pol Pot regime was Mao Tse-tung Thought, that the inspiration at every point for the rural Auschwitz that Kampuchea was turned into was the ruralist ideology of Maoism, itself merely a continuation in the long history of peasant-based feudal oligarchic rule in imperial China.

At the least, in the terms of the Nuremberg tribunal on crimes against humanity, the Chinese are guilty of "having known or been in a position to know" about the crimes against the Kampuchean people. But it is also clear enough that the Chinese role goes far beyond that.

Peking's levels of command

In the course of my visit to Kampuchea I asked a number of people, at random, if they had seen any Chinese during the Pol Pot period. Some had not, but many had. Several people, living in rural slave-labor communes, in widely separated parts of the country,



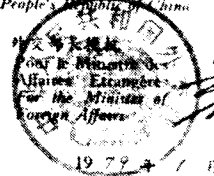
持照人 苏 浩
 1930年1月1日生于 北京
 Titulaire de ce passeport
 Bearer of this passport Su Hao
 Né (e) le
 Born on January 1, 1930 in Beijing
 持照人签名
 Signature

本护照前往世界各国有效
 有效期五年。

Ce passeport est valable pe
 du monde dans un délai de cin
 la date de sa délivrance

This passport is valid for tra
 in the world within a period of 5
 date of issue

中华人民共和国外交部
 Délivré par le Ministère de
 gères de la République Populaire
 Issued by the Ministry of F
 the People's Republic of China



Peking, January

Ieng Sary's Chinese
 passport, issued to
 help him travel
 abroad before the
 Khmer Rouge took
 power, and captured
 at Pol Pot's jungle
 headquarters.

were kept away when such visits occurred, "but I watched from the corner of the house, and I saw many black cars come with Chinese in them."

A more direct observation was made over a longer period of time by Ung Pich, a survivor of the infamous Toul Sleng extermination camp in Phnom Penh who was working until sometime in early 1977 as a public-works engineer in the Kompong Som port in southeast Kampuchea. Ung Pich was allowed to stay because his skills were needed, and he observed the goings-on in this major Kampuchean port during that time.

Ung Pich reports that there were some 20 to 30 Chinese experts on station in the port, "experts" who, he observed, were actually commanding the Pol Pot troops there. In addition, every time a Chinese ship arrived, 20 or more Chinese would come down to the port.

The traffic of Chinese vessels into Kompong Som during the period he could directly observe was heavy, almost one a day, he says. The ships were mostly filled with arms, from tanks and airplanes to trucks and ammunition. These military supplies were flowing into the rapid buildup of the Pol Pot army, which is estimated to have reached a strength of 25 divisions. Other sources report that Chinese advisers served down to the battalion level, and sometimes company level, throughout the Pol Pot army.

Above all, the Chinese took charge of the Khmer Rouge leadership. Kampuchean President Heng Samrin, himself a former top Khmer Rouge leader, told me in an interview in Phnom Penh (see below) that the Chinese were closely directing the activities of Pol Pot, Ieng Sary, and their cohorts. He says that the purges of the Khmer Rouge in fact began well before 1975—that the first purges were aimed at eliminating all those

senior cadres who had participated in the anti-French struggle before 1954, those with experience of common efforts with the Vietnamese. These purges, as well as the later ones, were reportedly aimed at clearing out any elements known to be opposed to Chinese control.

The few documents recovered after 1979 regarding the Chinese link are highly suggestive. When Pol Pot's jungle headquarters was captured at one point, passports for himself and Ieng Sary were found—Chinese passports with Chinese names for them. According to one Kampuchean source, the full scope of the Chinese links were known only to a few people, including Pol Pot.

One aspect of the Chinese role was the presence of a number of Khmer of Chinese origin in the upper echelons of the Pol Pot command. (Pol Pot and Ieng Sary themselves are said to be part Chinese.) One of the more interesting bits of information that I found concerns one of these Chinese-Khmers, a man known in the Khmer Rouge as Duch.

Duch, whose real name is Kang Ngeich Eav, was the chief of the Angkar's secret-police security organization. Among other things, he directed the Tuol Sleng camp, an extermination center where the most important prisoners of the Pol Pot regime were brought, tortured, and killed. According to Ung Pich, who spent two years there as a prisoner (one of seven people who survived), kept alive due to his skills in running the camp's electrical equipment, Duch was in total command of everything that happened at Tuol Sleng.

Duch's father is said to have been Chinese and his mother a member of the Chinese minority in Kampuchea. He was originally a professor of geography at Phnom Penh University, joining the Khmer Rouge in 1964. Duch was a fervent Maoist and follower of China;

Pich says that he was constantly quoting and citing Peking authority for his views and acts.

Along with a few others known to the current Kampuchean authorities, Duch was among the closest circle around Pol Pot. Duch is still alive, and reported to have the same role as head of the secret police in the bands of the Khmer Rouge still operating under Pol Pot in the border regions. The evidence suggests that Duch is one of the crucial interlinks in the Chinese apparatus in Kampuchea, and certainly one of the most important murderers of the regime—the Eichmann, if you will, of Kampuchea.

The Chinese model

Three different, though related, answers are given by the Kampuchans themselves, particularly at the official level, to the question of *why* Pol Pot and the Chinese did what they did in Kampuchea.

One is that the Pol Pot group was pursuing a Kampuchean version, on a vast scale, of the “Great Proletarian Cultural Revolution” of Peking’s China. The second is that the Chinese and Pol Pot were seeking to establish a military base in Kampuchea, with an army that could be used against Vietnam as part of a grand Chinese expansionist strategy into Southeast Asia, which hinged on the destruction of Vietnam as a political-military obstacle to China.

The third answer perhaps encompasses and supersedes the other two: it is the most hideous, but most compelling, reason given. It is that the Chinese were deliberately carrying out a policy of depopulation of Kampuchea—a project only partly finished at the time of the overthrow of the Pol Pot regime—with the eventual aim of repopulating Kampuchea with Chinese.

The parallel of the events in Kampuchea to those in the Chinese Cultural Revolution, a high point of Maoist insanity, is most often made by Kampuchean officials in Phnom Penh. “You know,” a senior official told me, “there were thirty million people killed in China during the Cultural Revolution.” The Maoist Red Guards who went through the streets of China destroying “bourgeois things” and assaulting “bad elements” are seen here as identical to Pol Pot’s young peasant cadres of the Khmer Rouge. Pol Pot, like Mao, used these cadres to carry out massive purges of his opponents within the party and regime.

Pol Pot and Ieng Sary’s dedication to Maoism is well known. Mao is quoted telling the two of them on a visit to Peking after they had been placed in power: “Comrades, you have won a tremendous victory. One blow, and no more classes. The rural communes with the poor peasants and the lower stratum of the middle peasants in the whole of Kampuchea constitute our future.” The endorsement by Mao of the slave-labor system of Kampuchea and the systematic extinction of

the intelligentsia and urban society merely reflect the dedication of the Chinese leadership to that system of society. The Kampuchians point out that this was not merely a factional advocacy on the part of radical Maoists in China: the current “pragmatic” leadership of Deng Xiaoping has been no less enthusiastic in its support for the Pol Pot-Ieng Sary regime.

Chinese authorship of the Pol Pot master plan is further documented, in the view of Kampuchians, by the second reason given: the deployment of Pol Pot against Vietnam. As I noted above, Khmer Rouge cadre were explicitly told in early 1977 that they were going to conquer the Mekong Delta region of southern Vietnam. I was also told that as early as 1976 the Chinese instructed the Khmer Rouge to build secret guerrilla bases in the jungle in anticipation of a war against Vietnam.

From early 1977, in escalating pattern, attacks were launched in the east into Vietnam, until by late 1978, they were being carried out on a large scale.

The military mobilization of the Pol Pot forces also is coherent with the internal process of genocide in the country. Food for the population, entailing death by starvation and disease, became scarcer and scarcer, according to what I was told by various people here, as time went on. What is indicated is that the population was being worked to death to build up a war machine which the Chinese supplied with heavy weapons; and that the move outward into Vietnam also reflected the auto-cannibalization of Kampuchea under the slave-labor camp system. This process is easily recognizable to students of Nazi Germany as far harsher than, but along the same lines as, the 1936-38 period of war buildup and internal fascist looting of the population, followed by the imperative drive outward to conquer new territories to loot.

The method to what some still misidentify as the madness of Pol Pot is in short a ruralized and intensified version of the economic and military policy of Nazi Germany. Ung Pich told me that when the liberation forces came to Phnom Penh, they found in one of Pol Pot’s houses copies of various studies of Nazi Germany!

The Chinese battleplan, according to both Kampuchean officials and Vietnamese officials with whom I had talked earlier in Hanoi, was to pin Vietnam between a pincers of Pol Pot attacks in the southwest and Chinese military pressure—and ultimately large-scale attacks—in the north.

The “final solution” for Kampuchea goes beyond all this. Why, one must ultimately ask as I did, would a Kampuchean regime kill nearly three million (out of about eight to nine million) of its own population? President Heng Samrin told me simply that it was because the rulers of the regime “were not really Kampuchians.” Indeed what regime—as not even the

Nazi regime did—has carried out such systematic genocide against its own population?

The depopulation of Kampuchea

A senior Kampuchean government official gave me this answer. "The Chinese plan was to leave only one million Kampucheans alive, mostly women. Then they were going to bring in 15 million Chinese at first, and afterwards more, and eventually kill off all the rest of the Kampucheans." This idea, amounting to a Great Han project to create *Lebensraum* for China's hundreds of millions, first in Kampuchea and then if possible throughout Southeast Asia, is at first most incredible, even to myself, one of the most severe judges of the Peking regime; but upon further reflection makes the most sense out of what happened in Kampuchea.

After all, how is one to explain that the Pol Pot regime, under tight Chinese direction, was furiously building dikes, irrigation canals, dams, all the infrastructure for Chinese-style rice agriculture, on what is known to be the richest rice-growing land in Asia; and that at the same time was systematically killing off the population that would presumably have to work this land, maintain these structures, eat the rice grown? What was being done was clearly not for the benefit or use of the Kampucheans.

There was, of course, an elite stratum in Pol Pot's Hell, and they had plenty to eat; but as the process of mass murder accelerated, and Pol Pot and his close supporters saw their own Khmer Rouge ranks were revolting against them, they had to kill more and more just to stay in control.

In any crime, including such transcending crimes against humanity such as these, one must always ask: "Who benefits from the crime? Who has a motive for the crime?" In this case, the evidence is powerful enough to lodge a conviction, before any court of justice in any nation on the face of the earth, of the regime in Peking, including most especially its current leadership.

The thoughts that were last in my mind as I left Phnom Penh were directed back toward the United States, and the policies of this administration and the previous ones toward what happened here. I thought about Gen. Alexander Haig who, as deputy to Henry Kissinger, was intimately involved in the U.S. war policy in Kampuchea, directing a process which facts suggest led consciously and knowingly to the installation of a Peking puppet regime in Kampuchea, in the service of a joint strategy for establishing Chinese hegemony in Southeast Asia and in containing and destroying Vietnam in a war that did not end for Kissinger, Haig, and their controllers. Such people, because they are allowed to be more powerful, are more evil, more knowing in their evil, than those who murdered three million in Kampuchea.

An interview with President Heng Samrin

The following interview with President of Heng Samrin Kampuchea (Cambodia), was conducted by EIR Asia Editor Daniel Sneider during his recent visit to that country.

Heng Samrin is 47 years old. He has been president of Kampuchea since April 29, 1980 following national popular elections to the 117-seat National Assembly.

Though little is known about the Kampuchean leader, who makes some autobiographical remarks in this interview, prior to the December 1978 ouster of the Pol Pot regime, he had been a second-level leader of the Communist Party of Kampuchea (Khmer Rouge) in the eastern region. In May 1978 he broke with the Pol Pot-Ieng Sary faction of the Khmer Rouge, and was one of the founders of the Kampuchea National United Front for National Salvation (KNUFNS), of which he became chairman.

After the ouster of the Pol Pot regime in December 1978 by the KNUFNS and Vietnamese forces, Heng Samrin became president of the People's Revolutionary Council.

President Heng Samrin rarely gives interviews to foreign journalists.

Sneider: What is your response to the recently held United Nations conference on Kampuchea?

Heng Samrin: I would like to inform you about the problem of the international conference at the United Nations. As a matter of fact there is no Kampuchea problem to be solved. The question of Kampuchea has already been solved since our liberation day of Jan. 7 [1979], when we overthrew the genocidal regime [of Pol Pot]. The Ministry of Foreign Affairs has already made a statement on the international conference held in New York on the 13th [of July]. I would like to emphasize that the international conference there has no value to Kampuchea.

There is no problem to be solved. We have our People's Revolutionary Party of Kampuchea. We have a National Assembly. We have our State Council and a Council of Ministers. We have a constitution which is supported by all strata of the people.



Sneider: What is your view of the policies of ASEAN [Association of South-East Asian Nations] and of the Chinese?

Heng Samrin: To hit the nail on the head about the policies of ASEAN and the Chinese, we would like to state that we take the position of the recent conference of the three Indochinese foreign ministers of Kampuchea, Vietnam, and Laos. A regional conference between the Indochinese and the ASEAN countries, which we proposed, is the most important. Afterwards an international conference should be held in order to guarantee the agreement reached between the ASEAN and Indochinese countries.

We hope that the ASEAN countries will be tolerant on this question. Now we are talking about ASEAN and China. For ASEAN and China, we can state that they have the same policy position because they had the same point of view during the conference in New York on the question of withdrawal of the Vietnamese forces from Kampuchea, on the question of disarming the government of the People's Republic of Kampuchea.

But the only difference between the positions of ASEAN and China is their strategy. On the Chinese side, they support the Pol Pot-Ieng Sary clique. And the ASEAN side supports the traitors Son Sann and Sihanouk.

Sneider: What do you think of the policy of the Reagan administration toward this region?

Heng Samrin: The policy of the Reagan administration is to hold power in this region, which was formerly a strategic region of the United States. So the policies of Reagan still have the ambition to control Southeast Asia. It means they wish to maintain the region in which the ASEAN countries are—which have already been under their influence—to oppose the other Southeast Asian countries here.

Therefore the Reagan administration policy is in collusion with China, to encourage China to carry out its ambitions of aggression in Southeast Asia, especially in

Indochina. As a matter of fact, the visit of Secretary of State Haig to China had the point of stimulating China to give the “second lesson” to Vietnam.

Generally speaking, the policies of Reagan have the ambition to take power and control the Southeast Asian region, in particular the countries of ASEAN.

Sneider: How strong are the Pol Pot forces in Kampuchea at this time?

Heng Samrin: I can say that there is no Pol Pot force existing *in* Kampuchean territory, but I can say that most of them are living in the territory of Thailand and also along the border. They use subversive activities and conduct guerrilla war against us. This can be done because of the support of the Chinese expansionists, who use the support of the countries of ASEAN—that is, Thailand—to give them sanctuary and act against us.

I would like to inform you that the people of Kampuchea say that the situation in Kampuchea is irreversible.

Sneider: What do you think of this “united front” of Son Sann, Sihanouk, and the Pol Potists?

Heng Samrin: I can state that the “united front” which has appeared is a ploy of the U.S. imperialists, the Chinese expansionists, and the ASEAN countries. These three people, they are all eager to be the boss. To unite the front is not easy. The reason is that these people have no patriotism. Everyone of them only thinks about themselves, their self-benefit, and their group.

Sneider: Now I have a whole series of questions about the past which I think are also important regarding the present. Regarding the past, to your own knowledge, what was the direct Chinese role during the Pol Pot regime in Kampuchea?

Heng Samrin: During the Pol Pot regime, the Chinese played a very important role to direct Pol Pot's and Khieu Samphan's people. The most important role was to use Pol Pot and his clique in order to take our land, our territory, and also to put the yoke of oppression on our people in order to gain the advantage for conducting aggression in Indochina, as well as in Southeast Asia.

Refer back to the previous story, that we had united together [with the Chinese—D.S.] to fight against colonialism and imperialism. At the time we won the war, in April 1975, the Khmer Rouge were under the direction of the Chinese authorities, and they turned the situation around in Kampuchea and considered the Vietnamese as their first enemy. They started to conduct aggressive operations against them.

I can say that the Chinese have the ambition to control this region in order to have become the Great Empire in this area and to conduct aggression in Southeast Asia.



A mass grave in Kampuchea.

Sneider: But do you think the Chinese were responsible, directly responsible, for what happened under Pol Pot to Kampuchea?

Heng Samrin: It is true that the Chinese must be responsible for what happened under Pol Pot's hand, because many millions of people were massacred under their directive by the henchmen of Pol Pot and their clique.

Sneider: Regarding the exact relationship between Pol Pot and the Chinese. Now, some people have told me that Pol Pot followed the Chinese ideology and carried out the ideas of the Chinese. Other people say that the real master of Kampuchea was not Pol Pot but the Chinese ambassador here. So there are two different understandings of the relationship. What is yours?

Heng Samrin: The ideology of Pol Pot and Khieu Samphan is the ideology of Maoism, because they wished to conduct the "revolution" of Kampuchea similar to the Chinese revolution of Maoism. The ideology of Pol Pot and Ieng Sary was influenced by the ideology of Peking under the direction of Mao.

Sneider: Are you saying that Pol Pot and Ieng Sary did what they did because they believed in Maoism or because the Chinese told them to do it?

Heng Samrin: They did both together. They were influenced by the ideology of the Chinese and they were under the directive of those Chinese. I can say this because of all of the military equipment and supplies came from China, even the equipment to fight against the U.S. imperialists [i.e. before 1975] was completely supported by them.

Sneider: What I can see from talking to people here, it is very clear that in April 1975, at least for Pol Pot and Ieng Sary—maybe not for everyone—they had a plan, an idea of what they were going to do. For example, to take all the people in the cities and send them out. Was there a master-plan for what happened, including the mass murders? And whose plan was it? Pol Pot's? The Chinese?

And when was this plan made?

Heng Samrin: Before the days of April [1975], even the people who were in the army, the cadre, didn't know this plan. At the time of April 17, the idea to evacuate the citizens out of the cities was mainly a directive under the control of China and carried out by Pol Pot and Ieng Sary and some of their leaders in the subcommittee. People didn't know what to do.

Sneider: You say it was mainly the idea of China. How do you know that?

Heng Samrin: As soon as the liberation day came [April 17, 1975] there were Chinese advisers present in Phnom Penh.

Sneider: Were you in Phnom Penh at that time?

Heng Samrin: On April 17, I was myself in Phnom Penh city.

Sneider: I've heard the idea that the Chinese wanted to reduce the population of Kampuchea, and that they planned to bring Chinese here. Do you think that that is true?

Heng Samrin: It's true. So far as I know, Pol Pot and Ieng Sary had the plan to increase the population. It was stated in the 10-year plan to have 20 million people in Kampuchea. At the same time they put out the plan, they started killing the youth, the people of Kampuchea. Therefore they planned to receive Chinese people for their replacement.

They planned to kill all the Kampuchean people and keep only 10,000 people alive. The question is, who lives inside the country? The Chinese people would come to replace them.

Sneider: Someone who plans to kill the entire population of their country, like Pol Pot and Ieng Sary, can you really say they were Kampuchean?

Heng Samrin: We can say that these two men are not of pure Khmer nationality. They are Sino-Kampuchean. If we look, for example, at the background of Ieng Sary, at his parents, they were living in the [Mekong] delta of southern Vietnam. According to his biography, Ieng Sary, referring to his parents, was half Chinese-Vietnamese and Kampuchean.

Sneider: What happened to the Chinese who were serving as advisers here? How many Chinese were here? Were any of them captured when liberation came? Did you capture Chinese documents?

Heng Samrin: The Chinese advisers living in Kampuchea during that time were mainly occupied in the military field. We can state that the amount of those Chinese advisers was 20,000. During the operation to liberate the country [from Pol Pot—D.S.], those Chinese advisers were gathered together and escaped through the forests,

through the jungle, to Thai territory. And we also captured some documents like the passport of Ieng Sary, his Chinese passport in the name of Su Hao.

Sneider: Are you saying 20,000 Chinese advisers escaped through Thailand?

Heng Samrin: They fled through Thailand, all of them, with Pol Pot and Ieng Sary soldiers. Apart from the advisers in Kampong Som, in the navy base there, those people went by ship, and a certain number of them went out with the soldiers and served as advisers, living in the mountainous areas before they later went into Thai territory.

Sneider: What can you tell me about your personal experience during the Pol Pot period? What was the point at which *you* realized what was going on inside Kampuchea?

Heng Samrin: According to my experience, the living conditions under the Pol Pot regime were bitter. Before they seized power, they started the purge system to kill the cadre, especially the cadre who were historically part of the struggle against colonialism [the pre-1954 anti-French period—D.S.], and also up to 1974 they started to kill the cadre, the real patriots, who served with them. I had realized the betrayal of Pol Pot since 1972-73, and the most critical time [of the purges] was in 1974.

After 1975, they still kept killing the cadre, down to the people, especially the government workers of Lon Nol, and the “new citizens” who were evacuated out of the city.

Sneider: You mean these things happened before 1975? That in the “liberated areas” that they controlled, they carried out these policies that they later carried out in the whole country?

Heng Samrin: That’s right. First of all in the liberated zone, and then for the entire country. The implementation of that regime was realized by the people in every zone of Kampuchea, but when they rose against them, they were destroyed by them. The rebellions usually failed, so the other struggling people tried to live quietly and wait for a special occasion. So up to the year 1978, that was the time they had the opportunity to join with the army, with the people [in the east—D.S.], and fled to Vietnamese territory where they assisted them so they could fight back.

Sneider: From what I can figure out, there were two periods during the four years, the first one from 1975 to the end of 1976, when they were killing the “new people” and so on. Then in the last two years of the Pol Pot regime, much of the killing was going on within the Khmer Rouge itself. I was told that the southwest region, which was under the direct control of Pol Pot’s lieutenants, that this region was used as a base against the entire

country, including the eastern region, where I know you were. Is that an accurate understanding?

Heng Samrin: All that you say is correct. But the Pol Pot purges were in three phases. The first one began in the year 1973, and at that time they killed all the cadre who were the old, experienced ones who used to fight against the colonialists [the French—D.S.], and they were accused of being “KGB” spies and also were accused of having the ideology or the tendency of Vietnam. That was the first phase.

The second phase is after April 1975 until 1976. That was the purge system when they killed all strata of the people and particularly government workers of Lon Nol. Within that time, as I mentioned, they also massacred cadre who joined the revolution after 1970.

In the third phase, they gathered all regional forces from everywhere in order to fight in the eastern region. They killed all military people; all people, the civilian authorities, who served in the eastern region during that time were killed completely. During the third phase they used all means available like infantry, armor, airplanes.

Sneider: It was like a war within Kampuchea?

Heng Samrin: That was the time when they declared a state of emergency in the entire country, that was May 25, 1978. In the meantime, they also carried out aggression against Vietnam and accused Vietnam of trying to invade us.

Sneider: How do you answer the question: why did this incredible thing happen here?

Heng Samrin: As you know, it is an incredible thing that Pol Pot and Ieng Sary did here. They even tried to abolish the culture of the nation of Kampuchea. They closed the door. No foreign country was allowed to see what was happening during that time, except China. Especially they massacred their own nation, which is unbelievable. Nobody living abroad, except China, had any possibility to see what was happening here.

It was an unstable situation in Kampuchea in 1978. That was the time they allowed the English journalist [Malcolm Caldwell] to come to visit, that was the time the journalist was killed in the hotel in Phnom Penh. The reason the journalist was killed was that he knew the situation in Kampuchea, what Pol Pot did; that’s why they killed him, to eliminate the proof.

Sneider: Thank you very much. I have taken a lot of your time and I hope your words will be read by people in Washington so they can think about what they do here.

Heng Samrin: I would like to thank you for your visit and for paying much attention to the situation in Kampuchea. And I would like to wish for good relations between the people of Kampuchea and the people of America.

Schmidt's counter-options to Washington's folly

by Rachel Douglas, Soviet Sector Editor

Secretary of State Alexander Haig left a track of destruction behind him in West Germany, where he wound up a weekend trip to several European countries.

Haig had only words of understanding, and even justification, for the antinuclear demonstrators who poured into the streets of West Berlin as he arrived there on Sunday. These were "honest people," said the Secretary, and their actions were based on the kind of "objective assessment" that properly flourishes in a democracy.

The demonstrators assessed the city of West Berlin serious property damage and injuries to 80 policemen, when 1000 of the 30,000-strong crowd rampaged in street battles against the police. Their cohorts in Frankfurt assessed the American consul general the blast effects of three fire bombs hurled at his house.

Today, in the climate engendered by Haig's visit, terrorists nearly assessed Gen. Frederick Kroesen, the commander of United States forces in Europe, his life. Gen. Kroesen survived a grenade attack on his car, ambushed by assassins wielding guns and an antitank grenade launcher.

Haig expressed his "deep satisfaction" for the terrorist mobs, declaring: "It has not escaped my notice that my presence here today has brought into the streets West Berliners who think less well of me and my country than I wish. In a sense, I obviously regret those demonstrations, but in a far more important sense, we should all draw deep satisfaction about the strength of democracy and a commitment to democratic institutions in this part of Berlin. All the anguish, the struggle, the determination that the Allies, the Federal Republic, and West Berlin

have expended over the years to keep this city free have been worth the price." Haig went on to praise the mob's Jacobinism by quoting the leading Jacobin ideologue of the French Revolution: "Many years ago, Voltaire, in speaking of another revolution said, 'I disagree with what you say, but I will defend to the death your right to say it.'"

Whose side is he on?

Are Haig and the terrorists on the same side of the barricades?

In the conventional portrait of European-American relations, the version painted day after day in American newspapers, the bold foreign and defense policy of the Reagan administration is challenged by neutralist tendencies in European governments and pacifists in the streets. Haig, you may read, is the American official most sensitive to Europe's need for a modicum of independence and its stake in East-West relations, and therefore the best salesman of administration defense policies to the European market.

Forget this tale for the credulous. Haig went to nudge continental Europe (England requires no pushing) into line behind British-American military and economic strategies that spell disaster for Europe, and for NATO.

In this endeavor, Haig's worst foe is not the environmentalists and terrorists, but West German Chancellor Helmut Schmidt, their target. To topple Schmidt, as intended by German radicals from the British intelligence-spawned terrorist cells to the Socialist Interna-



In Washington this May: whose side is Haig on?

tional-sponsored left wing of Schmidt's own party, would suit Haig's Anglo-American preferences quite well.

Schmidt in Italy

As Haig flew in from Yugoslavia, Chancellor Schmidt was in Italy countering Haig's strategic lunacy in a country whose Socialist defense minister has been very amenable to Haig's agenda of rapid deployment forces, confronting the Soviet navy in the Mediterranean basin, and banking on highly accurate medium-range nuclear missiles for war-fighting in the European theater.

Schmidt's own backing for the 1983 installation in West Germany of new American Pershing and cruise missiles—weapons denounced by Moscow as "first strike" tools that would lower the boiling point for world war—has always been contingent on two things: that another continental NATO member accept them too, and that the alliance pursue negotiations with the Soviets about medium-range weapons, even while the new arsenal is in production.

At a Sept. 13 joint press conference with Italian Prime Minister Spadolini, Schmidt urged caution on arms development and the Reagan administration's manner of making its defense policies. Asked about the enhanced radiation warhead, the so-called neutron bomb, Schmidt observed, "Countries like Germany and Italy, that have signed the Non-Proliferation Treaty, have a right to expect of the nuclear powers not an increase, but a reduction of their atomic arsenals. . . . If

the United States, before announcing the decision to produce the neutron bomb had consulted us, we both would have advised not to take such a decision at that moment." Said Spadolini, "I completely agree."

Schmidt also turned his Italian press conference to the great danger to the West he has highlighted in recent interviews, the danger of economic collapse under the burden of high interest rates dictated from the United States Federal Reserve. "American economic policy," said Schmidt, "has really disastrous consequences for all of our economies."

Schmidt placed the interest rates on a par, as a cause of the economic crisis, with the famous "second explosion of oil prices in 1978," an event often cited as proof of the West's strategic vulnerability.

A missile adjustment

Network television news shows on the evening of Sept. 12, followed by the Sunday Washington Post the next morning, floated the possibility that the Pershing missile deployment might be delayed by four months, until April 1984. The cruise missile, relayed the Post from Department of Defense sources, was in even worse trouble; neither Belgium nor Holland would finalize its acceptance until late in 1982, and Schmidt would not take them alone.

Schmidt's spokesman quickly denied that there had been any West German-American consultations on such a postponement, but German papers suddenly attributed to Haig a certain softening on the missile issue. According to their stories, Haig had moved from insisting that "it is useless to talk about an option of not stationing [the missiles] at all," to the more flexible: "an option of not stationing is included in our talks with the Soviets."

Later this month Haig meets Soviet Foreign Minister Gromyko in the United States, and preliminary talks on medium-range missiles are supposed to be on their agenda. Haig guaranteed hostility from the already skeptical Soviets, however, when he took the occasion of his West Berlin stop to unveil a new accusation against Moscow: violation of bans on biochemical weapons development.

Under these circumstances, Schmidt will not leave it to Washington to handle NATO ties to the Soviet Union. "The United States is not the only country in the world," he said in Rome. "We also have interests elsewhere . . . Japan . . . East Europe, and these interests of ours cannot depend on the relations between the United States and the Soviet Union."

At the end of this year, Soviet President Leonid Brezhnev will come to Bonn for talks with Schmidt. Just before Haig arrived, a Schmidt ally rose in parliament to reiterate the government's position that the Brezhnev visit will be "a very important one."

Brazil, Mexico join challenge to Haig

by Cynthia Rush

When the allies of Alexander Haig and the Israeli Mossad dumped General Golbery de Couto e Silva from the Brazilian government last month, they did so with the hope of aligning South America's southern cone with the State Department's policy of strategic confrontation. The surprising removal of Presidential Minister Golbery, the man who masterminded Brazil's "political opening" and pushed Brazil to become an independent world power, was expected to strengthen those factions in neighboring countries which favor Haig's "aura of power" charade, while at the same time provoking instability within Brazil.

Instability for Brazil is definitely on the agenda; but in the weeks since the Golbery ouster, the Figueiredo government has delivered a shock to Alexander Haig. Brazil has *distanced* itself from the secretary of state's goals, and has in addition harshly criticized U.S. Federal Reserve Chairman Paul Volcker.

Brazilian Finance Minister Ernane Galvêas told Paul Volcker to his face what he thought of his policies during a Sept. 8 seminar in Brasilia entitled "The Perspectives for the World Economy." "When Mr. Paul Volcker raises U.S. interest rates by 1 percent," Galvêas said, "Brazil directly loses \$500 million dollars. Nor is this all that we lose . . . because high interest rates inhibit the formation of [capital] stocks, affecting the sale of our products in the international markets."

In the presence of many high-level banking and financial officers, including the president of the Brazilian central bank, Carlos Langoni, Galvêas requested that the Fed chairman raise Brazil's "profound concern" over these policies in discussions with his colleagues in Washington, and remember how much "keeping rates at 20 percent annually has cost Brazil."

In a Sept. 4 press conference at Brazil's Superior War College, Foreign Minister Ramiro Saraiva Guerreiro assailed South Africa's invasion of Angola and implied that the shift in U.S. foreign policy following the election of Ronald Reagan had led the South Africans to believe they could take such a step with impunity. The Brazilian minister also commented that Soviet and Cuban presence in Angola was provided for by the "legal framework" of the United Nations Charter, and that the same statutes

would apply to Brazil if it were ever requested to send troops to defend the Luanda government.

Saraiva trampled on Haig in a number of other ways during that Sept. 4 press conference.

- He pointedly quashed Haig's hopes of obtaining Brazilian cooperation in creating an anti-Soviet South Atlantic Treaty Organization—SATO—any time in the near future.

- He revealed the way in which the United States is trying to blackmail Brazil into adherence to the Nuclear Non-Proliferation Treaty, and threatening not to furnish it with enriched uranium needed for its Angra-1 facility.

- He called for reversing the "unbridled arms race."

- He defended the "inalienable rights of the Palestinian people," warning that there would never be peace in the Middle East until these rights were fully respected.

- He stated that "there is no inevitable confrontation between North and South," and that the United States' attitude at the North-South summit at Cancún, Mexico, will be "crucial."

A columnist writing in the Sept. 10 edition of the daily *Folha de São Paulo* reported that Saraiva Guerreiro's broad-ranging press conference had set off heated debate in the country's political circles. "In the last analysis, the fact that it was not limited . . . to the area of Latin America or to conventional U.S.-Brazilian relations is an important signal. It is a signal that our foreign policy has become sufficiently active, outside of the Rio de la Plata Basin, to become discussable."

International coordination

Brazil's outspoken criticism of U.S. strategic policy might not be so disturbing to Haig were it not for the fact that both Mexico and West Germany are moving along a similar track.

In a dramatic move on Sept. 11, the Mexican Senate attacked the Reagan administration's decision to produce and deploy the neutron bomb, charging that "the military strategy of the N-bomb has strengthened one of the most absurd theories of war-fighting, the so-called theory of 'limited' nuclear war. This kind of war simply does not exist."

The Senate action follows President López Portillo's denunciations of the N-bomb deployment decision in his State of the Union address Sept. 1, and repeated attacks by both López Portillo and Chancellor Helmut Schmidt of West Germany on Volcker's interest-rate policy. The Mexican daily *El Sol* charged on Sept. 5 and 7 that the goal of the neutron bomb deployment and "limited nuclear war" doctrine was the implementation of the *Global 2000 Report's* policies for depopulating the Third World (see page 36).

Brazil's decision to align itself with these nations on the crucial issues facing the international community minimally holds the potential for foiling Haig's plans to

convert the Cancún summit into a debate on how best to impose mass depopulation in the Third World. The history of Brazil's collaboration with West Germany in the development of its nuclear program, and its reluctance to be dragged into the Central American crisis in any way, enhances the possibility of closer coordination with these nations as the Cancún summit draws near.

Haig and fellow social-democrat at the United Nations Jeane Kirkpatrick intend to make Brazil pay for its boldness by encouraging the same kind of internal destabilization there that they have tried to set off in Mexico.

The effort surfaced several weeks ago when members of the largely Jesuit-run radical clergy, a numerically strong faction that controls the National Bishops Council, CNBB, began inciting urban squatters and rural sharecroppers to carry out land invasions and other acts of violence. Implicated in the organizing of the invasions were members of the Brazilian Democratic Movement—*MDB*—opposition party linked to the Socialist International.

In the aftermath of Golbery's removal, the clergy's organizing in the name of "socialism," and destruction of private property is intended to provoke repression by the hard-line generals—perhaps even the cancellation of next year's elections—laying the basis for further violence and social upheaval.

Brazilian comments on differences with the U.S.

The following are excerpts from an editorial comment entitled "Diplomacy Under Pressure" published in the Folha São Paulo on Sept. 10, 1981.

There can be no reasonable doubt as to the motives which led Brazil to ignore ideological barriers and give decided support at this time to Luanda's socialist regime. From the standpoint of our international policy as well as of our commercial interests with black Africa, this was the only rational attitude in the face of South African aggression.

Nonetheless the understanding of the United States appears to be different, and even before the current crisis it had been calling on Brazil to establish a military alliance with Pretoria in the name of [defending] Western security in the South Atlantic. The recent press conference by foreign minister [Saraiva] Guerreiro at the Superior War College, underscoring the difference between a "loyal friend" and a "docile ally" in international relations, can be understood at least in part as a reply to this type of pressure, which has certainly intensified recently.

With a line reminiscent of the era of the Cold War,

the tendency of the Reagan administration appears to be to try to impose on Brazil an alignment that would obviously isolate it from the rest of Africa, thereby annulling our efforts of the last few years at rapprochement. We don't doubt the ability of the Brazilian government to resist the invitation. . . .

In an Aug. 29 interview with Estado de São Paulo and in a Sept. 4 press conference at Brazil's Superior War College, foreign minister Saraiva Guerreiro expressed views on several foreign policy issues:

On South Africa's invasion of Angola: . . . In the first place the South African presence in Namibia is illegal. . . . Then, from the Namibian territory which it illegally occupies . . . South Africa made incursions into Angola's territory. South Africa made an armed attack against a sovereign state. This clearly represents an armed attack that would even justify . . . that the country which was the victim of the armed attack not be condemned in any manner for requesting foreign assistance to defend itself. . . .

We cannot ignore Article 51 of the U.N. Charter which recognizes the inherent right to self-defense, even with the assistance of others. . . . I also believe that the presence of Cuban and South African troops cannot be assessed from identical juridical standpoints, nor from the same political standpoint. We do not like the situation but we have to understand that it came about through the request of a government with which we maintain diplomatic relations and whose territory was being invaded.

On the creation of a South Atlantic Treaty Organization: Of all the oceans, the South Atlantic has the fewest indications of an international military presence. It is today, as it has always been, a peaceful region . . . this is a situation that should be preserved. . . . Brazil and the other developing countries lining its shores . . . have expressed an interest in keeping it safe from all international tensions and confrontation. . . .

On North-South Relations: There is no inevitable confrontation between North and South. . . . Confrontation is inevitable when there is no spirit of negotiation. . . . In the same way that the attitude that the United States assumes at the upcoming North-South meeting will be crucial, the socialist countries must participate in the process of international economic negotiation, and assume a role coherent with the relative position they occupy in the world.

The advanced countries of the West should have a more precise perception of the essentially Western dimension to North-South relations, because the industrialized economies and the developing ones form one system, a totality. . . .

Mexico's El Sol ties Global 2000 to war policy

Mexico's national newspaper chain, El Sol, last week exposed "Global 2000"—the Carter administration authored scheme to eliminate at least 2 billion of the world's inhabitants by the year 2000. Here are excerpts from two El Sol articles written by Guillermo Chao Ebergenyi and published Sept. 5 and 7.

Have you ever heard of something called the "Global 2000" plan? Let me explain it to you.

Officials of the Mexican government have begun an investigation of the philosophy which led to the creation of the genocidal "Global 2000" plan within the U.S. government; of the profile of its authors; the past, present and future of its defenders; and, in general, the thinking which leads the White House to plan the annihilation of one-third of humanity on the threshold of the year 2000.

I will start with the authors. Richard Perle. Age: 40. Assistant Secretary for National Security Policy. Responsibilities: supervise military relations between the United States and Europe and Canada; and the stationing of atomic missiles. Permanent Senate Committee on Investigations (1972-1980). Political orientation: a hard-line confrontationist. Adviser to Henry Jackson on the White House. Former official of the Abington Corporation, a military firm defending the doctrine of "limited nuclear war."

Francis J. West. Age: 41. Assistant Secretary for International Security Affairs. Responsibilities: identical to the Perle case. Last previous post: consultant to the secretary of the Navy and chief of Naval Operations, from 1977 to 1981. Political orientation: defender of the doctrine of "limited nuclear war." It is believed that he drafted a good part of the document known as MC 14/4, which is the nuclear strategy of NATO.

This pair of birds, together with the current U.S. Secretary of Defense, a group of senators, and the White House itself, are the authors of the most abominable theory of "purification" in the world.

The followers of these Malthusian tendencies conclude their reasoning in the following manner: the human race reproduces itself disproportionately in relation to food. While it grows geometrically, food grows arithmetically. If we continue this way, by the year 2000 the world will be so polluted and congested, that despite developing multiplication of human production, the inhabitants of that time will be poorer than those today.

This leads the adherents of this view to think that a

"limited nuclear war," and not a nuclear war involving intercontinental bombardment, would resolve the problem without falling into total annihilation.

"Limited nuclear war" is the modus operandi of the so-called "Genocide 2000 Plan." This doctrine was introduced into NATO by Schlesinger, and includes among its strongest supporters Fred C. Iklé, U.S. Undersecretary of Defense. . . .

The story started with a document called *Global 2000 Report to the President*, which was prepared by the Department of State and the Council of Environmental Quality under the Carter administration.

According to this plan, involving statistical reports and analysis of 13 government agencies, from the Department of Agriculture to the CIA, the solution to be imposed is a form of world genocide.

This would be put into effect through nuclear exchanges with the Soviet Union in specified areas which, of course, would be outside U.S. and Soviet territory.

The areas placed under "observation" by advisers like Francis J. West include: the Caribbean, Africa, Middle East, and some Asian countries.

Contents of the Global 2000 Report

By the year 2000, following current and projected rates of demographic growth, world population will consist of 6.350 billion inhabitants, of which 4.444 billion will be pariahs, living in slums without any urban services whatever. Mexico City—the study claims—currently overpopulated, will have by then 31 million people; Calcutta, 20 million; Cairo, Bombay, Jakarta, and Seoul, 15 million each.

The document does not say so, but it's obvious that the macro-cities will be one of the principal objectives of "limited nuclear war. . . ."

The study predicts that by 1990 there will be inadequate supplies of oil and other energy sources. The poorest nations will have to slowly return to wood as a fuel source. Through cutting of forests there will be shortages of water. . . .

These are some of the highlights of the study. It was distributed by the Carter administration to all the foreign embassies accredited in Washington, and therefore is no state secret or anything of the sort.

If this [resource scarcity] method should fail, the Pentagon has its own, consisting of the "Global 2000 Plan." We can be sure that the Pentagon will apply the plan in all aspects until it obtains the desired effect through "limited nuclear war" in regions which merit the practice of population "purging". . . . Washington is definitely headed toward war. And if we keep in mind that the Kremlin hasn't the slightest interest in being left behind in this arms race, we must recognize that this time, the result will be measured by the thousands of deaths.

EIR

Executive Intelligence Review

Special Reports

The special reports listed below, prepared by the EIR staff, are now available.

- 1. Prospects for Instability in the Arabian Gulf**
A comprehensive review of the danger of instability in Saudi Arabia in the coming period. Includes analysis of the Saudi military forces, and the influence of left-wing forces, and pro-Khomeini networks in the country. \$250.
- 2. Energy and Economy: Mexico in the Year 2000**
A development program for Mexico compiled jointly by Mexican and American scientists. Concludes Mexico can grow at 12 percent annually for the next decade, creating a \$100 billion capital-goods export market for the United States. Detailed analysis of key economic sectors; ideal for planning and marketing purposes. \$250.
- 3. Who Controls Environmentalism**
A history and detailed grid of the environmentalist movement in the United States. Analyzes sources of funding, political command structure, and future plans. \$50.
- 4. Prospects for Instability in Nigeria**
A full analysis of Nigeria's economic development program from a political standpoint. Includes review of federal-state relations, analysis of major regional power blocs, and the environment for foreign investors. \$250.
- 5. The Significance of the Shakeup at Pemex**
EIR correctly forecast the political troubles of former Pemex director Jorge Díaz Serrano, and this report provides the full story of the recent shakeup at Pemex. Includes profile of new Pemex director Julio Rodolfo Moctezuma Cid, implications of the Pemex shakeup for the upcoming presidential race, and consequences for Mexico's energy policy. \$200.
- 6. What is the Trilateral Commission?**
The most complete analysis of the background, origins, and goals of this much-talked-about organization. Demonstrates the role of the commission in the Carter administration's Global 2000 report on mass population reduction; in the P-2 scandal that collapsed the Italian government this year; and in the Federal Reserve's high interest-rate policy. Includes complete membership list. \$100.
- 7. Near-Term Prospects for Gold Price Increase**
A political guide to the reasons for the recent decline in the price of gold, and likely price movements in the future. Includes analysis of control over international private gold stocks, ongoing efforts to corner the market, and review of scenarios now in circulation for remonetizing gold. \$500.

EIR

EXECUTIVE INTELLIGENCE REVIEW

I would like to receive these EIR Special Reports:

Order Number(s) _____

Bill me for \$ _____ Enclosed is \$ _____

Please charge to my VISA Master Charge

Card No. _____

Signature _____ Exp. Date _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone (_____) _____
area code

Make checks payable to:

Executive Intelligence Review, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019 (212) 247-8820.

Will Begin doublecross Sadat?

The Israeli chief of staff's blast at Sadat may signal a pending break between the Camp David treaty partners.

A falling out between Israel and Egypt broke into the headlines in mid-September in what is perhaps the most serious diplomatic spat between the two since the Camp David treaty was signed.

The incident was triggered by a statement from Israeli Chief of Staff Gen. Rafael Eytan, concerning Sadat's Sept. 9 crackdown on his opposition. Eytan warned that "if Sadat goes," the Camp David agreement will collapse. The statement was characterized by Egyptian officials as meddling in Egypt's internal affairs.

The Egyptian government immediately requested an official explanation from Israeli Prime Minister Menachem Begin, and harshly referred to Eytan's statement as "slandorous and harmful to the peace process."

The statement from Eytan reflects the emerging stance of both Begin and his hard-line defense minister, Ariel Sharon, who are known to be considering sacking the Camp David Treaty and refusing to return the remainder of the occupied Sinai territory to Egypt by April 1982. Since Sadat has come under fire from his opposition for signing the treaty, should Begin back out of the agreement this would seriously undercut Sadat. Fragments of Sadat's opposition are known to be mobilizing outside Egypt, with activity centered in London.

Begin's moves pivot around his

open effort to forge a formal U.S.-Israel military pact to dominate the Middle East and the Eastern Mediterranean. The prime minister pushed very hard for such an agreement during his talks last week with President Ronald Reagan. Begin aims to make Israel the sole Middle East player in Secretary of State Haig's cold war "strategic consensus"—though certain circles in Washington are not happy with Haig's overly cooperative approach to Begin.

Begin's emerging "Israel first" policy stance aims to undercut traditional U.S. relations with its two strongest Arab allies, Saudi Arabia and Egypt, a move which would destabilize both regimes. The Begin outlook was reflected in this month's *Commentary* magazine, the organ of the American Jewish Committee. Professor Robert W. Tucker, who was the first American strategist to advocate a NATO seizure of the Arab oilfields of the Persian Gulf, attacks Reagan in an article entitled "The Middle East: Carterism without Carter" for reneging on his 1980 campaign promise to make Israel the prime U.S. Middle East ally. Tucker then harshly attacks Sadat for refusing to give American troops base rights in Egypt.

But as one Egypt watcher commented, "Egypt has historically fought foreign military occupation, and to this day Sadat and Egypt's generals are very sensitive to grant-

ing American troops such a status."

It is significant in this light that it was Egyptian Defense Minister Gen. Abdul Halim Abu Ghazala, who personally rebuffed Eytan. In a Sept. 12 press statement, General Abu Ghazala chastized Eytan for his "irresponsible" statement and summoned Israeli Ambassador to Cairo Moshe Sasson to voice his displeasure. That same day he and Egyptian Chief of Staff Lieutenant General Adelrab el-Nabi Hafez announced that they were indefinitely postponing a late September trip to Israel in protest to Eytan's remarks.

"We need to have equipment in order to be able to deter and defend. The people around us have to see a strong Egypt, and a strong Saudi Arabia, and we must bring our two countries together again," said Abu Ghazala, in a candid interview with the U.S. *Armed Forces Journal* this month. "It could be a good axis for the West, and a stable power that could face any danger from the outside. Some people say, why don't we include Israel in this formula? I don't believe that this is the time to do this because of the Palestinian problem. If we solve the Palestinian problem, and if we find a just solution for the Palestinians, we could discuss this in the future, but now it is impossible."

The strongest motivation for Begin to renounce Camp David rests with his fears that the moment Sadat secures the Sinai he will renew ties with Egypt's Arab neighbors, particularly, Saudi Arabia, Egypt's best Arab friend until Sadat signed Camp David, which Riyadh denounced. A Saudi-Egyptian axis particularly with U.S. support, could become a formidable future military and diplomatic rival to Israel.

Behind the Michigan meeting

López Portillo doesn't like "trilateralism," but he likes the trend in Central America even less.

The Sept. 17-18 trip by President José López Portillo to meet Ronald Reagan and Pierre Trudeau in Grand Rapids, Michigan, is being viewed here as one of the trickiest and most difficult moments of diplomacy in recent Mexican history.

The sudden decision of López Portillo to attend the inauguration of the Gerry Ford library in the company of the U.S. President and the Canadian prime minister, after previous indications that Mexico was not interested, came one week after the Mexico-France communiqué urging a negotiated solution to the El Salvador fighting.

It is clear that one of the top items on López Portillo's agenda will be to explain the Mexico-French move personally to Reagan and attempt to pull him away from Alexander Haig's control of U.S. policy in the region.

On other occasions López Portillo has made it more than plain that a tripartite format was not acceptable to Mexico—it smacked too much of the North American Common Market idea which Mexico has formally and repeatedly rejected. But this time around it looks like López Portillo decided the urgency of meeting directly with Reagan outweighed the drawbacks of the "Common Market" taint. Though not highly publicized, Reagan is meeting privately with López Portillo the evening before the ceremonies.

A high-level Mexican govern-

ment source gave me this picture of the Mexican thinking a few days before the summit:

"Reagan is boxed in in terms of the El Salvador situation. He has no alternative but to accept the suicidal course of Alexander Haig, and launch the Vietnamization of the region, or pull back and accept the negotiated political solution as proposed by Mexico. We believe it is possible Reagan will accept the latter in order not to destroy his relation with López Portillo."

But Central America will not be the only item López Portillo brings with him. A commentator for the state-controlled Channel 13 television here revealed over the weekend that the Mexicans plan as well to raise the Volcker policy of high interest rates and the Oct. 22-23 North-South summit in Cancún. The Mexican government doesn't want to wait until October, I am told, to present directly to Reagan their deep concern over what the Volcker policy is doing to the economy here and worldwide. López Portillo referred directly to these negative effects in his State of the Union address Sept. 1, calling the current interest rates "absurd."

While not hiding these major points of divergence, Mexico is at the same time underscoring its goodwill toward the Washington administration. The unusual warmth and prominence accorded George Bush's visit to Mexico for our Independence Day celebrations

Sept. 15-16, on the eve of the Grand Rapids get-together, attests to this.

Mexico's Aug. 28 call with France for Salvadoran opposition elements to be included in peace negotiations was fiercely criticized by Venezuela and several other Latin American nations as "interventionism." Mexico has responded by reiterating that its position is not intervention, but rather a call to conscience: either a political solution is found based on negotiations, or a process of Vietnamization leads the region into a holocaust of genocidal proportions.

It is significant that at the same time that Mexico took its joint action with France, the Mexican press revealed that government officials are studying what they view as the "genocide doctrine" of the Carter administration's *Global 2000 Report*. And Mexican novelist Carlos Fuentes took to the pages of the *New York Times* two days before the Michigan meeting to stress that the Mexico-France resolution "offers the United States a way out of the swamp" of a situation in which "genocide has become an everyday occurrence."

So if Mexico is "intervening" anywhere, maybe it is intervening into the United States. José Luís Mejías, a well-read columnist for the Mexico City daily *Excelsior*, drew the careful distinction that exists in fact between Reagan and other elements of his administration in a recent column. "We must not fall into the trap of attacking Reagan for everything," he wrote, "because Reagan is being pressured by Haig, the technocrats, the hawks, and the Pentagon." In effect he notes, the Mexico-France proposal is directed at offering support to Reagan.

International Intelligence

Zia directly involved in opium trade

Pakistani dictator Ziaul Haq, the man to whom Alexander Haig wants to send more than \$3 billion in military aid, is directly involved in the illegal opium trade, according to sources in the Pakistani exile community. When Undersecretary of State James Buckley appeared before Congress Sept. 15 to argue for approval of the arms package, three congressmen asked Buckley about the extensive increase in drug trade under Zia—questions totally blacked out of the press.

Since Zia came to power in 1977, drug production in Pakistan has rapidly increased. During 1979 it reached 700 metric tons of opium—more than four times the amount required to feed all the world's addicts for a year. With these enormous stocks on hand, drug production during 1979 dropped to 125 metric tons. According to experts the production takes place primarily in the provinces of Baluchistan and the Northwest Frontier Province (NWFP). Caravans transport it from these areas to Teheran; other shipments go by river to Karachi where ocean-going vessels or planes then carry it abroad.

Shortly after Zia took power in a military coup, he fired a top police officer who was investigating military officers involved in the opium trade. Zia then appointed the brother of one of those under investigation, Gen. Fazle Haq, as military governor of the NWFP. Gen. Fazle Haq himself had previously been caught transporting hashish from another Pakistani province to the port city of Karachi, while the general's brother has been repeatedly arrested for drug running. The general and his brother are both tied to drug racketeers in the British Crown Colony of Hong Kong.

Zia's own son, Ijaz ul Haq, is married to the daughter of General Rahimuddin, whom Zia appointed as military governor of Baluchistan, another major opium growing region of Pakistan.

When Zia took power he also reorganized Pakistan International Airlines (PIA) to put his military cohorts in charge. PIA aircraft have repeatedly been caught loaded with dope, including a 1977 Copenhagen discovery of a group of air force officers running drugs through PIA.

EIR will provide a full dossier to Congress during the congressional hearings that begin Sept. 21 on the proposed U.S. aid package of \$3.2 billion to Zia, and will publish full documentation in *EIR*.

Drug and terrorist lobby backs López Michelsen

Former Colombian president López Michelsen, the social democratic front-runner for the Liberal Party's 1982 presidential nomination, has attracted advocates of legalized drug consumption and terrorism to his political campaign.

According to Colombian press reports, the country's most prominent defender of marijuana legalization, Ernesto Samper Pizano, would become the "éminence grise" of the López campaign, should the latter become the ruling party's candidate for president. Samper is an executive board member of the International Cannabis Alliance for Reform (ICAR).

Reliable sources in Bogotá also reveal that well-known writer Gabriel García Márquez recently endorsed the López Michelsen candidacy. Earlier this year, García Márquez was forced to flee Colombia to avoid interrogation on his connection to the Socialist International-linked terrorist group, the M-19. Observers say that the García Márquez endorsement is explained by López Michelsen's own ties to the Socialist International and his stated preference for "negotiating" with groups like the M-19. A few months ago García Márquez predicted that the next president of Colombia would be "the man who has

the balls to speak with the guerrilla movement."

Socialists announce work-sharing schemes

French Prime Minister Pierre Mauroy announced his program against unemployment Sept. 16. With unemployment set to break 2 million by year's end, the Socialist Mitterrand government intends to use Malthusian logic to "share the poverty."

The principal measures to be voted up by the Socialist-dominated National Assembly include financial incentives for business to reduce the work week; decreasing the retirement age to 56; introduction of "part-time retirement"; a program under which school dropouts would work for one year to "fight pollution," maintain forests, and tend national parks in exchange for food, housing, and less than \$200 a month.

They also plan "solidarity contracts" in the newly expanded nationalized sector, reducing work hours drastically to the level of part-time work with corresponding pay cuts. Private-sector firms will be encouraged to adopt similar contracts.

Brazilian minister visits Mexico

Brazil's Foreign Minister Ramiro Saraiva Guerreiro stopped off in Mexico on Sept. 16 en route to New York to attend the General Assembly session at the United Nations. The Brazilian foreign minister was scheduled to meet with his counterpart Jorge Castañeda to discuss the crisis in El Salvador among other topics.

The Mexican press on Sept. 12 reported Saraiva Guerreiro's comment that while he doesn't share Mexico's view on El Salvador, he considers relations between the countries to be excellent. They do share the same point of

view on many other issues, he said, and are committed to deepening their bilateral relations.

In recent weeks Brazil has moved closer to Mexico in asserting differences with official U.S. State Department policy. In a recent ceremony for the departing U.S. ambassador to Brazil, Robert Sayre, Saraiva pointed out that "in this changing world, the relations between countries cannot be static. . . . It is natural that differences in interests and points of view arise, since our relations are so broad and so diverse and the presence of our countries in the international arena is so dynamic."

Japan's LDP wants Kampuchean policy

Four members of Japan's ruling Liberal-Democratic Party (LDP) Sept. 6-10 made the first visit to Kampuchea by an LDP delegation since Kampuchea's 1978 liberation, and called for a reversal of Tokyo's present support for Pol Pot, i.e. its voting for Pol Pot to retain Kampuchea's seat at the United Nations. "Despite the Japanese government's continued support for the Pol Pot regime," declared Hajime Ishii, secretary-general of the Afro-Asian study group of the LDP, "the Japanese people's sympathy and friendship are with the Kampuchean people." He added he could hardly consider Pol Pot a Kampuchean once he had seen with his own eyes the results of the massacre Pol Pot launched against the Kampuchean people.

Ishii called for the Japanese government to reverse policy, including the current freeze on economic aid to Vietnam. According to Japan's Kyodo news service, Ishii met with Kampuchean Foreign Minister Hun Sen, as well as with Vietnamese Premier Pham Van Dong.

Ishii's call reflects Tokyo's increasingly critical attitude toward the U.S. "China Card" policy. Given U.S. pressure, it is unlikely that Japan will resume governmental economic aid to Vietnam,

but it is very possible that Tokyo will allow private businesses to resume significant business activity and investment projects in Vietnam.

Senator hits Hong Kong banks' ties to drugs

The *Far Eastern Economic Review* (*FEER*), the prominent Hong Kong-based magazine well known for its role in covering up the connections between the Hong Kong banks and the international narcotics traffic, admitted in its Sept. 4-10 issue that the British Crown Colony is awash with money "that is not only 'hot' but downright dirty." The magazine pinned the blame on Hong Kong financial institutions involved in "the laundering of funds from drug trafficking."

The magazine cited one Hong Kong Narcotics Bureau officer saying, "Hong Kong is a financial center and a free port—there must be money coming through as a result of trafficking from the Golden Triangle [the border region of Thailand, Burma, Laos, and China]."

FEER was forced to make this revelation following publicized statements made by U.S. Senator Sam Hayakawa of California during a fact-finding tour of the Far East. In a strong indictment of the "free-trade" economic environment of the colony, the California Republican stated, "The monetary discussions in connection with shipping of drugs are negotiated through Hong Kong banks."

Hayakawa added, "One way of tracking such traffic is simply having the rights to inspect large sums of money." *FEER* countered, "The laissez-faire character of all business here makes it impossible to trace money used in criminal acts and to calculate the real assets of criminals." *FEER* makes no mention of the Hongkong and Shanghai Banking Corporation, the "central bank" of the international drug trade, which owns controlling interest in *FEER*.

Briefly

● **THE SWEDISH** International development Agency has confirmed that at least 23 Bangladesh women died within 24 hours of sterilization operations conducted by the agency, but stated that the benefits of the program far outweigh the disadvantages.

● **NGUZA KARL-I-BOND** former prime minister of Zaire, was in Washington in mid-September promoting a Belgian/Anglo-American campaign to overthrow the Mobutu regime.

● **CIA** reports on Lebanon have reportedly been kept from Ronald Reagan as part of an agreement between Alexander Haig and Menachem Begin to control the flow of executive information.

● **HANS MATTHÖFER**, the West German finance minister, said Sept. 16 that industrial investment is the only way to strengthen the deutschemark.

● **LAURENT MURAWIEC**, *EIR*'s European Economics Editor, visited Quebec late in September for meetings with business and government leaders, speeches, and television interviews.

● **PIERRY MAUROY**, prime minister of France, has resurrected the early-1950s proposal for a supranational European Defense Community, after the Thatcher-Mitterrand summit in London.

● **ROBERT BADINTER**, the French justice minister, has accepted a request to consider rehabilitating Nazi collaborator Marshal Philippe Pétain. All such requests have been refused because 1950 since treason convictions are considered irreversible.

● **RED STAR**, the Soviet military daily, stated Sept. 11 that the Soviet army is "the most favored child" in the U.S.S.R. and "receives everything it needs" to do its job.

Why Chairman Volcker remains so self-confident

by Richard Cohen, Washington Bureau Chief

The anti-Volcker shock delivered to congressmen and senators spending the August recess in their home districts has, as of Sept. 17, generated the proposal of at least 20 separate congressional bills or resolutions aimed at legislating a confrontation between the Federal Reserve Board and the President or Congress. Further, according to sources close to the Senate leadership, at least 15 proposals are now circulating on Capitol Hill focusing on even more radical calls for reorganization of the monetary system, with special emphasis on the re-entry of gold.

Sources close to the White House add that President Reagan's important Sept. 14 meeting with conservative House Democrats, and his Sept. 15 summit with the congressional Republican leadership, both aimed at fixing a winning consensus around the President's upcoming "second round" of budget cuts, included intense and extensive exchanges on the question of "excessively high interest rates." On Capitol Hill, one veteran senator asserted that the popular avalanche there against high interest rates is "like something he has never seen before."

While official Washington creaked under this new national pressure, Paul Volcker, announced, to the horror of Brazilian businessmen gathered at the São Paulo Club Sept. 4, that U.S. interest rates would not come down for at least the next two years. Importantly, Volcker's confident proclamation in Brazil, put forth well beyond the earshot of Congress, drastically exceeded the prediction he had made a month and a half ago before the Senate and House Banking Committees of what was

at that time broadly considered intolerable—six more months of high interest rates.

Volcker was no less confident when he appeared before the Senate Banking Committee Sept. 16, reporting that Congress will have to either make further drastic cuts in the budget or consider new taxes in order to restore "confidence in the market." He waved aside popular and congressional sentiment, responding that he would not budge under such pressure. Volcker's condescending challenges to Congress, amplified by a continuous deluge of editorial budget and tax demands from the *New York Times*, *Washington Post*, and the *Wall Street Journal*, thus persisted through a week's worth of congressional and executive huff and puff against high interest rates and "Wall Street."

While the uncertainty over the 1982 elections that was begun during the August recess increasingly haunts Washington's elected officials, most who have come back to Washington over the past week and a half have already sought to buy time by finding an economic equation that can satisfy both their irate constituents and Wall Street.

And, alongside this moral weaseling, Volcker and his friends believe that Congress, the President, and the American people do not possess the required levels of *intellectual* courage to develop a solution to the current economic crisis and to simultaneously assume the responsibilities for setting priorities for the nation's economy.

Nowhere has this profile of Washington's elected officials been more justified than at the White House

over the course of the second two weeks in September. According to an informed Senate source, the Sept. 16 White House summit with Republican congressional leaders revealed that the President and his closest advisers are now desperate to lower interest rates but do not see the conjuncture as an "eleventh-hour crisis." This source reports that the President believes "we are only at the tenth hour," and has asked the Republican leadership on the Hill for 90 days within which to bring the rates down substantially. The President's time-buying plea, aimed at creating breathing room until his State of the Union address, could have devastating consequences, with no guarantee that the U.S. economy will not enter the widely predicted serious collapse phase in October. The President and his most intimate advisers have set upon a fresh attempt at pleasing Wall Street, while at the same time attempting to retain enough constituent support to survive. In a "stick to your guns" message, President Reagan announced on Sept. 13 his decision to ask for only marginal cuts in the defense budget amounting to \$2 billion in 1982, \$5 billion in 1983, and \$6 billion in 1984. This decision, aimed at holding together the President's conservative ranks, ran contrary to proposals offered by OMB Director David Stockman to cut the defense budget by well over \$30 billion in the span of the next three fiscal years.

However, pursuing its cuts elsewhere, the White House leaked late Sept. 16 that it intends to renege on a series of pledges not to demand further reductions in Social Security outlays. In a disgusting assault on all entitlement programs including Social Security, the administration has indicated that it is prepared to push for a rollback in the cost-of-living timetable. Indications are that this late move against sensitive programs was aimed at covering up what would essentially have been a forced official White House announcement that the budget deficit for fiscal 1982 would be vastly above \$42.5 billion.

The panicked decision to go after Social Security and other entitlement programs—reflecting the real size of the deficit Volcker has caused, and setting a precedent for more and more betrayals of political pledges—was made against the strong opposition voiced earlier this month by the House subcommittee on Social Security, chaired by J. J. Pickle of Texas, where Democrats brought further evidence that cuts so far enacted in Social Security would already cut out one-half million poor people. The President's political advisers had seemed aware that any further cuts in Social Security would mean political disaster. This week David Stockman's much-awaited appearance before the Senate Budget Committee, where he was to lay out the programs that were to be cut in the second round, has been postponed twice.

The trial balloon on the new White House target of \$50 billion in deficit was floated Sept. 14 by Commerce

Secretary Malcolm Baldrige. After the Sept. 16 White House summit with congressional Republicans, both Senators Laxalt and Domenici resurfaced the new \$50 billion figure. Now, the White House is prepared—though it may waffle once more—to move onto that destructive political ground in order to cover a deficit that would be harmless if it were pursuing industrial growth policies.

Party repercussions

While these new dramatic cuts were proposed, the President was already suffering dramatic splits in his own party on the basis of previous budget cuts. Such a split was already in evidence in the Senate Agriculture Committee debate on the administration's farm bill, when Senator Boschwitz and Senator Jepsen tangled on opposite sides of the fence in committee this week.

In addition, on the only other vote of significance to take place this week, two ultraconservative senators, Symms of Idaho and Grassley of Iowa, voted in the Senate against the President's desire to lift the federal debt ceiling above \$1 trillion. But even more dramatic than these early defections was the Sept. 16 announcement by New York's Rep. Jack Kemp that he would resist presidential budget cuts across the board (probably with the motivation of forcing the deflationary gold option).

Reagan's attempt to find a middle ground *where none exists* was in further evidence in a Sept. 14 meeting at the White House with conservative House Democrats. According to sources close to the attending congressmen, presidential advisers urged them not to endorse the resolution sponsored by Sen. John Melcher (D-Mont.) aimed at forcing the President to confront the Federal Reserve Board and its interest-rate policy. These congressmen were told that it would be "politically embarrassing" for the President to be put in such a position. These sources further reported that the line coming out of the meeting was to "talk tough against Wall Street," but find further budget cuts.

Former chairman of the board of Merrill Lynch, Donald Regan, was unconvincingly trotted out to the Midwest to attack Wall Street and initiate a "nudge campaign" aimed at working several percentage points off the Fed's high interest rates. White House economic mouthpiece Murray Weidenbaum also urged that money supply and rates could be marginally relaxed. White House politicians hope that by chopping a few points off the prime rate they can buy time.

Shockingly, the Fed and Wall Street also picked up the vocal support of substantial sections of Democrats on the Hill. The move to reassert Wall Street control over congressional Democrats was escalated last week when Alice Rivlin, staff director of the Democratic-controlled Congressional Budget Office, testified before

the House Budget Committee. Rivlin, a graduate of the liberal monetarist Brookings Institution, home of Jimmy Carter's key economic advisers, dramatically asserted that the budget deficit for pre-cut fiscal 1982 would not be the \$55 to \$60 billion the Reagan administration had tacitly projected, but would be a whopping \$80 billion. She also projected that President Reagan, to meet projected targets for 1983 and 1984, would have to cut an additional \$100 billion, not the \$74 billion projected by the White House.

The Rivlin testimony has fed an increasingly vocal move by the House and Senate Democrats to rescind the tax cuts already voted into law. Senators Bradley (D-N.J.), Hollings (D-S.C.), and Hart (D-Col.) have led an early charge for a whopping tax increase on the American people, a tax increase endorsed Sept. 16 by Volcker and incessantly pushed by the *New York Times*, *Washington Post* and Wall Street.

In addition, the recent signals from the White House on increased entitlement cuts quickly elicited a response from the Democratic National Committee executive committee meeting in Washington Sept. 17, chaired by Charles Manatt. The executive committee officially declared the Social Security issue to be at the forefront of its attacks on the Reagan economic program. And another move to set up Reagan as the fall guy for Volcker was further highlighted by the Socialist International-connected leadership of the DNC. When the state chairmen from the West put up a resolution demanding lower interest rates and blaming the Fed, DNC chairman Charles Manatt reworded the resolution before adoption to remove the criticism of the Federal Reserve and lay the blame for high interest rates directly on Reagan. Further, early rumbles are surfacing among House Democrats aimed at targeting larger cuts in the U.S. defense budget, a policy also endorsed by the *New York Times* and *Washington Post*.

While in none of the some 20-odd bills and resolutions related to the problem of high interest rates now circulating on the Hill is there any legislative solution to the economic problems presented by high interest rates and inflation, the momentum generated from constituencies is forcing the Melcher Resolution, now introduced on the House side by Rep. Bill Alexander (D-Ark.), to the forefront, and a vote is expected soon on the Senate side. However, it should be noted that in no instance over the course of the past week has the President or Congress challenged the basic economic principles of "Wall Street."

However, behind the clamor on both sides of Capitol Hill and the White House around the question of interest rates, there are some important signals. Noteworthy is the fact that within the congressional Republican leadership there are stirrings of serious discussion of escalating the current "jawboning" campaign against

Wall Street. Senate Majority Whip Ted Stevens, in Senate floor debate last week, suggested that Wall Street and the Fed's failure to bring down interest rates soon would suggest a conspiracy. The Stevens remark, uttered privately by other congressional Republicans, shattered the myth that budget cutting and other "painful" measures are the only road to lower interest rates, as Volcker and the *New York Times* have continuously suggested.

In addition, Russell Long (D-La.), associated with a number of Southern and Southwestern moderate Democratic senators who, several months ago, advanced the initial salvos against the Federal Reserve and high interest rates, told the Senate that "the chairman of the Federal Reserve Board is using his influence to keep interest rates high, and the chairman is keeping money supply as tight as possible. If one wants to cooperate with the Manhattan bankers' making interest rates as high as they can go; that is the way to do it." Long went on to suggest that the federal government assume control over credit creation through the reinstatement of something "like a Reconstruction Finance Corporation," which could be made to "use the people's credit to the benefit of the majority of the people, not the money lenders."

While these comments are interesting, they in no way add up to serious response. Only a movement of size and seriousness can shape an admittedly highly malleable Congress and President around necessary measures.

What Congress said about interest rates

Federal Reserve Chairman Paul Volcker, testifying Sept. 16 before the Senate Budget Committee, announced that cuts in federal spending "are only a down payment" on what is required to "bring expenditures in line with receipts," and called for deeper budget cuts. In cross-examination, Volcker went so far as to state that rates will remain high no matter what Congress does. Excerpts from the cross-examination, transmitted by Washington correspondent Susan Kokinda, follow.

Peter Domenici (R-N.M.), committee chairman, asked when rates might come down. Volcker said: "Well, short-term rates are down, not long-term, but it is really a question of the market's judgment on how successful

you, we, the government is in developing programs that are convincing to the markets. If the programs are not convincing, the response won't be favorable. . . . You have to realize that wages are two-thirds of all business costs, and if we are to have fundamental progress in [the fight against] inflation, then we have to see wage settlements beginning to come down."

Told by Ernest Hollings (D-S.C.) that he "had better sober up" if he thinks Congress will pass \$100 billion in budget cuts, Volcker replied, "Well, if you find it impossible to balance the budget on the basis of spending cuts, and I am not convinced that is the case, then at some point, but not now, you would have to look at raising revenues."

Senator Bill Armstrong (R-Colo.) spoke about how high interest rates are "causing widespread human tragedy," but added, "There is an astonishingly widespread feeling that you [Volcker] wake up every morning and decide what the interest rates will be, that you could lower them if you want to. I think that the actual impact that you have is quite limited...."

The Fed chairman smilingly replied, "You are exactly right. Even if we increase the money supply, interest rates won't come down. I don't set interest rates."

Senator Mark Andrews (R-N.D.), a cattle farmer, asked, "If you don't control interest rates, who does?" "We just set reserves," said Volcker. Andrews rejoined, "I have to tell you that you are high on the hit parade for a lot of lynch mobs out there in the country right now. I just left the Appropriations Committee, where I told our chairman, Mark Hatfield, that I was going to hear Paul Volcker, and I asked him if he wanted to ask you anything about what should be done to restore the economy. He said, 'I sure do, tell him to resign at noon.' . . . Unless interest rates come down, there is no way to fight inflation." Volcker: "I don't think you can make a general correlation."

Andrews: "What if we did everything you wanted, cut the deficit, budget cuts, tax increases, whatever. Would that have an immediate effect on interest rates?" Volcker: "There is no quick fix. This inflation spiral has been built into the economy for 30 years. . . ." Andrews: "What if we rescind the tax cut. Would that have an immediate effect?" Volcker: "It won't cure inflation, not if the spending side isn't in place."

Lawton Chiles (D-Fla.) stated that the magnitude of cuts being demanded is impossible for Congress to carry out. He added, "I'll tell you what's going on out there. People are ready to cut the head off the Fed. I suspect that is going to happen. I hope you are thinking about a voluntary dual prime . . . because unless you find some way to get credit to small businesses and farmers, there will build up pressure which may have an unwarranted effect."

Dan Quayle (R-Ind.) then asked Volcker whether, if

inflation were held below 10 percent, that would lower interest rates. Volcker's response: "I think that you have to look at a lower target."

Sen. James Sasser (D-Tenn.) declared: "You know, in 1931 we carried out a similar policy, and the result was a ruined economy. I see the seeds of that kind of economic downturn, and it scares me."

Excerpts from Senate Majority Leader Howard Baker's statements Sept. 9:

I'm saying now that those rates have to come down. I'm saying interest rates are a cause of inflation. I'm saying they're doing drastic damage to the economy of the nation, to individual citizens, and to the government of the United States, and that we need now a contribution from the business community on how to get those rates down, and "now" to me does not mean months or years in the future. I am talking about days and weeks from now.

From statements by Sen. David Boren (D-Okla.) on Sept. 9:

As many of my colleagues did, I spent a good deal of the [August] recess talking to the people of my state. Those discussions included a cross-section of the people of Oklahoma, and it reaffirmed my belief that the most pressing problem facing this country today is high interest rates. . . . The distinguished Majority Leader said yesterday that something must be done to relieve the high interest-rate burden, not months from now, or even weeks from now, but in days from now.

Mr. President, I wholeheartedly agree, and I renew now the call I made before the August recess began, that the President and his advisers should sit down with the Federal Reserve Board, and other financial leaders around the country. . . .

If the President does not receive voluntary cooperation and immediate action, the results of which should be seen by the general public immediately, then he should prepare an emergency plan to reduce interest rates and submit that plan to Congress for approval. . . . [A] long-term solution is no good if the patient dies in the emergency room—and the U.S. economy is now in the emergency room.

From statements by Rep. Bill Alexander (D-Ark.) on the floor of the House Sept. 10:

Yesterday I introduced House Joint Resolution 319, which will put the President on notice that the high interest rates resulting from his huge inflationary deficit and the Fed's incompatible policy of inhibiting the growth of the money supply to fight inflation are unacceptable to Congress. The resolution directs the Presi-

dent to undertake immediate consultations with the Fed in four principal areas: First, easing reserve requirements on member institutions to make more funds available to capital-hungry markets. Second, changing [Federal Reserve] Open Market Committee practices which cause unwarranted reductions in the money supply, driving the interest rates up. Third, modifying the criteria for setting the discount rate. Fourth, prevention of the diversion and reservation of substantial amounts of available credit and capital for financing corporate mergers and acquisitions to ensure that borrowers from the productive sector have sufficient financing for needed expansion and productivity-growth improvements.

Finally, the resolution calls for effecting substantial reductions in interest rates within 90 days and directs the President to report the results of the consultations to the Congress within 30 days after adoption. . . .

From a Sept. 11 statement on the floor of the Senate by Russell Long, Democrat of Louisiana:

The ability to protect the economy from further high interest rates is in the power of the Congress. It is in the law-making process, which is Congress and the President. Previous Congresses created the Federal Reserve Board. That is an act of the Congress. It is not a part of the Constitution. That act can be amended or repealed entirely. . . . If anybody is going to do anything about high interest rates it should be this government acting on behalf of the people of the country. . . . I do not believe we are going to solve this problem merely by making conditions attractive for the Wall Street bankers and big-money interests. . . . In my judgment, to bring down interest rates, you will have to look at the kinds of things Presidents Franklin D. Roosevelt and Harry Truman did when they used the powers that were given the federal government by the Constitution to create money and regulate the value of it. . . . Many things were done to lower interest rates under Presidents who had the will to act. . . .

We may have to recreate the Reconstruction Finance Corporation to make some of these loans that money-lenders do not want to make, except at 25 percent. . . .

One of the principal reasons we do not have a balanced budget and have no hope of having one is high interest rates. . . . The federal books will never balance with interest rates so high. . . .

[Economic conditions] are serious enough that emergency measures of some kind are warranted. [My concern is with] a serious inadequacy of our financial system. . . . If we continue to fight inflation with recessions induced by high interest rates, the greatest loss to the economy will be the loss of confidence of the American people in the economic system and in their government.

'This administration must wake up'

by Lyndon H. LaRouche, Jr., EIR Founder

The following statement was issued by Mr. LaRouche in his capacity as chairman of the advisory board of the National Democratic Policy Committee.

In a time of food shortages, a farmer may increase his income by selling his seed-corn to millers and his entire herd to the slaughterhouse. What, then, will the nation—and the farmer himself—eat next year?

That describes the sheer idiocy of the British "free enterprise" economic policy now misguiding the Reagan administration.

My associates and I have warned constantly, since October 1979, that the usurious policies of Federal Reserve Chairman Paul A. Volcker and the Carter administration would increase the rate of inflation up to the point that the contraction of the economy brought the United States into a slide towards a new Hoover collapse.

From the beginning of the Reagan administration, we have warned repeatedly that the Kemp-Roth tax bill was idiocy, and that the toleration of Volckerism meant an annual federal deficit increase in the order of between \$100 and \$150 billion.

On both points, we have been correct, and all of those who opposed our warnings are now proven to have been totally wrong, disastrously wrong. The evidence of the proposed new, more savage round of budget cuts is irrefutable on this point.

The test of wisdom of an administration and a Congress is its ability to learn quickly from evidence of its own major policy blunders. Have the administration and the Congress the courage, honesty and sanity to admit that the Reagan administration's continuation of the Carter-Volcker monetarist policies has led us to a disaster potentially greater than that caused by the Coolidge and Hoover administrations of the 1920s? Have the citizens of this nation the intelligence, courage, and instinct for self-preservation to compel the administration and Congress to force through the rejection of the British "free enterprise" lunacy now pushing us toward incalculable calamities?

The military danger

To those of us old enough to remember World War

II, the present direction of Washington's military policy reminds us of the pattern of Nazi Propaganda Minister Josef Goebel's trumpeting of Nazi "miracle weapons," trumpeting which increased to a point of frenzy during the years following the Nazi defeat at Stalingrad.

The administration and Congress have continued James R. Schlesinger's and Carter's policies, of turning our nation's, and our allies' agro-industrial strategic potentials into bankrupted wreckage, while at the same time seeking to bluff Moscow into back-tracking through aggressive shows of force based on an increasingly hollowed-out in-depth strategic capability.

The administration and Congress must now face reality, they must recognize that the Kemp-Heritage Foundation-Friedman-Volcker doctrine of "free enterprise" gimmickry is the enemy of the welfare of our economy and people. As long as we cling to this silly resurrection of the corpse of Adam Smith, we shall not and cannot provide for an adequate means of national defense. The attempt by forces of the administration and Congress to embrace at the same time Milton Friedman and the cause of national defense is a travesty bordering upon sheer lunacy. It has the makings of a new Shakespearean tragedy, a nation bent upon destroying itself because of impassioned irrational commitment to an absurd policy.

The solution

This nation must return immediately to those policies of American industrial-capitalist development which made us formerly great. We must return to the American System policies of banking, credit, currency and economics set forth by the administration of President George Washington, the American System of Treasury Secretary Alexander Hamilton.

The following actions must be taken immediately, to prevent the new Hoover depression some evil fellows are planning for as early as October of this year.

The powerful gold reserves of the United States must be immediately reactivated. We must not repeat the insanity of the 19th-century British "gold-exchange" system, being proposed by some among President Reagan's Gold Commission advisers. We must establish the U.S. dollar internationally on a gold-reserve basis, at a gold price of approximately \$500 a troy ounce.

The President and the Congress must create an issue of several hundred billions of dollars of a new, special issue of gold reserve-denominated U.S. currency (Treasury) notes. These notes are not to be spent by the government. They are to be loaned at not more than 4 percent annual interest for agro-industrial goods production and technologically progressive energy production, water projects and transportation, through the private banking system. That is, the U.S. Treasury must direct the Federal Reserve System to take a percentage

of the loans by private banks for investments in technologically progressive forms of agro-industrial production of goods, energy production, transportation improvements, and water projects.

To control monetary inflation, the federal government must slam down the gates against the influx of phony "book money" loans from foreign, unregulated banking systems such as those of Hong Kong, Singapore, the British West Indies, and Canada. The power of the Congress, awarded by the Constitution, to regulate currency, credit, and banking, must be used to enforce complete transparency by all financial institutions doing business within or with the United States.

There must be a new tax-reform action. All capital-gains incentives on all categories except paid-in equity in goods-producing, transportation, and research and development items must be eliminated, and investment tax-credit incentives provided instead. We must direct the flows of credit and liquidity away from non-productive channels of investment, and into those channels of investment which increase employment in goods production of agriculture and industry by advanced productive technologies.

The only proper reductions in individual federal taxation rates are the following: (1) increase the per-capita exemption for each dependent, starting at \$2,500 per dependent; (2) provide duplicate investment tax credits to savers, on the basis of paid-in purchases of equity in goods-producing entities and unpaid balances of loans employing depositors' savings.

The social objective of these measures must be to increase the percentile of the total labor force employed in high-technology modes of production of goods to 40 percent or more of the total labor force by a target date four to five years ahead. The increase in average national productivity effected by such means will solve all of the most pressing problems of domestic policy, including establishing an adequate economic and tax-revenue base for proper national defense.

Some people argue that such an abrupt shift in policy is not "practical." Such people are behaving like fools. Whatever must be done is the only action which is practical. If we as a nation are unable to make such a turnaround, away from Milton Friedman's evil lunacies, then we have become indeed the United States of Sodomy, a nation, riddled with drugs and pornography, which, like Sodom before it, has lost the moral fitness to survive.

If you, as a citizen, find yourself unable to commit yourself in practice to doing your part in bringing such a change about, then your inability to do just that is a moral weakness, is the way you are participating in permitting our nation to become one which is losing the moral fitness to survive.

The time is very, very short.

Depopulation cultists declare war on Cardinal Cody and the Vatican

by Vivian Zoakos, European Editor

It is time to put an end to the thinly veiled press myth that the current savage attacks against Cardinal Cody of Chicago stem either from moral concern over the Cardinal's alleged financial misconduct or indeed have very much to do with the Cardinal himself. The targeting of Cardinal Cody is a tactic for escalating a longstanding campaign against the Roman Catholic Church and the Vatican itself, as the single most important institutional obstacle to global depopulation. Behind the campaign stand the Catholic schismatics directed by the Jesuit order, the cultists, and advocates of zero growth.

By its own admission, the *Chicago Sun-Times*—initiator of the slanders—has been on a year-long search for any and all material that might be used to discredit Cody. Unable to come up with any hard evidence of misconduct, the *Sun-Times* editors reverted to the old tactic of pillorying Cody by what amounts to concocted rumor. As the *Chicago Tribune* noted editorially Sept. 12, in an article otherwise endorsing the *Sun-Times*'s investigation, "Despite all the media barking and gnashing of teeth, little if any real evidence of illegality has surfaced."

The *Sun-Times* admits as much, while making clear that its real aim is to guarantee the popular outcry required for a financial assault against the Church. In a Sept. 12 article, the *Sun-Times* writes: "What the Catholic Church fears most is renewed attacks on its tax-exempt status and the impact on contributors . . . if confidence in Church leadership should be shaken." An editorial in the same edition entitled "Church-State Wall Offers No Immunity" makes the related argument that the First Amendment guarantee of religious freedom "does not always apply." A judicial inquiry of sufficient scope, the editorial continues, would be the basis for rekindling the old issue of the separation of church and state.

Through the mediation of the financial question, the stage would then be set to generate sufficient chaos to allow the schismatics to withdraw from Vatican supervision and restructure the American Church in their image of "the ecstatic, the nonrational, and the Dionysian"—to quote one of Cody's chief opponents. In other words, transform Catholicism into a mass cult. In the process the international Church would be seriously crippled.

That Cody's slanderers want to turn Catholicism into a Dionysian cult is hardly surprising when one considers that these are the people who gave us Jim Jones, the "Reverend" Jesse Jackson, the Black P. Stone Nation, and almost any other cult or countergang that comes to mind. The *Chicago Sun-Times* is their acknowledged mouthpiece, a smut sheet that regularly features articles discussing such things as the length of rock stars' sexual organs and advocating drug decriminalization. Morality is indeed at issue here, but *not* that of Cardinal Cody.

Who is behind the slanders?

Published by a ranking member of the Trilateral Commission, the *Sun-Times* was founded by Robert Hutchins after the war for the specific purpose of defending in print the activities of the University of Chicago. Hutchins was president of the university; under his liberal tutelage it became the breeding ground for most of the major social-control and population-profiling programs in the country. Trained in sophisticated sociological and brainwashing techniques, the university's army of cadre was sent out to recruit youth into a plethora of cults and countergangs, in part through the use of drugs and sexual perversion.

For example, the "swinging" craze of married couples exchanging sexual partners largely originated at the University of Chicago. Underneath it all was a fostered environmentalist ideology inimical to science and the reverence for human scientific or God-like creativity associated with traditional Catholic learning.

On the "Catholic" side, the University of Chicago interfaces with Notre Dame University, which is directed by that most evil Father Theodore Hesburgh, a powerful, if unofficial, asset of the Jesuits. It was Hesburgh's protégé at the university, Monsignor John J. Egan, who set up over a dozen of Chicago's local-control programs, training the population in "small is beautiful" zero-growth ideology. A municipal infrastructure was formed in the process, and linked up to similar operations nationwide that among other things orchestrated and ran race riots. Egan was trained in his craft by the late Saul Alinsky, an agent of Tavistock Institute psychological warfare, with whom he contin-

ued to work closely throughout his career.

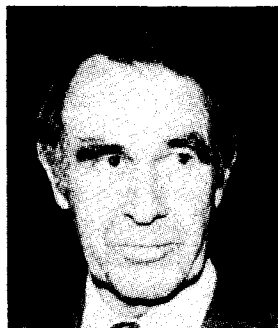
This was the network that the traditionalist Cardinal Cody was sent into Chicago to clean up in 1965. One of his first acts upon taking office was to pull Egan out of the various urban organizations which he headed, ordering him instead to a small, unknown parish. Similar actions continued, and Cody became the *bête noire* of the liberal schismatics.

One of the individuals trained in Egan's urban apparatus and currently playing a prominent role in promoting the anti-Cody slander campaign is John A. McDermott. Currently the publisher of the monthly *Chicago Reporter*, McDermott's money comes from the United Church of Christ; it was McDermott who sponsored the entrée to Chicago of the family of Alberto Torres, a leader of the terrorist Puerto Rican FALN.

One of Cody's most persistent detractors from these Hesburgh networks is the well-known Jesuit Father Andrew Greeley. In his over 70 publications, Greeley has, perhaps more baldly than anyone else, explained the aims of the amoral vermin infesting the American Church. His writings have also been vehemently endorsed by Louis Mumford of *The Humanist* magazine, who has written various articles targeting "the persistent Augustinian tradition" within Catholicism and advocating a split with Rome. In his 1967 book *Religion in the Year 2000*, Greeley predicts that religion will be characterized by "ecstatic . . . Dionysian" forms and elaborates that "a good priest is a powerful, erotic person in the community." In another book, *The Mary Myth*, the good father says that the "sex goddess" Mary is proof of the androgynous nature of God. And "if God is androgynous . . . it is all right for humankind to be androgynous," and future Church liturgy should incorporate drugs and ritualized sex.

In this and various other publications, Greeley explains that behind this new cultism lies the need to reverse the "proscience bias" of Americans and the Catholic Church, advocating instead the zero-growth policies of the Club of Rome.

In short, these cited networks want to dismantle or transform the Catholic Church because they correctly view it as a powerful bulwark against their stated policy of destroying the morality of the population as well as reducing the net size of the population both in the United States and abroad. One of their number, George Ball, was most explicit on this point in the course of an interview conducted some months back. Ball was the creator of much of the federal government's population-control bureaucracy. Speaking of the need to drastically reduce Third World population levels in a world of contracting resources, Ball named the Pope and Catholic institutions as one of the most powerful stumbling blocks. "This Pope is much too strong," he said. "We must transform Church policy somehow."



Interview

Senator Williams talks about Abscam

Harrison Williams, Democrat of New Jersey, is a 23-year veteran of the U.S. Senate and former chairman of the Labor and Education Committee. In May 1981, Senator Williams was convicted in an Abscam prosecution in Brooklyn, New York. In August, the Senate Ethics Committee, without even conducting its own investigation, voted to expel Senator Williams and recommended that a vote by the full Senate be taken after Judge George Pratt decided on the substantive issue, which is Williams's "due process" (fairness) motions, in October. The Senate vote will be held in early November.

This interview is presented in order to challenge perhaps the most outrageous frameup conducted under Abscam, and warn the public of the dangers of the Senate Ethics Committee's capitulation to the Justice Department's prosecution. The Senate has now descended so far toward a "railroad" that both the Republican and Democratic Senate leaderships have announced that they will vote in early November with or without Judge Pratt's decision.

This interview was conducted on Sept. 17 by the National Democratic Policy Committee's political coordinator, Anita Gallagher, and made available to Executive Intelligence Review. The NDPC and EIR grant readers permission to reproduce the interview.

Gallagher: What are the broader constitutional issues at stake in your case, and do you intend to fight? Do you think the U.S. can survive this warfare against elected officials?

Sen. Williams: Number one, I answer yes. We are going to survive this kind of warfare because my case is a good case to fight, and in the fight we expose all that is wrong with the concept and the operation of Abscam, which is

basically a violation of the first principles of our Constitution, certainly the Fifth Amendment and others.

When the government sets out to target a person who is not involved in crime, where the government originates the idea of creating a crime, then implants this manufactured activity into the mind of an innocent person and then just does everything they can do to get that person to do what they have fabricated, this is the most fundamental constitutional deprivation of the due process laws of life and liberty. So just in fighting it and winning we would be doing a great deal. We are going to fight. We are going to win.

There are other amendments to the Constitution that are in spirit violated here, too. I'm not making a hard case right now on a secret video taping as a violation of privacy and those rights protected under unlawful searches and seizures, but there is evidence that the spirit of the Fourth Amendment is violated.

Gallagher: Senator, Jack Anderson and the Justice Department's own internal memoranda revealed that through 13 months and several different entrapment scenarios, the Justice Department failed to mount any case against you. That seems to imply that you were targeted by the Justice Department.

Sen. Williams: There is no doubt about that. I was targeted, and once they put me in the target, it was clear that a determination was made to use anything and everything to get me. Otherwise, under the Justice Department's own rules, in the very early period of their investigation of me, they would have dropped it, because I did not do anything that they say has to be done for them to continue an investigation. In other words, when they fabricate something to try to get someone to commit a crime and the person does not respond, then, under their guidelines, which they say with great righteousness guide them—they will drop the whole investigation. But the Justice Department didn't drop it—they just pursued relentlessly all those months and came up dry. And when they finished their scenario, and they didn't have me, they changed it and gave another scenario, and tried another one on me, and they failed there, too.

Gallagher: During the trial, Judge Pratt refused to allow into evidence the three internal Justice Department memoranda admitting there was no case, acknowledging that it would be necessary to have a fourth meeting with you to obtain what they called "an overt act" from you.

Sen. Williams: The significance of the documents is very clear. This whole investigation started in January 1979, and as I've indicated, they pursued me for weeks and months trying to get me to do something that would be wrongful. I didn't. In November 1979, the principals that had worked on my case from three areas, from Washing-

ton, from Brooklyn, New York, from Newark, New Jersey, from the Department, from the Bureau, a gathering of say 15 or so, who had worked on the case, gathered and reviewed not only my case but others, too.

On my case, they clearly said "We don't have him doing anything criminal, therefore he must be recontacted," or "recontacted to get him to do something overt that will be criminal in nature." That was an admission that through the whole year they hadn't gotten me, so they had to try something else, and they listed something that they might try on me. That was in mid-November. Then, between November and January, it was obvious that they decided that they would put me through what they called "the asylum scenario." They asked me to meet the sheikh, he needed a personal favor. One night when I was in New York I meet the sheikh alone, and he did have a personal favor, the immigration request; and I explained all the needs, requirements, criteria, and all of that. After I finished all of that, without saying that he was qualified for any immigration attention, I just told him the background and the requirements. Then he offered me money. This, of course, is videotaped, and my answer was very clear and immediate: "No, no, no . . . no money when I'm doing public work."

Gallagher: Why do you think these documents were not admitted to your trial?

Sen. Williams: The reasoning given by the judge was tortured law. Not specifically on any particular memorandum, because we didn't know what memoranda there were. But Judge Pratt had divided the case into "fact" and into "law," and had tortured himself into a position where he was keeping things from us that approached questions of law for the court, not for the jury. And the reason was, it seems clear, that these documents were damaging, fatal, in fact, to the prosecution's case, and it was kept from us. It was suppressed. Their files were files that the judge had, and were suppressed. We never got them. We didn't get them until after the trial was over.

Gallagher: Senator, if Judge Pratt rules that your due process rights have not been violated, the Senate will then vote on a motion to expel, which needs a two-thirds vote to succeed. Will you fight to get those votes, no matter what the press may say?

Sen. Williams: I will say that the support that I've had from New Jersey is just tremendous. I have no choice in conscience but a desire to continue this fight. It seems to me that this fight is so much more significant than my personal situation. Its significance runs to our country and all of its people. When there is wickedness in government, that is the greatest abomination, to paraphrase *Proverbs*. The government is righteously created, and this wickedness must be resisted.

Gallagher: Could you elaborate on your support?

Sen. Williams: Well, the mail comes in every day, and it's solidly in support. Those who think this through, with the benefit of publications, the support is solid there. [Harvard Law School] Dean Griswold's [amicus curiae] brief is now a public record, and was reported in Jack Anderson, and it is a masterpiece of clarity and vision. We are undertaking fundraising efforts, and that's a necessity. My former colleague Clifford Case has come out in support, and former Chief Justice Dick Hughes. Labor support is there, and others are coming on board.

Gallagher: Do you think the members of the Senate are sufficiently aware of the constitutional ramifications of the kinds of activities involved in Abscam?

Sen. Williams: At this point I don't believe that members have really gone to the mats in thoughtful time to go through this and its implications. They will. They haven't been called on yet to consider anything specifically. They will now, with that resolution, and they are now thoughtfully beginning to think it through. The response that I can read as a preliminary response is a friendly response; I can only say that. More must be done, of course. And I'm doing all that I can to describe my feeling about the basic issues that are involved here, and with increasing attention in the media, this will be built upon. But we have some distance to go.

Gallagher: Do you think that the criticism of the Senate for failing to do its own investigation by Jack Anderson and others beginning to be absorbed?

Sen. Williams: I think that the Senate's role to date will be further analyzed. This was a new experience for the Senate and its [Ethics] Committee, and it was a pioneering responsibility in a sense, because this is the first time there has ever been an executive frameup on a senator. So the Senate was proceeding without any historical guidelines. Out of this, I would imagine some procedures will be arrived at that would better develop the grist for the decision mill.

Gallagher: Please comment on your record with labor.

Sen. Williams: I've been part of labor in my whole conscience for a long, long time—long before I became a member of Congress. I identify very closely with the aspirations of working men and women. In specific, I've tried to apply, where I could, government guides in law to make the lives of working people better. And that has been reflected in pension law reform; safety on the job; minimum wages for those who are at the lower end of the economic ladder; and bringing in those under minimum wage who were excluded, among other things. I've been very closely associated with labor in this country.

Gallagher: What do you think of the current moves to exempt military construction from the Davis-Bacon prevailing wage provision?

Sen. Williams: It seems to me that the government, where it is responsible for employment, should be model in every respect. One of them is certainly in the working conditions and the wages of those who are working in response to federal expenditure. Davis-Bacon has been in the law now for 50 years; it should stay there, and not be taken out bit by bit, program by program. Military construction is in; it should stay in. The antilabor moves are retrogressive, and I oppose them.

Gallagher: Do you think there is a connection to the targeting of you by the Justice Department and these increasing antilabor moves?

Sen. Williams: You know, the hard evidence of selection for targeting has not been drawn out of the bowels of the government yet. It's been very difficult to get the information that any person should have a right to, and that will come out. It's not a matter of coincidence, it seems to me, that those who came up for targeting under Abscam were all from a common philosophical group: those who have been supported by labor and who have supported labor; those who were Democrats; those who were Democrats for Kennedy. That was the whole group, save one, and that cannot be a coincidence.

Gallagher: What is your record on senior citizens?

Sen. Williams: I am a member of the Commission on Aging, appointed by Lyndon Johnson back in the beginning of my first term. That gave me an opportunity to do what I wanted to do, and that was to apply my philosophy, which is, where government can be appropriately helpful in making the lives of people in this country better, it should be applied. I think a great benefit to older Americans are the community centers for various activities: nutrition, reference for health services, social activities. This is one piece of legislation that I am very proud of being one of the principals supporting. And one of my major efforts has been to do what I could in my position on the Banking Committee, which handles housing, to make simple but decent housing available for older Americans.

We've seen great strides in the last 20 years in honoring the dignity and the needs of older Americans, and I've been right in the middle of it.

Gallagher: Will you be fighting the proposed cuts in Social Security?

Sen. Williams: Absolutely.

Gallagher: All of Congress came back from the August recess talking about the crippling high interest rates.

What should be done? Do you think it may be that Paul Volcker and the Federal Reserve are as much out of control as the Justice Department?

Sen. Williams: Not in the same way that the Justice Department is, but certainly the [Federal Reserve] is not responsive to the needs, the felt needs and the real needs of our economy and the people of this country. It would be my hope that the Federal Reserve, where they work in isolation, will begin to register the economic needs of this country. They are registering old economics. They are trying to deal with inflation in a single way, and it hasn't helped inflation at all by raising those rates as high as they are. In some ways, it has inflamed the inflationary process.

Gallagher: What do you think about a two-tiered credit system, with low interest credit for productive investment, and a higher rate of interest for purely speculative activities?

Sen. Williams: This hasn't really entered into congressional thought or executive thought, and it must. In my judgment, it is worthy of a great deal of attention, because there is a logic there. When we haven't been able to brake inflation with high interest rates, high interest rates are the enemy of economic recovery and progress; when there is an inability of certain sectors to get credit, and afford credit, something has to be done.

Gallagher: Could you describe a bit more the amicus brief submitted by Dean Erwin Nathaniel Griswold of Harvard Law School?

See. Williams: In my judgment, in the most broad and general way, and I've said this to members [of the Senate] whom I've talked to about it, it brings clarity to a very murky area—a murky area that has produced some dangerous, unhappy, unfortunate unconstitutional results, this whole area of creating, through the police, a system of fabrication of criminal kinds of activity, and then secretly taping it all. The law at this point is somewhat murky, evidently, because they did it, even though we are a country under law.

Gallagher: Senator, many people are concerned about the drug and crime epidemic in the U.S. What do you think about stopping drugs to reduce crime, and do you think the Justice Department should be doing more here?

Sen. Williams: I certainly do. They get a lot of publicity when they go into the street and get those at the street level of drug trafficking. It has always amazed me that those who are doing the most damage, and making the most money, those major people at the top of the pinnacle who are the importers and the basic distributors of drugs, they seem to be getting away scot-free. The enforcement of our drug laws is incomplete until we get the big ones, the creators of the monster.

Thomas Puccio and his sponsors

by Jeffrey Steinberg,
Counterintelligence Editor

On Sept. 11, The *New York Times* published a short, inconspicuous report that Thomas Puccio, the head of the Brooklyn, New York Organized Crime Strike Force (OCSF) and the Justice Department's most prominent Abscam witch-hunter, had been recommended by the DOJ for appointment to the post of U.S. Attorney for the District of Columbia.

Puccio's track record during and prior to his Abscam actions represents one of the most glaring cases of political corruption in the recent tarnished history of the Department of Justice, as will be demonstrated if his record is examined in depth by the members of the Senate Judiciary Committee who will be hearing his confirmation.

Numerous sources in and around Washington, D.C. have confirmed my own estimate that Puccio's first major target, should he pass the Senate confirmation, will be *the traditionalist network within the Central Intelligence Agency and related military intelligence services*. In this effort, Puccio would find himself working with his longstanding collaborators in the liberal press, particularly the *New York Times* and *Washington Post*.

Court evidence that surfaced in the course of the Brooklyn Abscam trials of Rep. John Murphy (D-N.Y.), Rep. Raymond Lederer (D-Pa.), and Mayor Angelo Errichetti of Camden, New Jersey documented that Thomas Puccio, the DOJ prosecutor, was a close political and personal associate of Jack Newfield, the senior political writer for the *Village Voice* and one of the most virulent anti-Reagan pens in the employ of the Socialist International. How, one must ask, is it possible that such a Socialist International-connected figure with such a "machine buster" profile was given the powerful post of U.S. attorney for the nation's capital?

The answer to that question has been the topic of much recent concern around the corridors of the Reagan administration: the Wall Street-Trilateral Commission networks which have been Ronald Reagan's self-avowed enemies since his first presidential bid have taken over the reins of power within the Department of Justice. Herbert Schmultz and Rudolph Giuliani, both veterans

of the Edward Levi-John Lindsay Wall Street Republican machine—the machine that brought you the New York City Waterfront Commission and the police-busting Knapp Commission—are running the DOJ. It was through the personal sponsorship of Schmultz and Giuliani that Puccio was ushered into Washington. That sponsorship dates back to no later than the Knapp Commission, when Puccio, fresh out of Fordham University Law School, was brought onto the Knapp investigative staff and given his first lessons in the art of machine-busting and frameups, lessons now intended to be applied against the CIA.

The centerpiece of the attack on the agency “old boys” is the media onslaught that has been directed for the past six months against former CIA Clandestine Services operatives Edmond Wilson and Frank Terpil. Wilson in particular has been accused by the *Times* and the *Post* of being at the center of a far-reaching network of retired spooks who are using their past experiences and contacts to foster terrorism and assorted criminal actions against the interests of the United States. The coordinated *Times-Post* attack is directed at creating the climate for a far-flung “fishing expedition”—to be coordinated through the Washington, D.C. U.S. attorney’s office. The desired result of such a campaign is the final destruction of an independent U.S. intelligence capability, the jailing, bankrupting and defaming of some of America’s most important “silent heroes” in the postwar intelligence wars, and the building of a climate for the imposition of a British-style Official Secrets Act placing paralyzing restrictions on both the activities of the intelligence community and the oversight of those actions.

While the full story behind the Terpil-Wilson affair has yet to come out publicly, it has been confirmed that the allegations against the pair constituted the principal wedge used by former CIA Director Stansfield Turner, an asset of the Trilateral Commission, to thoroughly wreck the agency through the biggest purge and internal witch-hunt since the Moscow Trials, a purge that saw nearly 1,000 agents with upwards of 30,000 years of cumulative field experience drummed out of the Company.

To the extent that President Reagan responds in the coming weeks to the mounting popular and international mandate for a head-on confrontation with Paul Volcker and the Federal Reserve Board, the President will find that the still-dormant Reagagate attack, which was first publicly floated at the December 1980 Socialist International conference in Washington, will be surfaced overnight. At the point that such an outfront war between the President and the Wall Street liberal establishment breaks out, it will be essential that the President can rely on his Justice Department to uphold the Constitution. If Thomas Puccio is occupying the U.S. attorney chair in Washington, that will be impossible.

The philosophical problems with ‘strict construction’

by Edward Spannaus, Law Editor

The following statement was presented to the Senate Judiciary Committee hearings concerning the nomination of Sandra Day O'Connor for Supreme Court Justice. The statement was made by EIR Law Editor Edward Spannaus on behalf of the National Democratic Policy Committee.

In our Aug. 4 memorandum to the committee and staff, we brought your attention to the fact that there are at present a number of individuals and organizations who are proposing that our Constitution is too outmoded to cope with today’s crises, and that it should be revised or rewritten along parliamentary lines. We noted in particular statements by Lloyd Cutler, James McGregor Burns, and Rep. Henry Reuss. We stated that:

Under these circumstances, the Senate has a special responsibility as it approaches the O'Connor confirmation hearings. Justices of the Supreme Court were called the “guardians of the Constitution” by Alexander Hamilton, and it is incumbent upon the Senate to ensure that any nominee for that position possesses the qualifications of such a “guardian.” We therefore propose that the U.S. Senate use the opportunity of the O'Connor nomination to develop appropriate standards for Supreme Court Justices today.

From Judge O'Connor’s testimony in her two days of questioning by the Committee, there is little doubt that she is qualified by *today’s standards*. Despite initial doubts that we and many others entertained, she has shown herself to have an adequate grasp of current

federal and constitutional law. The most glaring *specific* problems shown are her suggestions of limiting access to the federal courts and her quixotic hope that the state courts are as competent to litigate civil rights and constitutional claims as are the federal courts. Senators Biden and Metzenbaum in particular demonstrated the fallacies of that approach.

Our problem is that *today's standards* are grossly inadequate. This was nowhere more clearly shown than in the discussions during these hearings counterposing "strict constructionism" and "judicial activism." Lacking any notion of the *purposes* of the creation of the republic, we lack any criteria for determining what are appropriate and inappropriate powers to be exercised by the federal government or upheld by the federal courts. The decades-long battle for federal supremacy was intimately related to the fight for a liberal construction of the powers granted by the Constitution—but this had nothing to do with what we today call liberalism! As any informed person knows, it was the "liberals" of the day—the Jeffersonian democrats—who were the strict constructionists, and it was the "conservatives" of the day—the Hamilton-Marshall Federalists and later Whigs—who were the liberal constructionists.

The moral purpose of the republic

The American Revolution was the culmination of a centuries-long battle on the part of the Neoplatonic republican faction in Europe—and especially the Commonwealth Party of John Milton—to establish a republic on the shores of North America. The United States was consciously founded as a republic dedicated to scientific and technological progress, as opposed to the European land-based oligarchical system, and particularly the British system, of enforced backwardness among her colonies and trading partners.

In America, the Hamiltonian system of encouraging the development of manufactures and commerce was the specific means developed for implementing the purposes of the republic. Funding the national debt to provide a sound credit basis for the new nation, the creation of a national bank, and internal improvements were its key components. The federal power of taxation and spending should include "the general interests of learning, of agriculture, of manufactures, and of commerce," wrote Hamilton.¹

The means by which national exigencies are to be provided for, national inconveniences obviated, national prosperity promoted, are of such variety, extent, and complexity, that there must of necessity be great latitude of discretion in the selection and applications of those means. Hence, consequently, the necessity and propriety of exercising the authorities entrusted to a government on principles of liberal construction.

John Marshall's 1819 decision in *McCulloch v. Maryland* was the most explicit statement of Hamiltonian principles, and in construing the "necessary and proper" clause, it became the classical argument for "liberal construction." It gave rise to the most strident attacks on the Supreme Court from the opponents of the American System, prompting Marshall to write:

It must be difficult for those who believe the prosperity of the American people to be inseparable from the preservation of this government, to view with indifference the systematic efforts which restless politicians of Virginia have been for some time making to degrade the [judicial] department in the estimation of the public. It is not easy to resist the notion that those efforts must have other and more dangerous objects. . . .

The assault on the judiciary

Attacks on the judiciary reached a peak during that period. The bitterness of the battle was shown in the 1813 case *Hunter v. Fairfax*, in which Story held that a state (Virginia) could not override a federal treaty. But the courts in Virginia refused to enforce Story's ruling, arguing that the Supreme Court has no jurisdiction over the sovereign state of Virginia. The case then came back to the Supreme Court in 1816 as *Martin v. Hunter's Lessee*; here Story took the opportunity to strike a powerful blow on behalf of the necessity for the Supreme Court to bring the state courts into conformity with the Constitution. Insisting upon "the necessity of the *uniformity* of decisions throughout the whole of the United States, upon all subjects within the purview of the Constitution," Story warned of the chaos which must result if each state were to regard itself as the final arbiter of law within its borders.

The Supreme Court's appellate jurisdiction over state courts was not fully established until the 1821 ruling in *Cohens v. Virginia*, involving an appeal from a criminal conviction in state court. Marshall's decision provoked the Jefferson machine into open rebellion against the federal government, with widespread calls for the abolition of the Supreme Court! Marshall's comments in a letter to Story are pertinent today:

A deep design to convert our government into a mere league of states has taken hold of a powerful and violent party in Virginia. The strong attack upon the judiciary is in fact an attack upon the union. The judicial department is well understood to be that through which the government may be attacked most successfully . . . it is equally well understood that every subtraction from its jurisdiction is a vital wound to the government itself.

The states-rights forces—who from this period on

were also the explicit opponents of the American System of protective tariffs and internal improvements—was the faction backed by Britain, which had not given up its hopes of breaking up the Union and re-establishing its domination. It is more than coincidental that today the strongest attacks on the federal judiciary are being orchestrated by the Heritage Foundation—a pro-British offshoot of the Fabian Society and the Mont Pelerin Society.

It is clear therefore that we face today two directions of threats to the Constitution. From the liberal side there are those like Lloyd Cutler or Henry Reuss who maintain that our constitutional system, and especially the separation of powers, is outmoded; they propose that the system be revised along lines of the parliamentary model, with Britain as the favored example. Included in such a “model” is the implied destruction of the independence of the judiciary.

In her answers to various questions, Judge O'Connor demonstrated that she is aware of the dangers of amendments which are not fully thought out, of a possible runaway Constitutional Convention, and of the threat to the independence of the federal courts.

The threat to the Constitution from the “right” (in particular the radical-conservative Heritage Foundation) is equally, if not more pernicious, for under the guise of defending the Constitution, the Heritage moles would strip the judiciary and the federal government itself of their constitutionally granted powers, posing precisely the kind of threat to the nation itself which Marshall foresaw. While showing herself sympathetic to proposals to limit access to the federal courts, Judge O'Connor by and large disassociated herself from the more radical court-stripping schemes put forward by the Heritage Foundation and others.

It is clear that such court-stripping schemes and Heritage-style radical “free enterprise” plans—which are admitted by Heritage leaders to converge with the “decentralization” schemes of the radical left—have made significant inroads among conservatives who are concerned about the failures of the liberal welfare state, or about the practices of certain liberal judges who are exacerbating racial tensions in our schools and neighborhoods, or who have given environmentalists a free hand to turn the federal courts into their private zero-growth playground.

It is only through a re-examination of the purposes and objectives of the Constitution itself that we can cut through the artificial right-left debates which are muddling up constitutional law today. Federal supremacy? Yes, but for what end? Our Federalist-Whig predecessors fought for federal supremacy for the purpose of fulfilling the objects of the republic and the Constitution, not for experimenting with every crackpot scheme dreamed up by a modern sociologist or a bug-loving

environmentalist. President Eisenhower's sponsorship of the Atoms for Peace program, or President Kennedy's enthusiastic sponsorship of the NASA program and related research and development, are exemplary of the application of Hamiltonian principles in the modern era.

This is the only competent way to approach the interpretation of constitutional law. Consider, for example, the extensive discussion of *Brown v. Board of Education* which has taken place during these hearings. Judge O'Connor tried (rather unsuccessfully) to maintain that the basis for the decision was simply a re-interpretation of the intent of the 14th Amendment, while liberals such as Senator Biden argued that the decision was based on a consideration of changed social conditions, implying that changing social conditions constitute sound grounds for judicial decision. Neither view is sufficient.

If the Constitution, an expression of an evolving body of natural law, is understood as embodying a commitment to scientific and technological progress, then the role of education is properly understood as a necessary concomitant of this commitment. From this “higher law” understanding of constitutional law, the proper basis for a decision such as *Brown* becomes evident without resorting either to liberal sociology or to rigid reconstructions of the 14th Amendment.

Conclusion

A great deal of these hearings has been concerned with the subject of abortion. Despite certain philosophical and scientific differences over that issue, we can deeply sympathize with the concerns raised by Senator Denton and others regarding the moral decay of our nation. For Senator Denton, as he put it in his opening statement, the permanent legalization of abortion would be “a ‘point of no return’ in a recently accelerated, alarming trend away from the principles upon which our government was founded and by which this nation achieved greatness.”

To us, the adoption of the genocidal “Global 2000” doctrine by the Carter and Reagan administrations, and its endorsement by over 100 senators and representatives, signals that “point of no return,” posing the question of whether this nation is morally fit to survive. A return to sound principles of constitutional law, as that law was intended by the Framers to express our national purpose, is the prerequisite for turning this country back to decency and greatness. That understanding, as we have outlined it here, is what has been missing from these hearings.

1. *Report on Manufactures*. The Hamilton-Jefferson debate over the constitutionality of the national bank still provides the clearest frame of reference for the debate over the construction of the powers granted by the Constitution.

Behind New York's election fracas

by Michele Steinberg

An eleventh-hour court order preventing New York City's primary elections from being held as scheduled Sept. 10 may be used as a precedent for a series of lawsuits and racial confrontations which could paralyze the electoral process and government itself in cities across the United States. In New York, a group of professional race riot agitators has been uncovered working to inflame both black and Hispanic minorities and the white population on the issue which provoked the court order, that of electoral redistricting and its impact on minority representation in city government. Both Mayor Ed Koch and his Socialist International-linked opponent Frank Barbaro, who are currently trading "racism" charges over the reapportionment issue, are heavily implicated.

The last-minute cancellation of the primary occurred Sept. 9, when a three-judge panel ruled that New York had violated provisions of the Voting Rights Act of 1965 by drawing up its new election districts without securing proper approval from the U.S. Justice Department.

The Supreme Court unanimously upheld that ruling. The occasion for the ruling was a lawsuit brought by minority groups that charged that Mayor Koch and the city council had discriminated against minorities in a redistricting plan that decreased the number of largely black and Hispanic districts, despite an overall increase in the city's minority population. On Sept. 16, the New York state legislature passed a series of bills rescheduling the primaries for mayor, borough presidents, and other citywide offices for Sept. 22, but excluding the disputed city council races. Until the Justice Department approves the substance of the present or some other redistricting plan, those votes cannot take place.

Thus it is quite possible that Mayor Koch, should he be re-elected, as is widely expected, will end up ruling without a properly elected city council next year. This sets a dangerous precedent for other austerity-ridden municipal governments, many of which are already sliding into the "financial dictatorship" mode pioneered by New York's Big MAC and Financial Control Board.

Mayor Koch, who apparently invited the original court ruling postponing the election by his failure to secure Justice Department approval for the redistricting plan, and Barbaro, who has sought to capitalize on the mayor's provocative "tough on minorities" stance, have used the primary postponement to bring the "race ques-

tion" front and center in the campaign, to divert attention from their Democratic opponent Mel Klenetsky's insistence on the fundamental issue of the planned economic collapse from which every constituency group in the city is suffering.

Meanwhile, a long-embedded race riot organizing apparatus has mobilized, and further legal actions are afoot to block and disrupt the elections.

A bill including at-large seats in the general election passed by the state legislature has drawn fire from Albert Vann, head of the Black and Puerto Rican Caucus in the statehouse. Vann, one of the original plaintiffs in the suit against the city, warned the State Assembly, "It's either the ballot or the bullet."

Sources report that Vann's home district, the Oceanhill-Brownsville section of Brooklyn, where he helped foment racial tensions during the teachers' strike of 1968, is already rife with rumors of race riots.

A suit brought in federal court on Sept. 17 by incumbent City Councilwoman Mary Pickett of Brooklyn again seeks to enjoin the entire election on the basis that running split elections for the city council violates existing election statutes, and discriminates against minorities by encouraging second-round low voter turnout.

At the same time Pickett was filing her suit, representatives of the Puerto Rican Legal Defense and Educational Fund (PRLDEF), the Black and Puerto Rican Legislative Caucus, and the firm of Lebeof and Lamb, all involved in the original suit, were meeting with officials from the Voting Rights section of the federal Justice Department to demand exclusion of the councilman-at-large seats from the Sept. 22 election. On Sept. 18, they won.

In New York, the National Black United Front, headed by Rev. Herbert Daughtry, an extremist considered to be anti-Semitic and in favor of violence, was holding meetings with black and Hispanic groups in New York to map out actions against the election.

NBUF is closely allied with the Black Economic Survival group, which led armed attacks on construction sites in the name of minority hiring; the Communist Workers Party, and the EAST, a black separatist group in Brooklyn which has been behind numerous riots and is believed to be linked to the Black Liberation Army.

The New York model is being planned in other cities. According to the Department of Justice, there are private suits in Detroit, in two counties in New Mexico, and in Atlanta which challenge the U.S. Census conducted in 1980. These suits claim that the census significantly underreported the minority population, and any reapportionment decisions resulting from the census will be inherently discriminatory.

With congressional elections coming in 1982, groups like the American Civil Liberties Union and the PRLDEF, both nationally based, will use the New York precedent.

Candidate Klenetsky on New York's future

The following interview with Mel Klenetsky, candidate for the Democratic mayoral nomination in New York City, and a spokesman for the National Democratic Policy Committee, was conducted Sept. 13 by European Economics Editor Laurent Murawiec.

Murawiec: What have been your campaign experiences?

Klenetsky: I have seen that in spite of the "planned shrinkage" of the city, the population shows a tremendous degree of resiliency of spirit. In a way, this is crystallized around the Brooklyn Navy Yard. While only 3,000 are now employed at the yard, it had 60,000 to 80,000 during World War II. It turned out and repaired 5,000 ships, aircraft carriers, battleships, destroyers, escorts. There was a shortage of skilled labor in the city, so huge programs of crash apprenticeship and training were set up.

Murawiec: And what is your program to put the city into shape again?

Klenetsky: My policies reject the lie that resources are limited and we should reduce our consumption, anywhere in the world. I will establish a tax and credit base for attracting high-technology industry back into the city; I will apply punitive taxation on luxury hotels and office towers, and apply the forfeiture statute enabling us to seize the assets of those banks involved in the drug traffic and its financing. That will bring half a billion dollars for infrastructure; a tax on capital gains on transfer of property another half billion; and \$1.5 billion from assessing mid-Manhattan commercial property at its real value of \$40 to \$50 billion.

I will launch an all-out war on drugs; the third major program is restoring the schools and introducing classical education to develop culture and skills. The people who built this city are still there, with the same commitments and needs. They need organization, they need the old Democratic Party "delivery system" of services and jobs, but on a higher and bigger scale. And that is how the Democratic Party will be electable and nationally responsible.

Murawiec: What is the state of New York City's Democratic Party?

Klenetsky: My social-democratic opponent in the pri-

mary, State Assemblyman Frank Barbaro, is taking many of the reform Democrats in the direction of extremism. The Democratic incumbent, Ed Koch, is supported by the other reform Democrats and also the regulars, principally because he has played very tough operations with the [party] clubs. Koch played a key role in destroying the Manhattan regular Democratic machine as part of the Adlai Stevenson-Herbert Lehman-Eleanor Roosevelt operation to phase out constituency-based politics.

Now, the Brooklyn machine has remained more or less intact despite the efforts of former Rep. Elizabeth Holtzman, who is now a candidate for Brooklyn D.A.; if she wins, that will change, because she will witch-hunt the regulars. Bronx is in a shambles like Queens. There are certain elements within each borough with some strength, but the thing doesn't hang together or make for any kind of consistent policies which can reverse the deindustrialization—the same is true on the national level.

Murawiec: I know that Koch has not given labor exactly a friendly treatment. Who are they supporting?

Klenetsky: There is a group in the Central Labor Council which has come out in support of Barbaro, the left-wing Socialist International types and the old Communist Party-influenced unions. That group includes the Communication Workers, the hospital workers' Local 1199, District 65, which is now in the United Autoworkers, and so forth. Harry Van Arsdale, head of the council, has given in to these elements, despite Barbaro's commitment not to build the Westway project, which the council has fought for tooth and nail. The building trades, Teamsters, and Longshoremen have given no support to Barbaro, and instead backed out of real politics altogether.

Murawiec: What will you do if Koch is re-elected?

Klenetsky: The traditional unionists and the regular Dems see themselves in a terrific fix, caught between a Koch who is moving toward extreme Friedman-style policies, and the left-wing Barbaro. My candidacy has begun to fill that vacuum, and, as I have become well known as a "LaRouche Democrat," it represents at this point the most significant alternative for these people. The NDPC and its associates intend to take apart the race-riot apparatus that is designed to divide ethnic constituencies and prevent them from political initiatives. We intend to make every effort necessary to stop Koch from introducing "free-enterprise zones" in New York on the Hong Kong model. And we will expand the efforts, which I have already found have inspired so many New Yorkers, to halt the drug plague and bring to every schoolchild Beethoven and Mozart, Dante, Cervantes and Schiller, Shakespeare and Milton, and real science and history: that is the American Dream, to develop great minds.

X-ray lasers and the Winterberg approach

by Charles B. Stevens, Director of Fusion Energy & Military Applications, Fusion Energy Foundation

The world is about to face the second major scientific-technological revolution in strategic war-fighting capabilities since the A-bomb development of World War II. As Dr. Edward Teller has stated, this second revolution, the fusion-powered X-ray laser antiballistic missile (ABM), may actually negate the effects of the first, the development of the hydrogen bomb in the early 1950s, in that the advantage no longer lies with offensive nuclear weapons. With the realization of the X-ray laser, all ballistic missiles—i.e., those that travel near to or into space—can be easily intercepted and destroyed, so that effective defense in nuclear war has become feasible.

The immediate technical predicates of this X-ray laser development and other, even more awesome, thermonuclear-powered beam weapons have been highlighted in the book *The Physical Principles of Thermonuclear Explosive Devices* by Dr. Friedwardt Winterberg, published this month by the Fusion Energy Foundation, and in articles by the same author in FEF's monthly journal *Fusion* over the past year. These materials, together with other *Fusion* reports, demonstrate that major advances in this area directly depend on further development of concepts first perfected by the great 19th-century German mathematical physicist Bernhard Riemann, whose method runs completely contrary to modern "particle" physics. The X-ray laser breakthrough shows once again that, even in limited, secret military applications, Riemann's approach produces the most important empirical results in extending the frontiers of science and technology.

As Dr. Winterberg stresses in his book, the development of advanced weapons technologies is dependent on a civilian research program in the associated energy-dense technologies of nuclear fusion, using high-intensity laser beams, particle beams, and magnetic field schemes. These technologies and their research programs provide not only the scientific knowledge required for the development of new weapons systems, but much more critically, the manpower and industrial elaboration on which a successful military program depends. A civilian economy which itself is not pursuing the most advanced technological research will in a relatively short time stagnates and in so doing, threatens that country's

national security in a more thoroughgoing way than any military deficiency. This connection between an aggressive pursuit of new technologies and their scientific underpinnings has been the relentless lesson of past unsuccessful attempts at either avoidance of new war-fighting technologies, on the one hand, or the narrow wunderwaffen approach to weapons development, on the other.

When reflecting upon nuclear war-fighting systems, one tends to be overwhelmed by the scales of energy involved. It is difficult to imagine the destructive effect of a 100-kiloton H-bomb, let alone a 25-megaton monster. In actuality a pebble may have sufficient inertia to completely obliterate a 20,000-mile-per-hour incoming missile *if* it could be made to physically intercept the warhead. Nuclear radiation with the equivalent energy of a match, if deposited within the fissile fuel of an H-bomb trigger, would be enough to turn the warhead into a low-yield dud. Even less energy would be needed to cripple the delicate electronic controls of an H-bomb detonator. In dealing with sophisticated weapons systems, scalar considerations are of secondary or tertiary significance.

The qualitative effectiveness of X-rays and high-energy subatomic particles, such as electrons and protons, as a potent antimissile force is due to several factors.

While ordinary lasers burn into the surface of the target, X-rays can penetrate into the interior of a missile, and produce a massive electrical current which, in turn, penetrates further and disrupts the electronic systems. Particle beams can penetrate to the center, and initiate a nuclear reaction which destroys the bomb's fuel. And the fact that these forms of energy travel at or near the speed of light greatly decreases the difficulties of intercepting a 20,000-mile-per-hour missile. The problem has been to cheaply and efficiently generate the required quality of X-ray or particle-beam energy.

The first type of proposed ABM systems were based on utilizing the X-rays generated by a 1 megaton H-bomb to cripple incoming warheads. While only minute amounts of X-ray energy deposition were needed to achieve this, simply blowing up a bomb gives a "kill radius," or range needed to knock out incoming missiles, of not much more than 30 kilometers from the point of detonation. This directly leads to a cascade of targeting, tracking, and interception problems. On the other hand, if the energy of the H-bomb could be focused in one direction or, even better, transformed into a beam, then the effective kill radius would be greatly extended and these other difficulties overcome.

This is particularly the case in the fusion-owered X-ray laser. Unlike other proposed laser weapons, the X-ray laser is almost impossible to defend against in terms of hardening the warhead or missile. And since the kill mechanism is almost instantaneously effective, many

targeting and tracking problems encountered by other beam and laser systems are easily overcome with the X-ray laser. As seen in the figures, taken from Dr. Winterberg's August 1981 *Fusion* magazine article, titled "Nuclear and Thermonuclear Directed Beam Weapons," there are many different approaches to generating both nuclear explosives driven X-ray lasers and other types of beam weapons.

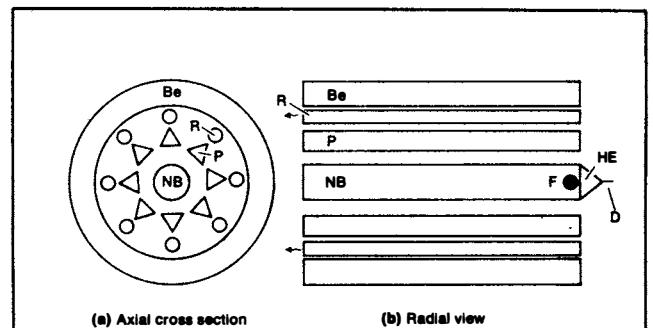
The current status of development

A primary source for information concerning beam weapons, and especially the X-ray laser, has been the publication *Aviation Week*. Last winter it reported that Lawrence Livermore National Laboratories in Livermore, California had successfully demonstrated the scientific principles of an X-ray laser design. The Sept. 7 issue of *Aviation Week* reported in a news brief that Los Alamos National Scientific Lab in New Mexico is now moving toward the development phase of perfecting the X-ray laser as an ABM system. *Aviation Week* reports that the system would consist of 20 to 30 satellites, each with 50-ray lasing rods. Therefore, upward of 1,500 missiles could be intercepted in the most vulnerable stage of flight, i.e., the X-ray lasers would be directed toward rupturing the thin skins of the first or second stages of the rising missiles. This basing mode has two distinct advantages: first, the missile loaded with multiple warheads is killed as a unit, getting many birds with one stone; second, the kill range need only be several hundred miles.

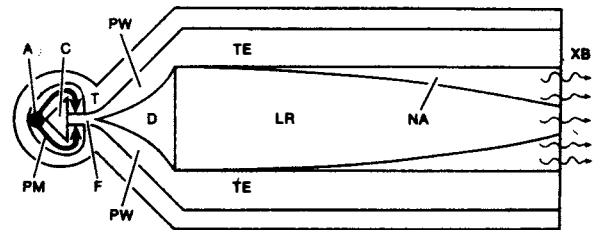
But one major disadvantage is that the system must be deployed at least one hour before hostilities begin. Furthermore, the targeting and firing must be within minutes of the offensive missiles' takeoff.

Aviation Week states that this system is projected to be deployed by the end of this decade or the beginning of the next. Other sources indicate that a longer-range mode of interception directed against the individual warheads may be more effective and far more quickly deployed. And as *EIR* readers know from our July 28 issue, Air Vice-Marshal Stewart Menaul of Great Britain reports concerning the X-ray laser: "It is just possible that the Soviets have developed such a system at their experimental site at Saryshagan."

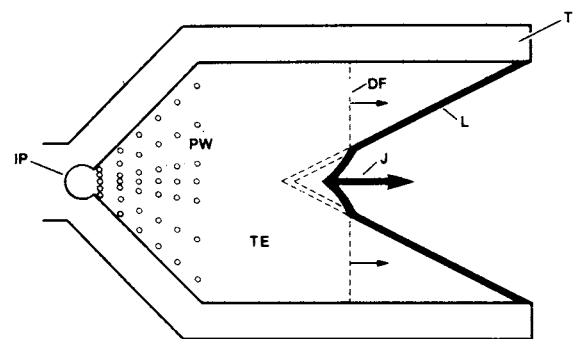
One leading U.S. weapons scientist revealed the following historical anecdote when told by this author that Dr. Hans Bethe had stated that it would take at least decades to realize an effective X-ray laser ABM system. "Did you know that Hans stated in secret testimony before the Congress in the early 1950s that our H-bomb development work put us 25 years ahead of the Soviets. According to Hans it would take the U.S.S.R. at least a quarter of a century to catch up with us." Within months of this testimony, the Soviet Union exploded the first actual H-bomb.



NUCLEAR X-RAY LASER WEAPON USING NEUTRON BOMB
 The cylindrical neutron bomb NB is placed within a cylindrical neutron reflector Be made of beryllium-9. The detonator D sets off a high explosive HE, which in turn explodes the fission trigger F for the neutron bomb. The prisms P surrounding the neutron bomb prevent the laser rods R from being vaporized prematurely. The neutrons from the bomb penetrate the laser rods, which produce laser beams of intense X-rays, to be directed at ballistic missiles, for example.



NUCLEAR X-RAY LASER WEAPON USING THERMONUCLEAR EXPLOSIVES
 In this larger device, a thermonuclear explosive TE pumps one large laser rod LR. The fission explosive A creates a shock wave that is deflected by the deflection cone C, passing between it and the tamp T in Prandtl-Meyer flow PM. The thermonuclear shock burn wave from the thermonuclear fuse F is then shaped by the thermonuclear plane wave lens PW and the deflection wedge D. A coherent X-ray laser beam XB passes out from the laser rod LR, which has been pumped by the thermonuclear explosive TE. NA is the neutron absorber, which creates the conditions for an excitation wave propagating at the speed of light.



FAST PLASMA BEAM WEAPONS
 A spherical thermonuclear detonation wave is ignited at ignition point IP and shaped into a plane wave with detonation front DF by the plane wave lens consisting of solid obstacles. TE is the thermonuclear explosive, T is the tamp, and L is the metal liner that is collapsed by the detonation front, resulting in a fast plasma jet J.

Courtesy of Fusion magazine

Hearings scheduled on competitive health plans

The Health Subcommittee of the House Committee on Ways and Means will hold hearings beginning Sept. 30 on legislation which, its authors claim, will foster competition in the health-care industry. One major piece of legislation is the National Health Care Reform Act, H.R. 850, authored by Rep. Richard Gephardt (D-Mo.) under which Medicare recipients would receive vouchers to buy private health insurance rather than receive government-run health insurance. The bill also says that private employers have to give their employees several alternative health care plans. Opponents of the voucher system warn that it would mean drastic cuts in health care for the elderly, because retired people would get very small sums of money in the form of vouchers and would be able to buy only limited coverage. It is admitted by supporters of the voucher system that it is a "cost-cutting" measure.

The hearings will include representatives from the Department of Health and Human Services, the head of the Congressional Budget Office Alice Rivlin, and spokesmen for insurance companies and private employers. "Those who want competition have made known their views," declared an aide on the subcommittee. "We want to hear from those who will be affected." The subcommittee wants to use these hearings to help shape administration policy.

Because the administration is still of developing its own program on this, subcommittee sources don't expect legislation to be sent to the House floor until next year.

However, Capitol Hill sources report that Rep. Willis Gradison (R-Oh.), a cosponsor of the Gephardt legislation, will try to attach an amendment creating a voucher system for Medicare to whatever Social Security financing bill reaches the House floor this year.

Committee finds wide drug use by military

Forty-two percent of all U.S. armed forces in Europe use drugs while carrying out their military duties, and almost half the Navy uses drugs while on active duty. These are the startling conclusions of a report titled "Drugs in the Military" released Sept. 16 by the House Select Committee on Narcotics. The study is based on a survey of 1,906 U.S. military personnel in Italy and West Germany. The report found that active-duty drug use in the Air Force was 17 percent, 35 percent among marines and in the Army, it was 43 percent. The House committee's report thus proves that if the Reagan administration is serious about reviving a strong America, it must clean up the drug crisis.

The committee took a special survey of the use of cannabis and stimulants on the nuclear carrier *Forrestal*, perhaps prompted by reports that several of the recent carrier accidents were caused by personnel using drugs. The committee report concluded that 60 percent of the men on the ship were using those drugs while on active duty.

The committee report found that cannabis use among the Army was 38 percent and 24 percent among Marines, supposedly the

elite military branch.

The committee will hold hearings Sept. 17 with representatives of the military services and Assistant Secretary of Defense for Health John Berry to discuss what action to take on this crisis.

Porter: tie foreign aid to population control

Congressman John Edward Porter (R-Ill.) a member of the Foreign Operations Subcommittee suggested in a floor statement Sept. 15, that U.S. foreign aid be tied to a recipient nation's establishment of strict birth-control measures. Porter is one of the first elected officials to actually call for the United States to try to coerce nations into limiting their populations.

In an interview with *EIR*, Porter stated that his suggestion came after a trip he took recently to India and China. "I was struck by the fact that in India there is a huge increase in population, and they don't seem to be able to get population-control measures in place that have a chance of working, and whatever they gain economically is lost to population increases.

"By contrast China, where we visited, has huge population increases—[but] they are totalitarian so it is easier for them to get a handle on it and they seem to have a strong program of encouraging population control. There seems to be more hope for the future in this totalitarian society than in the democratic society of India," declared the congressman, assuring *EIR* that he does not, however, favor totalitarian methods.

Ignoring the fact that industrial expansion and population growth have historically gone together, Porter declared, "I'm saying that there is no chance of economic advancement where the population outruns a reasonable idea of economic expansion. India has no future if the population growth rate is at the point it is right now."

Kennedy satisfied with NLRB nominee

Despite deep concerns from organized labor over his nomination to membership of the National Labor Relations Board, Robert Hunter breezed through his confirmation hearings before the Senate Labor and Human Resources Committee, Hunter's role in producing the labor section of the Heritage Foundation's report "Mandate for Leadership," which called for radical and decimating changes in labor laws, was a major point of concern. The Heritage Foundation is a Socialist International penetration operation into the conservative movement in the U.S.

Senate Labor and Human Resources Committee Chairman Orrin Hatch (R-Utah) anticipated Democratic questioning of Hunter on this point, and asked Hunter to clarify his relationship to the Heritage report. Hunter, who had been staff director of Hatch's committee prior to his nomination, explained that he was only "project manager" of the section and did not necessarily agree with all its recommendations. Then, Sen. Edward Kennedy, ranking Democrat on the committee, weakly picked up the questioning with "Why should working people expect a

fair shake from you?"

In cross-examining him on the Heritage Foundation report, Kennedy was not able to collect himself enough to ask Hunter which sections of the report he did agree with and which he disagreed with.

Hunter did concede in the course of the hearings that he supported a national right-to-work law, but that this, as a personal opinion, would not interfere with his ability to uphold the National Labor Relations Act as currently written. Kennedy announced himself "satisfied" with Hunter, and the Senate committee, as well as the entire Senate, confirmed Hunter without objection.

Farm coalition shows fractures

The failure of efforts by Senate Majority Leader Howard Baker (R-Tenn.) to kill an amendment to the 1981 farm bill revoking the federal peanut program offered by Richard Lugar (R-Ind.) on Sept. 16 has "blown apart" the farm coalition in the Senate. As a result, the Senate may be unable to pass new farm legislation before Sept. 30 when the current law expires, and farm policy would revert to the Agriculture Act of 1948 which stipulates commodity price supports at 90 percent of parity.

Senate Agriculture Committee Chairman Jesse Helms (R-N.C.) has already threatened to pull the omnibus bill off the floor. The Lugar amendment's success opens the door to divisive and potentially unresolvable fights over the tobacco and sugar programs, with the peanut program part of elaborate

budget compromises the White House made with Southern legislators through Helms. Now Helms has had the rug pulled out from under him by a fellow Republican, and the budget compromises as well as the farm bill are jeopardized.

Lugar apparently acted in conformity with his rigid belief in the "free market," a view he shares with the American Farm Bureau Federation, which several weeks ago called for a one-year extension of existing farm legislation rather than a new law maintaining what they deem to be excessive "government intervention."

Reports indicate that angry dairy state senators jumped on the Lugar bandwagon after they had been defeated a day earlier in attempts to hold price-support levels at the low 70 percent of parity. Instead, the Senate gave complete discretion to the secretary of Agriculture to set support prices, in effect gutting the dairy program.

John Melcher (D-Mont.), also a member of the Agriculture Committee and sponsor of an alternate omnibus farm bill that would have set major commodity support levels at 75 percent of parity across the board, told the press that the Reagan administration's eleventh-hour demands for more budget cuts had "dynamited" the coalition, and "made it impossible to agree on any bill."

Before the Stockman demands for deeper 1982 budget cuts, it had been expected that the farm bill would be swiftly railroaded through the Senate, but that it might encounter difficulty in the House. So far, it has not been scheduled for floor action in the House.

National News

House Dems grant 'amnesty' to dissidents

The House Democratic Caucus has agreed to an "amnesty" for fellow congressmen who strayed from party lines to support President Reagan's budget policy.

While rejecting formal censure of their colleagues, which had been rumored and threatened over the past months, caucus leaders warned that choice committee chairmanships would be allocated according to individuals' votes on certain "litmus-test" issues.

House Majority Leader Jim Wright of Texas said a distinction will be made between "occasional aberrations on the basis of conscience, conviction, or constituency, and a pattern of consistent conniving with the opposition." Toby Moffett of Connecticut, an advocate of stringent party accountability who has Socialist International ties, called the action "a step in the right direction."

Setback for gold at White House meeting

A Sept. 15 meeting between President Reagan and congressional leaders included gold remonetization as a major agenda item, but failed to impress the President that action should be taken on gold in the short run.

According to a White House aide, the different proposals before the Gold Commission, including Rep. Ron Paul's plan for a gold reserve system and proposals for a "gold exchange standard" were reviewed.

However, economists in the "supply-side" camp, which has made gold a central issue following passage of the tax cut, consider the meeting a "setback" for gold forces. The President, one economist said, has been persuaded to "maintain a steady course over the cliff."

The third meeting of the Gold Commission takes place on Sept. 18. Pressure by pro-gold commissioners led to opening of the meeting to the public. However, the meeting is expected to concentrate on essentially theoretical issues, rather than specific plans for implementation of a gold standard. Gold proponents see the meeting as an opening sally, rather than as a forum for political give-and-take to determine a concrete course of action.

Teamsters endorse Melcher resolution

The International Brotherhood of Teamsters, the nation's largest trade union, on Sept. 16 officially endorsed a resolution sponsored by Sen. John Melcher (D-Mont.) and several other senators, which demands action by the President and the Federal Reserve to lower interest rates.

"Teamsters General President Roy Williams has asked the U.S. Senate to approve a proposal that could lead to a reduction of interest rates," the Teamsters said in a press release circulated in Washington.

"Besides a letter to each of 100 senators," the release continues, "Williams wrote a letter to President Ronald Reagan pointing out that under the terms of the pending resolution, the President with congressional mandate, could 'begin consultations with the Federal Reserve Board to bring interest rates back to realistic levels.'

"Our members," said Williams in his letter to the President, "are experiencing severe hardship in this era of 20 percent credit. Unless they have cash, they cannot make such basic purchases as shelter and transportation. They need relief."

"Williams said it was his belief and hope that the combined efforts of the Congress and the President could make it possible to 'begin a program to take the economy out of its present cash and carry crisis.'

"He added that if Senate Joint Resolution 104 [the Melcher resolution] is not adopted, 'we will continue to see the Federal Reserve Board choking such vital industries as construction, auto manufacturing, and housing.'"

DNC's Manatt blocks anti-Volcker resolution

Democratic National Committee Chairman Charles Manatt intervened Sept. 17 at the DNC's Executive Committee meeting in Washington D.C. to amend a resolution passed by the DNC's Western States Caucus calling on Congress to "bring down the Federal Reserve Board's high interest rates." The wording was changed throughout to attack instead "Ronald Reagan's high interest rates."

Manatt's amendment came after two National Democratic Policy Committee representatives had distributed a press statement to all attendees documenting Manatt's own unsavory banking activities.

After some huddling of advisers, Manatt opened the meeting by announcing that "The group giving out literature is in no way officially affiliated with the DNC," but that because of "First Amendment rights," the distribution would be allowed. Manatt's decision contravened a resolution passed by the California Democratic Party which banned the NDPC from distributing literature at party meetings in Manatt's home state. "They even call me a flight capital banker," Manatt concluded in a weak joke.

The meeting voted up an "anti-Reagan" fight to protect Social Security, opposition to sale of the AWACS to the Saudis, support for the extension of the Voting Rights Act, and support for Solidarity Day.

Strongly implying that tax hikes are the only economic option, Manatt said: "We say no to further [budget] cuts, no to high interest rates, and no to being hung on a cross of gold by Kemp or any

of that crap.”

Although interest rates were not on the political agenda of the Executive Committee, the Western States Caucus reported that at their weekend meeting in Cody, Wyoming they passed a resolution stating in part: “Whereas, the high interest-rate policy of the Federal Reserve Board is crippling farmers and collapsing small business . . . and leading to the collapse of major industries like homebuilding and auto, and causing massive unemployment . . . and increasing prices for consumers, thereby increasing inflation . . . this body resolves that the Congress of the United States should adopt legislation to force the Federal Reserve Board to bring down high interest rates.” This was the resolution Manatt altered.

U.S. security and drugs seminar planned

“War on Drugs: A Matter of National Security and National Survival” is the title of a three-part seminar series that will begin on Capitol Hill on Thursday, Sept. 24, the National Anti-Drug Coalition announced on Sept. 3.

Sponsored by the National Anti-drug Coalition, which publishes the well-known monthly magazine, *War on Drug Coalition*, which publishes the publication, *Investigative Leads*, the Washington, D.C. seminars are designed to provide members of Congress, their staffs, administration officials, the armed services, and law-enforcement specialists with information required to initiate an effective war on illegal narcotics.

The seminars are scheduled for Sept. 24, Oct. 22, and Nov. 5, in a subcommittee room of the House Armed Services Committee. Guest speaker will be John Cusack, a retired U.S. drug enforcement official who is well known for his role in breaking up the notorious “French Connection.” Speaking with Mr. Cusack will be *EIR* Counterintelligence chief Jeffery Steinberg on “The Federal Role

in Fighting Drugs and Crime.”

The Oct. 22 seminar, titled, “Banking on Drugs,” will feature *EIR* Economics Editor David Goldman, co-author of *Dope, Inc.* and *The Ugly Truth About Milton Friedman*. The Nov. 5, Seminar, “Foreign Policy: Fighting Drugs Internationally,” will highlight case studies of Latin America, the “Sicilian Connection,” and the Golden Triangle.

Antinuclear demonstration flops in California

The siege of the Diablo Canyon nuclear plant launched by environmentalists Sept. 15 proved to be a large national setback to the antinuclear movement. Out of the originally planned 30,000 demonstrators, only 1,000 materialized, and arrests quickly began. Gov. Jerry Brown, under attack for trying to ruin the state’s agrobusiness with his own environmentalist policies, was unable to openly support the demonstrators, and stated that if they became violent he would call out the National Guard. Brown’s ally Tom Hayden also was obliged to distance himself from the siege.

Cartoons depicting environmentalists interviewing each other while reporters blocked the plant gates have appeared in newspapers all over California, ridiculing the national news media for spending a week trying to create “an action story” around the environmentalist activities. One policeman interviewed Sept. 16 said, “Our biggest problem is the press.”

National Democratic Policy Committee spokesman Will Wertz, in a press conference at the Plumbers and Pipefitters Hall in San Luis Obispo, near the site, documented Brown’s and Hayden’s ties to the antinuclear demonstrators and released telegrams of support for Diablo Canyon and nuclear power from France and Sweden, as well as endorsements of the plant from five California city councils.

Briefly

● **WASHINGTON, D.C.** city council members hand-delivered a letter to the White House Sept. 16 that rejected the proposed appointment of Abscam prosecutor Thomas Puccio as U.S. attorney for the district. Eleven of the 13 councilmen participated in the mission.

● **DR. C. EVERETT KOOP** was nominated by the President as U.S. Surgeon General on Sept. 16 after Congress cleared an age-limit provision that was used to stall his appointment since February. Koop opposes euthanasia, abortion on demand, and medical accommodation to a “useless eaters” policy.

● **ROBERT ROOSA**, the Brown Brothers Harriman banker who in the late 1960s offered foreign governments non-negotiable U.S. Treasury bills to cover America’s payments deficits, now proposes the same thing for taxpayers, who, instead of receiving the recently passed Reagan tax cut, he says, should be given five- to eight-year Treasury paper and let the government use the funds to service interest rates on the federal debt.

● **SEN. ALAN CRANSTON** firmly stated Sept. 13 that the Soviets “do not believe in limited nuclear war,” and declared, “I hope and pray we enter into negotiations to reduce the danger of nuclear holocaust.” The California Democrat recently held meetings with West German Chancellor Helmut Schmidt and with Soviet leaders.

● **SEN. DON NICKLES’S** office says the Oklahoma Republican would like to introduce a measure this session calling for full repeal of Davis-Bacon. “It would be a real show of strength against labor,” an aide commented. “We could have a good shot at repeal now, with everyone looking to save money.”

Canada's strange oil politics: phase two

The deal between Trudeau and Alberta means that the winner of a provoked battle will be Petro-Canada.

Earlier this month, Canada's Pierre Trudeau struck a compromise with Peter Lougheed, premier of the western oil-producing province of Alberta. The deal, which runs until mid-1986, ends a year of intense political acrimony following Trudeau's 1980 shock announcement of his National Energy Program (NEP). But before we pop the champagne corks, the actual pact bears close scrutiny.

Recall that the NEP's initial terms imposed retroactive expropriation, without compensation, in the form of a 25 percent unearned interest in all federal lands which Petro-Canada, the government's oil company, has the right to pick up from private companies. Given that the Petro-Can corporation was created by one of the world's leading zero-growth zealots, Trilateral Commission member Maurice Strong, and is currently becoming one of the world's major oil companies with the assistance of Trilateral Commission member Donald Harvie as Petro-Can's deputy chairman, we have cause for suspicion.

Trudeau's NEP triggered a war with the oil-producing provinces by increasing the federal government's share of taxes; the provinces had traditionally controlled mineral and oil taxation. And it further mandated a policy of "Canadianizing" ownership of the oil industry to 50 percent by 1990.

The net effect of the NEP to date has been disastrous to energy

exploration and development. Its restrictive price and tax provisions triggered an exodus of rigs and capital, mainly to greener pastures in the U.S. The number of active rigs dropped in half, from a historic high of 456 in August 1980 down to only 230 a year later. An estimated \$3 billion followed the rigs out of the country. The ensuing decline in Canadian exploration could set development back by years.

Now, after a year of deliberate limbo, which forced many major companies to sell their Canadian holdings at depressed prices, Trudeau's alter ego, Energy Minister Marc LaLonde, has completed a very clever maneuver. The new agreement between Alberta and Ottawa creates a two-tiered price structure under which the price of "old" oil will incrementally rise from the current \$18.75 a barrel with a \$2.50 rise, effective Oct. 1, and a \$4.50 rise in 1982 up to a maximum of 75 percent of the world price by 1986. "New" oil (discovered after Jan. 1, 1981) will be allowed to soar to approximately the world level next year. The federal tax rate on this higher-priced energy will rise from 8 percent of a dramatically higher absolute price to 16 percent. The total of the price increases over the five-year period will generate an estimated \$212.8 billion to be divided between federal and provincial government and industry. Here lies the rub.

Robert Brawn, president of the

Independent Petroleum Association of Canada, estimates that the actual after-tax breakdown will give the federal government 35 percent, the provincial government, 50 percent, and industry a meager 15 percent of the per-barrel price. New exploration, Brawn thinks, will be further complicated by the increase of operating costs and decrease of net-back to producers from 12 percent down to 4 percent by 1986. Brawn's calculation is that despite the higher price to the consumer, the revised NEP agreement will provide no net increase of cash flow to industry for further exploration. And with many independent producers highly leveraged and forced to borrow capital for drilling at 20 percent rates, only favored companies such as Petro-Canada will emerge as clear winners.

Since last October's initial NEP was issued, Petro-Canada has moved from number 12 among oil companies internationally to number 5. Canadian consumers paid 85 percent of the \$1.5 billion cost when several months ago Petro-Can acquired ownership of the Belgian-owned Petrofina at a cost of \$120 per share. Market price at the time of takeover was \$60. Under the NEP, Petro-Canada's common-share capital increases from \$500 million to \$5.5 billion.

One major independent company has calculated that under such favored terms, Petro-Canada will control about 130 million net acres on Canada's oil-rich frontiers. As another industry source put it, "No company can effectively explore 130 million net exploration acres, and this gift to Petro-Canada will result in stagnation in our frontiers." But isn't that the point of Trudeau's NEP?

EIR Announces....

WASHINGTON, D.C. CONFERENCE SERIES

"I read EIR all the time."

Robert Hormats

Assistant Secretary of State for Economic Affairs

"EIR is certainly well-informed on Mexico."

Raymond Waldmann

Assistant Secretary of Commerce for International Economic Policy

"EIR is the expert in Soviet development of space-based ABM systems."

Dr. Richard DeLauer

Undersecretary of Defense for Research and Engineering

Entering the fall season, economic and military matters are certain to dominate the policy agenda in Washington. *Executive Intelligence Review* has planned a fall series of four seminars to ensure that these issues are competently explored in detail.

Topics have been announced for two of the conferences:

Sept. 30: "U.S. and Soviet Strategic Doctrines for the 1980s"

Oct. 14: "The Cancun Summit and U.S. Relations with Developing Countries"

Topics of the remaining two conferences, one in October and one in November, will be announced in coming weeks.

Registration for each conference is \$100. Payment can be made for the conference series, at a special fee of \$250.

.....

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Account No.

Signature _____

\$396—Full year *EIR* subscription

\$250—Four-conference series

\$500—Four conferences, and full year *EIR* subscription

\$400—Four conferences, and six-month *EIR* subscription

Make checks payable to:

Executive Intelligence Review

2025 I St., No. 520, Washington, D.C. 20006

For more information, contact Laura Chasen (202) 223-8300