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Executive Intelligence Review

November 17, 1981

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# EIR

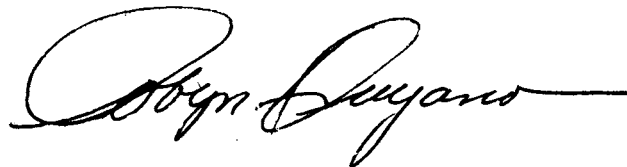
## From the Editor

This week's Special Report contains major portions of our benchmark military conference in Washington, D.C. on Sept. 30. The theme of the *EIR* editors' presentations was the way in which de facto Global 2000 depopulation and de-industrialization policies have 1) destroyed the industrial base upon which an adequate defense depends, and 2) are now directing "limited war" provocations designed to destroy the peoples and development potential of the post-colonial world.

One of the final questions to the podium was addressed to Mr. Zoakos: "I agree with you that military means of reducing population must be opposed—but what is wrong with benign methods?" Zoakos said: "Our biggest shortage is people, depending upon your conception of a human being. If you think a human being is a greedy hedonist, munching precious finite resources, you will think population control becomes necessary. If a human being is a being of reason, exercising dominion over nature, human beings *are* the fundamental resource. Technology becomes that array of practice that defines resources. Society must be organized to encourage its individual members to develop their powers of reason; and in that kind of society, 'population control' is unreasonable and inhuman."

That is the question facing decision-makers when they consider Egypt's future, and the continued activities of the Muslim Brotherhood on behalf of "Iranization" of the Middle East; when they discover how the Federal Reserve proposes to drastically contract U.S. living standards without arousing effective political opposition; and when they reflect upon whether Mr. Haig, who has intensified the Global 2000 policies issued by the Carter State Department, should be allowed to remain in office. Those are among the intelligence topics we examine in this issue; I also call to your attention *EIR* Founder Lyndon H. LaRouche, Jr.'s commentary on why Jesuit spokesmen are attacking him as "an agent of the Vatican."

Note that because of a Murphy's-Law conjuncture of mechanical difficulties at the production end, we are skipping the issue dated Nov. 24, 1981. Subscribers will, however, receive their 50 issues for the year.



# EIR Contents

## Departments

### 46 Middle East Report

The Fahd plan picks up steam.

### 47 Dateline Mexico

Sonora '81: investment opportunities.

### 48 Interview

Charles Millon, Deputy General Secretary of France's Republican Party.

### 57 Interview

William Wimpisinger, President of the International Association of Machinists.

### 60 Congressional Closeup

### 64 Labor in Focus

Kirkland, DOL back racketeering bill.

## Economics

### 4 The Fed looks forward to a controlled depression

Discussions with Volcker deputies and their academic counterparts who think the economy can be tidily wound down.

### 6 Currency Rates

### 7 World Trade

### 8 Domestic Credit

Interest rates will fall, then climb.

### 9 Banking

Volcker says "no life after death."

### 10 How traffic works in the Golden Triangle

An exposé of Asian heroin production and marketing.

### 12 Business Briefs

**Warning to subscribers:** The Detroit office of NSIPS has been taken over temporarily by a rather evil little operation linked to unsavory interests. This operation has seized control of publications including the *Labor Beacon* and *Parity Foundation*, and is soliciting subscribers of publications including *EIR* for investments of various sorts.

Therefore, we are obliged to warn subscribers that we in no way endorse or condone any offerings currently made by the Detroit office or persons affiliated with it in any part of the nation.

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## Special Report



U.S. 82nd Airborne Division paratroopers at Fort Bragg, North Carolina, a key component of Rapid Deployment Force operations.

Jean-Pierre Laffont/Syigma

### 14 **The real gap for the U.S. military: Global 2000 policy**

A report on *EIR*'s Sept. 30 conference in Washington.

### 16 **Prof. Holzman compares defense expenditures**

An attempt to prove that the U.S. is not behind.

### 19 **Dr. Bardwell on the science-technology gap with the U.S.S.R.**

### 23 **Criton Zoakos indicts American strategic policy**

The tradition and its current betrayal.

### 26 **David Goldman on U.S. productivity requirements for the industrial base**

**Documentation:** LaRouche-Riemann model graphics.

## International

### 30 **Free-zone system for Egypt or an industrial buildup?**

Sadat was attempting to reduce the perquisites of the international banks, and expand industrial infrastructure through nuclear energy.

### 32 **Islam and the West looks to dark ages**

A report on a Paris conference of Muslim Brotherhood controllers.

### 35 **The Jesuits charge that LaRouche is 'an agent of the Vatican'**

The stakes are scientific mastery versus depopulation and bestiality, writes LaRouche.

### 43 **Mumford's superior targets refugees**

An interview with Malcolm Potts of the International Fertility Research Program.

### 44 **Otto von Hapsburg lauds the Socialists**

An interview with the "conservative" archduke.

### 50 **International Intelligence**

## National

### 52 **Haig and Volcker block U.S. recovery policies**

### 54 **State Department and its Tokyo friends maneuver to bring Suzuki into line**

### 56 **Sen. Hatfield looks for Global 2000 sponsors**

### 62 **National News**

## The Fed looks forward to a controlled depression

by Kathy Burdman

All available evidence indicates that the Volcker Federal Reserve is now engaged in the attempt to "ride the economy down," to allow an agonizingly slow drop in interest rates while putting the physical economy through a series of "controlled" shocks with minimal political risk to the Fed itself.

The Fed's reduction of the basic discount rate to 13 percent on Oct. 30, which led to a drop of the prime to 17½ percent on Nov. 2 did not represent an effort to restart the economy, but a commitment to an interest-rate drop curve calculated to maintain the current rate of fall in real industrial production, without causing mass industrial bankruptcies and panic. In fact, industrial and construction loan demand is falling faster than the Fed is providing funds to the banking system: this is the only factor allowing the Fed to drop rates. The Fed is following the loan-demand collapse, in other words, not attempting to mitigate it.

This is nowhere clearer than in Volcker's treatment of the U.S. bank and savings system, and the housing market which depends upon it. On the one hand, despite reports flooding the financial press that the \$2 billion Greenwich Savings Bank and three other major New York thrifts, along with dozens of savings and loans, are about to collapse completely, Volcker reiterated that he will not change his basic tight-credit stance. Volcker told the Senate Banking Committee Oct. 28 that the thrifts will have to "live" with an average 16 to 17 percent cost of funds, when their average return on mortgage assets is half that at 8 percent.

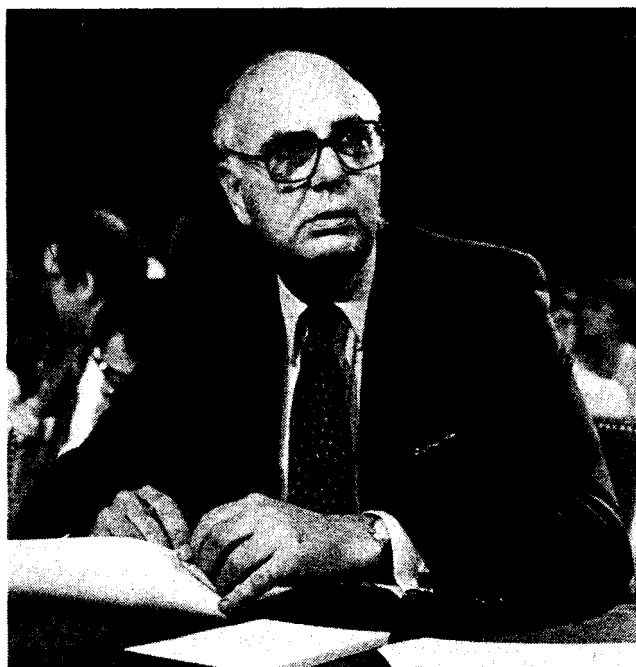
The Chairman's policy is to "ride" the bank crisis, by

forcing "discrete discontinuities," as the Fed staff put it. Volcker demanded congressional authority to simply shut down selected ("discrete") banks by merger, and end their home lending (see Banking). Such "triage" of banks might work, for at least as long as the federal insurers' combined \$19 billion in funds holds out. Yet Volcker's overall policy is guaranteed to blow out the U.S. industrial economy altogether, and no one can guarantee the banking system under those conditions.

In fact, what emerges is that the closer that the economy and the banking system get to a point of being blown out, the more that certain individuals in the Federal Reserve, the banking community, and academia, who are deemed experts on the subject, delude themselves that they can "absorb the shocks" and prevent everything from going haywire. These gentlemen are like the person who jumps off a cliff and convinces himself that the law of gravity doesn't hold true during the first few seconds of flight because he hasn't hit the ground yet. The illiquidity of the U.S. banking and industrial system is so great that any "shock" could be the monetary system's final undoing.

### 'Take a walk'

I had a rare glimpse into the Alice-in-Wonderland thinking behind Mr. Volcker's staid monetary pronouncements Nov. 5-6 at a New York University symposium with the memorable title "Crises in the Economic and Financial Structure: Bubbles, Busts, and Shocks." The participating professors of finance, all of whom seemed fit population for "Behind the Looking



Paul Volcker

Glass," applauded the Fed's strategy.

"Volcker is determined to prevent a general banking collapse and preserve the basic sanctity of the system," Fed economist Robert P. Flood said in a discussion. "He won't allow uncontrolled bankruptcies, and will print money to bail out the banks as necessary if that occurs." Flood cited the disclosure by the Federal Deposit Insurance Corporation Nov. 4 that it had arranged for \$430 million in Fed discount window borrowings for the Greenwich as proof that Volcker has the situation in hand.

"What is happening," said Flood's colleague Peter Garber, "is not a bank 'run,' but a leisurely 'walk.' People are slowly walking out of S&L and savings bank deposits, and the Fed and the insurance regulators are slowing walking in and reorganizing their assets. There are no lines in the street."

Mr. Flood, a member of the Washington Fed's International Finance Division, and Mr. Garber, who is at the University of Rochester, are the authors of "A Systematic Banking Collapse in a Perfect Foresight World," the econometric model published this April for predicting banking crashes.

What Volcker is trying to do, explained the conference chairman, Prof. Paul Wachtel of New York University's Salomon Brothers Center for the Study of Financial Institutions, is "allow for a series of absorbable shocks to the economy which will permit the necessary structural changes in industry and personal consumption to take place."

Although Professor Wachtel did not say so, Fed and

Treasury economists have made it clear to *EIR* what this "structural change" is supposed to be: an inexorable cut in U.S. auto, steel, agriculture, housing, and other production; a slow but grinding rise in unemployment; and a permanent "reduction in the standard of living of the average American," as Paul Volcker demanded in October 1979. What is afoot is an effort to de-industrialize the economy without unduly alarming the poor, dumb American public before it is too late.

The participants at the NYU conference represent the leading financial advisers to the Federal Reserve Board, Donald Regan's Treasury, and David Stockman's Office of Management and Budget as well as the rest of the White House economics staff. Gathering at the Salomon Brothers Center just behind the cemetery in back of Wall Street's Trinity Church, what was billed as a "purely academic" exercise shed much light on events in Washington.

The point of the conference, Professor Wachtel reiterated to me, was to "identify varieties of shocks to the economy, show that they are absorbable, and that in fact many of them should be allowed to proceed." He declared with detachment that, especially from the "academic" standpoint, the "great crises" of American economic history have actually been beneficial. "These shocks are always with us, we must take a centuries-long historical view," he said. "This view will show that the system will not only survive, but be strengthened by monetary and economic discontinuities and shocks." The good professor seemed perfectly oblivious to the fact that shocks such as the Panic of 1884 destroyed whole sections of U.S. industry.

Professor Wachtel cited in particular a paper given the first morning by Prof. Richard Sylla of North Carolina State University, titled "Monetary Innovation and Crises in American Economic History." Crises are "useful, because they underscore the limitations of existing monetary systems, and lead to monetary innovation," Professor Sylla writes, characterizing the panics of 1873, 1884, 1893, and 1907 as having led to the creation of the Federal Reserve System, the "ultimate monetary innovation" in America.

Sylla concludes by saying that the current crisis among savings and loans and other banks under the Volcker interest-rate policy will be beneficial if it forces the total deregulation of banking in the United States.

The "net impact" of protective U.S. bank regulations introduced during the Depression, he writes, "was to reduce the ability of the banking system to innovate and compete in the money and capital markets. As a result, non-bank financial institutions gained competitive ground." The current U.S. banking crisis, he strongly implies, à la Donald Regan, will force the welcome demise of these regulations.

Another paper by Jack Guttentag and Richard

Herring of the University of Pennsylvania argued that no matter what the Fed does with interest rates, the banking system as a whole is now "crisis-proof." "The development of deposit insurance has eliminated the possibility of runs at most financial institutions," they write, "and converted potential runs into 'walks' at others," they begin. "Deposit insurance aims at preventing runs altogether, by making the soundness of banks irrelevant to depositors."

What can now be accomplished, they conclude, is the orderly shutdown ("absorbable shock") and merger of "discrete" institutions. "This [the deposit insurance system] has largely transformed the bankruptcy decision from a market-driven process to a deliberate, administrative process," so that Volcker may proceed with his policy in full confidence.

Guttentag and Herring's only reservation is to call for the U.S. Treasury to make explicit its now implicit but "ambiguous" commitment to back up the federal insurance agencies should the insurance funds themselves be exhausted. "Complete credibility" is not possible without this, they write. "We believe that the federal government should explicitly assume full liability for deposit insurance commitments," adding that the failure to do so "would be morally, and perhaps legally, indefensible."

From there, the discussion went further downhill. Professor Wachtel objected to a paper by NYU Professors Thomas Ho and Ronald Singer in support of the government's loan-guarantee program for the Chrysler Corporation. "The U.S. economy can easily survive the shock of a Chrysler bankruptcy," he said, "and it would be healthy. The economy is telling us we are producing too many autos. We must allow the structural shrinkage of the auto industry to take place."

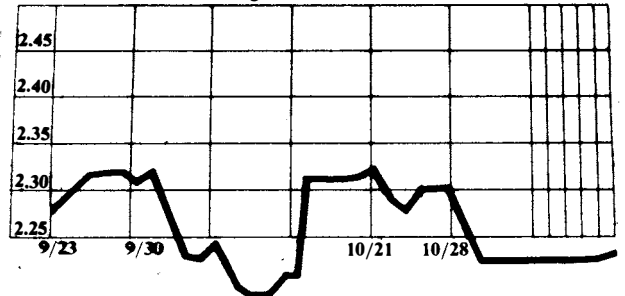
Two other papers then suggested the world economy and banking system can nicely survive 1) a Third World debt collapse and 2) the loss of all Persian Gulf oil production. In "LDC Debt in the 1980s: Risk and Reform," Jeffrey Sachs of Harvard argued that cooperation with the International Monetary Fund has made the risk of massed LDC defaults unlikely. Sachs proposed allowing a series of "orderly" defaults by negotiating default clauses, at appropriately high interest charges to cover lenders' risks, into LDC debt contracts.

Professor Knut Mork of the University of Arizona, in "What If We Lose the Persian Gulf?" examined the U.S. economy before, and after, a projected total shutdown of Gulf oil supplies. He concluded that while U.S. GNP might drop by 15.5 percent in "Year 1" and 8 percent in "Year 2" after the "shock," consumption of energy would also decline, and the economy would stabilize! "After the shock, life is predicted to go on, although with not quite the same level of productive capacity," Professor Mork concludes.

## Currency Rates

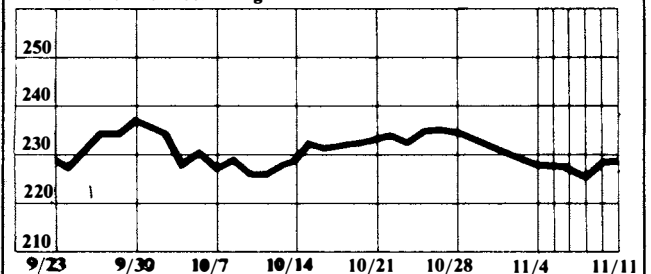
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New York late afternoon fixing



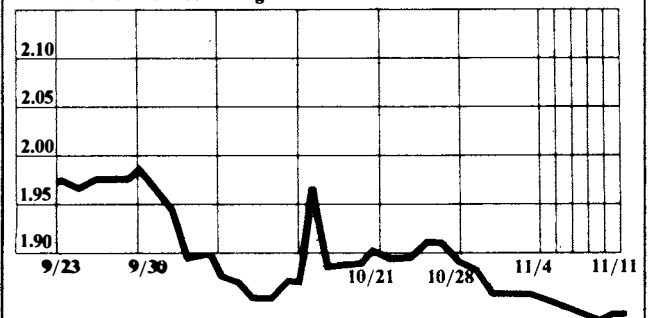
### The dollar in yen

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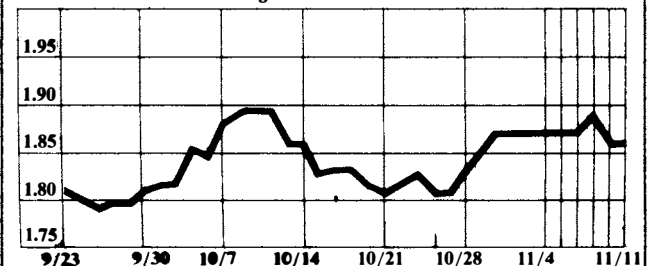
### The dollar in Swiss francs

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### The British pound in dollars

New York late afternoon fixing





# World Trade

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
<b>NEW DEALS</b>			
\$1.05 bn.	Italy/U.S.A.	Armand Hammer, head of Occidental Petroleum, signed a deal with bankrupt Italian state-owned ENI, setting up Enoxy. Enoxy will take over 56 ENI-owned chemical plants and 4 coal mines in U.S. owned by Oxy. Oxy will manage wholesale restructuring of Italian chemical industry, including plant closings, some modernization, and building of \$305 mn. new chemical plants and putting \$221 mn. into completing an ethylene plant.	Hammer looks to profit and political leverage in deals with Soviets, Libya, China, and other govts. having trouble getting capital or technology.
	France from Brazil	Solmer signed for 1.5 mn. tpy iron ore from Brazil's Carajas pit, which has 32 bn. tons of ore containing 44-54% iron. This gives Carajas firm long-term orders for 26.5 mn. tpy when comes on-stream in 1985. Half of orders from Japanese. Brazilians say Carajas can yield \$10 bn. mineral exports per year, following \$60 bn. start-up investments.	Brazil seeking remainder of \$3.4 bn. needed for first-phase iron-ore aspects. Good opportunity for equipment sales, if lots of concessional financing can be lined up behind them.
\$550 mn.	South Korea from Japan	Hyundai Motors, Korea's biggest auto producer, is investing \$550 mn. in new 300,000 car per year plant. Will use engine design and other technology from Mitsubishi.	Half the total of small front-wheel drive cars will be exported.
\$340 mn.	Malaysia from Japan	Malaysian govt. has selected Japanese consortium to build new 600,000 tpy steel mill. Nippon Steel is providing its new direct reduction process, overall engineering direction and the reduction plant. Mitsubishi Heavy Industries is building continuous casting unit, Chiyoda a gas generator and Daido the electric furnaces.	Plant will put out reduced iron and semi-finished steel for Malaysia market.
\$100 mn.	Malaysia from Japan/South Korea	Japanese companies led by Maeda will build rock-fill dam on Batang River in Borneo.	Power station will supply 92,000 kw.
\$300 mn.	Malaysia from France	Malaysia Heavy Industries has set joint venture with the French paper-maker Sogee for paper mill in Kota Bahru.	
	U.S.A./Japan	R&D for designing a new generation of oil drilling rigs under way in 3 "marriages" between Japanese and American firms: Kawasaki with Zapata; Nippon Kokan with Global Marine Development; Hitachi Shipbuilding with Friede & Goldman.	Joint high-tech reduces costs, development time, and trade friction.
	U.S.A. from Japan	Hitachi building color TV assembly plant in Anaheim, Calif., since demand outstrips 250,000 set/yr. capacity of its Compton plant.	
\$130 mn.	Thailand from Belgium	Electrolytic zinc smelter will be joint venture between Thai govt. and Mechim and Vieille Montagne of Belgium. 16 Thai banks financing; Sino-Thai Engineering getting big chunk of construction.	Project started 10 yrs. ago as U.S.-Thai venture.
<b>UPDATE</b>			
	China from U.S.A.	Reagan administration giving strong backing to Westinghouse bid against British competitors for nuclear reactors Hong Kong and Chinese interests want to build inside China. Consists of two 900-megawatt PWRs.	<i>Financial Times</i> reports U.S. officials tell Chinese that fact China has bomb will lessen U.S. inspection demands.

## Interest rates will fall, then climb

*Private-sector financing needs will remain too heavy for rates to fall below 10 percent, despite the recession.*

Federal Reserve Board Chairman Volcker will have his hands full in attempting to implement his dictum that he will hold tight on money supply and interest rates, and keep the economy from relitigating the way it did partially in July-September 1980, following the onset of credit controls in March 1980.

Those who remember that period will recall that after reaching a prime rate level of 20 percent during the second week of April 1980, interest rates fell to an 11 percent level during the first week of August. The sharp decline was preceded by a production drop of 8 percent between March and July.

All other rates followed suit. Ninety-day certificates of deposit at large money-center banks fell from an 18 percent level reached on April 4 down to about 8.5 percent the last day of July. Corporate Baa bonds, which were 13 percent for the month of March, fell to 10.5 percent in June, but never lower.

It appears that there is little chance that the U.S. will escape a production drop as sharp as the March-July 1980 period. With a production drop that sharp, borrowing levels would have to contract. The decline in steel output is symptomatic.

Steel production for the week ending Oct. 10 was 71.6 percent of capacity; for the week ending Oct. 31, it was 65 percent. As steel-capacity utilization dissipates, two Fortune 500 companies are on the brink of sharp contraction, at the

very least. Kaiser Steel, the ninth largest steel producer in the nation, announced Nov. 2 that it will cease all production of raw steel and rip out its coke oven and blast furnaces from its Fontana, California plant. Since the plant was built during World War II to provide steel for ship-building, it was one of the relatively more modern in the United States.

International Harvester, the nation's second largest farm-implements producer, with sales of nearly \$10 billion per year, and one of the top 50 Fortune 500 companies, announced Nov. 2 that it will shut down 16 U.S. plants and 3 Canadian plants starting Dec. 14, and keep them closed until Jan. 4. It will lay off 20,000 of its 50,000 employees. But Harvester still has to find ways to satisfy the claims of 220 lending institutions that hold \$4.15 billion of Harvester debt. Harvester lost \$240 million for the fiscal year 1981, has retained a bankruptcy attorney in the event that it cannot make ends meet in a farm-equipment market whose sales are 20 to 25 percent below 1979 levels. It is possible that some of the Harvester plants will only partially re-open after Jan. 4.

Add the 20 percent drop in auto sales, for October below last year's levels, and the continued collapse in housing and home-appliance sales, and total U.S. production may drop from August of this year, when production output fell 0.3 percent, until sometime in 1982 could be great-

er than 8 percent.

This means corporate borrowing will finally peak and begin to contract, which should ease down rates. The amount of commercial paper borrowed during October finally fell, although corporate borrowing at banks is still strong. Some investors are beginning to lock into 91-day Treasury rates, figuring that they are the highest they will be for a few months. Likewise, long-term Treasury bond rates may also be attractive right now.

The question is, will the falloff in corporate borrowing because of the recession lead interest rates below 10 to 11 percent on the short side of the market by Christmas? If this were a "normal" economy, even in the sense of the economy of the 1960s, the answer would be that interest rates should fall all the way to 4 to 6 percent, and there would be no problem.

But this is not a normal economy. Not only must corporations try to convert their short-term debt into long-term debt, thereby keeping up the pressure on long-term rates, but going into the recession, businesses are still faced with involuntary inventory buildup and huge short-term financing needs. For example, the inventory-to-sales ratio for September, at 1.63, was the highest in 12 months, despite the fact that production fell by 0.8 percent in September.

Other things being equal, the collapse of production will continue to bring rates down through to the end of 1981. Then illiquidity pressures will take over, pushing rates back up again around the start of 1982. The illiquidity of the economy will thus aid the Federal Reserve in holding interest rates above the 10 percent barrier.

## Volcker says 'no life after death'

*The Fed Chairman is more interested in bank shutdowns than in gradual banking deregulation.*

Although *EIR* has been warning for months that Federal Reserve Chairman Paul Volcker's high interest rates would bankrupt the savings industry, the *New York Times* and the Federal Deposit Insurance Corporation suddenly began a strange campaign this week to terrify the American public with the imminence of a massive banking collapse.

Acting on an obvious leak from the FDIC, the *Times* Oct. 29 announced the bankruptcy of the \$2 billion Greenwich Bank for Savings as a major front-page news event. The Greenwich, the *Times* said, is only the first of dozens of savings banks and S&Ls about to go under across the country.

By Nov. 2, the *Times* was reporting the imminent bankruptcy of three more savings banks, while urging its readers "not to panic." The three additional banks on the edge according to the *Times* are: the New York Bank for Savings (deposits \$3 billion); the Union Dime (\$1.3 billion), and the Central Savings Bank (\$734 million).

Nowhere, however, did the *Times* note that most savings institutions would be revived immediately if Volcker's rates were brought down by simple congressional action. It is Volcker's charge of an average 15 to 16 percent on deposits, compared to their average 8 percent earnings on mortgages, that are killing thrifts.

Why is the *Times* crying "panic"?

The answer was provided in remarkable testimony by Volcker himself on the day of the *Times*'s first story, Oct. 29, before the Senate Banking Committee. There, Mr. Volcker demanded of Congress the immediate passage of the so-called "Emergency Regulators Bill," which grants the Fed and other regulators fiat power to sell off, merge, and shut down failing savings and loans, thrifts, and other banking institutions.

The Volcker emergency bill is very simple in intent: it will *shut down, period*, a lot of thrifts and banks, without bothering to kill them slowly through deregulation or high interest rates.

Volcker was explicit: he wants his bill given "immediate action," *now*, not later, and wants to begin merging banks and S&Ls out of existence immediately. "The *Times* articles on thrift failures created an atmosphere quite convenient to the Fed's purposes," said my usual Treasury source. "Congress will have to listen to his request for emergency powers, if the public believes there is an emergency."

Indeed, Volcker did not scruple to threaten the Congress that "without this legislation, the Federal Reserve, faced with an emergency, may well find it necessary to act to allow a bank holding company to acquire a thrift."

Volcker simply announced that there will be no "life after death" for the failing savings industry. The U.S. League of Savings & Loan As-

sociations, which has refused to demand Volcker's head, will now be led as lambs to the slaughter.

Instead of fighting Volcker and his interest rates, the U.S. League late last year proposed a sweeping program of deregulation of S&Ls, under which they would be encouraged to move out of their traditional home lending, and into commercial real-estate speculation, retail loans, money-market funds, and other speculative activities. S&Ls in effect would become commercial banks, and compete against them, all within Volcker's high-rate shark pool.

This policy of transfiguration of the S&Ls was called "Life After Death" by Norman Strunk, the British-trained Senior Counselor to the sheep at the U.S. League. Senate Banking Committee Chairman Jake Garn (R-Utah) has proposed a "Thrifts Institution Restructuring Act," S. 1720, now before the Senate, that would completely deregulate S&Ls into "life after death."

But Volcker, who testified on S. 1720 before the Garn Committee, made it clear the S&Ls won't even have that. Volcker called upon the Senate to "immediately" pass his own "Emergency Regulators" bill, which had just been rammed through the House the day before, and which also constitutes Title I of Garn's bill. But he also demanded the Senate postpone indefinitely the deregulation features of Garn's bill. He denounced the idea of having S&Ls act like commercial banks, and make commercial loans, run investment companies, and money-market funds. He complained that any broadening of the thrifts' powers would mean competition for the Fed's favorites among the big New York commercial banks.

# How traffic works in the Golden Triangle

by Marilyn James

President Ronald Reagan secured a commitment from Thailand's Prime Minister Gen. Prem Tinsulanonda to crack down on the drug trade during October meetings in Washington between the two. Thailand, Burma, and Laos form the opium cultivation region known as the Golden Triangle. The U.S. government has poured millions of dollars into the Triangle in an effort to reduce the Southeast Asian role in the illicit drug trade. The U.S.-sponsored crop substitution program in Thailand reportedly has contributed to reducing Thai opium cultivation by 50 percent in the last decade. However, many U.S. and foreign diplomats remain skeptical, having watched Thai authorities stand idly while opium farmers harvested their deadly crops in full view. The Thai authorities have promised to destroy crops in at least 10 villages in the Chaing Mai area beginning in October-November. However, there have been no reports so far of crops being plowed under or burned.

Thailand does grow opium, but the country also serves extensively as a refining base and a conduit for the illicit drug, the bulk of which is actually grown in Burma. Last year, after suffering two years of drought, the Golden Triangle harvest was an estimated 600 metric tons in opium yield. Burma was responsible for contributing approximately 400 to 500 metric tons.

Illicit drug prices have risen increasingly as a result of the drought, which had brought the overall harvests down to 200 metric tons for each of its two-year duration. During the early part of the 1970s the wholesale price of No. 4 heroin (90 to 99 percent purity) on the Bangkok market ranged between \$3,000 and \$6,000 per kilogram. In late 1979 the same kilo sold for \$10,000, and had increased to about \$13,000 in 1980, as purity levels fell to as low as 50 percent. In New York City, dealers can expect to pay anywhere between \$175,000 and \$200,000 for a kilo of high-purity heroin.

Once the crops are harvested, drug caravans are formed to make the 175-mile journey from Tangyang, Burma—the major transshipment point for the prized Kokang and Wa state opium—south along the banks of the Pang River, across the Salween River at a point just north of Mong Pu. The mule trains then move slowly along the mountain trails, cautiously avoiding govern-

ment-held territory, on their way to the semi-mobile morphine- and heroin-refining laboratories in the tri-border area. Once the drug is refined into the more compact, and more easily smuggled, morphine base or heroin, final arrangements are made to distribute and export the drugs.

## Ethnic pecking order rules the trade

The division of labor in the Golden Triangle is reflective of the ethnic pecking order that prevails in Southeast Asia. Hill tribesmen grow the opium, insurgents transport and protect the caravans, and Chao Chou buy, refine and export the drug. Within this framework, the Chao Chou are the most politically stable and profitable element in the Triangle hierarchy.

The Chao Chou is an ethnic Chinese grouping from Guangdong Province which has its own dialect. Beginning with the British Opium Wars against China in the mid-19th century, Chao Chou Chinese have functioned as the traditional opium compradores and chemists, supplying, operating, and policing the opium dens that were prevalent in China until 1949. The opium dens, although run by the Chao Chou, were leased to Western—predominantly British—merchants in the international settlements. Despite the 1949 Maoist victory, the Chao Chou have maintained a tentacle-like grip on the Triangle trafficking network that extends to intricate relationships in the overseas Chinese communities in Asia, Europe, and North and South America.

In the last decade, Hong Kong reportedly had declined as a major refining and distribution base for the Chao Chou. This development was attributed to the drastic decline in availability brought about by the drought and to a number of major narcotics arrests that swept up the major drug syndicates on the island—in particular the Ma syndicate, which was credited by Hong Kong authorities with having operated a \$150 million drug business between 1968 and 1974. During the period of Hong Kong's decline, the Malaysian peninsula, which is flanked by Burma on the west and Thailand on the east, became the major refining and distribution center. However, there are indications that Hong Kong is on the rebound.

Authorities in Hong Kong have become concerned since the revival of Southwest Asia's Golden Crescent, that the island might become a conduit for that area's crops as well. In late 1978, 18 kilos of Pakistani opium were seized on a Hong Kong-bound freighter in the port of Karachi. Since then there have been similar incidents, and Hong Kong authorities are well aware of the traditional smuggling links between the island and Pakistan. "The smuggling contacts are there," said one Hong Kong official, "and it's only a matter of time before the process is reversed—with little difficulty—and narcotics from Pakistan surface in Hong Kong."

Official reports from the People's Republic of China (PRC) also indicate that mainland Chinese are engaged in the illicit trade. There have been a number of recent arrests in the Chao Chou-dominated Guangdong Province of drug traffickers who operate between Canton and Hong Kong. Furthermore, official reports exist of rising drug abuse inside China.

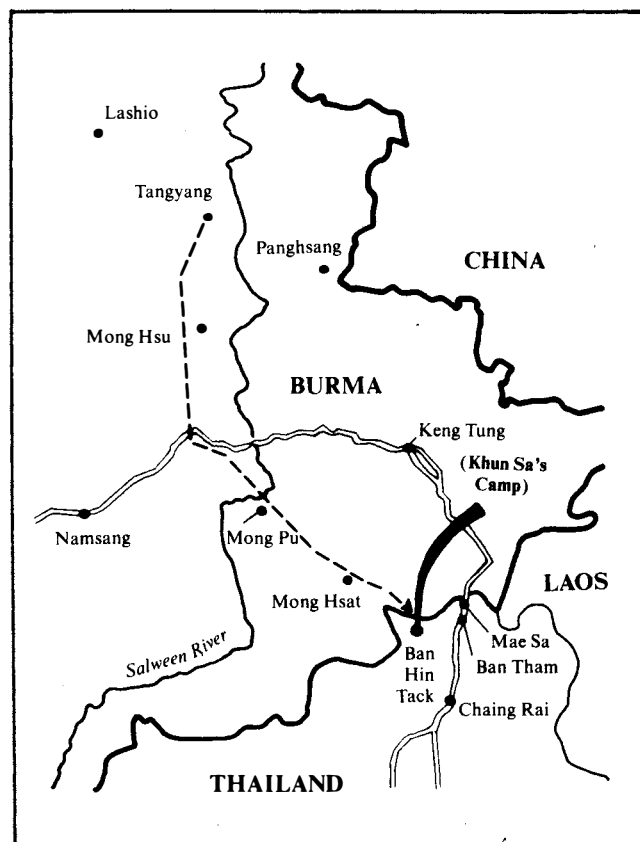
According to the Sept. 4 issue of *Far Eastern Economic Review (FEER)*, Hong Kong Narcotics Commissioner Peter Lee estimates that up to \$75 million is "spent on the streets by local addicts each year—and it all goes to criminals. This, however, is only part of the drug money which is floating around in Hong Kong." *FEER* further reported that "Money—regardless of its source—can be easily moved through Hong Kong's financial institutions and 88,000 registered companies to make it untraceable to the narcotics trade" (see *EIR*, Sept. 22, 1981).

### \$25,000 reward

Khun Sa, warlord commander of the 4,000-strong Shan United Army, is considered by Asian intelligence experts to be the undisputed "opium overlord" of the Golden Triangle and by the U.S. Drug Enforcement Administration to be "enemy number one." At present, Khun Sa controls over one-third of the Triangle, including the bulk of the mobile drug refineries located in the tri-border area of the Triangle. The Thai bounty on Khun Sa has steadily risen, and now stands at \$25,000—the bulk of the money provided by the DEA.

Khun Sa, an ethnic Chinese and native of Loi Maw in northern Burma, has been heavily involved in the Golden Triangle drug trade since the 1960s. Running the business end of Khun Sa's operations and controlling many of his mobile drug refineries, is Lao Mar, a Chinese Muslim also from Loi Maw. There are at least four mobile refineries in tri-border area, believed to be operated by Sa's ardent follower Lao Su, a veteran trafficker who escaped execution in October 1977 for his role in a 140-kilo heroin deal. Sa's nephew acts as a front man, under cover as a legitimate jade dealer in the major Thai transit and trade hub of Chaing Mai. Narcotics officials believe the nephew is a troubleshooter and liaison between Sa and those corrupt officials who profit from the illicit trade.

Khun Sa has spent the last two years attempting to shore up political alliances with the various disparate insurgents in the Triangle and/or to neutralize them while he expands his territorial control within Burma and Thailand. This end of his operations is reportedly spearheaded by his half-uncle Kung Sheng, who is based in a remote corner of Thailand's northwestern Mae Hong Son Province along with a 200- to 300-strong Shan mercenary force. Negotiations have taken place on an on-again-off-again basis with Burma's Karenni



rebel elements, the Karen National Liberation Front, and the Shan State Army, as well as with the aging Kuomintang generals who had once played a significant role in the illicit trade.

The Burmese Communist Party (BCP) controls approximately one-third of the Burmese corner of the Triangle, and is logistically and politically supported by the Peking regime. According to recent reports, the Chinese Communists have attempted to place greater distance between themselves and the BCP, while, at the same time, the BCP attempted to distance itself from public association with the drug trade, just as Britain's East India Company had done when public opinion rallied against the drug dealers.

In their controlled territory the BCP contracts farmers to grow the opium poppies, some of which are collected outright by the Burmese Communists as a tax, thus putting the party at one remove; the rest is bought by the BCP at a price which the party fixes. The opium is then sold by the BCP at auction to traffickers who are then responsible for exporting the drug to the more lucrative markets in the advanced sector.

Given Peking-backed Communist involvement in the heroin trade, the governments of the Triangle nations have allowed insurgents such as Khun Sa to freely operate because they are viewed as "buffers" against Peking-sponsored rebels.

# Business Briefs

## Banking

### Regional drug banking going interstate?

Chemical New York Bank's bid to acquire the 32.5 percent of Florida National Banks from C.A. Cavendes Sociedad Financiera may facilitate the interstate flow of drug funds.

The Chemical connection, which would be in direct violation of the McFadden Act ban on interstate banking, could be used to circulate the large quantity of drug funds deposited in Florida banks through the Clearing House International Payments System (CHIPS) back into international circulation.

Florida National is the major bank for the Charter Oil Company, which hired Billy Carter to represent the company in dealings with the Sicilian drug mafia and the Libyan government.

Florida National is also 20 percent owned by Carl Lindner, also a board member of United Brands, a major drug-linked company operating in Latin America.

Florida National had recently been bid for by Marine Midland Bank of New York, which was taken over in 1979 by the Hongkong and Shanghai Bank, the central bank for the world drug trade.

## Transportation

### 'Canadianization' moves into U.S. rails

The British Commonwealth's government-owned Canadian National Railways has opened negotiations through its U.S. holding company, the Grand Trunk Corporation, to acquire the remnants of the former Milwaukee, St. Paul & Pacific Railroad.

Grand Trunk, which currently owns the former New York Central subsidiaries, Grand Trunk Railroad and Detroit, Toledo & Ironton, and also the Duluth, Winnipeg & Pacific and the Vermont Central, intends to unify its West-

ern and Midwestern lines with the purchase of the Milwaukee Road.

Grand Trunk's bid awaits implementation of the Milwaukee Road bankruptcy trustees' plan to eliminate vendor and other creditor claims against the road, reduce employee compensation, and severance pay, and abolish work rules. In 1979, on the advice of Booz, Allen Hamilton consultants, the Milwaukee Road abandoned 6,000 miles of track and dismissed 5,000 employees, making it more attractive to Grand Trunk.

Passage of the 1980 Staggers Act, which facilitates abandonment of railroad track, and the \$2.4 billion 1982 railroad tax windfall contained in the 1981 tax act, will also increase the advantages of the takeover.

The one railroad thought likely to oppose the takeover on grounds that its traffic will be hurt is the Soo Line. Soo is owned by the Canadian Pacific, Canada's "private" railroad.

## German Economy

### Industry associations differ on 1982 outlook

An opinion survey issued at the end of October by the German Conference of Industry and Trade (DIHT), headed by Schmidt government critic Otto Wolff von Amerongen, warned that German industrialists see dismal investment prospects for the coming year, and a much worse economic situation for 1982 than the 1 percent growth forecast by the German government. The 1 percent forecast was a downward revision from earlier projections, and forced the government to take controversial measures to divert most of the West German central bank's extraordinary 1981 profits to cover the growing deficit of the federal government.

However, another industry association, the Federation of German Industry (BDI), has issued a competing study offering more hopeful prospects for the German economic outlook. While acknowledging industrialists' present reluctance to commit large sums to capital

investment, the study cites DM 80 billion worth of investment projects that have been blocked due to high interest rates, regulatory problems or uncertainty concerning the economic climate. The report's recommendations differ from those of Amerongen, who has argued that the German government must adopt "American" budget-cutting methods, proposing instead that government-industry committees could work out case-by-case solutions to unblock investment funds.

## International Credit

### Poland, Hungary seek IMF membership

Hungary applied for membership in the International Monetary Fund Nov. 4, amid reports that the general financial weakness of East bloc countries would compel them to seek terms from the IMF in the wake of the Polish financial disaster.

The only member of the Council for Mutual Economic Assistance (Comecon), the East bloc's economic zone, to currently belong to the IMF is Romania. Hungary's announcement included suggestions that the country would make its currency, the forint, the first Comecon instrument to become freely convertible into Western currencies.

Poland was reported a week earlier to be involved in secret negotiations with the IMF, and on Nov. 9 the application was officially announced. However, the Bank for International Settlements (BIS), acting through the management of the Union Bank of Switzerland (UBS), has already taken a direct hand in Poland's finances. A creditors' committee, which will pass judgment on whether Poland has provided sufficient economic data to justify the September loan-rescheduling agreement reached with its creditors, is chaired by the UBS, as a surrogate for BIS surveillance of Poland's finances. The role of the "central bank for central banks" in the Polish affair makes IMF entry more credible.

Romania, meanwhile, suffered a virtual collapse of its international credit in early September, when it ran up overdrafts exceeding \$50 million at Bankers Trust and other New York banks, and is widely rumored to require loan rescheduling.

### **Third World Debt**

## **Seven LDCs request debt moratoria**

Seven countries, led by Zaire, have requested reschedulings of principal and interest payments due on yen loans to the Japanese government this year, according to the Japanese financial daily *Nihon Keizai Shimbun*. Over 70 billion yen (more than \$300 million) is involved, of which 34.4 billion yen in debt-service payments from Zaire that fell due this year has already been rescheduled.

The same source confirmed that the overall lending situation for the LDCs was worse than ever this year. Of new credits to developing countries, now estimated to come in at just over \$100 billion in 1981, 83 percent will be used for repayment of past loans, up from 54 percent in 1978, 63 percent in 1979 and 72 percent last year. This means that these countries have cut back imports relative to exports, and yet are still going deeper in debt just to service the pre-existing debt.

The other countries requesting debt reschedulings include Liberia (5.8 billion yen), Madagascar (9.7 billion yen), Senegal (2.5 billion yen), Uganda (1.1 billion yen), Turkey (7 billion yen) and Pakistan (10 billion yen). The credits are all due the Japanese government, and the hope is that these countries can avoid seeking rescheduling of commercial credits, which would dry up remaining commercial borrowing prospects.

Another country causing increasing worry in the financial community is Argentina, where inflation is approaching 200 percent and industrial production is falling precipitously. Annual debt service is well in excess of total exports, princi-

pally short-term loans, which must be continually rolled over to prevent default.

### **Fiscal Policy**

## **Army Corps of Engineers budget cut 20 percent**

Despite the Senate approval of continued moderate funding of the Clinch River Breeder Reactor and the Tenn-Tom Waterway, there were big losers in the \$12 billion 1982 Energy and Water Development Appropriations Act that was debated by the Senate this week.

Having suffered savage cuts during the Carter administration, the Army Corps of Engineers, who have the major responsibility for building and maintaining the nation's waterways, will have their funding slashed an additional 20 percent.

Next year's Corps budget will be \$2.891 billion, compared to 1981's \$3.093 billion appropriation, a 7.5 percent current-dollar drop. In actual spending power, assuming a 12 to 15 percent inflation level, the real dollar decline will be close to 20 percent.

The largest cut is a 12 percent current-dollar loss in general construction, which dooms the badly needed second lock at Lock 21 on the Mississippi River at Alton, Missouri. The \$25 million 1981 appropriation for flood control and coastal emergencies has been eliminated together with a \$43 million revolving fund.

The biggest loser in the appropriations bill was highway construction in the Appalachian Regional Development program, which went from \$230 million to \$60 million.

If the Senate approves, however, Congress will spend \$74 million for photovoltaics (solar) applications to buildings, \$18 million more than the President asked, \$52 million for industrial photovoltaics, an increase of \$10 million, and \$30 million for wind power, an increase of \$11 million. Also included is \$26.5 million for geothermal, atmospheric fluidized-bed combustion and biomass energy.

## **Briefly**

● **THE NATION'S** largest insurance companies have been turned back from their free-enterprise raid on Ohio's \$600 million a year worker's compensation fund. By a 4 to 1 margin, Ohio voters on Nov. 3 favored retention of the 60-year-old state-run plan, which has the lowest cost-to-benefit ratio of any in the nation. Through a front group called the Ohio Committee for Free Enterprise Competition, major insurance companies had spent over \$6 million.

● **THE NEUE** Zürcher Zeitung, the prominent Swiss financial journal, questions the wisdom of the IMF's announcement that it will withhold a \$100 million loan to Bangladesh. The *NZZ* stated Nov. 6 that the IMF policy could topple the Bangladesh government.

● **BRITAIN'S** cabinet decided Nov. 11 not to join the European Monetary System in the near future.

● **FRITZ LEUTWILER** of the Swiss central bank, incoming BIS president, attacked gold remonetization in a Nov. 4 speech but was reported by European insiders Nov. 12 to favor the Jelle Zijlstra version of re-introducing gold.

● **JAPAN'S** Foreign Ministry is reportedly drafting a 14-point "counter-measure" to Commerce Secretary Malcolm Baldrige's demands that Japan abandon its high-technology industrial drive.

● **THE U.S. SENATE** voted 55-42 on Nov. 5 to continue Davis-Bacon coverage for all military construction projects. Aides to Sen. Don Nickles (R-Okla.), one of the arch-opponents of Davis-Bacon, were surprised by the relatively wide margin of the vote. They say they still have the support of the Federal Reserve and OMB in their efforts.

## The real gap for the U.S. military: Global 2000 policy

by Susan Johnson, Managing Editor

Over recent months concern has mounted in official Washington as the new administration, rather than preparing to reverse U.S. military weaknesses, seemed to carry forward the Schlesinger-Brzezinski policy of bluff and provocation vis-à-vis the U.S.S.R., backed only by an increasingly shrunken, shallow defense capability. To address that growing crisis, *EIR* convened a seminar on Sept. 30 in Washington on "U.S. and Soviet Strategic Doctrine for the 1980s: Military and Economic Implications."

At the seminar, *EIR* intelligence directors argued that the deficiencies in U.S. strategic weapons development, the utterly inadequate quality and quantity of armed-forces personnel, the deep and growing problems of most defense-production sectors, and the resort to brinksmanship which is fissuring NATO—none of these can be addressed in themselves, but must be assessed as consequences of a deeper national failure. That failure, as *EIR* Editor-in-Chief Criton Zoakos characterized it, is that Americans have allowed a group of policy-makers to insinuate themselves into power who are, and have been for decades, committed to depopulation and "post-industrialism," domestically and internationally, to the policy of technology restriction and depopulation developed by the Club of Rome under NATO's guiding body, the OECD.

It is they who used the Vietnam war to undercut the traditionalist military and build a Jacobin anti-progress movement; it is they who have destroyed U.S. education, and are in the process of gutting American nuclear-research and space programs, while, through the Federal Reserve, Treasury Department, and Office of Management and Budget, they have thrown the productive economy as a whole into what they expect will be an irreversible process of decay and collapse. Until that profound destruction of the national purpose is recognized, said Zoakos, and Americans understand that "limited war" is a euphemism for neo-colonial mass extermination, U.S. military and economic strength—which are inseparable—cannot be restored.

Attending the seminar were diplomats from 22 countries, equally divided among the NATO member nations, Asia, Latin America, the Middle East





*West Coast anti-nuclear environmentalists: the national commitment to science has eroded.*

and Africa, and Eastern Europe. The U.S.S.R. and the People's Republic of China were also represented. Twenty-five members of the U.S. Defense Department and 14 members of the Commerce Department were present, along with representatives of the Departments of State, Treasury, Energy, Transportation, Interior, and the Government Accounting Office, NASA, the CIA, and the Federal Emergency Management Agency.

Many of the seminar attendees came especially to hear the results of the latest *EIR* LaRouche-Riemann econometric study, presented by Economics Editor David Goldman and summarized at the end of this Special Report. On the question of the physical economy's ability to sustain the modest demands of the Weinberger DOD's military budget, Goldman concluded from the econometric model results that: 1) if the United States were to regain a 3 percent trend of annual productivity growth, even the \$500 billion yearly defense budget proposed by *EIR* Founder Lyndon H. LaRouche, Jr. in his recent White Paper, "A Democratic U.S. Defense Policy," would be quite sustainable; but that 2) under current conditions of costly credit and industrial disinvestment, the Weinberger budget's principal effect will be to drain further resources from housing, auto production, consumer durables, and social services, the prerequisites for U.S. family formation, without revitalizing U.S. defense.

### **Preparedness**

Each seminar speaker, with one exception, expressed the view that something is fundamentally wrong with U.S. military policy. The most narrowly focused was

John Landicho, Senior Associate Director of the Procurement, Logistics, and Readiness Division of the U.S. General Accounting Office. Mr. Landicho heads the newly created Readiness Subdivision and coordinated preparation of the influential May 1981 report to Congress titled "DOD's Industrial Preparedness Program Needs National Policy to Effectively Meet Emergency Needs." He cited a "lack of high-level commitment" in past administrations to funding the studies and contingency plans required for war-preparedness, and demanded that Congress develop "a national policy." Citing the Weinberger pamphlet released the day before which advertises Soviet military-industrial power, he said, "The Russians have an impressive industrial base; we have some, I question whether we have enough." He indicated, however, that nothing fundamental can be done to rectify the U.S. economic situation, describing industrial preparedness as a matter of defining warning times, durations of combat, and making the best of "limited resources."

Dr. John D. Morgan, Chief Staff Officer of the Bureau of Mines, addressed at length one component of military preparedness: strategic resources development and procurement. Having served as an expert in mining and metallurgical engineering with the National Security Resources Board, the Defense Production Administration, and the Office of Defense Mobilization, after working under General MacArthur to rebuild the Japanese economy during the occupation, he hearkened back to the era "when we won wars." Taking a bill-of-materials approach to strategic requirements, Morgan

began with a junior high-school text on "Popular Geochemistry" published in 1948 in the Soviet Union, which identifies the components of an airplane in terms of chemical elements. Noting the Soviets' pioneering work in titanium development, and asking how many U.S. students know what makes up a plane, he went on to stress the Warsaw Pact's self-sufficiency in petroleum and most other strategic materials, and the fact that each nation needs those not simply for military equipment but for agricultural machinery, machine tools, and the other elements of a modern industrial base overall. The Club of Rome is wrong, he said: "The only resource we can run out of is common sense, and we may have crossed that line some years back."

Dr. Morgan proposed to expand both government and private stockpiles, and improve U.S. merchant shipping and port infrastructure to facilitate raw-materials imports, since, he said, the United States will remain import-dependent. How these imports are to be secured—whether through mutually beneficial economic accords with producing nations, through neo-colonial grabs, or through "limited war for control of resources," he did not specify; he focused on the evidence that the U.S. is lagging behind the rest of the Western industrial nations, not to speak of the U.S.S.R., in militarily essential fields like steel production.

With his practiced Yankee twinkle, Morgan added during a question-and-answer session that the obstacle to greater private-sector reserves of petroleum and other strategic resources is that "high interest rates make it hard to finance stock levels. I am not an economist, but I believe we must make essential activity more remunerative, and less essential activity less attractive, or we won't survive as a country."

On the stockpiling question, David Goldman commented that nuclear energy development would both secure domestic power production and open the way for development of new resources through high-temperature processing and ionization techniques. To Landicho's implicit pessimism, Mr. Goldman replied that there is no great disjuncture between making the civilian economy function again and ensuring war-preparedness, once Americans stop accepting the fact that the McDonalds fast-foods chain is now the single largest employer in the United States. It would be perfectly feasible, Goldman said, to provide gold-backed Treasury credit to the banking system at the 6 percent interest-rate level, with "first dibs for productive investment"—gold backing is required, he insisted, "to convince people we're serious, after our bad record."

### Defining the gap

Two other seminar presentations, excerpted below, directly addressed the question of U.S.-U.S.S.R. military imbalance. Dr. Franklyn Holzman of the George F.

Kennan Advanced Russian Studies Institute at the Woodrow Wilson Center, who is a professor at Henry Kissinger's Harvard Russian Research Center, took price-tags on manpower and equipment as the criterion of strength, and asserted that the CIA has overestimated Soviet defense spending. While conceding that he is not an expert on strategic matters, he claimed that in any case, a major portion of Soviet capabilities is directed against China, and thus somehow permanently unavailable for deployment against NATO. His conclusion was not only that the Soviets are not moving ahead of the United States militarily, but that the U.S. defense budget should be cut.

Dr. Steven Bardwell of the Fusion Energy Foundation, a plasma physicist well acquainted with the leading edges of Soviet R&D, asserted that the gap is defined by the great and growing disadvantage suffered by the United States in industrial productivity, broad-based scientific and technical training, and commitment to the West Point tradition of "winning the peace" for industrial development, as opposed to the technetronic, body-count conception of limited wars like the Vietnam war.

What the latter policy has already inflicted in Southeast Asia, was recalled in a new and extraordinarily chilling way as *EIR* Asia Editor Daniel Sneider reported on his recent trip to Cambodia (see *EIR*, Sept. 29), where he discovered the extent of complicity between Peking and the Kissinger State Department to depopulate and destroy every potential for modernization and independence of nations that could threaten China's "hegemony"; Latin American Editor Dennis Small described how veterans of the Cambodia betrayal like Thomas Enders of the DOS are preparing civil wars throughout Central America, with the explicit purpose of eliminating population there.

## Prof. Holzman compares defense expenditures

*Dr. Franklyn Holzman, currently at the Woodrow Wilson Center's Kennedy Institute for Advanced Russian Studies, is a professor of economics at Tufts and the Harvard Russian Research Center. He has written two books Financial Checks on Soviet Defense Expenditures and Inter-*

national Trading Under Communism, and an article for the Spring 1980 issue of International Security Review, "Are the Russians Really Outspending Us on Defense?"

... I would like to say that I actually feel that the aggregate military-spending figures that I am going to talk about are not a very good or necessary indicator of the relative military strengths of the two countries, because how well a nation spends its money will also determine the strength of its armed forces, and you can be spending on all the wrong things or spending an awful lot of money producing bad weapons, and so the total amount of money spent is not a very good indicator of power. . . .

The problem that the CIA faces is a very difficult one, because the Russians publish, and have since the early 1920s published, only one figure for defense spending in their budget. The Soviet budget is a document usually of about 20 or 30 figures, of which defense spending is one. Now that figure is also obviously not their total defense spending. For example, that figure, since about 1970—over the past 10 years—has varied between about 17.1 and 17.8 billion rubles. I mean, even if they *tried* to spend the same amount every year, I don't think they could come that close; so it is clearly a phony figure, and it also is small. It's much smaller—no matter how you translate the ruble—much smaller than their defense spending must be. So the CIA has to calculate a figure.

Furthermore, even if they [the Soviets] did give us a true and accurate defense-spending figure, there is no market exchange rate by which one could convert this into dollars.

Now, what does the CIA do? They have put an enormous amount of resources into estimating Soviet defense spending, and the way they do this is that they attempt to get an inventory of everything that the Soviet defense establishment produces or spends money on each year. Now, the simplest figure, of course, is the figure for the number of the armed forces, although the Defense Department in their statement yesterday [Sept. 29], comes up with a 4.8 million figure whereas the CIA—I haven't seen the CIA's last word on this—but their figure has typically been in the last few years around 4.3 million. So there is even a difference there; but certainly the ballpark figure is pretty clear.

Other figures are much more difficult for the CIA to get estimates of; and what they do is, through all sorts of clandestine means, through surveillance by satellites, I suppose through spies on the spot, and so forth, they try to get the number of tanks, the number of machine guns, the number of military trucks, the number of missiles, the number of submarines; they try to find out exactly all of the qualities of these—the dimensions, how they are made; and then they put an American price on it. A large part of the job is to get the numbers of these things and

then put an American price on them, adjusting for the differences between the American models and the Russian models.

The R&D requires still another method, and nobody—at least nobody who's not in the CIA—really knows exactly how they do it, but they come up with a figure somehow, and they admit that that's a pretty fanciful figure, a big range of error.

Now as a result of their estimates, they come up usually with two kinds of estimates. One is: how much more are they spending this year than the United States, or what is the comparison this year between the Soviets and the United States; and the other is the 10-year gap. If I may put a diagram on the board [the graph shows U.S. defense spending relatively stable from 1970 to 1980 at 100, and shows the Soviets starting slightly below the United States and going up to 150 by 1980—ed.], they overtook us, according to the CIA, during 1971 or 1972, and the gap was until very recently 300 billion [rubles], but the latest figure, which just recently came out, is 420 billion rubles over the 10-year period.

Now one of the reasons there's such a big jump is because each year, when they make their new calculations, the CIA puts it in the newest year's current prices. . . .

My feeling is that most of that military-spending gap is like the old bomber gap of the fifties, the missile gap of the sixties, and so forth—these gaps which turned out not to be real gaps, but to have been really just phony gaps, and I think that this gap is really a phony gap, and it's a fiction largely of the methodology of the CIA. And I'm going to try to demonstrate it.

Now, typically, when an international comparison like this is made—and this applies to the CIA's own other international comparisons—the way it is done is, you make a comparison in dollars—let's say it's the CIA's comparison of Soviet and American GNP, which the CIA regularly does. The first—when they make the comparison, they make it first in dollars, they value both countries' GNPs in dollars; but then they *also* value both GNPs in rubles, because the different pricing ratios between the two countries will often give you different results. And then they take the geometric mean of the two.

Now, it turns out that when you value another country's GNP in your prices, you tend to get a higher figure. The reason is that the things that you spend a lot on are the things that are cheap in your country; but these things are not always cheap in the other country. That is, every country tries in a sense to minimize the cost of the things that it's buying. We have very high wages in our country, and therefore we have a relatively small army and we have an enormous amount of capital equipment. They have very cheap labor: for example, the wages of our soldiers are, on the average approximately \$18,000 to

\$20,000 per man, wages plus upkeep; in their country, it's probably around \$3,000. In fact their soldiers, their draftees, get something like 4 rubles per month—it's a trivial amount, around \$100 a year—and then there's the upkeep. So it's natural for them to have more soldiers, and per soldier, less equipment.

Now what happens is that, for example, if you value Russian soldiers in dollars, you put this high salary, this \$18,000 or whatever it is per man, on their soldiers—and they have a large army and their soldiers don't have high wages—so it makes their defense establishment look much bigger. On the other hand, our very expensive capital equipment, higher technology in general than theirs, better quality, is very expensive for them to produce because they're not as efficient in producing capital equipment. And so if you use rubles, it makes us look bigger.

For example, in the GNP estimate that the CIA makes in dollars, the United States' GNP is 36 percent more than the Russians; but in rubles it's 102 percent more. And what the CIA does, is it then takes the geometric mean of these two figures.

Now the CIA presents almost exclusively these dollar figures which give a very high estimate. If they did it in rubles, and did it correctly in rubles—they do make unofficial ruble estimates, but the ruble estimates are not good estimates, because they don't have enough ruble prices to make really good estimates—if they did it properly in rubles, it would turn out that the Russians had *not* overtaken us in 1971—that is these figures being used as ratios of the two countries, U.S.S.R. over U.S.—if the CIA did it in rubles, the ratio of U.S.S.R. over U.S. would show that the U.S.S.R.—now I don't really know how it would show it, but it would show that the U.S.S.R. would have been spending at a much lower rate. Nobody could know unless they calculated the whole thing accurately in rubles, but it would be much smaller than it is. . . .

Now let me give you some idea as to how this business of measuring the Russians in dollars can lead to a distortion. To give you an example: the American pay scale right now, the average pay for all people in the armed forces is roughly \$20,000. It's a little bit less, maybe, but let's say it's \$20,000. And let's say that the number of armed forces in the Soviet Union is 5 million; the Department of Defense said 4.8 yesterday, but let's say 5 million for round figures. And suppose that there were a 10 percent raise given to our soldiers: 10 percent raise on \$20,000 would be a \$2,000 raise. Now what would that do to the military-spending gap if we gave our soldiers a \$2,000 raise? Well, the first thing that would happen is that the \$2,000 to our 2 million men, on the average—and we have 2.05 million men, something like that—that would be a \$4 billion increase in our spending. With their almost 5 million-man army, that would add to theirs \$10

billion. So in other words, in this year it would suddenly appear that they were spending \$6 billion more than we were, which, without any change—just because our men got a raise—their expenditures go up by \$6 billion. But if you then look at it over this military-spending gap, the 10-year business, that is applied over the preceding 10 years, because each year the CIA updates the prices and revalues the whole 10 years—it would be \$6 billion times 10 years, because the armed forces remain fairly constant over 10 years. So, a \$2,000, that is, 10 percent raise, in our United States pay scale for its soldiers in one year, increases the spending gap that the CIA presents to the American public by \$60 billion. That has nothing to do at all with the armed forces.

In fact, when we moved over to a volunteer army, we raised the pay of our soldiers by a large amount, maybe \$5,000 over a couple-of-year period, to get that volunteer. It was so expensive that we reduced our armed forces from over 3 million men down to 2 million. The Russian military didn't have to pay that wage increase, so they didn't reduce the number of soldiers in their armed forces. If they had had to pay a pay increase, they would have reduced their armed forces also, and the gap wouldn't have been so great.

There are other ways in which there are exaggerations. For example, the CIA admits that when they value Russian military equipment there has been a tendency for them to overvalue it when it's military equipment that they haven't seen. And there is a lot of that. . . .

Also, there is a fair amount of American technology in weapons that Russians can't produce; so this keeps the CIA from making ruble estimates; because how do you put a ruble price on something that the Russians can't produce?

One of the things the CIA does when it tries to make a ruble estimate is it assumes that the Russians *can* produce it. And so you don't get this extremely high price—the fact that they can't produce it—included in those ruble estimates, and that's why the ruble estimate isn't a good one.

What the gap is supposed to describe is, if the countries confront each other, the military spending gives you some idea as to what's confronting what. That is, they are confronting us with 50 percent more expenditures, they have confronted us with \$420 billion more expenditures over a decade. But, a lot of those expenditures are not against us, especially since about 1968; a lot of those expenditures every year are directed at China.

Now, if you assume—and the CIA admits—that a large percentage of that is not something that's also against us, when they have an almost 1-million-man army over a thousand-mile supply line, that's money down the drain as far as we're concerned, and they spend it every year.

Well, if you took that out, 20 percent of the Soviet

expenditures, you'd virtually eliminate this gap—this \$420 billion gap. . . . This is former Secretary of Defense Harold Brown's point. . . .

Now, Harold Brown says another thing here. . . . It's not just the United States against the Soviet Union, although the CIA's figures are always *exclusively* U.S. against the Soviet Union; but actually it's NATO versus the Warsaw Treaty Organization. Now, even in dollars, the NATO countries are outspending the Warsaw Treaty Organization—even in dollars . . . which exaggerates the Warsaw Treaty Organization and doesn't exaggerate NATO.

The gap here is something like \$250 billion over a decade according to the the Defense Department, which is the relevant gap.

Now, the thing that worries people is that the Warsaw Treaty Organization is catching up, and there's no question about that, and that's the reason these charts are presented—to show that they're catching up. But if you want to look at this history, this is a more relevant one; and if you add to this \$250 billion the fact that the Warsaw Treaty is spending 20 percent of the Soviet expenditures against China, then the gap (you could add another \$200 billion to this gap, if you want to get the confrontation between the Warsaw Treaty Organization and NATO), you'd have to subtract the fact that of these expenditures over the decade, about \$200 billion is directed at China and not at the United States.

Now, I feel that this constant stress on the United States being outspent by the Russians, in light of these kinds of figures, is extremely mistaken.

Now, one possibility is that military power is something that has an enormous number of dimensions; just in terms of equipment and types of missions, you have dozens and dozens of them. I don't know how many, because I'm not a military expert in that sense. And some people will concentrate on strategic, and others on tactical, and so forth. By stressing one thing, you can come up with the result that you think that the Russians are ahead, or they're not ahead: But maybe it's true that the Russians aren't ahead of us; that may be one implication of my figures. If I'm right that they really haven't been outspending us, the implication may be that the reason that they're ahead of us is that we're spending badly, that there is too much of what is called gold-plating; that there is money being put into technology which is worthless and yet costs an enormous amount; that there is too much pork-barreling going on, bases being kept in states where they shouldn't be kept, because some Senator or Congressman insists on it. Now, if that's the reason we're not ahead of them, even though as I'm arguing they haven't outspent us, then it's because we're inefficient; and the moral of that story is that we shouldn't throw more money into defense, but we should try to spend our money more wisely and more efficiently.



## Dr. Bardwell on the science-technology gap with the U.S.S.R.

*Excerpts follow from the conference presentation by Dr. Steven Bardwell, Editor-in-Chief of Fusion magazine.*

There was a document published in the closing days of the Carter administration, called *The Global 2000 Report to the President*, which is at this point providing the strategic underpinnings of the assigned missions of the armed forces of the United States. It describes a foreign policy based on continual, enforced underdevelopment of the rest of the world population.

In terms of identifying its roots in U.S. policy, it's an efficient starting place to look at James Schlesinger and his tenure in various posts in the U.S. government. He wrote a book in 1960 which I think defines most sharply the philosophical roots of this *Global 2000* document, which is now determining our military policy. This book was called *The Political Economy of National Security*, and it lays out an explicitly Malthusian view of man's condition in the world, and then uses that Malthusian overview to define military and strategic policy. Basically, what Schlesinger says is that the raw materials for modern life—industrial raw materials, energy, and land—are of necessity finite.

Since they are finite, it's either us or the other guy who gets those resources. Both of us can't have unlimited resources, given a finite supply.

He summarizes this in a couple of paragraphs I'd like to read to you:

Economics is the science of choices in a world of limited resources. The same dualism that underlies economics underlies the true condition of man: for anything you have missed, you have gained something else; for anything you gain, you lose some-

thing. However, we have gone around the world spreading the gospel of plenty, raising the level of expectations. In the nature of things, these rising expectations can never be satisfied. Despite the modifications of the original Malthusian dogma over the years, the danger remains that excessive growth of population will wipe out the gains of economic progress. Any economic revolution will be shortly wiped out by a Malthusian counter-revolution and the illusion of growth. It is unwise to overstate the importance of economic growth per se. We must, in our strategic policy, return to the days before the Industrial Revolution. We must prepare to fight limited wars. Higher Soviet industrial development rates than are obtained in our production will have very little strategic significance. The industrial mobilization base is only one of several gauges of power. In fact, the strategic menace may be based upon a rather modest economic structure. We must build our military force on the exact opposite of the industrial potential notion.

Now, that conception has been elaborated and turned into the dominant thread, the unifying thread of U.S. foreign and military policy. That strategic outlook defines the aim of our military strategy to be first, regional control over natural resources—therefore, the Middle East becomes a strategic area. And second of all, and going hand in hand, is a policy of population control or reduction.

Right now as far as U.S. strategic interests are concerned, some areas of the world are overpopulated at the present time. . . . On the dove side of this Malthusian strategic conception, you have the explicit statement that nuclear war is unthinkable, unwinnable, and inconceivable. On the hawkish side, you have an implicit acceptance of the same thing, and I think this has been a consistent thread throughout the last 20 years of military policy. What does become an acceptable kind of war, are local, regional conflicts, primarily fought with conventional means, although not limited to conventional means; limited nuclear war is certainly a possibility in that situation. Victory becomes a particularly bizarre conception. If your goal is regional hegemony over resources, and population control, victory does not necessarily mean military control over an area; it does, however, mean continuing destabilization of an area and enforced underdevelopment.

The optimal deployments to achieve are exactly the ones that have been outlined in the statements of the last several Secretaries of Defense, with an emphasis on regional deployment, the rapid deployment forces, conventional war in Third World areas, and a conception of the dominant mission of the American military being one of

colonial wars, either fought by our forces or by proxy forces. Confrontation with the Soviet Union is to a certain extent ruled out in principle within this conception. . . .

In the strategic arms area, the order of battle prescribed there verges on what I would call a *wunderwaffen* conception—the hope that there is some technological fix, some technological gadget which will provide a cover or an umbrella under which regional wars as defined by the *Global 2000* document might be fought.

My basic contention is that if that strategic policy were to be successful, it would be absolutely disastrous for the United States, because we would then have created a world condemned to permanent underdevelopment, a world situation of continued and perpetual instability. . . .

If you look back at the roots of the American military, the Cincinnati Society, the beginning threads of the philosophical grounding of West Point, and the kind of military doctrine that informed Lincoln during the Civil War, the first thing to note is that the aim of that military and its assigned mission is no different from that of the country as a whole—namely to ensure the most rapid economic development, on a world scale.

Now, that means in very concrete terms maximizing the rates of growth of material production and population.

What kind of wars become conceivable if that's your military mission? There is no war too large, too costly that might not be fought to ensure the destruction of anyone opposing that international development. Victory would be achieved at the point that the political military power of an opponent to that development struggle was destroyed. If you cast, for example, the thinking, writing, and actions of General MacArthur in that light, you see a very interesting case-study in what that policy looks like, both before and after hostilities. There was a situation where the aim of the military policy, MacArthur's occupation of Japan, was first the destruction of any political military capabilities that opposed the idea of economic development, but second of all, the imposition of a set of policies that ensured economic development and economic growth once hostilities were concluded.

The armed forces then become as much an engineering capability as they are a destructive military capability. In that conception, the armed forces become a city-building capability that can move into an area, destroy the opposition to economic development, and then lay the basis for successful resolution of economic problems. . . .

Infantry with logistical support is the essential element of a strong military capability. Yes, it needs long-range artillery like ICBMs. Yes, it needs and has cavalry capabilities provided by an air force. Yes, it needs logisti-

cal support provided by naval forces. But the essential, irreplaceable ingredient in a successful military strategy is a well-equipped, logistically supported infantry, because the ultimate goal of military deployments is the occupation of, or the potential occupation of the adversary's country, and the implementation of a policy for economic development. That's done by people. In the military context, those engineers, those machinists, those scientists, are called the infantry.

The weapons and logistical capabilities that that infantry is armed with depend on, obviously, the industrial base of the mother country. And second of all, they depend on the scientific and engineering capabilities provided by that country.

That still defines the cutting edge of military strength; it rests on the development and deployment of the most advanced technologies possible. Today that means, without any question, directed-energy beam weapons. Without the cutting edge of new military development being guided by the science and engineering defined by the development of space-based laser weapons and particle-beam weapons, both earth and space-based, you cannot vector a competent military deployment.

In the next five years, we'll find a window of opportunity which is being taken by the Russians right now and is not being taken by the United States, for the development of the next generation of weapons, which will make the ballistic missile a useful piece of artillery but by no means what it is today, as the absolute determinant of strategic thinking.

Within that framework of the two contrasting ideas of strategy, what I'd like to do is now look at the question of relative U.S. and Soviet capabilities.

First, on the economic side, there is not a measure of economic health today in which the United States has not done abysmally in the last decade; and in fact worsened at an accelerating rate, by any measure of real production. The United States economy today faces an adversary who, while confronted with some economic problems, is still growing, still investing in new industry and is widening the gap.

I have several slides here that I want to show you.

These are taken from the testimony that was given by Gen. Alton Slay, the former head of the Air Force Systems Command, where he summarized U.S. industrial capabilities. The most basic measure, absolutely most basic measure of economic strength and economic health, is provided by productivity; and I've got a bar graph here that compares average productivity increases in the Western industrialized nations for the last 20 years; this is growth per year, the compounded rate at which growth has changed in those countries over the last 20 years, for the total economy. The United States is at the bottom of the heap, with about 1.5 percent productivity growth.

The next slide shows an even more abysmal situation,

in an area more relevant to military production, namely manufacturing productivity. And here the comparison is even worse. Again the United States is on the bottom; I think most people think of the United States as, in spite of these current problems, still the world's greatest economic power. That is not the case. Even comparisons with the Soviet Union, a relatively primitive economy, show the U.S. economy in a disastrous light. The Soviet Union has been outproducing the United States in tonnage of steel for roughly 10 years. At this point, the Soviet Union produces 50 percent more steel than the United States.

In concrete, another basic engineering raw material, if you're interested in city-building, the Soviet Union again outproduces the United States by 60 percent; at this point the United States produces 80 billion tons, the Soviet Union 138.

Machine tools—again, absolutely essential groundwork for economic production and growth—the Soviet Union produces more than three times the number of machine tools the United States does today.

The Soviet Union outproduces the United States in petroleum by, again, about 50 percent. In 1978 their production was 4,468 billion barrels, compared to 3,100 billion barrels in the United States. . . .

This slide shows U.S. capital investment as a percentage for all industry in the United States, and then compares that with one of the key components of military and related industry, namely aerospace. In aerospace, you can see it's about half, or a little more than half, the rate of investment in that sector. Now this is a systematic feature of economic production in the United States for the last 20 years, is that the more capital-intensive the industry, the lower rates of capital investment that have gone on in those industries. The result of that is that the more capital-intensive an industrial sector is, the more obsolete its equipment tends to be. The most obsolete industries in the United States are those that are the most capital-intensive. . . .

The figures I am showing you here are all pre-Paul Volcker and the high-interest policies. All the figures I've shown here about U.S. production, U.S. investment rates and the rest, you can discount by 20 percent if you're interested in the *current* figures today.

In every category of basic economic production, the Soviet Union today is either leading the United States or has momentum for a jump above the United States in the next six months to a year. It is an illusion to think otherwise.

The second component of this most significant military comparison is the question of education and manpower development. And here again what I think I can document is that the situation in the United States is disastrous, that we're not training enough of the basic components of our economy, and that translates imme-

diately into military deficiencies; we're not training enough of the scientific and engineering cadre that are required to provide for the future.

The bulk of the machinists in the United States were trained during World War II; they are going to be retiring in this decade. There has been a tremendous shortage of journeyman-apprentice machinists in the past 10 years, so that we are faced today with a shortage. Sixty thousand journeymen could be hired today. Five thousand completed training in 1978.

I was talking to a welder who works on the Trident submarine plant, and he said that there are critical steel plates used in those submarines which are imported from Canada because there is no factory in the United States which will produce enough of that steel plate—not because there isn't steel, but because there aren't the machinists or welders to produce that steel.

Last year a little more than 50,000 engineers were graduated [in the U.S.]. Compare that figure with the Soviet Union; they're graduating on the order of six times as many engineering students every year. Approximately 40 percent of the [U.S.] graduates are foreign students, and a lot of them go back to their own country. The quality of elementary and secondary education in the United States compared to the Soviet Union is absolutely frightening.

Let me read you the required course of studies integrated over 12 years of secondary education in the Soviet Union which includes the following: 5 years in algebra; 10 years of geometry—that includes geometry, 3 years of semi-rigorous plane geometry, 2 years of solid geometry; 2 years of calculus; 5 years of physics; 4 years of chemistry; 5½ years of biology; 3 years of mechanical drawing; 10 years of workshop training. Whereas in most American high schools you are required to take one year of science and no mathematics beyond algebra. More than half of the high school graduates in the United States graduate with no mathematics beyond algebra and one year of science.

Now I think it's obvious that an absolutely essential part of that story is the problem of drugs among United States youth. This is, more than any other single factor, responsible for the destruction of cognitive capabilities in the American workforce.

Let me read you again from the testimony of General Slay, who summarizes these figures in a particularly useful way—not so much in terms of a snapshot of tanks versus tanks, Warsaw Pact versus NATO tanks, tactical aircraft versus tactical aircraft; but in terms of the momentum. He says the following: "At the time of the Cuban Missile Crisis, we had an overpowering edge over the Soviets; that strategic power edge has vanished. The Air Force had almost 350 major squadrons with 850,000 military people operating 16,000 first-line aircraft for nearly 250 installations worldwide. Today we have only

250 major squadrons, not 350, and we have 550,000 military personnel, not 850; we're operating 7,000 aircraft, not 16,000, from 134 major installations, not 250. About the same degree of decline can be measured in every other service." Then he says: "You can forget the old tale of poorly built, ineffective Soviet military equipment. If that tale was ever true, it's certainly not true now, nor was it true when the equipment they have in the field today was manufactured. They have highly sophisticated, reliable and efficient weapons, and don't let anyone try to tell you anything different. I also want to put away the myth that the Soviets are bumbling when it comes to production: they are efficient producers and their factories are modern and well-equipped. They are far outproducing us in every aspect of military production."

Now those things might be dismissed as, well, the qualitative superiority of the United States in each of these weapons fields far outweighs any quantitative discrepancy. I think that that's a self-consoling delusion; to imagine that your surface-to-air missile is 18 times better than the Soviet one or is 18 times more likely to have kill success—I think this is insane. I'm not going to debate that question; I think the thing that's more to the point is present and projected investments in scientific and engineering development. These research and development questions are to my mind the absolutely key element for the next 10 years.

The situation with American military R&D today is the same as in civilian R&D; namely, it has been hit tremendously hard by economic problems over the last 10 years, and we have, today, insufficient numbers of scientists and engineers and insufficiently equipped laboratory facilities, insufficiently supported by the government; and we're facing an increasingly serious situation in that regard. . . .

This is a short quote from William Perry who was the Undersecretary of Defense for Research and Engineering. He said in January of 1980: "The Soviet Union now has about twice as great an effort as we have in military research and development, creating a growing risk of technological surprise. The Soviets have applied their investment program to their research and development base, devoting an increasing share of their total defense expenditures to improving their military technology in an attempt to negate our technology lead."

He goes on to point out that the thrust of their investment in these military research and development areas has been on the development of first, space technologies, and second of all, directed-energy beam-weapons. His estimate is that they spend roughly five times as much as the United States does on the development of laser beam weapons and a significant amount more, though it's hard to say, on particle-beam weapons.

The budget changes suggested by Mr. Weinberger, the



most recent set of budget revisions mandated by the Office of Management, carry out the same strategy the OMB tried to do on the whole budget of the United States, namely cut research and development. We see \$2 billion cut from Navy research and development, for example; \$2 billion out of \$9 billion is the suggested cut. That's where they see "slack," in research and development.

To the extent that the United States has a dying or dead nuclear industry, it is incapable of supporting the kind of progressive broad-based nuclear research that's required for military capacity. This is a fact of industrial life. The same thing is true of more advanced energy sources, like magnetohydrodynamics and the breeder reactor, two other advanced technologies which impinge directly on military capabilities. This is most devastating, though, in the nuclear-fusion program and in the space-research program, two areas where the present expenditures by the United States are significantly less than the Soviet Union, and the momentum is on their side in both of these areas. I think today if you took a snapshot, you'd have to say, well, roughly equal capabilities in space and advanced-plasma and nuclear technologies you need, for example, for beam weapons, which come out of the nuclear fusion program—we're roughly equal today. However, the momentum is unquestionably on their side.

I have seen no one dispute the Soviets' own schedule for the deployment of a permanently manned, orbiting space-station. The Soviets say that they will have by 1985 a permanently manned orbiting space-station with 12 cosmonauts on board—that's in three to four years.

The United States has no plans today for what NASA calls a space operations center. In spite of the Space Shuttle, and as brilliant a technological achievement as that is, it has nowhere to go.

The most recent budget projections put out by the Office of Management and the Budget show the United States cutting our space research project even further. The nuclear-fusion budget is under the same kind of attack. At this point, the Office of Management and Budget is suggesting a 12 to 13 percent cut, which would delay indefinitely the development of that technology, as well as the corollary technologies of electron beams, lasers, and the things whose scientific spinoffs are directed energy beam weapons.

The United States faces an adversary who has, at least in some approximation, adopted that military strategy that I described at the beginning—one committed to at least the possibility of total nuclear war and the necessity of marshalling one's whole economy toward a national effort of economic development. That has ceased to be the case for the United States; and once this *Global 2000* doctrine became the stated mission of the American military, there was a systematic disruption of American economic, manpower, and scientific capacities.



## Criton Zoakos indicts American strategic policy

*Below are excerpts from the luncheon address at the conference by EIR's Editor-in-Chief, Criton Zoakos.*

... Why *are* we pained and why are we angry, either at the speaker [Asia Editor Daniel Sneider on Cambodia] or at the picture painted by the speaker? We are conducting something which is akin to judgment of our common life, of our national life, and when, after long stretches of time, nations find it necessary to pass judgment on themselves, on their lives, that is painful because we do not merely pass judgment on our nation, we pass judgment upon our individual lives as they have been lived within the national life. . . .

The moral flaw that we have found in ourselves is that we have accepted, unconsciously and unquestioningly, the Global 2000 doctrine. Global 2000 is the mistake. The story begins in 1964-65, when a few very smart little academics thought that the NASA program had gone a bit too far, so they sat down to scheme up the "post-industrial society." Zbigniew Brzezinski was one of them; he wrote *The Technetronic Era*, one of the founding documents of the post-industrial society. And they started chiseling away and sawing away against the scientific and technological and industrial traditions of this country.

The way to understand military doctrine is that you are dealing with three simultaneously connected concentric, nested situations, or manifolds. One is your actual shooting military capability at hand. Above it, that which determines it, is the technology, the technological might and the industrial might which produces this fighting edge, this combat edge, military capability. And military capability taken as a whole is logistics in depth—industrial, technological, scientific logistics in depth, with that shooting edge out front.

Now the post-industrial society has an effect to whack

our logistics in depth as an industrial nation. But the third most significant, most determining context within which the logistical capability and its military edge occur, are made possible, is the scientific outlook—that which produces new technologies, the scientific tradition and practice of a society. You cannot discuss competent military doctrine, competent strategy, unless you begin from the scientific outlook of the society. And our record has been pretty bad. We have allowed young people to get into the habit of believing that jazzed-up technology is science.

### **The Western allies**

Policy-makers of key nations throughout the world are very well aware, and very painfully aware, of the fact that the United States is somehow captive, it is gripped by the Global 2000 policy. They knew America as something else, and all of a sudden they find this wretched, self-torturing thing going around inflicting pain and destruction, upon itself primarily, and all they have to do is look at the 20 percent interest rates imposed over this economy for the last two years, which have so far produced approximately 25 percent decline in industrial output between October 1979 and now. And then they also see us as attempting to inflict a similar post-industrial population-control pain upon the rest of the world. It does not take a genius to understand that this policy spells the decline of American power.

So what's happening in the Western European theater? Well, we have some friends there that we could have done without: the British.

Lord Carrington is preparing Western Europe—to the best of his ability as Foreign Secretary of the United Kingdom and as Chairman of the EEC Council—he is preparing Europe for a very interesting reaction when the United States goes into its next phase of decline. He is preparing a Third Force kind of alignment of Western Europe to mediate between a United States, which is getting into further decline and further anger with the rest of the world for its own decline, and the Soviet Union, which is getting more aggressive. NATO may or may not survive December of 1983. The gameplan on the basis of which Carrington is working is: well, France has gotten into the Socialist International through Mitterrand—that's good for him; we want to have Bettino Craxi, the head of the Socialist Party of Italy, take over in Italy with the assistance of political forces clustered around Mitterrand; Greece, which just had elections on Oct. 18, is slated by the Foreign Office to go to the Socialist Party, to Papandreou's party, which is collaborating both with Lord Carrington and with the Social Democratic Party of Great Britain.

And then we squash Helmut Schmidt in Germany; we get rid of him. We put an alternate situation in there: either a raving Willy Brandt-controlled regime, or a

Franz-Josef Strauss-dominated Christian Democratic rendition. We put West Germany through a Thatcher program of economic self-destruction. . . .

Let me tell you what's happening with the AWACS. Lord Carrington has promised some Russians that the AWACS are not going to deploy in the Persian Gulf. Alexander Haig, and to a lesser extent Richard Allen, are doing their best to make sure that the AWACS vote goes against the President in the Senate, in cooperation with Menachem Begin. There was a meeting about one week before Begin came to Washington; there was a meeting with himself, Edgar Bronfman, and Israel Singer [both of the World Jewish Congress], in which Begin was coached how to handle himself vis-à-vis the President to make sure that the AWACS do not go to Saudi Arabia. In a confidential conversation, Edgar Bronfman stated that the reason that they undertook this mission with Begin, to coach him appropriately to have the desired effect, was because they are attempting to intervene in the internal succession fight, so-called, in the Soviet leadership; and they want to be in the good graces, they want to capture, they want to influence, a presumed faction in the Soviet leadership which is preparing to move in. . . .

### **The Soviet outlook**

So Carrington is putting himself in the position to do favors for the Soviets. The whole thing is based on an erroneous assumption that the Soviet empire is in decline, a thesis which you've heard numerous times in numerous bureaucratic inter-office memos, editorials, op-eds, all over the place in the last eight months.

Russians, ordinary Soviet citizens, are stirred by issues of national significance. They are genuinely stirred; they don't fake it, they don't do it by pre-arranged mass rallies, they just simply get stirred. There is such a thing as Soviet nationalism. So that's a factor that is completely dismissed, completely misread, completely misunderstood. To the extent that the Soviet Union is a rival of ours, or a potential rival of ours, or a potential adversary, would only be to the extent that its national objectives might conflict with our national objectives. It is *not* because their ideology might conflict with ours; although that might be the case, that would not be the policy-determining factor.

I'll tell you the immediate, primary strategic objective of the U.S.S.R. as a national power: it is the achievement of commercially utilizable thermonuclear fusion energy by 1984 or 1985. They've bestowed military ranks upon their chief research directors, they've drafted the whole scientific capability of the U.S.S.R. Why? Why did they shift in December 1978? Well, you have to go back to April 1977, when Cyrus Vance went to Moscow and he proposed the underpinnings for SALT III. The Soviet reply was complete repudiation of all premises

for SALT III. Which was what? Which was the leading edge for getting the U.S.S.R. to accept the same overall policy as the United States had gotten themselves stuck with: Global 2000, decline of scientific development, and population control.

So SALT III was off. What did our wise guys think we could do to coerce the Soviets into coming back and negotiating this type of SALT III? Create an aggravated situation, they thought, by means of installing the so-called Euromissiles in continental Western Europe. What did the Soviets do in response? They smashed through Afghanistan. This was a move designed to be a strategic warning. The Soviets perceive that the Euromissiles, if deployed in Europe, will be principally targeting the civilian and military command of their nations, for the purpose of knocking them out in the first four minutes before any other aspect of military engagement takes place.

I have strong, convincing reasons to doubt that the Soviets are going to permit the deployment of those weapons there. Not because any Soviet told me, but because I have watched the reactions of responsible West European governments. The world is racing, there is a deadline for the deployment, the end of 1983 or sometime in 1984. All diplomacy in the Chancellor's and the executive offices throughout the significant countries of the world, is working from this timetable.

### **The alternatives**

They know that between now and late 1983, either the United States will back down from the decision to deploy the Euromissiles, or the United States will not back down from the decision to deploy the Euromissiles. In the first case, the world is going to experience a massive collapse of American foreign influence, which is going to leave a tremendous vacuum in the world to be filled by whoever is capable of filling it; in the latter possibility, there shall be a general thermonuclear confrontation, with all of Western Europe playing the role that Cuba played in 1962.

Now, the British Foreign Office is coming in with a third alternative, which is, why don't we form ourselves as a third little mushy, mediating camp between the United States and the Soviet Union? This way, we are going to create the preconditions—diplomatic, economic, ideological, and so forth—for the disintegration of the Soviet empire in the next 20 to 30 years. . . .

Lord Carrington has no basis in fact for assuming that he is going to outfox the Soviet Union in the late 1980s, which is in a significantly improved position internationally than it was in 1933.

So, what is happening? We are marching obliviously into national destruction with our little Global 2000. We're not even aware of how much it is costing us. . . .

And the rest of the world is adapting and accom-

modating; we have an era of little tyrants, and a general political crisis throughout the world. Little tyrants: François Mitterrand in France is a little tyrant; Menachem Begin is acting like a little tyrant. We have little tyrants in various East bloc countries. There is a massive internal crisis in China.

The Chinese have one standard game: to ignite a nuclear exchange between the United States and the Soviet Union. The Chinese know that, the Soviets know that, but Haig doesn't know it. Haig sincerely believes that he's got the brains to outfox the Chinese leadership and use them as a pawn, as part of his anti-Soviet deployments. It's not going to work.

The guy is a pretty bad bet for the country. He is identical to Henry Kissinger in a psychological sense: Haig is a narcissist. Imagine Haig propositioning Kissinger: "With my looks and your brains. . . ."

So that's our situation: it's laughable, it's tragic.

Now, the Soviet Union knows what we're doing to ourselves. Their strategy is to let us do to ourselves that which we want to do to ourselves as much as possible. That is the gameplan of the Soviet Union.

What they care about is that while we're doing this thing to ourselves, they want to make sure that we don't go berserk and start bombing them; so they want to make sure that they're going to have overwhelming military advantages over us so that we're not tempted to do such a thing as we pursue the course of national self-destruction.

There are two alternatives: either all of these unpredictable non-linear situations are going to cause some gross strategic miscalculation, at which point the world is blown up in a general thermonuclear war between the two camps; or, if that does not occur, second alternative, the West goes into a pitiful decline; or, third, we shake our heads and we look around the world—because some people *do* shake their heads and look around the world—and realize what has to be done; and you're going to see a revival of classical nation-states attempting to solve world problems. . . .

The self-examination, passing judgment upon ourselves and upon our nation, is necessary for us to reach a conclusion as to what our purpose is. What shall our contribution be to the rest of the world which will be such that our having lived—as individuals, as a nation—shall have a permanent, indelible mark on the destiny of mankind? Unless we have such a positive conception as a nation, we cannot understand how to run ourselves; we cannot understand what the next frontiers of science and technology, exploration, and development shall be for us. Unless we conquer and define these concepts and these objectives, we shall be sitting down, fat and flutent, satisfying ourselves with the fantasies of controlling world population growth, with the destructive fantasies of Global 2000.



## David Goldman on U.S. productivity requirements for the industrial base

EIR Economics Editor David Goldman's presentation to the conference was based on this report.

A September 1981 computer-based analysis of the administration's military spending plans for the years 1982-1985, jointly prepared by the author and Sylvia Barkley of the Fusion Energy Foundation, provided two policy conclusions of the greatest importance:

First, that under the present economic environment, the President's program will founder on *the inability of the economic base to sustain peak levels of military and related industrial output* by no later than 1984 and; second, under an economic environment characterized by productivity gains of the magnitude associated with the 1960s NASA mobilization of industrial resources for the moon-shot, the American economy *could sustain a military budget increase considerably larger than that proposed by the administration.*

The results of the analysis, conducted with the LaRouche-Riemann computer model, are displayed in an accompanying series of graphs generated by the computer program. They portray only one side of the conclusions: namely, that the economy will not be able to sustain the proposed buildup under the assumption that the productivity performance of the American economy remains what it has been during the past two years, i.e., that zero productivity growth prevails.

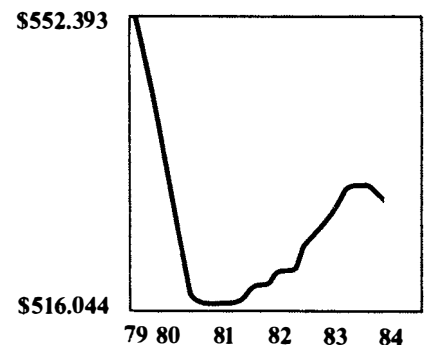
What is important by way of emphasis—and what the LaRouche-Riemann model takes as a point of departure—is that military expenditure is *overhead cost*, a tax on productive resources of the economy. Conventional models of the Wharton School variety are driven by “demand” functions which assume that the economy will somehow provide whatever goods are asked for at a certain price; they are not capable of inquiring as to the

economy's capacity to ultimately perform a task. What is important in the military case is that goods are removed from the capital-equipment sector of the economy and left on the economic sidelines, rather than re-circulated back into the productive process.

In the LaRouche-Riemann model's terminology, the ratio of overhead expenditure per productive worker employed,  $D/V$ , rises. This can only be compensated for through an increase in the production of surplus (valued added in excess of production costs) per productive worker employed, or  $S/V$ .

Since the surplus of the productive sector pays both for the expenditure of the economy's non-productive sectors, including the military, and for reinvestment into the productive sector, any rise in overhead, or non-productive expenditures, must be at least matched by a rise

Figure 1  
Total U.S. surplus  
(in billions of 1972 dollars)



in gross surplus; otherwise the rate of reinvestment will decline. In the case that the rate of reinvestment becomes negative, total economic output will ultimately fall.

That is precisely what happens under the fixed-productivity set of assumptions for the American economy. This set of assumptions represents something more than a mathematical exercise. Aerospace manufacturers, for example, laid off substantial numbers of engineers and skilled workers during the summer of 1981 and have no assurances that sufficient numbers of them could be found again should the B-1 bomber orders finally arrive. In some sectors of the military-related industrial sphere, an actual fall in productivity is foreseeable when manufacturers attempt to gear up to peak production levels.

### The total economy

Figure 1 shows the total size of surplus in the economy under the set of assumptions noted. Data through mid-1981 are historical data for physical output in constant 1972 dollars in excess of labor, raw materials, and depreciation costs. Assuming no other changes in factors affecting economic performance, i.e., no general improvement in credit-market conditions, but also no general disruption of credit markets, and the same tax policy that Congress agreed upon earlier this year, the economy will undergo a very modest initial recovery in response to the military program. However, the actual surplus output of the economy will not recover more than half of its lost levels with respect to 1979. By the end of the program the economy's surplus output will have begun to turn down again.

Figure 2, or net reinvestable surplus, shows the above category with overhead expenditures deducted. The recovery of the investment quotient of the economy from about negative \$9 billion during 1979 to about positive \$9 billion by mid-1981 reflects the modest, false-

start recovery the economy achieved after the major 1979-1980 downturn. However, the rate of reinvestment drops back into the negative, reaching the depths of the previous recession, by 1984. The reason for this, we shall see in a moment, is that virtually all the available surplus is consumed in the non-productive sphere.

Figure 3 shows the economy's most important measure, its "instantaneous growth rate," or, perhaps better put, its *ability to grow*. The peak rate of growth achieved during the false-start recovery, the graph shows, was 1.2 percent. Under this scenario, the growth rate will become negative by the end of 1982, and fall to about negative 3 percent by 1985.

Figure 4 shows the reason for these developments: the sharp recovery of the rate of non-productive expenditures (measured according to the volume of physical goods diverted into non-productive expenditures). While the surplus production of the economy remains fairly stagnant, failing to recover more than half its pre-recession level, the rate of non-productive expenditure nonetheless rises all the way back to its pre-recession level. The discrepancy comes out of the volume of net reinvestable surplus and out of the economy's instantaneous growth rate.

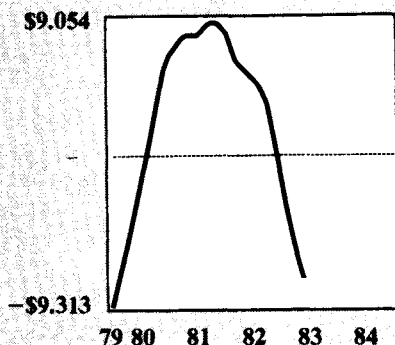
### Sectoral analysis

In less technical terms, what this means is an economy in which the non-military-related sectors, e.g., auto, housing, steel, primary metals, are starved for capital and skilled labor, and continue to decline fairly sharply, while the military industries continue to rise.

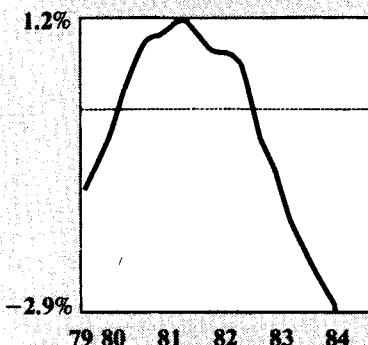
What is most striking about the computer results, which build in a priority investment structure for the military-related sectors, is that *the initial growth of the military-related sectors quickly peters out*.

**Transportation equipment** is the most important of

**Figure 2**  
Total U.S. net reinvestable surplus  
(in billions of 1972 dollars)



**Figure 3**  
Total U.S. instantaneous growth rate  
(in percent)



**Figure 4**  
Total U.S. non-productive expenditure  
(in billions of 1972 dollars)

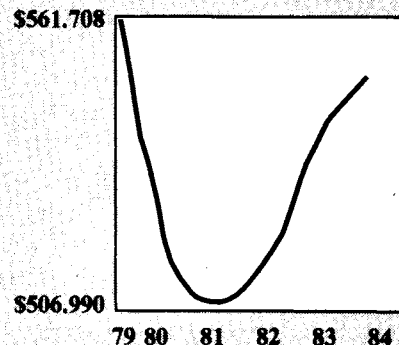


Figure 5

Transportation equipment (excluding auto) surplus (in billions of 1972 dollars)

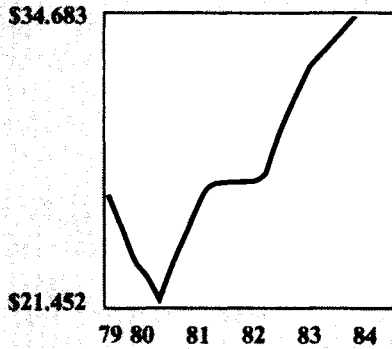


Figure 6

Transportation equipment (excluding auto) surplus (percent of total U.S. surplus)

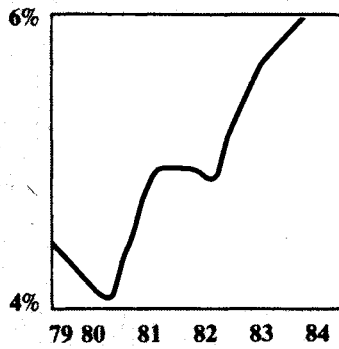
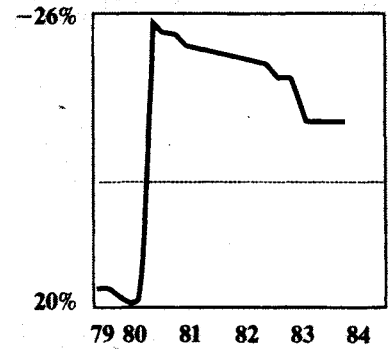


Figure 7

Transportation equipment (excluding auto) percent growth of surplus



the military-related sectors, producing about one-quarter of the total military procurement budget. The mild recovery of the sector (which excludes auto) up through 1981, followed by a stabilization of output, reflects the historical data. Following the introduction of the military program, which first shows up under our assumptions during the 1982 year, production of the sector rises substantially, to about half again its 1979 level. The surplus output of the sector is displayed in Figure 5.

Figure 6 shows the surplus production of transportation equipment as a percentage of total economic surplus, rising from about 4 to about 6 percent—a major increase in the importance of the sector with respect to the rest of the economy.

However, more significant is Figure 7, which shows

the percentage growth rate of the sector; after falling sharply to negative 20 percent at the depth of the recession in 1979, the sector's growth rate shoots up to 20 percent positive growth, and then falls, by stages, to barely 5 percent. This occurs as the sector fails to find the supplies and labor required to sustain such levels of output increase from the declining remainder of the economy.

Fabricated metals, whose surplus output is shown in Figure 8, contributes indirectly to the military; its output does not change substantially over the entire period from 1981 to 1984.

Figures 9 and 10 show a revealing pattern for the electronics sector. Surplus output rises steadily, as shown in Figure 9, but Figure 10 shows immense divergences in growth rates. The initial 5 percent-plus growth rate

Figure 8

Fabricated metal items surplus (in billions of 1972 dollars)

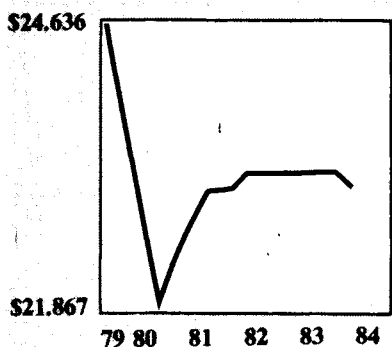


Figure 9

Electronics surplus (in billions of 1972 dollars)

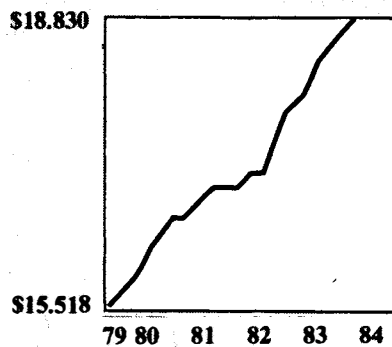
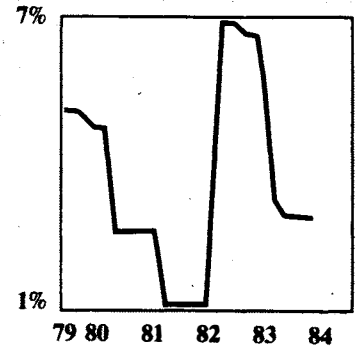
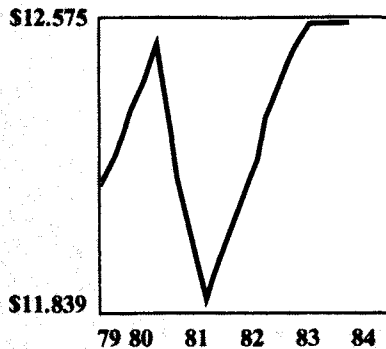


Figure 10

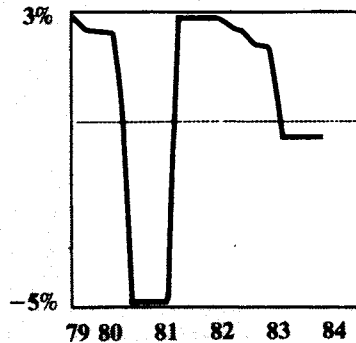
Electronics percent growth of surplus



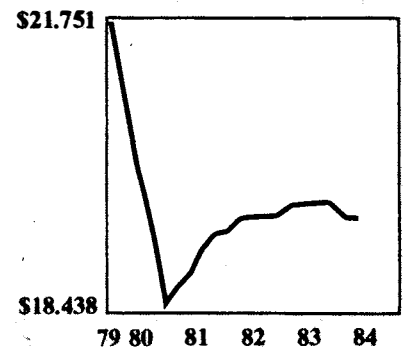
**Figure 11**  
**Instruments surplus**  
 (in billions of 1972 dollars)



**Figure 12**  
**Instruments percent growth of surplus**



**Figure 13**  
**General machinery surplus**  
 (in billions of 1972 dollars)



registered for the sector during 1979 fell, according to historical data, to the 1 percent range, during 1981. Under pressure from military orders, the growth rate shoots back up to 7 percent, but then rapidly falls to about 3 percent as the pace of military expansion cools down, involuntarily, due to insufficient productivity.

The **instruments** sector, an even higher portion of whose output is sold to the military, shows a similar, but even more extreme pattern of divergence, in Figures 11 and 12: Figure 11 shows its absolute level of surplus output; Figure 12 shows the percentage growth rate of the same data. After falling sharply into the negative at the depth of the recession, the sector's output jumps by 3 percent a year during 1982 and 1983, or the same rate of growth it registered during 1979, only to fall back again to roughly zero by the end of the period under discussion.

Figure 13 portrays the stagnation of output growth of another military-dependent sector, **general machinery**.

The above set of projections for the American economy under the administration military budget does not begin to state what *will* happen, but only—and this clearly—what is *necessary* should the economy succeed in re-arming the United States. The computer model calculates the minimum productivity growth rate required to sustain the current military buildup to be 1.8 percent per annum, modest by international standards, and very close to the economy's average productivity growth rate for the decade of the 1970s. Less than this will produce a significant failure.

Initially, the *average* productivity of the economy rises only because the mix of industrial output has shifted toward the more productive military-related sectors, which in general employ more skilled labor and more advanced production methods. However, without

major *civilian* investments into the economy, the growth of productivity through these fortuitous factors grinds to a halt, as does the military buildup.

However, during the NASA program's height of spending, the U.S. economy reached a 4.5 percent annual rate of growth of productivity, less than half of what the Japanese scored last year, but nonetheless impressive; the entire decade of the 1960s showed a 3 percent rate of increase of productivity. Growth rates of this order of magnitude are in excess of what is required to field an even more ambitious re-armament program than the administration has yet considered.

The economic problem comes down to *how to make military spending "self-financing."* If military procurement concentrates on high-technology areas with considerable civilian spinoffs, as per the NASA experience, and in the present case orienting more toward high-energy physics applications, the civilian spinoffs will more than compensate for the loss to overall output. That is, the *increase in unit of surplus per employed productive worker through rapid introduction of new technology*—which produces quantum leaps in the productivity of industrial processes—will almost certainly outstrip the rate of rise in overhead expenditures.

This chain of reasoning brings us back to the qualitative arguments Dr. Steven Bardwell introduced against the Weinberger Defense Department's military plans. More important than the quantitative evaluation of the economy's ability to produce military goods on a sustained basis is a qualitative reading of the impact on the economy of the military program itself. Under the right sort of military program, the economy could certainly sustain a spectacular buildup; and that is the principal policy conclusion to be drawn from this computer analysis.

## Free-zone system for Egypt or an industrial buildup?

by Judith Wyer

*EIR's* continuing investigation into the assassination of Egyptian President Anwar Sadat has turned up evidence that conflicts between his regime and the multinational banks may have contributed to his demise.

Three weeks before his assassination, Deputy Prime Minister for Finance and Economy Abdel-Razaak Abdel-Meguid, under Sadat's directive, called a meeting on Sept. 14 of the multinational banks, known as the Egyptian Bankers' Club. Abdel-Meguid told the bankers that Egypt was tired of the banks' "speculating" on Egypt's economy. U.S. Treasury Department sources, in Egypt at the time, report that Abdel-Meguid forcefully demanded that the banks "stop taking more money out of Egypt than they are bringing in."

The Bankers' Club meeting was the culmination of a year-long effort by Sadat to restrain the country's free-enterprise zone of offshore banks. According to the same Treasury source, these banks, which enjoy no regulation by the Egyptian government, "have been making a financial killing in Egypt."

The free zones were one byproduct of a policy Sadat initiated in 1974, known as the open-door policy, to make foreign investment in Egypt's then-crisis-ridden economy "attractive."

In the summer of 1980, Sadat began to realize that this open-door policy was not delivering the badly needed industrial development to Egypt. About that time, he undertook a number of corrective measures, including a crackdown on Egypt's burgeoning drug trade, the black market, and the offshore banks. He also stepped up his

drive to install eight nuclear plants in Egypt, and created a new state-controlled banking structure to facilitate funding for development projects.

Whether Sadat knew the nature of the beast he was taking on when he made his turn away from the open-door policy in 1980 is very unlikely. That international cabal of bankers and financial elites promotes "free enterprise" as a means of securing their own top-down control of financial markets, and the liberty to push drugs and other illicit, but very profitable commodities.

Egypt's economic free zone was an integral part of the Camp David Treaty, which was created by David Rockefeller and a mafia of drug-tainted banks associated with such corporate figures as Edgar Bronfman of Seagram and former Carter Mideast envoy Sol Linowitz, a member of the board of the notorious United Brands Company, a drug- and gun-running front, and the Club Méditerranée. In turn, included within the ranks of the Club Méditerranée are elements of organized crime including Intertel, the private-intelligence subsidiary of the Bahamas-based Resorts International, in which David Rockefeller holds a large share, another major conduit for laundering dirty money internationally. Other well-known supporters of "free enterprise" for Egypt include Max Kampelman, now with the State Department, and Philip Klutznick, Commerce Secretary under Jimmy Carter. This circle of "men above suspicion" centered around Bronfman has been exposed by *EIR* as working closely with Israeli intelligence personnel allied to Israeli Defense Minister Ariel Sharon, personnel who knew



weeks in advance that Sadat would be assassinated.

As *EIR* has also exposed, these same Israeli-connected intelligence circles have maintained close ties to the emerging Muslim Brotherhood movement in the Middle East using these fanatics to destroy the sovereign nations of the region, as the Brotherhood's Ayatollah Khomeini has done in Iran.

David Rockefeller and Henry Kissinger had sold Sadat this free-enterprise model as early as 1973, by convincing him that, should he accept a bilateral peace with Israel at the expense of Egypt's relations with the Arab world, Rockefeller and company would deliver economic renewal to Egypt.

Sadat, known for his lack of sophistication on economic matters and prone to opportunism, accepted the deal. He agreed to break with the state-directed development policies of his predecessor, Gamel Abdel Nasser, in the hope that Egypt's economic troubles would end.

But from 1974 to 1977, the open-door policy flopped, despite flashy public relations aimed at winning foreign investment. By 1977, Egypt was unable to pay its foreign debt, and felt the first shock wave of violent food riots after Sadat temporarily heeded the International Monetary Fund's demand to halt food subsidies. During that year the Carter administration, in pursuit of the policies set by Rockefeller and Kissinger, reached an agreement with Sadat that Egypt would sign the Camp David Treaty with Israel and, in turn, Sadat would further loosen Cairo's controls on foreign investors by establishing an unregulated free-enterprise zone.

Since then, Egypt has earned a modicum of nominal wealth, primarily from the oilfields that Israel returned and from Suez Canal tariffs, but the open-door policy has produced no industrial investment to sustain long-term economic growth.

### **The pre-assassination period**

The same week of the Sept. 14 Banker's Club meeting, the largest drug bust in Egypt's post-World War II history was made in Alexandria, capturing hashish worth nearly \$40 million. Earlier this year, Sadat had ordered his law-enforcement officials to work with the U.S. Drug Enforcement Administration to clamp down on growing drug addiction in Egypt, beginning with the Asyut region. Days after Sadat's Oct. 6 assassination, it was revealed that the killers were headquartered in a fanatical Muslim Brotherhood holdout in Asyut.

Months before, Sadat had ordered a number of unprecedented measures to restrict speculation by the banks, beginning with adjustments of Egypt's complex foreign-exchange laws to subdue a massive switching of Egyptian pounds into foreign currency via the black market. Earlier the government placed a lid on the issuance of bank notes, a prime means of exporting hard currency, and at the same time put limits on the

offshore banks' participation in the lucrative letter-of-credit business.

Over the same 12-month period, Sadat began to make a number of state-to-state agreements with the U.S., Britain, France, and West Germany, opening the way for the purchase of eight nuclear plants which he aimed to have working by the year 2000. Sadat envisioned placing the plants on the Mediterranean near Alexandria, powering desalination systems to expand irrigation and land reclamation. The other site was to be about 60 miles south of the Suez on the Red Sea, as the energy base for new petrochemical and fertilizer industries, as well as for the city of Cairo.

But a corrupt faction of Egypt's elite which hand-somely profited from the free-enterprise policy loudly opposed Sadat's nuclear plan in favor of investment in tourism, hotels, and casinos. The governor of Alexandria, Naim Abu Taleb, declared in April that the nuclear plants were an "environmental threat" to his province, and halted Cairo's efforts to draw up plans for installing the plants in Alexandria. Abu Taleb is a close collaborator of the Global 2000 population-reduction promoters within the State Department's AID office, which has mobilized to sabotage Egypt's industrial development (See *EIR*, Oct. 27).

While Sadat's nuclear program was a step in the right direction, it falls far short of meeting Egypt's projected energy needs for the balance of the century, assuming even a modest rate of renewed industrialization. With the largest force of trained scientists and engineers from the Mideast to southeast Asia, second only to India, Egypt could support a full-scale nuclear-based city-building program along the lines of the "nuplex plan" now being developed by *EIR* founder Lyndon LaRouche.

The state-controlled banking system initiated during the summer of 1980 could facilitate a flow of funds into a full-scale economic development program; the most likely source of funding for this endeavor would be Saudi Arabia and the other oil-exporting states of the Gulf. Over the past year, Egypt and Saudi Arabia have intensified behind-the-scenes contacts with the aim of increasing Saudi financial support for Egypt. Sadat's successor, Hosni Mubarak, himself a member of the Higher Council for Nuclear Energy, was Sadat's chief liaison to the Saudis.

During a late-October visit to West Germany by Egyptian Minister of Technology Abu Azza, Saudi Arabia's number-two man, Crown Prince Fahd was also present in Bonn. The Egyptian delegation discussed the prospects of ordering at least two 1,000-megawatt reactors from the German firm Kraftwerke Union. Over the past 18 months, Saudi Arabia has dramatically stepped up its deposits of petrodollars into Germany, as well as its purchase of German debt. Through this

indirect channel, Saudi Arabia is likely to finance the Egyptian purchases.

A member of the Egyptian delegation told *EIR* earlier this month that Cairo was considering doubling the number of reactors it buys from West Germany. One reason given was concern that under François Mitterrand, France would be unwilling to sell the technology to Egypt. Cairo and Paris signed an accord to transfer nuclear technology shortly before President Giscard was defeated by Mitterrand. Since then, Saudi-French financial ties have loosened considerably.

### **A challenge for Mubarak**

Whether the Mubarak government will be able even to realize the modest plans Sadat initiated for nuclear energy will depend upon the new President's ability to break Egypt away from corrupt free-enterprise schemes and return to Nasser's strong state-directed policies. This means that private investors would indeed have a role to play in Egypt, but would have to cooperate with government programs for industrial development as opposed to speculative investment.

Though the new regime has pledged to stick to the letter of the open-door policy, business sources concur that Mubarak will try to maintain the initiatives begun by Sadat.

The Egyptian Parliament is now considering tough legislation to regulate the offshore banks. It includes proposals that no more offshore licenses be issued until the central bank conducts a thorough study of the free zone, and that any licenses issued to new offshore banks must include a commitment by the banks to invest in Egypt's development. There is also talk of requiring that 50 percent of the banks' deposits and investments be kept in Egypt to counter the flight of hard-currency profits resulting from unregulated banking operations.

In a speech delivered to the ruling National Democratic Party shortly after Sadat's death, Abdel-Meguid described Egypt as caught between the open-door, free-enterprise model and the nationalist development perspective toward which Sadat had moved.

No one who knows Egypt from the inside expects Mubarak to give the banks the treatment Nasser gave them in 1957 when he nationalized them all. Instead, it appears that Cairo is trying to "kick the banks into line." How successful Mubarak will be depends on political and economic support from the industrial nations; and thus far only Japan and West Germany have given appropriate economic backing. Egypt is a lesson for President Reagan in the pitfalls of free enterprise. The administration could back up the President's stated commitment to Egypt's stability by surpassing Japan and Germany in providing American high technology and knowhow and making economic development the basis of future Mideast policy.

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## *Conference Report*

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# Islam and the West looks to new dark age

by Luba George, European Correspondent

Only one week had passed since the assassination of Sadat by the Muslim Brotherhood, when members from the pro-Muslim Brotherhood organization "Islam and the West" met in Paris to plot and coordinate "Iranizations" throughout the Muslim world and Muslim communities—including the Soviet Union.

On the first day of the conference, an open welcome was given to the first international gathering of "Islam and the West"—limited to 200 participants—by former French Finance Minister Jean-Pierre Fourcade, President of the French section of Islam and the West.

Alain Poher, President of the French Senate, Maarouf al-Dawalibi of Saudi Arabia, and President of Islam and the West International Habib Chatti, of Saudi Arabia, all paid tribute to the French Foreign Minister, Claude Cheysson who was present for the opening of the conference. This acclaim took on special significance as Cheysson had caused an international uproar when, during his attendance at Sadat's funeral, he remarked that "the assassination of Sadat was the removal of an obstacle" to peace in the Middle East.

Despite insistence by conference organizers that the event was "purely cultural," the aims and objectives of the conference gathering were clearly advanced that same afternoon by Club of Rome founding member Aurelio Peccei and former head of the United Nations Fund for Population Activities, Lord Caradon.

Peccei, representing the Italian (Venetian) section of Islam and the West, gave a speech at the conference attacking the "narrow hegemonic interest of sovereign nation-states" emphasizing that the "guiding principle" behind the work of Islam and the West should be the "law of regionalization"—the Club of Rome codeword for "Iranization" and "regional wars." Peccei said that countries of the Middle East and Africa should be organized along "theocultural and religious" lines and "not on territorial boundaries of existing nation-states. The first exigency is that of adopting regionally or globally inspired approaches, policies, and strategies—like the European-Arab dialogue—beyond the normal national policies as an initial basis for action," added Peccei. Peccei then pledged that his Club of Rome is "fully committed to help in the coordination of the work of Islam and the

West toward implementing the new world economic order” as a euphemism for depopulation and enforced backwardness.

Lord Caradon, Chairman of Islam and the West International, presided over the three-day conference to make sure that the conference “debates” would be controlled along “purely cultural” lines.

In private discussions with journalists who attended the conference, however, Lord Caradon expressed his “political” views and distributed copies of his most recent articles published by the Saudi newspaper *Al Awsat*, in which he states that Africa and the Middle East in the 1980s will be embroiled in “regional wars” and “continuous turmoil.” “Peace in Africa is dependent on a settlement in Namibia and peace in the Middle East is dependent on settlement in what remains of Palestine. . . . More deliberate delay in the end leads to confrontation and conflict on a terrible scale. . . . East and West relations will worsen.”

To an *EIR* journalist, he said that as former head of the U.N.’s Fund for Population Activities and as current Chairman of Islam and the West, he will continue to push forward ideas that will make people aware of the population problems. Over Egypt and Jordan, he expressed “deep concern” and identified these two countries as having the “greatest population problems” in the Middle East. “In Egypt there definitely will have to be a population reduction. Sadat’s economic policies were a disaster.”

### Anglo-French machinations

The presence of Lord Caradon—de facto representing British Foreign Minister Lord Carrington’s policies—also signified the behind-the-scenes and corridor discussions concerning the eight-point peace plan of Saudi Crown Prince Fahd. Although neither Fahd nor his plan is identifiable in any way with the Brotherhood, British and French circles associated with French President François Mitterrand are known to be giving nominal support to the Fahd plan as part of a broader operation by them to bring the pro-British faction around Prince Abdullah to power in Saudi Arabia. Also significant is the fact that the conference was attended by the Egyptian Salem Azzam, a close friend of Gen. Saad el-Shazli, who was responsible for planning the assassination of Anwar Sadat.

To achieve the aims of Global 2000, which calls for the reduction of the world’s population by 2 billion over the next 20 years, the Paris conference dictated two projects of “urgent priority” which every national association of Islam and the West must carry out in two years’ time: 1) revision of Islamic traditional texts and historical textbooks and, 2) a “science and technology” project.

Both projects are part of the overall campaign to

rehabilitate the anti-modernization, dark-ages school of thought of Islam’s 12th-century Aristotle, al-Ghazali. This rehabilitation is designed to justify the same terrorist-destabilization activities of the Muslim Brotherhood that were carried out under al-Ghazali 800 years ago.

Sufi mystic Ziauddin Sardar outlined the project for science and technology in these terms: “The basic assumptions of science—that reason is supreme, nature is there to be dominated, the purpose of science is to solve all problems—are those of the enlightenment and, as such, are an embodiment of Western actions and intellectual tradition. As it is these very assumptions and this intellectual tradition which has created the contemporary predicament of mankind and the crisis in science, the basic values of science are inadequate for a safe and viable future for mankind.” Instead, Sardar gives the following recommendation:

“The epistemologies of al-Ghazali and ibn Khaldun, whose values and moral principles of Islam played an important part in the Muslims’ pursuit of knowledge . . . must now be incorporated both in the science policies of the Muslim countries and in their own research and everyday work. In the global context, science and technology must be assimilated and adapted into ‘ethnoscience’ . . . science and ethnology must adapt to an environment and not vice versa.”

Al-Ghazali was the organizer of the pagan Sufi movement, i.e. a federation of anti-urban, mystical irrational cults that were deployed to undermine the scientific basis of 12th-century Muslim nation-states which led to the period known as the “Dark Ages” in both the Muslim and Christian worlds.

The “science and technology” project was announced as a joint Islam and the West/International Federation of Institutes for Advanced Studies (IFIAS) effort. The “appropriate technology” aspect of the project grew out of work initiated by IFIAS, which is directed by Club of Rome members Alexander King, Aurelio Peccei, Eduard Pestel, and the Soviet Academician Dzhermen Gvishiani, who represents the Club of Rome faction in the East bloc.

The second project of “urgent priority” is a revision of textbooks proposed by the Senegalese Sufist Hadjii Ravane Mbaye, who is linked to the Club of Dakar (Club of Rome) operation in Senegal. “Islamic texts should be purged of Western values and concepts, including Greek . . . and should return to the mystical teachings of al-Ghazali and ibn Allah,” he declared.

In outline, the national associations were told that “this project is also to correct distorted teaching of history . . . in countries like France and Germany . . . which has been subject at all times to the dangers of hegemonic interests. . . . The teaching of history is often held up in schools as the guardian of a national tradition

with cultural stereotypes and distorted prejudices. . . . The revision of textbooks is the first thorough step toward listing the distorted ideas and the false stereotypes which influence public attitudes, and toward stopping them from being unconsciously or consciously handed down to future generations. . . . such a revision would include complete elimination of offensive views.

"The aim is to place teaching into a global conception of education. This action to be taken will be multinational, meaning the collaboration of the national associations of Islam and the West, and have recourse to experience and competence accumulated by certain specialized international organizations such as UNESCO, ALESCO, the International Education Office, the Council of Europe, IFIAS, and the Club of Rome."

These two projects of "urgent priority" are in fundamental opposition to the ecumenical principles defined in the recent encyclical *Laborem Exercens* of Pope

John Paul II, to which government leaders such as West German Chancellor Helmut Schmidt, the late Anwar Sadat, and others have given their personal support. In substance, the projects are designed to counter the aims and principles of the encyclical, which emphasized the "dominion over nature," and to distort and eliminate wherever possible the Neoplatonic-Augustinian roots of Islam that are viewed as "obstacles" to the slave-labor economics and population reduction proposed by the Club of Rome and Islam and the West.

Al-Ghazali's mystical beliefs, the basis of the Muslim Brotherhood, has more to do with the ancient pagan cult of Isis and pre-Islamic cults than with the true Koran of Prophet Mohammed and the Islamic works of Ibn Sina (Avicenna) and al-Farabi, among others.

With offices now in over 35 countries on every continent, Islam and the West, under cover of "cultural activities," intends to continue to act the vehicle through which "Iranizations" will be coordinated.

## Participants in the Paris sessions: their background

The following is a partial list of the key figures attending the Islam and the West conference in Paris.

**André Parodi:** Vice-President of Islam and the West and a former Swiss diplomat, Parodi is focusing his attention on stirring up Muslim fundamentalist turmoil in the Soviet Union. At the conference, Parodi called for closer contact with Muslims in the East bloc. Privately, Parodi revealed that Islam and the West is taking "cautious steps" to establish an office in Tashkent in the southern U.S.S.R.

**Nadim ud-Din Bammat:** A University of Paris professor and a delegate of the Organization of the Islamic Conference to UNESCO, Bammat has a long family history of subversion. His father was a leader of the British-sponsored Muslim fundamentalist insurrection in the early days of the Russian Revolution. Bammat recently organized a five-day meeting of Muslim Brotherhood leaders at the Rothko Chapel in Houston, Texas.

**Nicholas Krul:** General manager of the Swiss-based Gulf and Occidental Bank. Krul is an official of the Siena Group, the group of financiers, interlocked

with the Volcker and Propaganda-2 banking circles, which has tried for 35 years to eliminate the expansive role of dollar-denominated credit. He has been a supporter of an Islamic currency bloc, a feature of the effort to forge an Islamic federation and undermine the sovereignty of the nations of the Muslim world.

**Dr. Maarouf Dawalibi:** Was head of the Syrian People's Party until he became a Saudi citizen in 1950. Dawalibi has maintained close ties with the Muslim Brotherhood and is one of the top Saudi funders and controllers of the Brotherhood.

**Smail Balic:** Currently first adviser to the Austrian National Library, Balic was named recently as the ringleader of a Muslim insurgency run from Vienna against the Yugoslavian government.

**William Crawford:** A former U.S. ambassador to several Middle Eastern countries, Crawford is currently director of Islam Centennial 14 (ICF) in Washington, D.C. ICF coordinates closely with Islam and the West and operates as a clearinghouse for Brotherhood activities in the United States. Crawford worked closely with the Rothko Chapel conference organizers, serving as an intermediary between Rothko and the State Department to ensure visa clearance for the Muslim Brotherhood participants at the Rothko conference. Crawford's ICF is committed to fostering "understanding" in the United States of Khomeini-style Islamic fundamentalism.

# The Jesuits charge that LaRouche is 'an agent of the Vatican'

by Lyndon H. LaRouche, Jr.

Fellow-Jesuits of U.S. Secretary Alexander Haig are presently circulating the astonishing accusation that "LaRouche and his publications" are "agents of the Vatican."

Although the accusation originates with leading Jesuit spokesmen, such as Dr. Stephen Mumford of the International Fertility Research Program, the Jesuits are collaborating closely in this with leading Malthusians such as Kissinger crony Donald Lesh, former head of the U.S. branch of the genocidalist Club of Rome. All, like Haig himself, are supporters in practice of the genocidal "Global 2000" dogma published by the criminal administration of President Jimmy Carter.

Among themselves, Malthusian Jesuits and allies such as Lesh argue that the depth and accuracy of knowledge of Italian and Vatican politics in "LaRouche's publications" is circumstantial proof that LaRouche is being aided by the Vatican's intelligence service. Privately, Mumford argues: "These organizations are making real inroads in the thinking of the population on 'Global 2000' and the population issue . . . we don't have proof of the money, but we can now say that anything LaRouche's organizations say is Church policy."

Unlike most of the lies spread against me in various news-media and slander-networks by the international drug-lobby, the "Vatican agent" charge is made sincerely, if wrongly. In a recent interview Mumford stated his accusation openly. He accused *EIR* of being "the mouthpiece of the Vatican," and added: "LaRouche has all the issues right . . . it is as if he is speaking to the Pope. He is my enemy, and I am his."

Privately, Mumford reveals that his accusation is born of wishful thinking. His object is to create an aura of isolation around the Vatican, as he explains in detail. He views the organizations associated with me as a "secular force" coming to the rescue of that Vatican which the Jesuit order and its Church of England allies are determined to destroy. If it were true that "LaRouche and his

publications" were only "agents of the Vatican," rather than independent allies, this, Mumford insists, would weaken the credibility of "LaRouche and his publications." Mumford's wish has become father to what now appears to be a sincere, if mistaken conviction.

Mumford and leading Jesuits are quite correct in insisting that "LaRouche has all the issues right" in explaining the Anglican-Jesuit bloc's plot to destroy the Roman Catholic Confession world-wide. However, in attempting to adduce from this the conclusion that I am a "Vatican agent," the Jesuits have been seduced by a mixture of their fanatical narrowness of outlook and wishful thinking. They have perpetrated what economists sometimes term a "fallacy of composition," or, what the common American idiom describes as "missing the forest for the trees."

## The Jesuits attack the Papacy

In the Western Hemisphere, the Jesuits are sometimes called the "Society of Judas," because of their leading complicity in promoting Latin American terrorism and their alliance with the Church of England and Eastern Orthodox patriarchs in the effort to destroy the Roman Catholic Confession world-wide. In the U.S.A., Dr. Stephen Mumford is the above-ground spokesman for this cause, the de facto representative of not only the Jesuit order, but also Notre Dame University's Father Theodore Hesburgh, and a large, schismatic conspiracy within the ranks of the Church's U.S.A. hierarchy.

Mumford correctly outlined the principal motives for this group of schismatics in an article published in the January-February 1981 edition of the magazine the *Humanist*. Mumford insists, accurately, that the immediate motive for the Jesuit attempt to destroy the Catholic Church is the Vatican's unchangeable hostility toward the policies of genocide advocated by the sup-

porters of the Club of Rome and of President Jimmy Carter's *Global 2000 Report*.

Against this evil, Malthusian conspiracy of the Jesuits, and the British and Dutch churches, the Vatican has returned to the attack with the recently issued Papal Encyclical, *Laborem Exercens*. This Encyclical attacks unequivocally both the "green fascist" doctrines of genocidalist Aurelio Peccei and *Global 2000*. It attacks also the fascist version of "free trade" austerity-dogma associated with Prof. Milton Friedman, the Thatcher government of Britain, and the British Fabian Society's Friedrich von Hayek.

The Vatican is to be commended and supported for opposing the (actually) fascist dangers of "environmentalist" and Thatcherite policies. More important is the manner in which *Laborem Exercens* develops its warning against such fascist dangers.

Apostolic Christianity, like the Judaism of Philo of Alexandria and the Islam of ibn Sina's (Avicenna's) *Metaphysics*, rejects the pagan-cult doctrines of "big bang," or fixed creation. The arguments of Philo of Alexandria against Aristotle's evil "fixed creation" doctrine are identical with those of Apostolic Christianity. The universe is an evolving process of lawfully-ordered *continuing creation*. This principle of continuing creation, as opposed to the pagan dogma of "fixed creation," is the heart and essence of the Gospel of St. John and of the Nicene doctrine of Christianity.

Man, although born as an irrational, hedonistic beast, is also born with a divine spark of potentiality which distinguishes the human individual from beasts. This potentiality is man's power to bring his knowledge and practice into ever-more-perfect agreement with the lawful principles of continuing creation: the *Logos* of the Gospel of St. John and of the Nicene doctrine, or what is known to scientists such as Leibniz as "sufficient reason." The Christian doctrine adds to the Judaic doctrine of the Messiah (e.g., Philo) the assertion of the divinity of Jesus Christ, and the crucial further principle that the *Logos* flows from Christ consubstantially as it flows from God the Composer of the Universe. Christ expresses for Christians the *living God* in the form of man born of woman. Christianity as a body of practice is based, therefore, on the principle of *imago vivo Dei*, to develop oneself and one's practice *in the image of the living God*.

This principle is expressed in Genesis. We cite a part from one of the relevant passages from the Encyclical to this point:

When man, who had been created "in the image of God . . . male and female," hears the words: "Be fruitful and *multiply, and fill the earth and subdue it,*" even though these words do not refer directly and explicitly to work, beyond any doubt

they indirectly indicate it as an activity for man to carry out in the world [emphasis in the original].

This is the kernel of the point against which the "Society of Judas" and its British, Dutch, and secularist-Malthusian accomplices base their determination to destroy Christianity, beginning with schismatic destruction of the Roman Catholic Confession.

The schismatics propose to replace Christianity with the Gnostic doctrine and the so-called Gnostic Bible, a heathen, pantheistic dogma in which man is instructed to subordinate himself to raw nature, and to live with ethical parity in relations to the beasts. Gnosticism—like Aurelio Peccei, and like Adolf Hitler and Jeremy Bentham before him, like the evil Jean-Jacques Rousseau, Francis Bacon, and Thomas Hobbes, degrades man to a mere beast, with the morals of a beast.

Only a man-beast, Albert Speer, could have carried Hjalmar Schacht's evil austerity doctrine to the slave-death-camp-system form Adolf Hitler demanded. Only men and women degraded morally to the level of feral beasts could support implementation of the doctrines of the Club of Rome or Jimmy Carter's *Global 2000 Report* today. Only Gnostics such as Anglicans, theosophists-anthroposophs, or of the "Society of Judas" could provide a pseudo-Christian rationalization for replacing Christianity with the hedonistic bio-ethics of David Hume, Adam Smith, Jeremy Bentham, and John Stuart Mill.

So, *Laborem Exercens* counterattacks against "green fascism" and the criminal doctrines of *Global 2000*, from the standpoint of the most fundamental positive principles of Apostolic Christianity.

In this, the Vatican enjoys the complete, *ecumenical* support of "LaRouche and his publications." The Jesuits, such as Stephen Mumford, have overlooked the actual process by which this specific form of ecumenical alliance with the Vatican developed. "Missing the forest for the trees," the Jesuits have wishfully dreamed up the false explanation, that "LaRouche and his publications" are "agents of the Vatican."

Let us therefore, for once and for all, settle the truth of the connection, and brush aside the nonsensical "agents of the Vatican" allegations. By what process did "LaRouche and his publications" come to discover what the Jesuits actually represent?

## The ICLC

When Mumford speaks of "LaRouche and his organizations," he means two overlapping kinds of organizations. He means, most emphatically, an association known as the International Caucus of Labor Committees (ICLC), in which the term "labor" has exactly the significance it also has in the recent Papal Encyclical, *Laborem Exercens*. He means also a second group of



*Lincoln with Union troops after the Battle of Antietam: his murder was a turning-point away from nation-building.*

organizations and publications in which ICLC members participate as influential components of a much-larger association as a whole.

For example, the National Democratic Policy Committee (NDPC) is a multi-candidate political action committee and one of the leading factions of the Democratic Party in the U.S.A., the spearhead of the fight against the Nazi-modeled monetary policies of Federal Reserve Chairman Paul A. Volcker. It is fully supported by the ICLC, although only some of the NDPC's officials are also ICLC members, and the majority of the NDPC's thousands of active supporters are not ICLC members.

The international alliance of anti-drug organizations is actively supported and subsidized by ICLC efforts, but only a tiny fraction of the members of these organizations are ICLC members.

The influential scientific association, the Fusion Energy Foundation, has tens of thousands of members in the U.S.A. alone, as well as a circulation of approximately 200,000 monthly. The FEF has been chiefly subsidized by or through efforts of the ICLC, and grew most rapidly as a by-product of my own campaign for the 1980 presidential nomination of the Democratic Party. Yet, only a tiny fraction of FEF members and collaborators are ICLC members.

The ICLC is involved in such projects because it not only agrees with the purposes and guiding philosophy of such associations, but their importance. Hence, there is a selective consistency in the philosophical outlook

of projects which the ICLC supports and the ICLC's own philosophical outlook. That noted, we can focus now on the philosophical outlook of the ICLC itself.

The ICLC is presently an international academy movement, consciously modeled in intent and practice upon such precedents as Plato's Academy at Athens, and tracing its heritage through Philo, Augustinian Christianity, the Arab Renaissance, and the 15th-century Golden Renaissance. Its members are chiefly of variously Protestant, Catholic or Jewish heritage, the U.S.A. membership representing a higher percentile of Jewish individuals than one might expect to meet outside a meeting of a B'nai B'rith Freemasonic lodge.

The ICLC has been in existence since 1973-1974, and is based chiefly in the U.S.A., Canada, Latin America, and Western Europe, although it is actively a friend of various nations of Africa and Asia in a manner consistent with the ICLC's commitment to a community of principle among sovereign nation-state republics. The ICLC is known chiefly for its continuing campaign for creation of a new gold-based world monetary system, designed to promote simultaneously technological progress and prosperity in the industrialized nations and enlarged flows of advanced technology of agriculture, industry and infrastructure into what are called developing nations. The ICLC otherwise focuses on problems of technology, education and statecraft subsumed under the work of such a new, gold-reserve-based world monetary order.

The ICLC grew out of earlier organizational devel-

opments of the 1966-1973 period, beginning in New York City in 1966. It is from that vantage-point that one can most quickly and accurately locate the process of development of the ICLC and the role of this writer within that process of development.

The ICLC began very simply back in 1966. This writer began teaching a recurring one-semester course in economic science and scientific method on a number of campuses, over the period 1966-1973. Out of this was assembled, initially, slightly over a dozen gifted graduate students and others, who deployed against the menace of "new leftism" being spread under the rubric of SDS (Students for a Democratic Society). The tactic adopted was to penetrate SDS and to attack anarchoid forms of "new radicalism" from within SDS and its periphery. This work was essentially educational, but also took forms of tactical operations aimed to neutralize what was regarded, beginning the summer of 1968, as a neo-fascist menace suppurating among the admirers of Mao Tse-tung, Tom Hayden and Herbert Marcuse.

One of these 1968 undertakings was a successful deployment—by approximately 50 associates of this writer—to disrupt a planned race-riot for New York City, by neutralizing the SDS's ability to deploy in support of an anti-Semitic racist assault against the New York City United Federation of Teachers. From that time in 1968 to the present day, the writer and his associates have been the objects of bitter hatred among U.S.A. "leftists," from the Communist Party U.S.A. through the left-wing socialists gathered around Tom Hayden and California's Gov. Jerry Brown within the Democratic Party.

In the beginning, the essential orientation of the organization was premised on this writer's contributions to economic science. The tactical orientation was this writer's judgment that either a new, high-technology-oriented monetary order would be established or that the world would drift through successive monetary crises, into a fascist order worse than that of the Nazis, beginning with resurrection of the fascist monetarist economics doctrines of Nazi Finance Minister Hjalmar Schacht. The "new left" was seen as the new form of the fascist hooligan-force to replace the role of a Mussolini or Hitler in the future crisis.

By attacking the "new left," the ICLC incurred counterattacks from powerful financier-related forces (e.g., the Ford Foundation) and (1968) some sections of governmental agencies (e.g., the U.S. Federal Bureau of Investigation) which were acting under orders of controlling agencies behind the deployment of the new-leftist rabbles. Principal to these attacks on the ICLC and its predecessor-forms since 1968, has been the international resources of the London Tavistock Institute, especially that Institute's "Russian Studies Division," the Bertrand Russell-connected faction of the

British Secret Intelligence Service. Later, beginning 1974, the genocidalist Club of Rome entered the attack on the ICLC directly and in a coordinated fashion, in cooperation with elements of the left-wing of the Socialist International. Beginning 1978, the forces of the international drug-lobby deployed massively, especially through defamatory, lying articles published in the news-media of the United States, Canada, and Italy, France, Denmark, Holland, Belgium, Sweden, as well as West Germany in Europe. Beginning 1973, elements of the Soviet KGB were active, in collaboration with both the Socialist International and the London Tavistock Institute, in dirty operations against the ICLC.

It was in counterintelligence directed to investigation of such curious allies of the "new leftist hooligans" that the ICLC was led to discover, layer by layer, many interesting and important things concerning the way in which present international affairs as well as internal life of individual nations is organized from behind the scenes.

This counterintelligence capability developed chiefly as a by-product of the 1974 founding of an international news service by the ICLC, composed on the same basis as any major international newsweekly, plus an integrated organizational intelligence-counterintelligence function. It was daily, systematic, coordinated news-gathering, and related investigations, internationally, which has done the most to shape the capabilities and outlook of the ICLC.

### **The content of ICLC thinking**

The point here is not only the ICLC's means for discovering the nasty things the Jesuit Malthusians do; the point on which Stephen Mumford registers his specific complaint, is the ICLC's capability of discovering how these Jesuits actually think—what kind of thinking governs the wickedness the Jesuits do.

The key to this knowledge is also to be found in the content of the one-semester course in economic science this writer began teaching in 1966.

This writer's central contribution to economic science was to apply the physics of Bernhard Riemann and Georg Cantor, beginning 1952, to the previously unsolved problem of determining the correlation between rates of advancement of productive technology and rates of economic growth. With aid of this, this writer was able to demonstrate "strong" proofs from the standpoint of economic processes respecting the physical ordering of the universe.

There is nothing accidental in such a connection between Riemannian physics and the economic science associated with mercantilists and cameralists such as Leibniz, Carnot, Alexander Hamilton, and Friedrich List. Modern science, from Johannes Kepler onward, developed directly out of cameralism. When progress in



economic-scientific thought collapsed after 1815, the close collaboration between Alexander von Humboldt and Lazare Carnot kept the rest of world-wide scientific progress alive in Prussia and among the collaborators of Betti and Brioschi of Cavour's faction in Italy. The only anomalous feature of my own 1952 linking of Riemann to cameralist economic science, was the fact that such a connection was recognized almost a hundred years after such a discovery should have been made.

This bears directly on the ICLC's special competence in matters of theology. No wishfully imagined direction from the Vatican is plausible once the true connection is identified.

What is called modern science is actually represented by two irreconcilable factions. The one faction, identified by such names as Kepler, Leibniz, Euler, Gauss, and Riemann, is *geometric* in method. The opposing faction is *algebraicist* or *cabalistic*, and is typified by such names as Descartes, Newton, Cauchy and Maxwell.

The latter current, including its British empiricist components, as well as the more directly jesuitical Viennese-positivist and Marburg neo-Kantian components, are all products of direct jesuitical supervision, including the case of Jesuit protégé Francis Bacon. It is correct to suspect that these differences within the ranks of science are necessary reflections of the same fundamental differences which separate Gnostics, such as the Jesuits, from Apostolic Christianity.

Modern mathematical science was founded by Johannes Kepler's proof that the principle of the golden mean was the uniquely determining principle of composition of the orbits of the planets and moons of the solar system. That is the kind of fundamental breakthrough in scientific knowledge known variously as a "crucial experiment," or in Riemann's terms of reference, a "unique experiment": a single experiment which tests one way or the other the fundamental principles of lawful ordering of the entire universe or some distinguishable large domain of that universe.

This discovery of Kepler's was formally incomplete only on one categorical point, as Kepler himself emphasized.

Kepler proved from astrophysics the need for the development of a differential calculus, and specified the requirements of such a calculus. This challenge was essentially solved by Leibniz in a paper given to his Paris printer for publication in 1676, outlining the differential calculus 11 years before Newton's defective version in the *Principia*. Leibniz grasped the fundamental principles of topology with aid of the work on integer-series by B. Pascal, gaining access to the unpublished papers of Pascal in Paris to assist him in formulating that discovery. The development of topology was consolidated by the Bernouillis and L. Euler, and furthered beyond that by the collaborators of G. Monge

and L. Carnot in France, and the students of Karl Gauss in Germany. It was the unification of the work of the Ecole Polytechnique with the Leibnizian current of Gauss in Germany, which is the basis for world-wide preeminence of German science during the 19th century.

The destruction of the power of modern science is less the result of the jesuitical philosophy of Descartes and Newton, than direct Jesuit intervention by such protégés of Abbot Moigno as Augustin Cauchy, the man who almost singlehandedly destroyed French science. (There are presently hoaxsters, identified with C. Truesdell's *History of the Exact Sciences*, who are falsifying records in attempted defense of Cauchy, but the evidence of deliberate fraud in the articles being published under that sponsorship is massive and conclusive.)

The way of looking at the world typified by the scientific work of Plato, Archimedes, Cusa, Kepler, Leibniz and Riemann, is identical with the world-outlook of Philo of Alexandria and the Nicene Christian doctrine. The way of looking at the world typified by Descartes, Newton, Hegel, Cauchy, Maxwell, and Ernst Mach is not a product of scientific investigations, but of the superimposition upon science of the Gnostic dogmas of Aristotle and the cults of Mithra, Apollo-Lucifer and Isis. Mach's world-outlook, like Adolf Hitler's, is congruent with the Lucifer worship of the theosophist-anthroposophist allies of the Jesuits.

Therefore, as the ICLC came into direct conflict with adversaries of technological progress, the ICLC's economic-scientific method provided an adequate basis for analyzing the governing philosophical world-outlook of the Jesuits and their accomplices.

### **The pitiable knowledge of the 'little man'**

The greatest problem quantitatively which the ICLC has confronted over the 1966-1981 period so indicated is not the problem represented by the evil Malthusians and their anarchist storm-troopers. The greatest problem quantitatively, is the "littleness" of spirit and intellect among the majority of the people of various nations, a majority which is otherwise still instinctively decent and moral. One is reminded, especially as "green fascists" and their liberal allies threaten to repeat the crisis of 1929-1933 in today's Germany, of Hans Fallada's famous book, *Little Man, What Now?*

Fascism threatens society not because the fascist minority is so numerous, but because the non-fascist majority of moral, decent people is as "little," or perhaps "littler," throughout most of the nations today as it was in Germany during the Weimar Republic. "Little" people are so busy taking care of their careers, their pensions, and the "little" matters of their immediate neighborhood and family circumstances, that their minds are too shrunken to comprehend the reality of processes unfolding on a national scale, let alone a



*Alexander Haig with Club of Rome associate Gianni Agnelli of Fiat.*

world-scale.

The “little man” is so narrowly preoccupied with predicates of the possessive pronoun that he lacks the moral or intellectual capacity for passion in matters which he wishfully deludes himself do not directly affect his most-narrowly-defined self-interests. For such a “little man,” the world begins with his first memory of childhood consciousness, and extends chiefly to his family and friends, up to the point his last breath ends the existence of the universe for him. In brief, the pathetic “little man,” although otherwise decent and moral, has no efficient comprehension of the breadth of the present and no comprehension of—and less interest in—history.

This is key to the moral superiority of the ICLC over the leaderships of most governments and parties of the world today. We are not “little”; we situate ourselves as efficient instruments of a process of history extending, in our knowledge of history, over a span of approximately 2,500 years of Western civilization, since the period of Solon, Socrates, and Plato. We know that our mortal lives are but ephemeral moments in the

breadth and duration of past, present and future, and that the proper meaning of an individual life is to contribute Good which endures beyond the range of one’s short mortal span of stuffing mashed potatoes and ice-cream into one’s maw.

We, and our mortal enemies, as typified by leading Jesuits, are both unlike the foolish “little” people. Not only are we, like our opposite numbers, the Jesuits and “black nobility” oligarchists, committed to the shape of future history over generations yet to come; we are knowledgeable that history does not begin anew with each generation. What one generation is inclined or able to accomplish is shaped over preceding generations. Only relatively smaller forces such as the ICLC and its Jesuit adversaries understand how the world actually functions. Only we, unlike small-minded “little people,” recognize that either one masters history as a history of the shaping of reality by ideas, or one is a pathetically ignorant bungler. The Jesuits, who master history from their vantage-point, and we who master the same history from the opposite standpoint, are both unlike the ignorant fellows carrying Ph.D.s in history from this or that contemporary university of miseducation. We are each working—to opposite purposes—to predetermine the shape of humanity’s future in light of knowledge gained from comprehension of civilization’s past 2,500 years.

For related reasons, so-called “educated people” today are enormously more ignorant than “educated people” of a hundred years earlier. In past times, education was premised on classical education—including the classical Greek of the period from Homer through Plato. That education afforded the student a sense of history—an education which has been virtually outlawed from the modern curriculum, under the present reign of computer-scored multiple-choice doctoral dissertations.

The news-intelligence and counterintelligence work of the ICLC has been guided to this 2,500-year basis for policy-deliberations by approaching history in the same manner one conducts a contemporary counterintelligence investigation. We have discovered what the Jesuits already knew: that today’s most powerful, opposing factions, the titanic forces shaping world-history from largely behind-the-scenes, are products of a continuing political battle, which can be traced in detail as the secret of European civilization’s history since the fourth century B.C.

The “little man,” the mere head of state, mere legislator, mere leader of a major political party, usually understands nothing of this. He is a mere, shallow pragmatist, who meddles with history without the slightest comprehension of the lawful principles to be adduced from mastery of 2,500 years of that history.

The fact that the ICLC is not a collection of well-meaning, but predominantly ignorant meddlers, as most leading political figures today are, enables the ICLC to accomplish with relatively smaller forces certain important tasks what even governing parties of nations lack the knowledge to accomplish. That is essentially the reason the Jesuits are viewing the ICLC as a special sort of danger today, why they are hoping so intensely that we are nothing more than "agents of the Vatican."

The simple, "little" politician or citizen resents the ICLC's knowledge. "No, that is too sophisticated. You must act politically only in terms that ordinary, uneducated people can understand." If we accepted such well-meaning but bad advice, we would be miserable failures, like virtually every leading political party of the transatlantic community of nations today.

### **Who are the Jesuits, really?**

Contrary to popularized mythology, the Jesuits are neither a part of nor product of Western Christianity. The order was created at Venice during the 16th century, to be the new secret-intelligence arm of the powerful family funds of Venice. Through Venice's control over the Hapsburg Emperor, Charles V, the Hapsburgs conquered and looted Rome in 1527 A.D., and made the Vatican virtually a prisoner of Venetian-Hapsburg policy during much of the period, until the Vatican was freed through the successful defeat of the Hapsburgs in 1653 by the successive work of Cardinals Richelieu and Mazarin.

Venice and Genoa are not politically, culturally, or religiously products of Western civilization. They were and remain both colonies of the Justinian faction of Byzantium, and have been, more recently together with the Venetian puppet-state of Switzerland, the capital of the Justinian faction of Byzantium ever since the Venetians' Neoplatonic adversary, the Paleologues, rose to power in Constantinople.

Except for recurring, persisting Neoplatonic insurrections within Byzantium, the Eastern Church's patriarchate has not been Christian since the Emperor Justinian. The Eastern, Justinian Church was developed as a form of pseudo-Christianity modeled upon the Roman Imperial mystery religions. Roman Imperial paganism and Byzantine pseudo-Christianity share the common generic name of *Gnosis-Gnosticism*.

Every major evil which Western European civilization has suffered since Charlemagne's time has been a direct result of subversions of religious and political life mediated through that Venetian-centered collection of Gnostic oligarchical families. These are typified by the "black nobility" of Italy, Austro-Hungary and Russia's "Black Hundred," all outgrowths of the Byzantine-Venetian-Genoese deployment to establish powerful

families of its faction in various parts of the world—such as the anglophile heathens of New York City's Anglican Cathedral of St. John the Divine today.

The 15th-century Golden Renaissance enabled the Augustinian Neoplatonic faction to undermine and weaken the corruption which the Venetians and Genoese had established under the auspices of the 13th and 14th centuries' pro-Aristotle inquisitions. Under this specific circumstance, Venice created a new, more rigidly-designed new order, the Jesuits.

Through the military subjugation of the Papacy in 1527, Venice was situated to impose the Jesuits upon the Vatican as an autonomous power within the Church under its own "Black Pope." This new order, the Jesuits, was based on Gnostic religious doctrine, and modeled, as a secret-intelligence service of Venice and the Hapsburgs, on the Cult of Apollo at Delphi. Hence, the Jesuits themselves emphasize that their method is the "Delphic method," the method of sophistry developed by Aristotle's masters up through the fourth century B.C.

To understand the mind of leading Jesuits, one must focus upon the great struggle of the fourth century B.C.

On one side were aligned forces of republicanism, guided jointly by Plato's Academy at Athens, and the Cyrenaic Temple of Amon, the two institutions which cosponsored and guided Alexander the Great. On the opposite side were the Magi of Mesopotamia and the cult of Thebes, with the Delphi Temple of Apollo the principal arm of the Magi (Lucifer-worshippers) in Greece and controlling the Latin city of Rome.

The policy of the Magi was known then as the proposal to create what was termed the "Western Division of the Persian Empire." Philip of Macedon was offered a world-empire to the west of the Euphrates, on condition that he subjugate Greece and cooperate to place the world under a social order called the "Persian Model" and otherwise called the "Oligarchical Model." The Cult of Apollo, and its agent Aristotle, were key parts of this plot.

The death of Philip, and the Athens Academy's and Amon's successful cooperation to bring Alexander to power, and to destroy the Persian Empire, delayed the "Oligarchical" one-world empire effort for almost 300 years, until the rise of Rome to assume the role earlier intended for Philip of Macedon.

We, the forces of Western civilization, have beaten back every effort to resurrect the Roman model of Malthusian one-world order until now. This success is chiefly the result of the work of the Augustinians, of Charlemagne, of the Hohenstaufen, and the Golden Renaissance. The defeat of Britain by the American Revolution was the key event which tilted the balance against 18th-century plans to establish such a new

Roman Empire. The force of industrial-capitalist development prevented the Holy Alliance from being consolidated as the kernel of such a new Roman Empire. Now, the damnable "Society of Judas" and the British are back at the same evil effort again, just as the homosexual Pre-Raphaelite cult of Oxford's John Ruskin and Cambridge's Benjamin Jowett proposed during the last century.

Either we rise to crush this spawn of the ancient Lucifer-cult today—and not merely in its theosophist-anthroposophist excrescences, or civilization will not survive. Either we defeat the Jesuits and their British allies, or we as a civilization have demonstrated by our unwillingness to do so that we have lost the moral fitness to survive.

### **The present Dark Age**

The rise of the "post-industrial society" cult over the past 20 years, with its "green fascist" rabble of today, merely signifies that civilization is now approaching the fag-end of a moral and intellectual decay which has been in progress approximately a hundred years, since approximately 1871-1876. If one understands why that conception of the past century's history is not only correct but necessary for practice, one understands how and why the ICLC functions as it does.

True, there has been significant technological progress over the past hundred years, and some important improvement in the political and material conditions of life of sections of the human population. The institutions of cultural and technological progress set into motion during the period 1653-1871 have continued to function, although with eroding efficiency, up into the early 1960s. It is only during the 1957-1981 period that civilization overall has slipped into a condition of accelerating absolute decay. It is that erosion of institutions on which competent analysis must focus.

The defeat of the Hapsburgs in 1653 unleashed a generally upward development in European civilization, except in Britain and the Netherlands, where the Genoese and Venetian masters consolidated their grip during the 1660-1689 period of the British monarchical restoration. The high point of this upsurge was the successful establishment of the United States under Federalist principles in 1789. The achievements of the American Revolution threatened to ignite a general upsurge of republicanism throughout much of the world.

Apart from such subversive Jacobin collaborators of the British Secret Intelligence Service as Thomas Jefferson, the young United States was a success. The British and Jesuits, together with the Order of Malta, worked mightily to subvert and defeat the influence of the American Revolution, conspiring to destroy the United States at some early time. The British side of this was centered in the person of Lord Shelbourne and

the British East India Company—the long, evil ministry of William Pitt the Younger. The allies of Pitt in France and Switzerland were typified by the Duke of Orléans, Jacques Necker, and Necker's notorious daughter, the Madame de Staël. These combined forces, relying largely upon the Jesuits, created Jacobinism and the Jacobin Terror of Robespierre and British agents Danton and Marat.

The decapitation of France by the Jacobin Terror had effects on French civilization which could not be adequately reversed by the noble efforts of Gaspard Monge and Lazare Carnot. With the defeat of Napoleonic France, the Jesuit agent Cauchy was sent into France under Orléans and British patronage to destroy French science. Cauchy largely succeeded, with agents such as Leopold Kronecker and Richard Dedekind later spreading Cauchy's mind-destroying poison into Germany.

Except for the brief efforts and contributions associated with Gabriel Hanotaux and the work of Charles de Gaulle, France did not recover from the cultural disaster of the period 1815-1851.

Science, exiled from France, moved to Prussia under the patronage of Alexander von Humboldt. The industrialization of the United States, Germany, northern Italy, Japan and Czar Alexander's Russia, up through the period 1871-1876, established the cultural, scientific and industrial institutions of modern European civilization.

The assassination of Abraham Lincoln, by joint efforts of the British Secret Intelligence Service and Georgetown-based Jesuits, enabled the United States to be subverted from within, and the treasonous Specie Resumption Act of 1876-1879 to be enacted and implemented—placing the major component of U.S. credit and debt at the mercy of the City of London and British agents of influence such as Belmont and Morgan. Bismarck secured the unification of Germany by concessions to London and Vienna (Venice-Switzerland); Jesuits, including some in Protestant disguises such as Friedrich Lange and Max Weber, or Kronecker at Berlin, were permitted to run amok in Germany, harassing German science to the point that Felix Klein and his associates maintained progress only by a tiring, rear-guard defense against evils typified by Bertrand Russell and the Viennese hoaxster, Ernst Mach.

Since World War I, civilization has been rotting away. It has been a eunuch's culture: the old eunuch has still some of his skills, but not the power to reproduce his kind. As the viable institutions from the past crumble into age and senility, there is no net replacement for what civilization has thus lost.

In this circumstance, well-meaning fellows advise the ICLC to be "less abrasive," to limit itself to those tried-and-tested rules of political advancement which

many have employed over past decades. We reject such well-meaning advice, and rightly so. The fact—the simple fact—is that it is the result of the widespread practice of such tried-and-tested rules which has brought civilization to the present brink of collapse. Either we break with such tried-and-tested rules, or we all go down to Hell together, as the wage we earn for clinging to tried-and-true practices which have led us into this mess.

Get out of the foxholes and hit the enemy on the flank! It is not sufficient to be aggressive. It is necessary to know where and how to strike.

Go back to basics. Go back to those principles which saved humanity from the moral suicide of Roman Imperial law and culture, from the 14th-century Dark Age, from the Jesuit terror which erupted during the 1527-1653 Hapsburg looting of Europe. What are those principles of action which have been proven—over 2,500 years to date—the only efficient modes of action by which mankind can lift itself out of the hell of a new dark age? Only those rules can save us from the nightmare of Friedmanite fascism and its “green fascist” storm-troopers of today.

In the dialogues of Plato, in the Nicene doctrine, in the writings of St. Augustine, in the great works of the Golden Renaissance, there is repeatedly demonstrated that the principles of natural law associated with the conception of *imago vivo Dei* is the only means by which humanity can escape from the kind of Inferno to which the “Society of Judas” and its accomplices seek to condemn mankind.

It is the principle of reason (*Logos*) expressed through technological progress in human productive labor, combined with lawful respect for the implicit divinity of the human individual: It is these ideas and related ideas, which alone can enable humanity to survive.

Humanity can not survive if the leadership of the fight against the Gnostics is left to the judgment of those “little men” who dominate governments and parties of most nations today. The ICLC is the mediation for the effective deployment of those ideas and judgments which the “little men” of government lack the moral and intellectual development to originate without ICLC guidance.

The ICLC is the force to lead in “kicking against the pricks,” to force the truth through, even where “little men” find the truth unpleasantly abrasive. For example, you can not tolerate either Alexander Haig or Paul A. Volcker and not be an accomplice of a greater genocide than Adolf Hitler accomplished. That is considered intolerably abrasive in many quarters, but it is the pure and simple truth.

Stephen Mumford is right in one thing: I am his enemy, and he is mine.

## Mumford's superior targets refugees

*Stephen Mumford currently works out of a depopulation think tank called the International Fertility Research Program in Research Triangle Park, North Carolina. The Institute effectively functions as an outpost and policy-implementation arm of the International Planned Parenthood Federation, an organization whose forebears were among the most raving of eugenicists and advocates of Nazi “population policy.” The London-based IPPF funds major sterilization and anti-population programs throughout the developing sector.*

*Mumford's immediate superior is an expatriated British subject, Malcolm Potts, the former medical director of IPPF. Potts gained some notoriety a few years back by touring Cambodian refugee camps and advocating sterilizations. Potts candidly puts forward his views in an interview conducted in October and made available to EIR.*

**Q:** I understand that you made a tour about a year ago of the refugee camps along the Thai-Cambodia border, and looked into the population-control programs that are being done with the refugees?

**Potts:** Yes. There has been a lot of controversy over this, it is a complicated problem. The Thais and Khmers are traditional enemies, but the Thais are a generous, gentle people. They don't want half a million refugees but they have not pushed them back either. The missionaries came in and started healing the sick. Some did a good job, others, like the Seventh Day Adventists, don't know their ass from a tit, and ideas of family planning never crossed their mind. Then there was one humanitarian Thai organization called Community-Based Refugee Services run by a man named Michi.

This group dug latrines for the people and began to offer family-planning services. They showed movies and it was the first time that most of [the refugees] had seen a film, and while the reels were being changed, they announced the family-planning programs.

No sterilization was done, as it would have been said that the Thais were trying to sterilize the Khmers. There were some Christian doctors who were offended by this and felt that the Thais *were* trying to sterilize the Khmers. Some began saying that the contraceptives would lead to

cancer, to scare away the people.

I couldn't find anyone who wanted to have a child in the refugee camp. . . . This corresponded with what I found in Bangladesh and Cyprus. I think that family planning should be part of refugee services all over the world.

There is a political overlay many times and people are afraid of being accused of genocide. In Afghanistan the Russians would say that of Pakistan.

**Q:** Did anyone make that accusation about the Thai program?

**Potts:** Yes, well they did in the West. It would be useful to have an article that says that refugees wouldn't wish to get pregnant.

**Q:** Are you associated with the government?

**Potts:** We have a very happy relationship with AID: if they need to purchase contraceptives, for example, they ask us which are the best ones.

**Q:** What do you foresee happening if the population crisis is not dealt with?

**Potts:** There will be irreversible changes in the environment, accelerating crises. People talk about the Muslim extremists in Egypt, but no one says there is 20 percent unemployment because of the population crisis.

**Q:** Do you think that the unrest that caused Sadat's murder was due to the population crisis?

**Potts:** There is no doubt about it. He built the Aswan Dam, irrigated 40 percent of the land and the population increased 40 percent. There is nothing more threatening politically than males unemployed. If Sadat had done something about this, he might be alive today. But the population program there never got off the ground. He was afraid politically. It's a politically volatile issue.

**Q:** What do you think the attitude of the new President [Mubarak] will be? Will it be easier for him to implement these programs?

**Potts:** It will be more difficult rather than less. You need a strong leader who has the time and the base to deal with it. Population may make a difference on whether a leader is assassinated in 15 years, but most leaders are not concerned about whether they will be toppled in the immediate time.

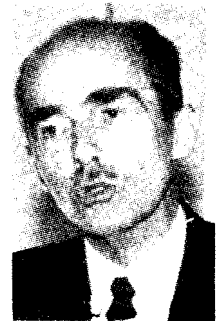
**Q:** How receptive to the issue is the Reagan administration?

**Potts:** The way to the heart of the administration is what will happen to the world if there are more people, the national security issue. This will help on the issue much more than if you just say people will die. You have to appeal to people's selfish interests.

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## Pan-European Profile

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# Otto von Hapsburg lauds the Socialists

*The following interview with Pan-European Union leader Archduke Otto von Hapsburg was conducted on Oct. 25 by EIR Wiesbaden bureau chief Philip Golub, when he by chance met Mr. Hapsburg on a flight to Copenhagen. Less guarded than he might have been under other circumstances, Hapsburg endorsed the European Third Way movement, as well as the Socialist International, although he is regarded as an ultra-free-market conservative. Hapsburg was on his way to the Congress of the Center Party of Denmark.*

**Golub:** Herr von Hapsburg, as you know, the Socialist International has just won significant electoral victories, first in France, and more recently in Greece. As a leader of the Pan-European Union what do you think of this? Don't you see the Socialist International as taking over most of Europe in the near future?

**Hapsburg:** No, no. These are not victories of the Socialists. What is really happening is that the "in's" are in trouble, and are on their way out, and the "out's" are on their way in. The international economic crisis is the cause of these developments. Let us take a different example. There is a right-wing turn in Spain, as evidenced by the elections in Galicia. This is a remarkable evolution, a turning point in Spain. What is important here is that Fraga's party [the neo-fascist party of Fraga Iribarne] is gaining from the UCD [the ruling coalition party of the center].

**Golub:** But, of course, you realize that a weakening of the UCD will help Felipe González of the Spanish Socialist Party to power in the next general elections?

**Hapsburg:** Yes, but that is not important. What is significant is that the UCD is weakening. This is good. The UCD was never a real party, it might have been useful at first, but no longer can do what has to be done in Spain. The breakup of the UCD is what is occurring. González does have a serious chance, but I am not upset over that.

**Golub:** What about Craxi in Italy?

**Hapsburg:** It is more doubtful whether the Socialists can take over Italy, but we shall see.

**Golub:** Nonetheless, what we are describing is unquestionably a Socialist International surge in Europe with dangerous consequences.

**Hapsburg:** Well, look at Mitterrand. Mitterrand's policies are positive. He always was a great opportunist, you see, but overall, what he is doing is eminently positive. He has strengthened France's participation in the Atlantic Alliance, he is much better than the previous government of Valéry Giscard d'Estaing. Let me give you an example. I am working very closely in the European Parliament with Mitterrand's Minister for Inner European Affairs, M. Chandernagor. Chandernagor is unquestionably a positive force in the European setup, and we collaborate effectively and closely. Thus, as you can see, the Socialists are not a problem for me.

**Golub:** Are you not also working very closely with Lord Bethell in the European Parliament?

**Hapsburg:** Yes, yes, of course. Lord Bethell is a very close personal friend of mine.

**Golub:** Lord Bethell was reported by informed people as being in favor of a new Yalta. . . .

**Hapsburg:** Well, he was saying things like that a while back under the Carter administration, and I don't know if he believes that now.

**Golub:** Herr von Hapsburg, you have repeatedly been quoted as expressing anti-capitalist ideas, ideas of a Third Way between capitalism and socialism. Can you comment on that?

**Hapsburg:** Well, capitalism does have great weaknesses. Look at our capitalists in the Federal Republic of Germany, at Berthold Beitz, for example. These people sell technology, modern factories to the Russians. What is this? These people don't understand anything. Our capitalists are not helping at all.

**Golub:** In that, you and the Socialist International have similar outlooks.

**Hapsburg:** In a sense, yes. The Socialist International is the first supranational political grouping to really function supranationally. We of the right have yet to learn that lesson. They are truly multinational. And it works. We

are in an international crisis and we need new institutions.

**Golub:** A one-world type of supranational control institution?

**Hapsburg:** That is for the future, the far future. At first, we should have regional institutions, European, for example, which truly function across all of Europe through the European Parliament.

The present world situation is fascinating. I don't see it as darkly as you. Look, you have two fascinating experiments occurring. One is Mitterrand in France. The other is supply-side economics in the United States and Reaganomics, as it is called. These are two great experiments, and the world will be defined by the emergence of either one or the other. Both are fascinating perspectives.

**Golub:** So you do not support Milton Friedman and the monetarists, but see yourself as a supply-sider?

**Hapsburg:** Yes, exactly. I never supported monetarism. I believe in supply-side economics.

**Golub:** As a Third Way?

**Hapsburg:** In a sense.

**Golub:** A couple of last questions before the plane lands, Herr von Hapsburg. First, what do you think about the domestic political situation of Chancellor Schmidt and the prospects inside the Christian Democratic Party [CDU] for the elections in 1984? Second, how do you see the Soviet problem in Europe?

**Hapsburg:** Well, I see Schmidt as lasting for two more years, basically his mandate. There are problems for him in the SPD, but not enough to change something now. Now, as far as the CDU is concerned, you must understand that while [CDU Chairman] Helmut Kohl is a bad opposition leader, he would make a good Chancellor.

**Golub:** He is not reputed to be particularly aware of world affairs, or of being particularly quick.

**Hapsburg:** No, no, of course not. But, while being a bad opposition leader, he would make a good Chancellor, also for those reasons.

[Schleswig-Holstein Minister-President] Gerhard Stoltenberg, on the other hand is a very intelligent man, but he has been weakened in his recent tests. That is very important for a politician. I think Kohl will be the next Chancellor.

As far as the Soviets are concerned, there is one group in the Socialist International which is the dangerous one. That is the group around Egon Bahr, [a close SPD collaborator of Willy Brandt], [former Dutch Prime Minister] Joop den Uyl, and [former Swedish Prime Minister] Olof Palme. But the others I am not worried about.

The future is multinationalism.

## The Fahd plan picks up steam

*International backing for the Middle East peace program of Saudi Arabia is growing fast.*

Throughout Washington, intelligence sources report that the White House is seriously considering throwing its weight behind the eight-point Middle East peace plan of Saudi Crown Prince Fahd.

U.S. support of the Fahd plan, which proposes Arab recognition of Israel in exchange for Israeli acceptance of a Palestinian state, would open up immense new opportunities.

In the wake of the President's tremendous political victory in the sale of AWACS radar planes to Saudi Arabia, America's position in the Arab world is at its highest since the 1950s. Should Reagan move to consolidate that power by an array of U.S.-Arab economic accords, the President can rally both the Arabs and Israel for peace talks and, at the same time, possibly reach an equitable accord with President Brezhnev on joint efforts to stabilize the Middle East.

Signaling his openness to the Fahd plan, in his meetings Nov. 2-3 with Jordan's King Hussein in Washington, Reagan did not even give lip service to Camp David, contrary to published reports.

Hussein, who met with Prince Fahd twice in the 10 days before arriving in Washington, emerged happily from his talks with Reagan. "This particular meeting at this particular time in comparison with all my previous visits to Washington has left me more reassured than any in the past and more confident of

the future," beamed Hussein.

In addition to Jordan, the Fahd plan has won the endorsement of others in the Arab world, including Yasser Arafat of the PLO.

Egypt has also signaled its support of the Fahd plan. In a meeting with American businessmen on Nov. 1, President Mubarak called the Fahd plan "encouraging" and said that its points "could be negotiated." According to Arab diplomats, Egypt is secretly in regular contact with the Saudis in preparation for returning to a joint Arab strategy. But, these sources say, Egypt will not be required to abandon its peace treaty with Israel.

Prince Fahd, who met with Reagan in Mexico recently and who will soon visit Washington for further talks, is also making overtures to the Soviet Union to appeal to the Brezhnev leadership. In talks last week in Bonn, Fahd reportedly asked Chancellor Schmidt to intercede with Brezhnev when Brezhnev visits late this month.

In an interview with the Saudi press agency Nov. 2, Fahd strongly urged the United States and the Soviet Union to support his plan. Camp David, he said, is at a "dead end," and he urged Arabs to work to bring both Washington and Moscow into the plan.

Already, West Germany and Japan have indicated that they are prepared to join a major industrial effort to develop the Middle East in conjunction with a viable peace

plan.

At the Nov. 25 Arab League summit in Morocco, Iraq will propose in parallel with the Fahd plan a program for nuclear energy-based economic and industrial development of the Arab world, potentially involving tens of billions of dollars in trade with the United States.

Opposing the Fahd plan is a disparate group of political forces that agree on a plan to polarize the Middle East. Among them are:

- the government of Israel;
- the radical, terrorist Arabs associated with Libya, Syria, and the Popular Front for the Liberation of Palestine;
- the Soviet ideologues and orthodox Marxist-Leninists led by Mikhail Suslov and Boris Ponomarev, along with elements of the Soviet KGB;
- and, finally, the Socialist International, including its Vice-Chairman, French President Mitterrand and its ally, Tory Lord Carrington.

Inside the United States, Secretary of State Haig and National Security Adviser Richard Allen are bitterly opposed to the Fahd plan, emphasizing at every opportunity their support for Camp David. And, within Saudi Arabia, British agent Prince Abdullah, a sponsor of the Muslim Brotherhood, is out to undermine Fahd.

According to Arab intelligence sources, Syria is considering a reversal of its stand at the summit in Morocco. In part, Syria's decision will depend on Soviet policy. For, despite their opposition to increased U.S. influence in the Middle East, the Soviets do not relish the idea of being isolated in the region in support of a small Arab "rejection front."



## Sonora '81: investment opportunities

*The long-awaited Sonora '81 industrial fair was a great success for both hosts and visitors.*

**S**onora '81, one of the most important industrial fairs Mexico has seen in recent years, took place in Hermosillo, the capital city of the northern state of Sonora, Oct. 11-24. I have mentioned this fair before in this column, and *EIR* will present further in-depth coverage in the future; but I wanted to give you a preliminary report on this major event.

The fact that a state took the initiative to show foreign and Mexican investors not just what the state produces now, but also what it can and must produce during the next 50 years, succeeded in convincing many businessmen that Mexico's federal government has important regional backup for its industrialization project. One impressed businessman told me that this—as much as Mexico's famed oil wealth—is the real guarantee of the country's future.

Economic activity in Sonora is based on four primary sectors, exhibited in different pavilions: agriculture, ranching, fishing, and mining. These pavilions provided full information on present and prospective production systems; the way in which each product is currently utilized further downstream; and on the economic feasibility of other potential uses.

The exhibits that most grabbed the attention of the officially estimated 120,000 visitors, were those of Sonora state's Planning and Budget Ministry, and of the Mexican

Fusion Energy Association (AMEF), the sister organization of the U.S. Fusion Energy Foundation, publishers of the prestigious *Fusion* magazine.

"Sonora in 2031," the exhibit of the state planners, employed audio-visual and other displays to illustrate the quality of development the state would achieve during the next half-century, centered on the installation of nuclear-based agro-industrial complexes, known as nuplexes. It showed that the state of Sonora would have two pairs of nuclear-power plants that would be the heart of two new agro-industrial cities. The energy, and especially the waste heat, from these plants, would be used to desalinate water, thus breaking the main limit to agricultural growth in the rich, though arid, region of Sonora.

The AMEF booth also picked up on the nuclear theme, making use of various scale-models of nuclear plants. Oak Ridge Laboratories in Tennessee, for example, loaned a model of the Clinch River liquid-metal fast-breeder reactor, and General Atomic did the same for the high-temperature gas-cooled reactor it is developing. The AMEF booth walls were covered with blown-up photos of nuclear plants in various stages of construction, and of the latest discoveries of the solar system, including the Saturn pictures taken by Voyager.

The AMEF presentations also polemicized strongly against the in-

ternational environmentalist movement which has restricted nuclear energy development in the U.S., and now threatens Mexico as well. Fair visitors returned repeatedly to the AMEF stand to hear detailed explanations on how nuclear plants function; of their relative economic advantages; and of the absurdity of the environmentalists' arguments. Literally hundreds of businessmen, hundreds of potential investors, hundreds of professionals, and thousands of students of all ages, stopped at the AMEF booth to ask questions, ranging from the technical to the most intensely political.

Also present at Sonora '81 were the country's foremost industrial groups, each showing off its product lines and latest technological advances. Foreign businessmen also had booths, including representatives from Japan, France, the United States, and Hungary. President López Portillo opened the expositions, and congratulated Gov. Samuel Ocaña for a job well done. The fair coincided with Ocaña's annual State of the State message, which numbers of Mexican and foreign dignitaries attended, including various governors from the American border states.

Particularly notable, by his absence, was California Gov. Jerry Brown, who didn't even make an appearance at the fair. Well-informed sources told me that they believed that Brown feared to go because he figured he would never pass the Health Ministry's strict sanitation test, given his known relationship with the fruit fly. Another report, however, has it that he was hostile to the fair's pro-nuclear orientation, and realized that his standard environmentalist outbursts would be poorly received.

## Republican leader sees peril for France

*Charles Millon is a Deputy General Secretary of the Republican Party of France, former President Giscard d'Estaing's party. Mr. Millon, who is also a Representative in the National Assembly, granted the following interview on Sept. 15 to Sophie Tanapura of EIR's Paris Bureau.*

**Tanapura:** This summer you sent a letter to the government asking for an explanation of the reasons why the arms embargo against Libya was lifted. Libya is notorious for its support of subversive movements in the developing sector and Africa in particular. Do you think that by lifting the embargo the Socialist government is aiding Libya's designs?

**Millon:** It is true that the Libyan question is a problem in international relations. For, as you have stressed, Libya has financially supported subversive movements these past years. It is also true that the countries of Europe, including France, were concerned about a certain number of actions, in particular Libya's actions in Chad. And that is the reason why, as a member of Parliament, I was surprised by the decisions of the present government to lift the arms embargo and to deliver a certain number of weapons orders to Libya.

My question [to the government] was actually a lot more perfidious, in the proper sense of the term, because I was also alluding to persistent rumors on the Paris exchange according to which there was a relationship between support for the French franc by certain Libyan institutions in exchange for the delivery of certain weapons. I hope that these rumors were only ill-intentioned, and that's the reason why I asked my question of the government. Nevertheless, I think that there is cause for concern in the development of Libya's enterprises, and it appears to me that it is desirable, if not indispensable, for the French government to have a clear position in this respect.

I must admit that I am even surprised that a Socialist government, which for years demanded that arms sales be "moralized" and that weapons not be sold to governments that do not respect human rights, has been able in a few months to sell weapons to a Libya presided over by

Colonel Qaddafi and an Iran governed by Ayatollah Khomeini.

**Tanapura:** There have also been other rumors according to which Qaddafi gave important financial support to Mitterrand during the presidential elections.

**Millon:** I don't know a thing about it. I can't say if this information is true or false. Maybe . . . I think that political decisions must be made not with respect to financial transactions, but in relation to principles of foreign policy. This is why I would like the French government to outline with clarity the principles which govern its policy toward these countries. . . .

**Tanapura:** At the time of the London summit between Mitterrand and Thatcher, the press by and large agreed that the Paris-Bonn axis no longer exists.

**Millon:** Personally, I don't like the term "axis." I prefer very frank friendship between the two countries. It is true that since Robert Schumann, since General de Gaulle, there has been a very faithful friendship between the Federal Republic of Germany and France, and that it was not only a necessity but an obligation if we wanted to build Europe for this privileged alliance to have been continued by President Valéry Giscard d'Estaing. Personally, I would be very worried if it were not continued during the months or years to come.

If some observers have said that a London-Paris alliance could succeed the Paris-Bonn alliance, I think this is somewhat hasty. But it reveals a certain hesitation on the part of French diplomacy, hesitation which is evident toward the U.S.S.R., toward the United States, or toward the Middle East problem. It is to be feared that too much hesitation in foreign policy options would lead to weakening the influence of our country.

I think that it is difficult to want to be a great diplomatic power, to participate in negotiations, to have specific influential weight, if at the same time one has extremely sharp positions dictated not by foreign policy, but more and more by internal policy. I would like to give a few examples. Even though I believe that the Soviet invasion of Afghanistan was a blow against the right of the people to control their own destiny, I also think, at the same time, that it is necessary for the Western countries to continue to negotiate with the U.S.S.R. in order to avoid excessive tensions. A decision, such as the one Mitterrand took when he declared that "we will never go to Moscow as long as Soviet troops have not left Afghanistan," is a decision which can be understood from the standpoint of internal politics—whether toward a certain electorate which likes these kinds of decisions, or whether toward the Communist Party which understands that it has been checked by the Socialist Party—but on the level of international negotiations there is a risk of weakening France's role.

Similarly, when we perceive that the French government wants a rapprochement—the word *rapprochement* is perhaps a bit strong—a more intensive negotiation with the United States, one cannot at the same time have policies that are completely divergent from those of our allies in South America or in Africa. I believe that here, too, a certain logic is missing from the policy which has been defined.

**Tanapura:** Socialist policy in the Middle East is somewhat ambiguous. It seems that Mitterrand has a long-standing preference for the Israelis, but, at the same time, some of the government ministers are known for their friendship with the opposite camp, even the extreme of the extremists. What do you think?

**Millon:** The ambiguity that you bring up is real. It is real and you can see it over time, because during the presidential elections President Mitterrand displayed particular friendship and particular interest for the problems of Israel and the Jewish problem, whereas now we note that the more we move away from election time, the more the orientation of policy is in favor of the Palestinians, of Arafat, and that he [Mitterrand] has even, like his diplomats, used the term “Palestinian state” which had, until now, never been uttered by a French diplomat.

There is still a very strong ambiguity in this area which must be lifted, for it is impossible for France to have a double-faced diplomacy. Personally, I think that Israel must have safe borders, that its existence must be recognized, that this is a necessity, even a precondition for a negotiation, but that, in addition, there is a Palestinian problem which must be resolved in one manner or another. . . .

**Tanapura:** Let's look at the economic measures that the Socialists have just announced, such as nationalizations and decentralization.

**Millon:** I do not hope for an economic failure, because then it will be more difficult to reconstruct under these conditions. But as a French political leader, I am very worried about the measures that are now being taken. I am extremely worried because I don't think that economic activity can be relaunched through nationalization. I do not think that the competitiveness of business will be developed by directly or indirectly increasing their social taxes, or by having a 100-billion-franc budget deficit. I hope with all my heart that the failure will not be too great, but I do believe in the chances of success.

You asked me about the contradictions between nationalization and decentralization. They are obvious, because on the one hand, the government wants to give the impression that they are decentralizing, in other words that they are distributing power locally, while on the other hand they are implementing an economic plan which will impose a norm. He is, in effect, reinforcing the

political power of the state and of the government, thereby limiting local government initiatives. This is a patent contradiction, which will also appear in the months to come if these reforms are carried through. All you have to do is read the texts relative to decentralization to understand that all the economic interventions of the communes, the departments and the regions will have to conform to a national plan defined by the government.

**Tanapura:** And the energy, particularly the nuclear, policy of the government?

**Millon:** As far as energy policy is concerned, I think that the government is already almost “stuck” between its electoral promises and utopia on the one hand, and daily necessity and international constraints on the other. They made a certain number of electoral promises by committing themselves to go back on nuclear energy and to look toward what are called soft energies. Now they are realizing that in order to confront real economic requirements and the problem of energy consumption, which continues to increase, they will be forced to continue nuclear energy. And since they had made some commitments, by abandoning a certain number of sites, by freezing a certain number of reactors, they find themselves in a completely paradoxical situation because they realize that nuclear energy is the least expensive energy, the cleanest energy, and the energy that will enable us to have economic independence, thereby reinforcing our independence from the standpoint of balance of trade and balance of payments. In addition, they also made some commitments toward the population, toward certain movements and associations which they are in some cases obliged to keep.

So, who knows how the situation will evolve, but with this hesitation waltz, France is falling behind, and it's extremely damaging in terms of its situation in the international economic sphere.

**Tanapura:** And how is the new opposition doing? Can we expect President Giscard d'Estaing to return to the political scene?

**Millon:** No, I do not think so. I think that President Valéry Giscard d'Estaing is a statesman of great value, but now the Socialist government is in place. President Giscard is a man on whom France can call in well-defined situations, but I do not think it is his intention presently to return to daily political life.

**Tanapura:** It has been said that you might eventually replace Jacques Blanc as head of the Republican Party. Can you confirm this rumor?

**Millon:** This is purely imaginary information. But it is true, I am interested in the life of my party. And this is why I wrote up a report on its organization, at the request of Jacques Blanc.

# International Intelligence

## **Chilean 'miracle' runs out of steam**

The Chilean "free enterprise" model is rotting out from under its proponents. Chile has the world's worst trade deficit: official figures show during the 12 months ending July, Chilean imports of \$7.1 billion surpassed exports of \$4.2 billion, and the deficit is growing. This is a result of the "free trade" policy of opening doors to luxury imports while wiping out local industry.

On the day *Fortune* issued a praise-filled description of Chile's "miracle," the government seized four of the country's biggest banks, holding 21.4 percent of deposits, to keep them from bankruptcy. The banks were owned by the Sahl-Tassara group, known as "pirañas" for their proclivities for devouring smaller fish during the intensive de-industrialization of the Chilean process. Real interest rates 65 percent above inflation provided them with many victims. And now the banks have been absorbing industrial and agricultural firms.

"We are sitting on top of a volcano," the *Journal of Commerce* quotes a Santiago banker saying. "In a market this size, when institutions of such large size collapse, one expects others to follow." The *JOC* reports the Wall Street banks who profited from the looting process are now moving to pull out.

## **Club of Rome plans D.C. invasion**

The Club of Rome is planning an international event in Washington next spring to celebrate the 10th anniversary of its pioneering *Limits to Growth* report and promote the Club's role as "an active force in world affairs."

The keynote speaker will be Club founder Aurelio Peccei. According to the Director of the U.S. Association for the Club of Rome, which is sponsoring the affair, "It is Mr. Peccei's feeling that we have to make a show of force in the

U.S. . . . The ideas which were once so radical, the concept of limits, is now reality, and even conservatives now speak of this paradigm. We have changed the world and we will change it more."

Conference organizers hope to have Carter Global 2000 directors Edmund Muskie and Cyrus Vance speak at the event, as well as Secretary of State Haig.

## **Bettino Craxi is forced to back down**

Italian President Sandro Pertini and the Italian Communist Party have both made moves to support Italy's Prime Minister Giovanni Spadolini. Their actions have effectively stalled Socialist Party head Bettino Craxi, known in Italy as "the new Mussolini," in his efforts to topple the present government.

On Nov. 2 President Pertini said he would "absolutely stand behind Spadolini." His statement follows strong speeches by Spadolini on the need to seriously address the issues of inflation, terrorism, the Propaganda-2 Freemasonic scandal, and the war danger. The Vatican has also announced that Italian politics must be shaped "from the standpoint of truth."

The Milan newspaper *Corriere della Sera* reports that Spadolini has assured Pertini of his personal intent to extirpate all roots of P-2 from Italian civil life.

In separate statements, PCI Central Committee members Chiaromonte and Natta also gave their support to the Spadolini government. Writing in *L'Unità*, the PCI's daily paper, Chiaromonte said, "Although the PCI is not in agreement with the government on the economic policy, our objective is not the collapse of this government."

Thus, the question of reviving the old "historic compromise" between the Communists and Christian Democrats has again returned, following a period in which Craxi had manipulated the saner forces in the Christian Democracy (DC) away from a labor-industry alliance. Former DC Prime Minister Giulio Andreotti has publicly attacked his closest aide for

putting out rumors that he, Andreotti, was secretly making deals with Craxi to endorse an alliance with the Socialists. One of the top national leaders of the Christian Democrats, Granelli, has written an article jeering at the Socialists for wooing the Communists while following a rigidly anti-Communist line. Granelli concludes with an endorsement of the historic compromise.

And the Propaganda 2 Masonic scandal is once again making headlines, after Craxi and his cronies succeeded in quashing investigations. The trial concerning the 1980 Italicus train bombing has begun in Bologna, and the state's star witness has promised to make revelations about Masonic involvement in the massacre. It has been announced that the two former Grand Masters of P-2 will be brought in as witnesses at the trial.

The Nov. 11 economic agreement between the Communist-dominated unions and the government seems to indicate that PCI leader Enrico Berlinguer is helping stabilize Spadolini.

## **How OPEC lowered the price ceiling**

One day after Congress approved Ronald Reagan's bid to sell the AWACS radar planes to Saudi Arabia, the Saudis won an historic concession from the oil cartel, OPEC, to lower the pricing ceiling of oil from \$41 a barrel to \$38 and to freeze prices through 1982.

According to the terms of the Oct. 29 agreement, Saudi Arabia will raise its \$32 a barrel price to \$34, which will represent the new benchmark price for the cartel. In turn, Riyadh may opt for cutting its production to as low as 8.5 million barrels a day from its current level of 9.5.

Nevertheless, the U.S. press has put out the line that the Saudi price hike was a "slap in the face" to the United States after the Senate approval of the AWACS. In real terms, the price hike will mean a \$.02 a gallon price increase for gasoline and nothing more for the next 12 months. Nigeria, which traditionally prices its oil at parity with Libya and Algeria, has cut its price twice over the past three months,

from nearly \$40 a barrel to \$34.50. The Nigerian move broke the "hawk" alliance. The Saudi production drop is expected to directly benefit Nigeria, whose exports have collapsed from nearly 2 million barrels a day to 600,000.

Libya now faces serious economic difficulties; its sale of oil has dropped from 1.7 million barrels a day to under 500,000, and recent negotiations with a number of oil companies indicate that Libya's sales are not likely to rebound, since Qaddafi will not match the lower pricing level of Nigeria.

Exxon's decision, announced Nov. 13, to stop buying petroleum from Libya has been attributed to price factors as well as political pressures from the administration.

### ***Brezhnev outlines his talks in Bonn***

Soviet President Leonid Brezhnev granted an interview published in the most recent issue of *Der Spiegel* magazine in which he indicated the major issues he will discuss with West German Chancellor Helmut Schmidt in Bonn Nov. 22-25.

Brezhnev reasserted unequivocally the Soviet military doctrine that no theater nuclear warfare is possible: "A limited nuclear war can't exist at all. Once begun—in Europe or somewhere else—nuclear war would unavoidably and irrevocably take on a worldwide character."

Brezhnev also moderated the tenor of Soviet support for the greenie "peace" movement which three weeks ago culminated in a 250,000-person march on Bonn. Brezhnev said in a statement unreported in the U.S. press that while he can understand the need for the growth of mass-based peace movements in the West, Europe's buildup of scientific, technological and similar cooperation with the U.S.S.R. is actually a more important aspect of peace efforts. Destabilizing the Schmidt regime is one of the "peace" movement's primary aims.

The Soviet Ambassador to Bonn, Valentin Semoyonov, announced Nov. 4 that he will meet with the top leadership of the peace movement, in a factional

countermove to Brezhnev. ship of the peace movement, in a factional countermove to Brezhnev.

### ***Italian agency reports on Bundy's hostility to Pope***

The Repubblica Press Agency of Italy Oct. 29 released an article in which it poses for investigation the hypothesis that certain circles in the United States may have been behind the attempted assassination of Pope John Paul II May 13, and may be still plotting to murder the Pope. Specifically, Repubblica cites statements made by Ford Foundation head McGeorge Bundy, former National Security Adviser, against the Pope, statements that first appeared in the newspaper *New Solidarity*, published by NSIPS.

"In statements made last Oct. 15 in New York, McGeorge Bundy expressed apprehension and alarm over the episcopal supremacy of the 'Polish Pope,'" reports the press agency. "Underlining particularly the negative effects of the opposition to birth control, Bundy said, 'This Pope is a disaster.' For McGeorge Bundy, 'his views constitute the major obstacle to world population control."

"After this diagnosis of the role of the Vatican today, Bundy pronounced . . . 'But Popes, luckily, change! Maybe his successors. . . . But he is a robust man, and may live another 20 years.' What operative significance may be applied to these open allusions, coming so close to the attack [on the Pope]? McGeorge Bundy is not only a former official in American presidential security, and as such tied directly to the secret services, but he also has a position of enormous significance today in high finance in the United States. Bundy, in fact, is the president of the Ford Foundation, which is linked to large-scale industry, with the armament and telecommunications industry, and with the circles most involved in a policy of world population control which, in some cases, do not reject genocidal projects. The interview of the Ford Foundation president has profoundly alarmed the Vatican Curia."

## ***Briefly***

● **THE NEW SCIENTIST** magazine, based in London, has issued a lengthy attack against *EIR* and its founder, Lyndon H. LaRouche Jr., in an article titled "American Fanatics Put Scientists' Lives at Risk." The author, Ziauddin Sardar, a Club of Rome sympathizer, charges that *EIR*'s exposés of Muslim Brotherhood and related Global 2000 networks in the Middle East "can easily lead to arrests, prison sentences, and even executions" of the operatives in question by "hypersensitive governments." The article, to be reprinted next week in *EIR*, features Club of Rome founder Alexander King, Donald Lesh of the Global Tomorrow Coalition, and an array of other U.N. and British Foreign Office-linked spokesmen who condemn the extensive influence of LaRouche and *EIR*.

● **YOSHIO SAKARAUCHI**, the Secretary General of Japan's ruling Liberal Democratic Party, has called for the shipment of medical equipment to Vietnam despite Tokyo's current freeze on aid to that country. Sakarauchi has invited Mai Chi Tho, mayor of Ho Chi Minh City to Tokyo.

● **GERHARD BAUM**, West German Interior Minister and a member of the free-market FDP, stated Nov. 8 that youthful violence should be treated as "a social phenomenon," not a criminal one.

● **FRANZ-JOSEF STRAUSS**, the Bavarian leader associated with the Mont Pelerin mafia, arrives in Japan Nov. 15 to confer with anti-Suzuki elements. The Christian Social Union chairman will also visit his old friends in Peking.

● **EDWARD O. PRATT** of the World Bank gave an address urging population control Nov. 11 to the conference on the Unity of the Sciences in Seoul sponsored by the Rev. Sun Myung Moon's Unification Church.

## Haig and Volcker block U.S. recovery policies

by Graham Lowry, U.S. Editor

Two interrelated challenges remain before the Reagan administration, following the crucial victory on the AWACS question: the overall direction of foreign policy, and the domestic economic collapse.

The AWACS vote was so crucial, as we have emphasized, because it countered a specific scenario for the Iranization of the Middle East, which in turn is part of the overall Malthusian blueprint for isolating the United States politically, and finally destroying it economically, on behalf of supranational de-industrialization. The question now is whether the administration, and those outside Washington who ought to be shaping national policy, can make the required link between the technological-development principles that could guide economic recovery at home, and the vast potential for stability and prosperity abroad if the United States were to start "exporting progress."

Haig's continued drive to wreck the Middle East and Central America, among other places, is an extension of maneuvers by British Foreign Secretary Lord Carrington and his ally, Socialist François Mitterrand. Both these gentlemen are still intent on eliminating any influence of American national interest in the Middle East specifically, and weakening both the Soviet Union and the United States generally—to the point that neither retains sovereign capabilities sufficient to prevent the realization of the European oligarchy's dream of "world feudalism."

### The economic question

The pattern of recent developments in Washington, however, indicates the emergence of major potential obstacles—though so far no clear alternatives—to this

perspective. A fight has broken out over control of U.S. foreign policy, centering around the proliferation of Alexander Haig's ostensible blunders and open feuding with Defense Secretary Caspar Weinberger and top White House staff members. After Haig's public charge that a senior White House official had been waging "guerrilla warfare" against him for nine months, by the second week of November there was a widespread press campaign for his ouster, and a developing agreement among insiders that Haig's days were numbered.

Sources close to the administration point to the Jack Anderson column that carried Haig's charge as a setup initiated by the Reagan inner circle, who fed the line to Anderson hoping that Haig would take the bait and make a public counterattack. Once Haig fell for the trap, the word went out "that Haig is around the bend, that he is frantic and panicked." As one former U.S. ambassador put it, "my guess is that Reagan will have a period of quiet and then get rid of him in January."

Haig's weak public support for—and widely known private opposition to—the AWACS sale may have sparked the effort by some of the President's advisers to build a climate for his resignation; but his former backers are also clearly writing him off as a blunderer too discredited to carry out their policy of East-West confrontation and Third World destabilization. Consequently, strategists formerly allied to Haig are busily spinning out proposals for cabinet-level reshuffles generally tailored to strengthening the hand of Henry Kissinger's other protégés within the Reagan administration. A frequently cited candidate to replace Haig is former Treasury Secretary George Shultz, who along with Kissinger and then-Treasury

Undersecretary Paul Volcker shared leading responsibility for destroying the Nixon administration—and for setting the United States on the ruinous economic path that Volcker has pursued with a vengeance at the Federal Reserve.

The fact that Shultz, who currently heads Reagan's private board of economic advisers, would be mooted for Secretary of State is of special relevance to a more fundamental point. The issue which will determine all others, including foreign policy, is whether the administration will act to free the nation from Volcker's enforced depression. In addition to the battle centering around Haig, the evidence has mounted since the beginning of November that political and economic realities are forcing a reconsideration of the Reagan economic program. It is that process—and the dangers potentially posed to Paul Volcker—which determined the context for the most recent and celebrated flap around OMB Director David Stockman's submitting his resignation. While the President declined Nov. 12 to accept it, the issues involved are by no means resolved.

By early November, the White House's pursuit of its self-defeating budget-cutting and budget-balancing had run into a number of dead ends. In the face of continuing economic disintegration, Reagan's demands for additional major reductions in federal benefits and social programs for 1982 are regarded by most Republican congressional leaders as politically unsaleable if not wrong-headed, and as eroding Republican prospects at the polls next year. That message was communicated to the President in their response Nov. 2 to his requests, agreeing to only about half the level of additional 1982 cuts and revenue increases which Reagan publicly demanded in September. Their alternative package also made only a negligible concession to Reagan's proposal for nearly a \$3 billion additional reduction in benefits programs. Instead, Senate Republican leaders began fielding a series of proposals for major new taxes, in direct violation of Reagan's ideological and campaign commitments. Senate Finance Committee Chairman Robert Dole (R-Kans.) took to nationwide television to call for an excise tax on all energy consumption, while Republican Majority Leader Howard Baker mooted a national sales tax to underwrite the defense budget, as well as deregulating natural gas and imposing a "wind-fall profits" tax on it.

In the midst of such rapid political unraveling, Reagan called another meeting at the White House, reviewed his choices, and stated Nov. 3 that if major tax increases were the only way to balance the budget by 1984, "then there won't be any balanced budget." The next day, the Senate Republican leadership marshaled a 48-46 margin to save two nationally important development projects from David Stockman's axe: the Tennessee-Tombigbee Waterway and the Clinch River nucle-

ar breeder reactor in Tennessee.

In response to Reagan's threat to abandon the totem of a balanced budget, an IMF overseer of the U.S. economy proclaimed the Reagan economic program "a failure" and demanded additional tax levies and budget cuts. If the administration fails to reduce the budget deficit, the IMF official warned privately, the IMF will advise Volcker to step up his credit crunch against the U.S. economy. "If the deficit continues to rise, the only agency left to fight inflation will be the Federal Reserve," he stated Nov. 4. "The Fed's job will become more and more painful because they will just have to tighten credit more to contain inflation. Interest rates will rise again, and the financial markets will suffer badly."

Warfare within the administration surfaced the day following Reagan's statement as well, when David Stockman leaked to the press a claim that the federal deficit will hit \$145 billion in 1984 unless the budget is slashed accordingly. Backing Volcker and the Fed, he added that inflation would come down "if the Fed sticks to its policy." In the Senate, Republican members of Pete Domenici's Budget Committee, all lobbying targets of the IMF, drafted a proposal for \$80 billion in additional taxes and \$100 billion more in budget cuts over the next three years.

At the White House, Reagan's outside economic advisory board gathered to tell him that as long as he made further budget cuts and kept money tight, he could tolerate a deficit rather than impose new taxes. These high-level advisers—George Shultz, Alan Greenspan, Paul McCracken, and Walter Wriston—are in fact attempting to rig the economic policy debate such that the invariant of any package is maintaining Volcker's roadblocks to industrial investment and continual gutting of the government's ability to foster major capital improvements and infrastructural development.

Speaking at New York University on Nov. 2, Shultz, now Chairman of the Bechtel Corporation, warned the government will face "companies going bankrupt . . . slow growth, unemployment, and recession. . . . But there must be no subsidies of any kind." Shultz reiterated the Volcker-IMF formula: "The only way interest rates will come down is to cut the budget."

But President Reagan is by no means comfortable with this advice. According to sources close to the White House, he fears that Volcker's credit squeeze will cause a liquidity crisis and has begun pressuring the Fed to "ease up" on interest rates. "To hell with the budget deficit," one such source commented. "The administration wants credit in the system for corporations to float bonds. . . . The White House is putting pressure on the Fed to inject liquidity into the system."

What becomes of these signs of opposition in the White House depends on the action or inaction of political forces in the United States at large.

## State Department and its Tokyo friends maneuver to bring Suzuki into line

by Richard Katz

A tug of war is being waged across two continents over U.S. policy throughout Asia. The Japanese allies of U.S. Secretary of State Alexander Haig hope to use an upcoming Tokyo cabinet reshuffle to force a new government alignment less independent of Haig on issues ranging from the China Card to the Middle East. In Washington, Haig has succeeded in forcing out of the National Security Council the most powerful administration opponent of the China Card, Jim Lilley. A 25-year Central Intelligence Agency veteran, Lilley was able to use his "access" at the White House, including regular lunches with Vice-President George Bush, to urge restraint on Haig's tendency to "give the store away to Peking." Lilley is being shunted off to Taiwan to become the equivalent of the Ambassador.

The biggest stumbling block for Haig immediately is the backfiring of the arrogant tactics of Chinese Foreign Minister Huang Hua during his later-October meeting with President Reagan, when he demanded a definite promise not to sell any weapons to Taiwan and a definite date for implementation of this promise.

However, report Washington insiders, the President wanted to get across the message that U.S. policy is made in Washington, not Peking; he refused to give Huang Hua any such commitments. The Chinese press reported the meeting unsuccessful; it is now doubtful whether the Chinese will send a mission to Washington to discuss weapons purchases at least in the near future.

### Gossip against Suzuki

In the wake of the Reagan-Huang Hua meeting, the success or failure of Haig's attempt to undermine Suzuki becomes the key determinant of the future of the U.S. position in Asia. The American Bureau of the Japanese Foreign Ministry is notorious for trying to enforce whatever policy is pushed by whoever happens to comprise the Washington administration at any given moment. The Bureau tends not to ask whether certain

policies—e.g. giving China the electronics capability to enhance its nuclear-missile delivery system—might have unpleasant consequences further down the road.

In the last few weeks, through whispers into business circles and leaks to favored newspaper columnists, the Bureau has been running a psychological-warfare campaign against Suzuki based on Japan's well-known oversensitivity to Washington's favor. "That inexperienced party hack Suzuki is making a mess of Japanese diplomacy by displeasing Washington," charges the Bureau. This line was boosted by Reagan's refusal, on Haig's advice, to meet privately with Suzuki during the Oct. 22-23 North-South summit in Cancún, Mexico. Reagan's meeting with Chinese Premier Zhao Ziyang and others only emphasized that the refusal of Suzuki's request was a deliberate snub.

What aroused Haig and his American Bureau allies was Suzuki's challenge to the policies of Haig and Treasury Secretary Donald Regan in two crucial areas. Following months of criticism of Washington on the questions of the China Card and the pace of Japan's defense buildup, Suzuki evaded State Department requests to prohibit Palestine Liberation Organization (PLO) leader Yasser Arafat's arrival on Japanese soil. Suzuki not only met with Arafat in Tokyo, but also persuaded him to endorse for the first time the Saudi Arabian "Fahd Plan," which entails recognition for Israel's right to exist. Suzuki is now campaigning openly for the Fahd Plan, and will receive Fahd in Tokyo in early December.

Furthermore, in response to requests from countries such as Mexico, Brazil, Saudi Arabia, and Nigeria, Suzuki agreed to make an effort at mediating between the developing countries and the United States at the Cancún summit. In particular, he hoped to persuade President Reagan to abandon Donald Regan's call for a drastic reduction of aid and credit to the developing countries. The Japanese business daily *Nihon Keizai*



*Shimbun* estimates that of the \$100 billion in government and private credit to be extended to the Third World in 1981, an astounding 82 percent is needed *simply to finance repayment of earlier debt*, up from 54 percent as recently as 1978. Reagan's drastic cutbacks would mean not only genocidal levels of food and energy cutoffs in many countries, but also potential international financial chaos.

In addition to blocking a private Suzuki-Reagan meeting, Haig ensured that, during the informal group sessions, Reagan sat far away from the Japanese delegation, which was for the most part not allowed to approach Reagan directly. Instead, Haig delivered the Japanese memoranda to Reagan; Reagan in turn discussed them not only with Haig, but even with his ferociously anti-growth conversation partner, British Prime Minister Margaret Thatcher.

Columnists like the *Yomiuri's* Minoru Hirano next let out that Suzuki's foreign policy was a failure, because at Cancún, "Suzuki's foreign policy received an unfavorable response from the United States. The U.S. spokesman said . . . that he had been impressed by the speeches of the British, French, West German, Canadian, and Mexican leaders, and purposely ignored Suzuki's speech." In a later column, Hirano's Foreign Ministry sources criticized Suzuki's Middle East intervention by saying Japan has no influence there. Suzuki is under pressure from Haig, via the American Bureau, to cancel a proposed Mideast tour next January on the ostensible grounds that it might fail. Industrial circles, on the other hand, told *EIR*: "It is necessary to show the willingness of Japan and the Prime Minister to take risks" to help solve the region's problems.

The psychological-warfare campaign is based on the supposition that Washington is the only audience whose applause Tokyo needs. In reality, Suzuki's Middle East and North-South efforts were remarkable successes in the eyes of such key OPEC countries as Saudi Arabia and the United Arab Emirates, and in the non-oil developing countries. The latter were particularly impressed by Suzuki's Cancún speech describing how a resourceless backward Japan had become an industrial power following the 1868 Meiji Restoration; this showed an identification with the real Third World problems, diplomats from Asia and Africa said.

Even more remarkable was Japan's granting of debt moratoria on almost \$200 million worth of government-to-government debt to the countries of Senegal, Zaire, Madagascar, Senegal, and Uganda. Requests for similar treatment have come from Turkey, Sudan, and Pakistan. *Nihon Keizai* reported Nov. 3, "The Japanese government is holding to the policy to comply as much as possible with requests for loan-repayment deferment from these poor countries because they are located in shaky and vulnerable areas of the Middle East and

Africa. But it is feared that an increase in such requests also indicates a growing risk for commercial credits."

### Cabinet reshuffling

Haig's immediate aim, and that of the American Bureau's whispering campaign, is to influence the shake-up of the cabinet and major posts in Japan's ruling Liberal-Democratic Party (LDP) expected around Nov. 27. They hope to dislodge from the Foreign Minister's post Sunao Sonoda, whose appointment this May signaled the rising influence of former Prime Minister Takeo Fukuda, and helped launch Suzuki's more independent foreign-policy posture. If Sonoda is dislodged, it is possible that he will be replaced with Fukuda's top protégé, Shintaro Abe; in this case, it is not clear whether any major changes would be seen in Japan's foreign policy. The favored candidate of Haig, Defense Secretary Caspar Weinberger, and others in Washington appears to be Susumu Nikkaido, the top lieutenant of former Prime Minister Kakuei Tanaka, and an associate of Henry Kissinger. Nikkaido is far more hawkish on questions of the Soviet Union, the pace of Japanese defense buildup and willingness to accede further to Washington on the China Card. Nikkaido is a candidate not only for the Foreign Minister's job, but for the powerful political post of LDP Secretary-General, a necessary steppingstone to becoming Prime Minister.

Meanwhile, major switches in the East Asia Bureau of the State Department indicate that at least some people are wondering whether Haig's heavy-handed tactics toward Tokyo might backfire. In recent weeks virtually the entire top personnel of this Bureau have been replaced. Most important is the appointment as Deputy Assistant Secretary for Northeast Asia of Tom Shoesmith, a longtime Japan expert who served as Deputy Chief of Mission in Tokyo from 1972-77. According to administration sources, some policy-makers in Washington believed that over the summer Haig and, particularly Weinberger, had pushed Tokyo too hard, too far, and most importantly, too unskillfully. As former Reagan Asia adviser Chalmers Johnson put it, "They had a hell of a problem with Tokyo. . . . Washington needs in a top policy post someone who does not necessarily agree with Tokyo but at least understands what the political situation there is." Indications are that for this reason, a "Japan handler" was put in instead of Haig's preferred China-oriented experts.

On the China Card question itself, Shoesmith is more moderate than his predecessors. From his last post as Consul-General in Hong Kong, Shoesmith opposed other State Department officials who wanted Reagan to "mediate" in support of Peking's "re-unification" efforts toward Taiwan. Shoesmith's appointment seems more than counter-balanced at present by the departure of Jim Lilley.

# Sen. Hatfield looks for Global 2000 sponsors

by Lonnie Wolfe and Susan Kokinda

The Population Crisis Committee and the Draper Fund—two of the foremost lobbies for population reduction—are now looking for co-sponsors for Sen. Mark Hatfield's Global Resources, Environment and Population Act of 1981. That bill, like its companion Population Policy Act in the House, would commit the United States to a policy of zero population growth domestically and worldwide, and would establish an executive-level interagency task force to impose zero growth.

The Population Crisis Committee has already found four Senators to back the bill: Republicans Charles Mathias (Maryland) and Slade Gorton (Washington) and Democrats Alan Cranston (California), the minority whip, and Spark Matsunaga (Hawaii).

"These guys were easy," said an aide to Hatfield, "All naturals. Now it gets a little harder."

According to Hatfield's aide, the Senator's bill has the backing of Alexander Haig's State Department. High-ranking officials at State have informed the lobbyists that they should say that the bill is the implementation of paragraph 20 of the Ottawa summit communiqué. That paragraph commits the seven industrial nations participating in the summit to explore ways to stabilize population and deal with problems of population growth. Since President Reagan endorsed the communiqué, Hatfield's aides can thus imply that their legislation has de facto presidential support.

Hatfield has drafted a "Dear Colleague" letter on the bill and has spoken to several Senators, while his aides have spoken to dozens of their fellow aides.

Democratic Senators Ted Kennedy and Paul Tsongas of Massachusetts, Chris Dodd of Connecticut, and Bill Bradley of New Jersey have all given their tentative assent to co-sponsor the bill; all have signed support letters for the Carter administration's *Global 2000 Report*. New York Democrat Pat Moynihan is also said to be willing to come on board.

On the Republican side, Jesse Helms of South Carolina, a prominent spokesman of the so-called right-to-life lobby, has given a favorable response, although Hatfield's people do not necessarily expect him to sign on. Helms views the legislation as a way to shut off the flow of immigrants into the United States, and "as long as we don't propose to kill any fetuses, he won't make trouble,

and may even help some." Barry Goldwater of Arizona has been neutral, but the lobbyists are hopeful. "He is so senile, that we may nab him," said a Hatfield aide. Both Jake Garn and Orrin Hatch of Utah are said to be favorable to the legislation, but have thus far refused to sign for fear of adverse reaction.

The lobbyists report only one totally negative reaction: that was from Paul Laxalt of Nevada, a close friend of President Reagan. "Laxalt said things about the *Global 2000 Report* being genocidal garbage," a lobbyist reported. An aide to Hatfield admitted that Laxalt could become a problem, if he voices opposition. "We are hopeful that other developments might keep Laxalt's mouth shut. He has some very unsavory connections."

Eventually, Hatfield plans to talk with President Reagan about the population issue. Reagan is not hostile, an aide to the Senator claimed, just uninformed. More importantly, the aide pointed out that the White House must play ball with Hatfield if it wants to get its economic program through Congress. "We have a lot of chips on our side," said the aide. "It is a question of when to deploy them."

Hatfield announced his bill at an innocuous-looking Capitol Hill reception on Oct. 26, hosted by the Population Crisis Committee/Draper Fund, the National Wildlife Federation, the Audubon Society, and Zero Population Growth, Inc.

The legislation, S. 1771, would establish an Interagency Council on Global Resources, Environment, and Population. The Council, said the Oregon Republican, "would be mandated to develop a national population policy. This policy would include a declaration encouraging national population stabilization in the long term." The Council would review existing laws, regulations, and programs in order to recommend that the President or Congress modify or eliminate programs "which limit the achievement or implementation of the policies and purposes of this Act."

Amid the muffled clinking of glasses, Hatfield's House co-sponsor Democrat John Seiberling of Ohio decried the fact that 700,000 people had been born the week of the Cancún conference. The National Wildlife Federation's David Burwell warned, "If there is to be a place for wildlife in this world, then we must control population." State Department population expert Thomas Ferguson, who suggests the elimination of women of child-bearing age, calmly picked at the hors d'oeuvres.

Hatfield, an early Republican opponent of the Vietnam War, now finds himself in the company of its authors: PCC/Draper Fund directors William Westmoreland, Maxwell Taylor, and Robert McNamara. The Senator went so far as to praise the National Security Council's Ad Hoc Committee on Population Policy, neglecting to mention its author, Henry Kissinger.



Stuart Lewis/NSIPS

## Social Democratic labor leader says basic change must come through violence

*EIR's Stanley Ezrol interviewed William Winpisinger, President of the International Association of Machinists (IAM) on Aug. 28. We are taking the opportunity to publish the interview now because of the numerous requests we have received regarding what labor is (and is not) doing about Federal Reserve Chairman Paul Volcker's interest-rate policy. Mr. Winpisinger began his interview by stating that he speaks only for himself and the IAM, not the labor movement or the AFL-CIO of which his union is a part. He stated that federation's President Lane Kirkland is the appropriate person to address such questions to. While Mr. Kirkland has publicly attacked the high interest rates per se, his posture with respect to Mr. Volcker, the 10-year author of those policies, has mimicked that of the Democratic Party leadership—to attempt to tar the Republican President for policies initiated under the Carter administration that Mr. Kirkland refuses to fight.*

**Ezrol:** Can you give us your response and the IAM's response to Reagan's economic policy?

**Winpisinger:** First of all, we're satisfied that it will not, cannot work. . . . The same kind of an economic program has been tried before in the history of our country. The most recent time that I can recall that it was tried on quite the magnitude of the current one, was during the years of Coolidge and Hoover, and you don't have to be much of a student of history to recall what happened as an aftermath of that experience. More recent trials I think are evidenced by what's happening in Great Britain . . . and I think everyone, if they check, will quickly learn that Mrs. Thatcher—Atilla the Hen, I call her—has much the same economic program that Mr. Reagan is touting here; the architect of it was the same adviser that President Reagan uses to a great extent, namely [Milton] Friedman, and if what has happened to Mrs. Thatcher as a result of following Mr. Friedman's advice is any yard-

stick, you can see where the United States is headed by adhering to the same advice, and adopting the same policies.

I say unequivocally it will fail: I have no lingering shadow of a doubt in my mind that it will fail, and when it does, a lot of American people who are otherwise defenseless are going to be irreparably harmed, and it's going to take a long time to heal the wounds that this kind of economic injustice is going to create—principally the less well-off, the poor, single mothers, welfare mothers, dependent children—the whole gamut of those who are really defenseless in the high-powered economic stream of today.

**Ezrol:** What are your counter-proposals?

**Winpisinger:** Well, I think we need to—once and for all—make up our minds that peace in the world comes from an understanding among men that each has a right to survive on this planet irrespective of their political philosophy or anything else, and reduce this madness of escalating toward conflagration that we seem to be hell-bent to do. . . .

That suggests to me that you get to the conference table and negotiate SALT II, and SALT III, and SALT IV, and begin reducing the sustenance of the world that is squandered on the implements of destruction.

**Ezrol:** On the question of economic policy, are you saying that your economic policy is to negotiate SALT III or. . . .

**Winpisinger:** Oh, it's simply one integral. Economic policy ought to be in the main—in the round—ought to be, uh, a search for a more nearly balanced budget. I don't talk of absolute balance, every business in the world in the free-enterprise sector, so-called, borrows against its future earnings, and I don't see anything wrong with a

country doing that, for that matter. It should be prudent borrowing, however, and when it has the ability to undermine the entire economic structure, then you've got to pay attention to it. . . .

The principal factor that militates against achieving that kind of a balance is the horrendous amount of money that we squander on the defense establishment and that's why I put disarmament, or a reduction in hostilities and the attendant arming, at the top.

When I look at economic policy, at program, I look at things like the energy field, where we badly need relatively inexpensive and, reliable renewable sources and we're expending pitifully little. . . .

Nuclear to me is really a myth, because I haven't been able to find any reliable evidence anywhere yet that nuclear power is now, or ever is going to be, cheap. After all, we've permitted oil to be cartelized right under our very noses and redound substantially to the already overflowing coffers of our own oil companies, now called energy companies for convenience. There's nothing that suggests to me that uranium and other nuclear fuels, if there are any, wouldn't be cartelized on exactly the same basis. They'll be cartelized first to keep cheaper sources out of our country, and when we exhaust our own supplies, the same will happen as with oil. It'll be turned upside-down and be used as a device to force the price up on the world market, so we'll have to pay through the nose to get it. . . .

If this country had spent as many billions of dollars in the last 25 years as it has now squandered on the development of nuclear, we would have clean, safe renewable alternatives on-stream right now, and the longer we delay getting to that and abandoning this crazy nuclear path, the more we delay the ultimate solution of the problem, the more we delay our own economic welfare and participation by all of our citizens in the economic stream. . . .

The only way you're going to get people out of their automobiles and stop the traffic jams and everything else is to create decent, efficient, around-the-clock transportation on a mass basis and thereby substantially reduce the per capita fuel consumption. . . . I look at things like the rebuilding of the inner cities of the country; the rotting depths of every major metropolis in the country needs overhauling. And the high interest rates that are the product of the Reagan-type of economic program certainly militates against that happening, and if we wait for the private sector to do it, we'll be waiting when the next century rolls around. . . .

**Ezrol:** You've just mentioned high interest rates for the first time. Do you place interest rates toward the bottom of the list of problems with Reagan's economics, or do you see it as they key issue?

**Winpisinger:** I'm not going to call it the key one. It

certainly is an aggravating, nagging one. I tell you one of the most salutary developments I've seen recently, and by that I mean in the last four months or so. I seldom pick up a periodical or a newspaper, a pamphlet of any kind that doesn't, somewhere in its contents, address the problem of defense spending in a negative way, and that's the best news I've seen. Interest rates are rapidly assuming the same posture. I don't know why it took so long. Interest rates have been naggingly high for a very long time now, since before Reagan became President. . . .

Interest rates are devastating in their impacts upon progressing the social affairs of the country. It doesn't matter to profits particularly. The big guys don't even borrow money. If they get a little short on cash, they simply look around for a successful company somewhere that's got a good cash flow, they go buy it, and make a cash cow out of the goddamned thing, and away they go about their business. They got their own near banks that they establish; they borrow abroad; we legislate high interest rates to slow down the economy, and then all it does is kill all of the 11 million private employers out there that are the legitimate free-enterprise sector, and who are the engines of jobs.

**Ezrol:** People have talked about the need to turn the Democratic Party into more of a firmly labor-based party like the European social democracies than it is now. You're a member of the Democratic National Committee, what's your view on this?

**Winpisinger:** Well, if the Democratic Party continues to try to out-Republican the Republicans, it's going to go down the tubes. . . . Democrats are going to have to make up their minds first of all, whether or not they're Democrats; and those that aren't are going to have to get drummed out and get over on the other side, where in the hell they belonged in the first place—and that includes all these duplicitous Southern finks that habitually fall into lockstep, the Dixiecrats so-called, this goddamned coalition that keeps doing violence to the progress of the nation.

I don't think frankly that this is the time that we ought to be out running around shooting with a shotgun and wasting the sustenance of our political life forming other parties, or opposition movements that you expect to have a broad base. I think it's premature. The Democrats have suffered a crushing defeat for a lot of reasons, not the least of which is the goddamned incompetence of our candidate, and the refusal of Democrats to get on the bandwagon with a candidate who had the potential to win. They ought to be thinking about the country and get on with putting the best-qualified guy we've got as the head of our ticket.

**Ezrol:** Who's that?

**Winpisinger:** I'm not married to anyone at the moment.

I think right this minute, if you had to make the assessment, you'd have to say that Ted Kennedy is still the one that's most in front, with the best credentials to become a winner. But politics is so volatile that that may not last for more than three days. I'm going to wait and see what happens. Walter Mondale, it seems to me, is making more and more noises like a candidate. If he emerges as the standard-bearer of our party, as I see it right now—something could change tomorrow—I'll probably swallow very hard and support him. That's not a reality yet, so I don't worry about it. . . .

I think the Democrats ought to be concentrating on rebuilding the only goddamned thing we ever did well in the first place, and that's the doorbell-punching organization at the grassroots of the country. That's how the Republicans beat us and that's what we've got to recapture in order to prevail. Everybody got lazy. The Democratic Party today is much like the labor movement and it's faced with the same rebuilding job.

I'm not so enamored of the two-party system that I'd go to the grave with it, but I think you've got to at least give it enough rope to hang itself, if you're going to change it.

**Ezrol:** Isn't the problem that, to a large extent, the reform movement of the fifties and sixties has turned to issues like drug decriminalization, gay rights, and other issues which the base of the party really doesn't feel comfortable with?

**Winpisinger:** I think the party would be well-advised to do what I do: stop buying in on those goddamned issues and just knock the shit out of the enemy on the same single-issue basis; establish our own defensive techniques that go on the offensive of exposing high interest rates, exposing the goddamned massive budget perversions—they aren't budget cuts. Son of a bitch didn't cut the budget. He was dealing with a higher budget from Day One than Jimmy Carter's last budget; he just whacked out the whole one side of it, and took a dollar-for-dollar transfer of it over to the Pentagon and put a bonus on top of that, yet; and now, we're facing a \$60 or \$70 billion deficit again, or more, and that's what we need to work on. Democrats can work on that.

Abortion. Why the hell should we even argue about it in the national political arena? Jesse Helms makes a goddamned issue out of it, and if nobody took him on it, the goddamned thing'd die, and maybe he'd die with it maybe, hopefully. But the response he arouses on it is what creates the conflict, and he does it to arouse response. He puts his goddamned amendments in over there to force people to go to a written vote on chicken-shit stuff in order to expose them. If they can do it, we can do it. It doesn't take much to convince a union member, if you rig the scene in which the bastard blatantly votes against the union in a visible way. It gets a lot of

mileage with our people, and it can be done. The fact is most of the politicians are saying, "F--- the union members; they're no longer important." And then they come to a guy like me and say, "For Chrissakes, rally 'em. Rally 'em. Well, I can't rally a disaster. . . ."

**Ezrol:** A lot of people have pointed to the danger of a serious financial-economic crash situation this fall or somewhat beyond. Do you see any danger of the political scene in this country turning strongly confrontationalist?

**Winpisinger:** Yes. I've been predicting for nearly a year now that this state of euphoria in which we've been living can unravel very rapidly, I've been telling mostly groups that are not our members that you can stay down this furrow if you want; you can continue down it, and ride roughshod with your spurs into the hides of the disenfranchised, the dispossessed, and everything else, but remember always—and the workers, too, with their goddamned anti-union animus in this country—but remember always, the workers of this country were in the streets once before, and they can be driven there again. Just let me tell you something, it can come very rapidly, and if it needs leadership, I'm standing here telling you—and I tell this to rooms full of businessmen—I'm standing here right now to tell you, "I'll provide it, if I can. And if you push, keep down this road here you're in. I tell you, I'll be right there on the first barricade with the first goddamned rifle over the first parapet to shoot the first goddamned capitalist right between the f----- eyes that comes at me. And I'll have a lot of workers standing there with me, and don't you forget it. You can drive us back to the streets. And if the history of this country is instructive in any way at all, it is conclusive in the assessment that political groups in this country do not make progress without engaging in some form of violence, some form of unlawful conduct. It was true in the thirties with workers. World War II delayed the second installment a little bit, because the civil rights movement would have come a lot sooner in the absence of the Second World War.

"The black community, the minority community couldn't get redress until they started breaking the goddamned laws and engaging in burning the rotten cores of the cities down; and we're about ready for the third installment now in our modern history if you keep up this shit."

So I think it will boil over very goddamned rapidly, and if it doesn't, I'll be right in the forefront of it. I'll be putting the flame to the pot every minute I can and every way I know how and in every forum to which I have access. I hope it doesn't come to that, by the way. I still have enough regard for peace that I hope we can rally a political expression that gets the country back on the right track prior to Lenin's prophecy coming true. Without resorting to violence.

### Tenn-Tom narrowly passes Senate

By the narrowest margin yet, 48 to 46, the Senate rejected a proposal on Nov. 4 by Charles Percy (R-Ill.) and Charles Mathias (R-Md.) to kill the Tennessee-Tombigbee Waterway. The 232-mile-long water project, which is more than three-quarters completed, would connect a large part of the Southeast to the Gulf of Mexico and provide the impetus for industrializing this rural area of America.

Opposition to the project was led by the environmentalist movement and its congressional allies. The opposition to Tenn-Tom and many other such important waterway projects is not in fact based on environmental concerns but rather that such projects will help industrialize regions and foster population growth. Not surprisingly, Mathias and Percy are the Senate leaders of the population-control lobby.

"It is a problem of looking at growth," declared a spokesman for the Population Crisis Committee, the leading population-lobbying group, on its opposition to water projects. "If we build a sewer system it encourages growth but that would be beyond the level we can sustain it. If we divert the Colorado River, for example, it just also encourages growth, but it may be undesirable as there is only so much water around."

The foremost environmental group opposing Tenn-Tom is the League of Conservation Voters, headed by Marion Edey, a member of the Malthusian Club of Rome.

Efforts to cripple Tenn-Tom in

the Senate are still active, despite the Senate vote. Patrick Moynihan (D-N.Y.) has a bill pending to make future Tenn-Tom funding contingent on 50-50 financing by the states that will be served by the waterway, although these are some of the poorest states in the nation.

### House hears murderer on labor-racketeering bill

Convicted murderer, forger, perjurer, and arsonist Jimmy "the Weasel" Fratiano, a paid FBI informer under the Federal Witness Protection Program, was brought before a House Committee Nov. 4 to lend his support to the union-busting "racketeering" legislation currently being pushed by Sen. Sam Nunn (D-Ga.), Secretary of Labor Ray Donovan, and AFL-CIO President Lane Kirkland. Fratiano told members of the House Select Committee on Aging, chaired by Claude Pepper (D-Fla.) that union pension and health funds all over the country are controlled by organized crime, and "the only way you can stop it is have the government control the money."

Fratiano's testimony was then seconded by testimony from Nunn himself, Teamster dissidents Ted Katsaros, John Kuebler and Robert McGuinness, and State Crime Commissioners of New York, New Jersey, and Pennsylvania.

Aides to Pepper on the Committee say that the Congressman plans to delay action for two to three months to gather evidence, and then hold new hearings and introduce a House companion bill

to Nunn's. Interestingly, many of Pepper's aides say they don't believe any of what Fratiano said, but find his allegations useful.

### Senate approves oil emergency bill

New legislation to deal with an oil emergency passed the Senate Oct. 29, by a vote of 85 to 7. The new bill, introduced by the Senate Energy Committee Chairman, James McClure (R-Ida.), would replace the Emergency Petroleum Allocation Act of 1973 which expired on Sept. 30.

McClure's bill, S. 1503, titled the Standby Petroleum Allocation Act of 1981, gives the President the authority to control oil prices and allocate supplies from one refinery to another in the event of a severe oil shortage. McClure had wanted the President to have such authority to avoid a crisis and major chaos especially for small industries and farmers.

Liberal Democrat Bill Bradley (D-N.J.) led a fight against McClure's proposal, saying the free market should handle an oil crisis. Bradley, a former Rhodes Scholar, had proposed alternative legislation that would have prohibited government action in an oil crisis unless "national security" were threatened.

According to Bradley's plan, the marketplace would raise oil prices in a shortage period, thus limiting consumption. Bradley said that this would increase the windfall profits-tax revenue which could then be funneled into state governments and individuals to help peo-

ple meet the higher oil prices. Bradley's proposals were soundly defeated on the Senate floor, but he hopes to bring them up again. Hearings are in the works for later this month in the Finance Committee on the Bradley proposal, and he expects to again bring his plan to the Senate floor for a vote. Aides to the Senator say they also want the President to veto the McClure bill in favor of Bradley's free-market plan.

On Nov. 5 the House Subcommittee on Fossil and Synthetic Fuels began marking up the legislation passed by the Senate.

## **H**ouse passes Deposit Insurance Flexibility Act

The House passed the Deposit Insurance Flexibility Act, H.R. 4603, by an overwhelming vote of 371 to 46 on Oct. 28, which gives the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation the power to offer financial assistance to depository institutions and the power to arrange mergers of failing financial institutions jeopardized by the problems of high interest rates. The objections of the opponents of interstate and inter-industry banking institution mergers allowed by the bill were largely overcome as numerous amendments mandating that every effort must first be made to seek intrastate mergers of like institutions were accepted by the bill's chief sponsors, including Fernand St. Germain (D-R.I.), Chalmers Wylie (R-Oh.), and William Stanton (R-Oh.).

Frank Annunzio (D-Ill.), a leader of the fight against the bill in the Banking, Finance and Urban Affairs Committee, switched to support the bill on the assurances of Committee Chairman St. Germain that a major restructuring of the U.S. banking industry or any amendments in that direction, would not be added to the bill in conference with the Senate, which is already considering proposals for massive restructuring. Annunzio said, "However, I do plan to vote for the legislation, but I want to make certain that this bill will not be the vehicle that the Senate will use . . . to change virtually every financial law."

Other opponents of interstate and inter-industry mergers remained firmly opposed to the bill. Byron Dorgan (D-N.D.) charged that Chase Manhattan and other banking executives in New York were "drooling over the deposits they could get from our region of the country if only they could figure out a way to tear down the prohibition against branch banking that has been established by our state legislature. . . . What those financial institutions have not been able to get through our state legislature, they now want to get through the U.S. Congress masquerading it as a solution to some failing thrift institutions."

Dorgan noted that the interstate and inter-industry mergers might not be what "this bill intends," but "the largest financial institutions of this country will make short work of the intentions of this legislation if they have any opportunity at all."

Dorgan instead urged his col-

leagues to take up the problem of the Federal Reserve Board and high interest rates. "That," he said, "is the most important step we can take to restore health to the thrift institutions." He also noted that in questioning before the Banking Committee, Paul Volcker had admitted that a drop in the interest rate to about 11 percent would restore the thrift institutions to profitability.

## **S**enate Subcommittee tails Anti-Drug Coalition

Shortly after the conclusion of the second of three in-depth and highly successful Capitol Hill seminars on international narcotics trafficking and money laundering, sponsored by the National Anti-Drug Coalition, the Senate Permanent Investigations Subcommittee announced extensive hearings commencing on Nov. 10 on the same topic. Scheduled to testify at the initial hearing are several convicted narcotics traffickers who will reveal money-laundering operations from countries such as Colombia into the United States. Former U.S. ambassadors to Colombia and Peru, as well as a representative from the Colombian embassy and spokesmen from all relevant federal agencies.

The same committee, which two years ago carried out three days of hearings on narcotics money, never followed up on those hearings with any serious legislative effort, pointed out *Dope Inc.* co-author David Goldman to the second NADC seminar, attended by 10 Senate staffers and 50 others.

# National News

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## Deep Space Network slated for slashes

The National Aeronautics and Space Administration (NASA) officially announced Oct. 28 that as of Dec. 1 it will shut down one-third of the capacity of its Deep Space Network. This move, which is supposed to "save" the space agency \$7.2 million per year, will make it more difficult for space scientists to gather data from planetary spacecraft missions and possibly cause an irreparable loss of scientific information.

The Deep Space Network is operated by NASA and consists of ground stations in the United States, Spain, and Australia. Through the series of large antennas at these three stations, scientists listen to data returned from spacecraft, such as the recent Voyager encounter at Saturn, and also relay commands to the craft. According to a spokesman in NASA's Office of Space Science, which relies on the Deep Space Net to monitor its mission craft, the only reason that this scheduled shutdown of capacity will *not* have catastrophic consequences is because so many future space science missions have already been canceled in the current budgetary retrenchment.

The move to trim the Deep Space Net was not motivated by whatever this year's budget may be, but by the expectation that next year's FY83 budget will be cut back perhaps by \$1 billion.

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## Speaker Clayton: investigate Williams frameup

The following statement was released by Bill Clayton, Speaker of the House in the Texas state legislature, on Nov. 11 to *EIR* founder Lyndon LaRouche, chairman of the advisory board of the National Democratic Policy Committee (NDPC):

"I have been told that certain information and documents were withheld from the discovery process pertaining to

the case of Sen. Harrison Williams. From information I have, it appears likely that the Senator was victim of entrapment. Since I have had personal experience with similar practices, I sincerely hope that all the facts will be discovered and the motives of all parties involved will be carefully scrutinized before any sanctions of any kind are considered against Senator Williams. Since the very foundation of our system of government is at stake, we can afford no less."

Clayton himself was acquitted earlier this year of charges stemming from a Brilab "sting" operation.

The NDPC on Nov. 12 released a still-growing list of 76 political, labor, and civil leaders from 12 states calling on the Senate to delay any action on the pending motion to expel Williams, a New Jersey Democrat targeted by "Abscam" because of his support for labor and the elderly. A vote on the motion has been tentatively set for Dec. 3. The NDPC also made public a full dossier on Abscam prosecutor Thomas Puccio's corrupt connections and unprofessional conduct. Excerpts from the material, much of which has not been in public circulation, will appear in next week's *EIR*.

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## Washingtonians reject tax-credit school plan

Voters in the nation's capital turned out overwhelmingly Nov. 3 to maintain public education as an essential part of the American way of life by defeating a proposal to establish tuition tax credits. This proposition represented a shell game, whereby parents, duly frightened by the disintegrating D.C. school system, would have been able to bank up to \$1,200 in tax credits on the chance that they could find private education.

On Oct. 31, about 750 citizens in Washington rallied against Initiative #7, including the American Federation of Teachers, the Federal Printing Workers, Board of Education personnel, and citizens' groups. School Superintendent Floretta MacKenzie told them: "If you destroy the public school system, you

destroy the backbone of America," and the school board president charged, "We will not tolerate outside organizations to come in and commit sodomic rape against the children of D.C.," referring to the National Taxpayers Union, which sponsored the anti-tax Proposition 13 measure in California and funded the Initiative #7 in D.C. to the tune of \$99,000.

The NTU sponsored the initiative as a pilot project for the Michigan-based Education Voucher Institute.

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## DOE ban on nuclear physicist backfires

National media, including the Associated Press, have scheduled coverage of the Nov. 5 Fusion Energy Foundation press conference at which Larry Freeman and Dr. Friedwardt Winterberg briefed reporters on Winterberg's new book, *Physical Principles of Thermonuclear Explosive Devices*, and the Department of Energy's attempt to prevent scientific and military personnel from attending Winterberg's speech on U.S. scientific and military capabilities.

Despite the ban issued by Assistant Secretary of Energy Herman Roser, head of the DOE's Office of Defense Programs, several Department of Defense staff members attended Winterberg's speech following the press conference. The DOE legal counsel, the source of the boycott order to DOE and DOD personnel, attended the conference as well.

At the press conference Mr. Freeman briefly traced classification and suppression against Winterberg's attempt to make public advanced contributions to laser fusion research since 1975, parallel to the similar attempts by RAND Corporation-linked scientific circles to suppress the suggestions of Soviet Academician L. Rudakov among American scientists since 1976.

Winterberg himself has never had access to classified data, yet hard-copy evidence was presented Nov. 5 that virtually every important contribution he has attempted to make to laser fusion research has been classified due to "national se-



curity implications.”

Winterberg then told the press that this process is directly threatening the national security of the United States and the prospects for peaceful development of fusion energy worldwide, by restricting to relative handfuls the number of scientists and engineers who understand advanced fusion concepts, and retarding progress toward commercial fusion development.

Also attending the press conference were Scripps-Howard newspapers and RKO Radio News, *Science News*, *Chemical and Engineering News*, and *National Defense* magazines, Naval Institute *Proceedings*, and a number of other military-related journals.

## Washington seminar targets David Rockefeller

The National Anti-Drug Coalition (NADC), co-founded by *EIR* Contributing Editor Lyndon H. LaRouche, Jr., and *EIR*'s law-enforcement bulletin *Investigative Leads* held the final seminar in the three-part series on Capitol Hill. Over 50 people attended the Nov. 5 event, including representatives of the Republican Study Group, of the House Foreign Affairs Committee, of Representatives McCollum, Roe, George Brown, Leach, Foglietta, Emerson, Sensenbrenner, Minish, Stump, Derwinski, Coughlin, Gonzalez, and Ireland, and Senators Mathias, Jackson, and Hawkins. Also represented were embassies and government agencies, including the State Department's Office to Combat Terrorism.

The seminar was preceded by a press conference in which the Mid-Atlantic Coordinator of the NADC, Dr. Debra Hanania-Freeman, detailed how District of Columbia Rep. William Fautroy, who sponsored the second seminar, had succumbed to pro-drug pressure and canceled the room for the seminar at the last moment. The members of Fautroy's D.C. Committee include Ron Dellums, a member of the board of advisers of NORML and the Democratic Socialist Organizing Committee; Rep. McKinney

of Connecticut, who sponsored the medical decriminalization of marijuana bill now in Congress; and “free enterpriser” Marjorie Holt of Maryland, who has opposed the NADC'S work there.

## West Coast nuclear future in doubt

The immediate effect of the Nov. 3 ballot proposition vote in Washington State is that three nuclear plants under construction by the Washington Public Power Supply System (WPPSS) will probably not be completed.

The passed proposition requires voter approval of future revenue bonds issued by municipalities for energy projects. Pro-nuclear forces have indicated they plan to contest the legality of the proposition itself.

The effort to get the proposition on the ballot was carried out by a grouping linked to the state Democratic Chairman, Karen Marchioro, a Democratic Socialist Organizing Committee operative, and former Gov. Dan Evans, a Trilateral Commission member.

WPPSS has been under attack by Wall Street financial interests advising investors to “disinvest” from nuclear-energy projects. The utility, which is an amalgam of nearly 100 power companies in the Northwest, faces bankruptcy.

*EIR* Latin America Editor Dennis Small began the seminar, which was titled “The Question of Foreign Policy,” with case studies of Mexico, Jamaica, and Colombia, charging that David Rockefeller and Alexander Haig are pushing for a drug-proliferation policy. Small announced that *EIR* will publish a Special Report on the Max Fisher/Sol Linowitz operation against the Central American nations conducted through United Brands.

*War on Drugs* Editor Nora Hamerman discussed the links of the old Italian nobility and the Italian Socialist Party to the heroin traffic and to terrorism.

## Briefly

● **ROBERT MCNAMARA** has just been named head of the Arms Control Association, a Washington-based group favoring disarmament. The former Defense Secretary and World Bank chief, who recently stated that population growth is as dangerous a threat to world stability as nuclear war.

● **CARDINAL CODY** is under renewed attack from the depopulation lobby and the *Chicago Sun-Times*, which ran a banner headline Nov. 3 announcing that the U.S. Attorney's office in northern Illinois has issued subpoenas to five Chicago banks to obtain records of the Chicago Archdiocese's finances. Monsignor Jack Egan, a protégé of Saul Alinsky whom Cardinal Cody removed from his Chicago position, described this development as “a major breakthrough,” stating otherwise, “We have a terrible problem with population, especially in Latin America and Africa. I can't understand the Church's position on it.”

● **DON RIEGLE**, the Michigan Democratic Senator named by Robert Byrd (D-W.Va.) to head an Emergency Task Force to Reduce Interest Rates, is reported to be having secret meetings with two heads of the Coalition for Lower Interest Rates set up by the AFL-CIO to press for credit controls. Riegle's friends include J. C. Turner, the Trilateral Commission member who heads the Operating Engineers, and Howard Samuel, a Club of Rome member who runs the IUD section of the AFL-CIO.

● **TEXAS VOTERS** on Nov. 3 rejected a constitutional amendment that would have established a statewide water plan, financed by a trust fund comprised of 50 percent of the state's annual budget surplus. Opponents of the plan included the Sierra Club, the League of Women Voters, the *Houston Chronicle*, the de Menil family, Lieutenant-Governor Hobby, and the state teachers' union.

## **Kirkland, DOL back racketeering bill**

*The Nunn bill could be used, not only to railroad union leaders, but also to "Reagagate" the administration.*

**T**he most important thing to take place at hearings of the Senate Permanent Investigations Subcommittee (SPIS) Oct. 28-29 and Nov. 2 was the endorsement by Secretary of Labor Ray Donovan and AFL-CIO President Lane Kirkland of new labor-racketeering legislation.

Both endorsements came about for different reasons, but according to SPIS sources, both were anticipated. These sources claim that the endorsements will open the door for new attacks on the leaders of organized labor, the next phase of the witch-hunt begun by the Justice Department's Abscam and Brilab.

Donovan told the SPIS hearing Oct. 28 that the Department of Labor gives full backing to Sen. Sam Nunn's labor-racketeering bill S. 1785. Until Donovan had spoken, congressional sources thought the Georgia Democrat's bill was dead in the water. With administration backing, however, it could sail through Congress early next year.

The Nunn bill, which also has the backing of SPIS Chairman and Trilateral Commission member, Sen. William Roth (R-Del.), rips away certain constitutional protections against the wrongdoings of Brilab-style operations. It would remove a union leader from office upon court conviction, ignoring the whole appeal process; it would also ban a convicted official from holding union office for 10 years.

The legal thugs of the Abscam-Brilab apparatus have long desired

passage of such legislation, because it would allow removal of a targeted union official by means of simply obtaining a conviction on rigged evidence, without the worry over whether illegalities incurred in the frameup and evidence-gathering would result in a case's later being thrown out on appeal.

Donovan also announced that his Department has reversed its policy of pursuing only civil litigation of violators of those laws under its purview (such as union pension-fiduciary responsibilities) and would now pursue criminal litigation of union officials.

These statements won warm praise from Nunn, who is well known for his exploitation—coordinated with the Abscam-Brilab networks—of SPIS hearings as show-trials against selected union leaders.

Nunn also praised Kirkland's endorsement, delivered on Nov. 2. Offering only mild and helpful criticism of some parts of the bill, the AFL-CIO President nonetheless termed it a necessary piece of legislation. "We lack the ability to keep our own house in order," Kirkland told the Senators. "We do not oppose government investigations and convictions of corrupt elements of labor. . . . *We welcome a government policing-role,*" he astonishingly concluded.

Sources close to committee minority counsel Marty Steinberg, a former member of the Justice De-

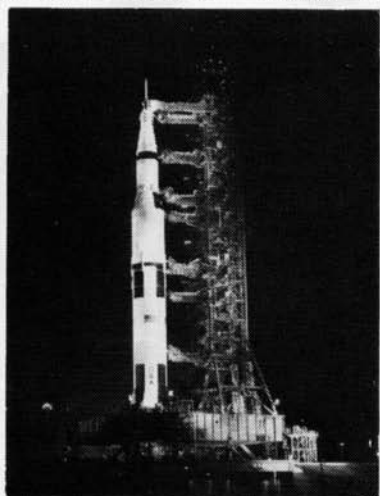
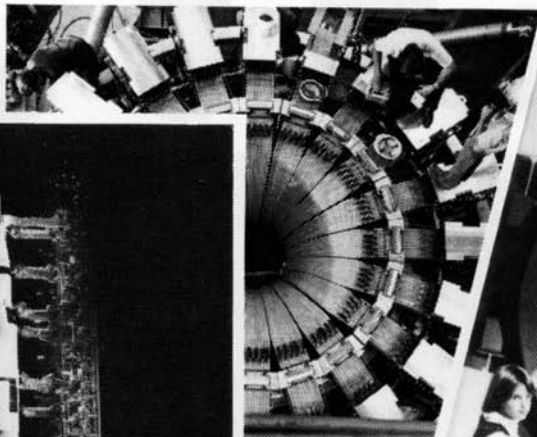
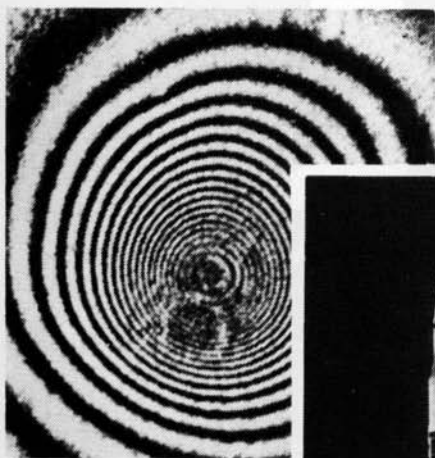
partment's Organized Crime Strike Force, had worried that Donovan would close down the entire Brilab operation. But early this summer, the committee staff, speaking for its allies in the Justice Department boasted that they had the Labor Secretary between a rock and a hard place. The entire Brilab-Abscam machine had mobilized to go after Donovan during his confirmation hearings. Senator Edward Kennedy, whose brother Bobby had set up the notorious "Get Hoffa Squad" in the 1960s, put that squad's chief, Walter Sheridan, onto the Donovan case full time.

The well-publicized smears about his alleged ties to corrupt union officials have been used to pressure Donovan into going along with the Nunn legislation. Sources at DOL report that the Secretary was told by Solicitor General Timothy Ryan, Jr., a former member of Benjamin Civiletti's law firm, that if the Department backed the bill, it would reassure the press that Donovan was not soft on labor crime.

Donovan may believe the anti-labor racketeering operation will proceed fairly, but sources report that the "new" interagency task force of Labor, Treasury, and Justice officials is operating from old Brilab lists. Donovan himself is still on their target lists, as is Reagan ally Sen. Paul Laxalt of Nevada.

All this suits Lane Kirkland just fine. SPIS sources report that Kirkland was always one of their assets and that he fully backs the Brilab machine. The Teamsters, the Laborers and the Longshore unions have always been the targets of Brilab—not Kirkland and his Socialist International friends. Kirkland welcomes further smears against Reagan allies.

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