

EIR

Executive Intelligence Review

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from Harriman's liberal fascism?**



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EIR

From the Managing Editor

In this week's Special Report, Warren J. Hamerman provides a retrospective look at the ways in which Malthusian policies and personnel have come to dominate American political life since 1960, under the auspices of liberals like Averell Harriman, who is so proud both of his initiating role in the Cold War and his sponsorship of "peaceniks" from George McGovern to Tom Hayden.

As the 1980s began, the remaining opponents of the plague of austerity, deindustrialization and counterculture were put under the gun of Jimmy Carter's Justice Department in order to leave the U.S. population with no other leadership than the Harriman faction's. In this connection, we recently looked up an April 1981 publication by the National Democratic Policy Committee titled "The Justice Department Stands Trial for Crimes Committed in Abscam-Brilab." It detailed the charges against Abscam prosecution witness Mel Weinberg (and many more) now being aired by ABC-TV and columnist Jack Anderson. The NDPC, chaired by Mr. Hamerman, with an advisory board headed by *EIR* founder Lyndon H. LaRouche, Jr., brought all this to the attention of other national Democratic Party leaders, who refused to act on the Abscam-Brilab question, although scores of regional and local leaders have moved to support Harrison Williams, the Senate target.

Mr. Hamerman's overview of recent U.S. history reminds us that liberals used to believe in progress, expanded prosperity, and fair play. But no liberal Democratic votes can be counted on when the vote to expel Williams comes up on the Senate floor, any more than they have acted to defend the economy against Paul Volcker. The traditionalist, anti-Volcker Democrats' disposal to vote "no" to expulsion will not be enough unless some Republicans decide to defend the Senate and the Constitution from this Carter atrocity. The intelligence we present below can help inform their decision.

Susan Johnson

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Many of you are continuing to receive telephone solicitation from an unsavory group operating out of Detroit which were formerly distributors of *EIR*. These people are seeking subscriptions to a newsletter called Producers & Investors, and in some cases they are soliciting business investments of a questionable nature.

In many cases these people are representing themselves as *EIR*, or are telling you that they have purchased *EIR*'s subscription list. This is a lie. These people have no affiliation whatsoever with *EIR* or with *EIR*'s founder Lyndon LaRouche. They have in fact abandoned the principles

for which Lyndon LaRouche and this publication stand, and have thrown in their lot with the evil forces of Dope, Inc. and the Global 2000 genocide lobby.

The Detroit group operates under the name of Inform America, Inc. If you are contacted by this group and you are asked to subscribe to Producers & Investors, Parity Newsletter, American Labor Beacon, or to invest money in businesses such as Renaissance Printing or Computype, please advise us immediately. And do not allow any charges for *EIR* to be made payable to Inform America or any Detroit-based entity.

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Has the money really run out?

by David Goldman, Economics Editor

Morgan Grenfell, the British merchant bankers, threw a zinger into the American crisis over the management of the federal debt in their January *Economic Review*, which argued, in effect, that the money had run out on the international monetary system. The fact that the nominal rate of interest was often less than the rate of inflation during the 1970's, Morgan Grenfell claims, is due to the availability of a huge pool of "savings" in the form of the OPEC surplus, the investable revenues of the oil-exporting countries. Recycled back into the treasuries of the industrial nations, or the capital import accounts of hard-pressed developing-sector borrowers, OPEC savings created a sufficient "supply" of savings to match growing "demand" for funds.

Now that the OPEC surplus, which fell from \$110 billion in 1980 to only \$47 billion last year, will turn into a deficit of \$40 to \$60 billion for 1982, the world is thrown back into an era of "persistently high real interest rates," with all its terrible consequences, the British bank concludes. There is no other choice—as the London *Financial Times* argued in an editorial on the Morgan Grenfell report—than for governments to meet expenditures out of current revenues, i.e., raise taxes and cut spending. Manufacturers Hanover Trust's economist Irving Kellner has argued that federal financing requirements, which he estimates conservatively at \$154 billion, will eat up virtually the entire supply of savings for 1982. Kellner places that supply at about \$190 billion (and the Federal Reserve at only \$160 billion).

What is wrong with this sort of bookkeeping is the simple truth that the actual rate of monetary growth, as measured by Merrill Lynch economist Peter Canella (in

the form of "adjusted" M2) has been well above a 20 percent annual rate for most of last year. As we have emphasized for a year now, the Fed chooses to "target" so-called M-1, the narrowly defined money supply, while deregulating banking in such fashion as to enable every money-market fund in the country to manufacture what used to be called "bank money." While 50 percent of all new credits (or more) is absorbed in refinancing old debt service, the actual rate of credit expansion is the highest in U.S. peacetime history.

Debt finance and the dollar

The question is not whether the supply of savings has run out, but rather under what conditions will the Eurodollar market and other institutions who can manufacture "bank money" at will fear to overextend themselves further by lending money they created out of thin air to borrowers who can never pay it back? Canella's conclusion from this regrettable set of circumstances, as he told *EIR* this month, is that "the problem with the Fed is that it doesn't have the guts to make everybody go bankrupt!" He adds, "We will end up with an accidental disinflation, through a collapse of the credit system. It's inevitable." The point at which such a collapse occurs is when debt-financing requirements rise geometrically (as they are doing now), while real income out of which debt service may be paid falls geometrically through economic depression (as it is now doing). March or April of this year will be a remarkable time to live through.

However, the dollar's unique position as the world's international reserve currency means that, while the

individual bankrupt corporation or political entity will see its debt-paper devalued through reorganization, the currency which denominates such bad paper may well go through the identical process. Technically the dollar is bankrupt, and it is held up by the willingness of speculators to risk major capital losses in return for high current return, much like sterling on the eve of its slide to \$1.60 five years ago.

What is implied with the exhaustion of the OPEC surplus, the main prop to the dollar since 1973, is not a lack of savings, but a massive shift of financial power. In a recent discussion Morgan Guaranty Trust chief economist Rimmer de Vries said, "Morgan Grenfell's conclusions seem plausible. It could be a drop in the savings rate, but it doesn't need to be that way. What we know is that Japan and other exporting countries will have a much bigger surplus. There is a constant shift in the direction of capital flows, they are shifting all the time. It's a swing of over \$100 billion in just two years' time, to the advantage of West Germany, Japan, and a little bit to the United States, which will have less deficit." The category of savings is merely an accountant's residual; what is not spent is saved. It is not known that Germany and Japan will spend rather than save their surpluses, merely that they will enjoy the end of several years of brutal financial pressure.

The Blumenthal method

This shift in favor of the Japanese yen and other trading currencies was the subject of an extraordinary talk by Daiwa Securities' London-based economist T. Nakamae in New York Jan. 19. Nakamae put the 1982 OPEC payments position at \$9 billion in deficit (although by his own reasoning it could easily go to the \$40-\$60 billion range), and predicted a 30 percent devaluation of the American dollar.

The special importance of this for the ongoing debate about what on earth to do concerning the federal deficit should not be missed. It is possible to keep American interest rates rising, and speculative money in the dollar, until the ensuing bankruptcies shatter the international monetary system—which is roughly what Morgan Grenfell's John Forsyth and Merrill's Peter Canella proposed to do. There is nonetheless a time-honored method of dealing with such problems, namely, to *finance the deficit through a collapse of the dollar*. That is not as strange as it seems; John Connally and W. Michael Blumenthal both did it.

Foreign central banks are the biggest purchasers of U.S. Treasury securities of any single investor group, with about \$160 billion in their portfolios at present. When the dollar crashed in the past, foreign central banks exchanged their own currencies for dollars, i.e. bought them off the market, to prevent their own currencies from rising too fast. The resulting dollar

holdings, by an agreement of the Group of 10 in 1967, are invested in U.S. Treasury securities. Dollar runs are highly inflationary, because foreign central banks must print more of their own currencies to buy up dollars sold by speculators. Mechanically, what occurs is no different from monetization of Treasury debt by the Federal Reserve (that is, open-market purchases of Treasury securities by the Fed), except that 1) the excess money is printed not by the Fed but by foreign central banks, and 2) the Treasury securities are bought by the foreign central banks rather than the Fed.

The options at this point boil down to 1) remonetization of gold and directed credit in the industrial countries to productive ends, as Lyndon LaRouche has proposed in these pages; 2) "disinflation through a collapse of the credit system," as noted; or 3) a brief wave of monetary hyperinflation disguised as a dollar collapse.

With the Reagan administration maneuvering to "avoid a demonstration that the NATO alliance is only on paper," as a senior State Department aide said in a recent background discussion, and West German Chancellor Helmut Schmidt warning that the threat of depression is the greatest danger to the alliance, the situation is far from simple. The Carter administration's, and now Secretary Haig's, greatest instrument of pressure against the Europeans is the oppressive monetary regime that constricts their maneuvering room and poisons their political life with record postwar unemployment. To continue the pressure threatens to throw the United States itself into chaos, leaving the Europeans to seek what refuge they can.

But to permit a collapse of the dollar means to acknowledge what has, in fact, already occurred: a massive shift in world trading power away from the United States and in favor of the Europeans and Japanese, reflected in the shift of world flow of funds that Morgan's Rimmer de Vries considers the signal feature of the situation. With such power comes the ability to maintain European and Japanese trading relations, not least with the Soviet Union.

All the foregoing can be summarized in one simple statement, namely, that reality is asserting itself. America's two-year experience with Fed Chairman Paul Volcker's form of monetary suicide is leading to precisely those consequences which the West Germans first began to warn of a year ago. The present situation is uncomfortably similar to the late 1973 period, when the prospects for a further devastating dollar crisis were cut short by the Arab-Israeli war that first quadrupled the price of oil. Short of an adventure which would lead to even more disastrous consequences, Haig and Volcker face the gravest embarrassment of any American policymakers since the British burned James Madison's White House.

The myth that low Japanese wages wrecked the U.S. auto industry

by Richard Katz and Richard Freeman

A myth has captured Detroit, the myth that cheap Japanese cars produced by low-wage Japanese laborers are responsible for the collapse of the U.S. auto industry. Similar myths pervade steel and other sectors. The allegation is that cheap Japanese labor allows Japan to undercut U.S. car costs by \$1,500 for each car produced, thus outselling U.S. makers and putting higher-paid U.S. workers on the street. Under the spell of this myth, the auto firms and the United Auto Workers (UAW) are currently discussing how much to cut workers' wages. General Motors has already accepted a UAW proposal to match worker pay cuts dollar-for-dollar with cuts in the sticker price. Only the amount of the pay cut remains to be determined; the firms are tossing out figures of \$1,000 to \$2,000.

Since in reality Japanese imports have little or nothing to do with the collapse of U.S. auto sales, as we shall show below, fixation on this phony explanation will prevent any action from being taken against the real cause, the high-interest-rate regime imposed by Federal Reserve Chairman Paul Volcker. As a result, no matter how many Japanese cars are kept out of the United States or how much U.S. workers' wages are cut, sales and employment will continue to plummet. Moreover, led by the Autoworkers, Steelworkers, and Teamsters, the American labor force will have accepted absolute cuts in pay for the first time since the 1929-33 depression—and at least in 1929 to 1933, workers had the consolation of falling prices.

A look at some of the basic figures surrounding the

Figure 1
Costs of an American car

Year	Sticker price	Total purchase cost*	Interest on finance charges**	Production labor cost***	Interest as % of total	Production labor as % of total
1970	\$3,730	\$ 4,055	\$ 325	\$ 791	8.0%	19.5%
1972	3,800	4,325	515	984	11.9	22.8
1974	4,300	5,085	785	1,084	15.4	21.3
1976	5,400	6,429	1,000	1,227	17.2	21.2
1978	6,476	7,936	1,460	1,625	18.4	20.5
1980	7,676	9,669	1,993	1,775	20.6	18.4
1981	9,020	11,596	2,576	2,022	22.2	17.4

* includes interest on finance charges

** based on estimated contract price, or sticker price less down payment

*** based on estimate of 140 hours labor/car, 1970-73; 130 hours labor/car, 1974-79; 120 hours labor/car, 1979-81. Labor hours decreased with size of cars produced.

post-1978 sales collapse exposes the myth: 1) *Japanese imports had nothing to do with the collapse of U.S. sales.* From the 1978 peak of 9.3 million units, U.S. auto production fell to 6 million in 1981, a fall of 3.3 million. Yet, in the same period, total imports—of which Japanese cars comprise 90 percent—rose only 300,000 to 2.3 million. There is no way a 0.3 million rise in imports could have caused a 3.3 million collapse of U.S. domestic sales. Even if every small import had been kept out of the country and if every consumer had instead bought a same size or larger U.S. car (since there were not enough small U.S. cars to meet demand), U.S. domestic sales would still have fallen by at least 1 million units! 2) *U.S. workers' wages did not cause high sticker prices.* The biggest cause of the collapse of sales is the prohibitive sticker price and interest charges on a new car at a time when real incomes are falling in the United States. Workers' wage hikes did not cause these problems. Between 1978 and 1981 auto workers wages per car rose only \$400, *only 11 percent* of the combined effect of a \$2,500 hike in the sticker price and an \$1,100 boost in interest charges. In fact, total interest on buying a car, at \$2,600, is now more than the entire labor cost of the car at \$2,000! Even if auto workers' wages were cut to zero, U.S. sticker prices plus interest would still make a car cost \$9,600! (see Figure 1)

3) *Japanese wages are rising twice as fast as American auto workers' wages; technology, not "low wages" is Japan's competitive edge.* On the books, American auto workers' wages are twice the level in Japan, at \$16.85/hour compared to \$7.78/hour in 1981. This includes not only base pay but also all fringe benefits, e.g. health and insurance plans, sick leave, social security, vacation, and in Japan such things as regular bonuses, company subsidization of housing costs, free meals, and so forth. This

is the difference in the cost to the company. From the worker's standpoint, if Japan's much lower tax rates and lower inflation is taken into account, then the real, spendable take-home pay of the Japanese auto worker is at most \$3-\$5 less than that of his American counterpart, not the \$8-\$9 quoted in all the media.

Certainly U.S. wages are higher—America, fortunately, still provides its citizens with the highest living standard in the world. But take a look at the comparison in growth rates. In 1960, the Japanese auto worker made only 34 cents per hour, one-tenth the wage of his American counterpart. Today, he makes \$7.76/hour, one-half of U.S. wages and his wages have risen twice as fast in the past decade. If such trends continue, by the 1990s Japanese auto workers may be making more than Americans (see Figure 2).

There is also reason to believe American hourly compensation may be vastly overstated. For one thing, only \$11 is base pay, and the value to the worker of some of the fringe benefits are dubious. For example, a great deal of the fringe cost is Supplemental Unemployment Benefits, to be paid by the auto company at the point the worker becomes unemployed. Though the firms may count this "payment" on their books, they have vastly reduced the amount they pay out, and discontinued the service for more than half of all auto workers. Though the firms list pension fund payments on their books, what they actually deposit in real money is only a fraction of what they list. Other examples abound.

The charge that Japan is underselling U.S. prices is simply false. In 1978, the average Japanese car (a smaller car) cost only \$500 less than an American car. In the next two years the difference was down to \$200. And in 1981, according to the U.S. Department of Commerce it cost the consumer \$200 more to buy an import! How can one

Figure 2
Japanese and American autoworkers compared
Total hourly compensation,*

	Japan	U.S.A.	Yearly growth, Japan**	Yearly growth, U.S.A.**	Japanese as % of U.S.A.
1960	\$0.34	\$3.45	12.9%	5.1%	9.9%
1970	\$1.14	\$5.65	19.0%	10.4%	20.2%
1980	\$7.76	\$16.85			46.1%

Source: Dept. of Labor

* Hourly compensation includes not only the hourly wage, but also all fringe benefits, such as insurance benefits, sick leave, social security payments, and in Japan regularly programmed bonuses, free meals, company subsidization of workers' housing costs, etc.

No adjustment has been made for inflation; any such adjustment would lessen the differential between U.S. and Japanese real wages.

** Average annual percentage growth of Japanese and U.S. economies per decade.

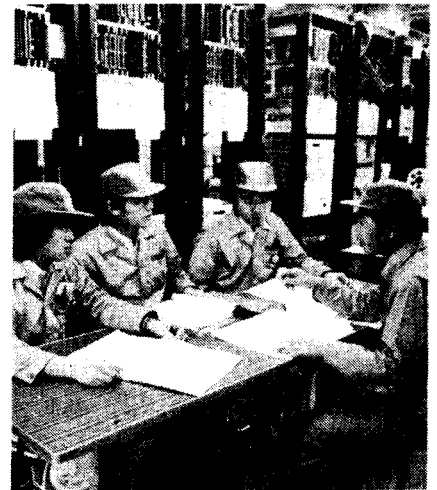


Figure 3

Growth in hourly compensation per worker
(adjusted for inflation)

	1960 = 100		Average annual growth	
	1967	1976	1960-67	1967-76
Japan	140	300	4.9%	8.8%
U.S.	113	122	1.7	0.8

Gross private fixed investment as a percentage of GNP: 1955-80
(adjusted for inflation)

	1955	1960	1965	1970	1973	1975	1980
Japan	11	18	19	27	27	24	25
U.S.	14	14	14	14	15	12	14

Personal consumption as percentage of Japan's GNP: 1955-80
(adjusted for inflation)

	1955	1960	1965	1970	1975	1980
	63%	56	59	53	55	54

Growth in labor productivity

	1960 = 100		Average annual growth 1960-78
	1960	1978	
Japan	100	450	8.7%
U.S.	100	164	2.7

Growth in industrial production

	1960 = 100		Average annual growth 1960-74
	1960	1974	
Japan	100	426	10.9%
U.S.	100	197	5.0

Sources: United Nations, U.S. Department of Commerce, Japan Ministry of International Trade and Industry

claim "low Japanese wages" are leading Japan to under-sell U.S. prices?

Japan applies the American System: rising wages

Even recognizing that Japanese imports did not cause the collapse of U.S. auto sales, it is certainly no secret that Japan has been able to out-produce and out-sell America in industries from steel to auto, and is beginning to challenge the high-technology computer sectors as well.

The secret to Japan's competitive edge is not the myth of low wages, but a policy which used to be known as the American System of economics: rapid

introduction of new technologies, real wage levels rapidly rising, and government assistance to nascent industries. These are the very policies that turned America into an industrial powerhouse. Not surprisingly, the founders of modern Japan of the 1870s learned this system from studying Alexander Hamilton's policies, and with direct guidance from the associates of Abraham Lincoln's economic adviser, Henry Carey.

Far from being a cheap labor, runaway sweatshop—a sort of high-class Hong Kong—Japan made rapidly rising real wages the foundation of its economic miracle. Let us look at the 1955-71 period in particular—before post-1971 sluggish world trade and the 1973 and 1978 oil shocks disrupted the process. A *tripling of real wages* during that period enabled Japanese workers to absorb ever higher technologies and accelerating capital investment. This in turn led to 8 to 10 percent annual productivity increases, and 10 to 12 percent annual production growth rates.

Because productivity made up for wage increases, unit labor costs in Japan for manufacturing did not rise at all during 1955-71! This meant zooming profits, which the industrialists plunged into greater capital investment and further wage increases, not into real estate à la U.S. Steel Corp. Growing profits also allowed the government to cut the tax rate almost every year!

This process created a fascinating change in the structure of the economy. Looking at Figure 3, we see that between 1955 and 1970, personal consumption fell from 64 percent to 53 percent of real GNP, despite the tripling of living standards. Capital investment on the other hand rose from only 11 percent to 27 percent of real GNP. A rising capital-labor ratio, *in the context of rising real wages*, is the hallmark of a healthy economy—and the only reliable source of corporate profits.

After 1971, and even after 1973, the same policy continued in Japan. Overall industrial growth and real wage growth slowed because of the slowdown in world trade. However, after 1971 the emphasis on qualitative living standards became even stronger. Though wages had risen rapidly in 1955-71, the Japanese recognized they were still not high enough. Japan suffered a chronic shortage of skilled labor. In fact today, Japan estimates it still has 800,000 too few skilled laborers for today's demand because its living standard is not high enough, both materially and culturally, to meet growing needs.

Japan's small houses—sometimes lampooned as rabbit hutches—are infamous. Not so famous are the steps Japan has taken to overcome this problem, because some business leaders recognized, "Narrow houses produce narrow minds." Japan went on a house-building binge after 1970. In 1981, despite a 15 percent fall in housing units built from 1980 due to the effects of the Khomeini oil shock, Japan produced more hous-

ing units than the United States—1.2 million to our 1.1 million—with half our population! Just as important, the average size of Japan’s houses rose from only half U.S. floor space, to two-thirds. Yet, in the last three years the United States has not only built fewer houses but actually let the average floor space shrink.

Japan’s leaders gave equal importance to pushing education in basic science under the slogan that Japan would have to move steadily from basic industries to higher-skilled industries to “knowledge intensive” industries. In 1980, Japan graduated almost twice the number of electrical engineers as the United States: 20,000 as contrasted to 12,500. For years Japan has rapidly increased its engineering graduates while the United States has let this important resource stagnate.

Other items of basic life indicate a rising living standard in Japan while the U.S. standard has been falling: e.g. subways that break down less often, and commuter trains that whisk passengers between cities at 120 miles per hour; rising animal-fish protein consumption while beef consumption in the U.S. has fallen 15 percent since 1978; Mozart rather than just Muzak in department store loudspeakers.

Trade-dependent Japan is, of course, not immune to world events. The Khomeini oil shock caused a 1 percent decline in Japanese real wages in 1980-81—far

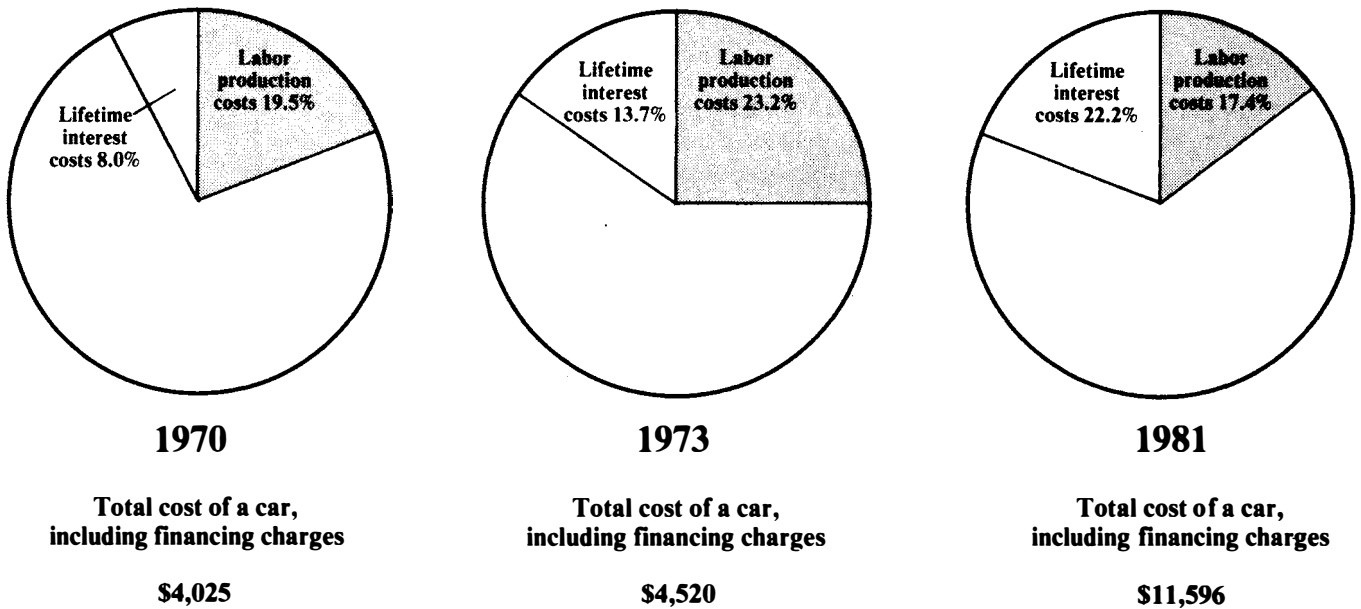
smaller than U.S. declines of nearly 10 percent—but Japan’s investment program is now causing a resumption of real-wage increases.

High wages mean productive workers

Japan’s rising real wages—from \$1.14 per hour in 1970 to \$7.76 today in the auto sector—help create its competitive edge. The real secret to Japan’s competitive edge in auto is that from 1970 to today, Japan doubled the auto output per employee; in contrast, U.S. labor productivity in auto increased only 30 percent. It now takes Japanese workers only 90 manhours to make a car compared to 120 in the United States. In fact, if the United States just knocked off the extra 30 hours, which at an alleged \$16.85 an hour amount to a saving of \$500 per car, this would make up half the saving GM says it needs to compete against the Japanese. In steel Japanese workers moved from 50 percent of U.S. output per manhour in 1964 to 150 percent in 1980!

Japan accomplished this not through speedup, not through “labor-management techniques” that made workers “feel better,” but through rising wages and improved technology. Industrial robots are only the latest innovation in this process. At the Nissan Motor Zama plant, the most advanced in the world, there are 50 robots in service producing 800 units per day with 80

Figure 4
Total costs of an American car



Source: National Association of Autodealers, Dept. of Labor’s Bureau of Labor Statistics

workers on shift, twice the normal levels of output.

In steel, Japan made the leap through use of continuous casting, and newer and bigger furnaces.

American workers, by contrast, simply were not given the benefit of modern technology. U.S. equipment is, on the average, twice as old as that used in Japan. It is not only more dilapidated; it is more backward. The auto industry, despite model renewals, has one of the worst records. In 1975-78, when the average U.S. industry had 30 percent of its tools under ten years old, auto had only 24 percent. A shocking 45 percent of auto tools were over 20 years old! And yet GM insists the problem is low Japanese wages.

Despite the sorry record of comparing the United States to Japan in auto and steel, the reality is that overall, the U.S. worker is still by far the most productive worker in the world! Even with backward, abused equipment, the American worker can still produce an estimated 30 percent more output than his Japanese counterpart, and even greater percentages more than others nation's workers, in the average manufacturing industry. This should not be at all surprising. After all, the American worker still has the highest living standard in the world, both materially and culturally. Give him the proper equipment and he will put the Japanese to shame.

In fact, given the state of auto industry management and equipment, probably the only thing maintaining the U.S. in any competitive position at all is the skill of the average U.S. autoworker. *Any proposal to lower U.S. industrial wages will make the United States even less competitive, just as the Nazis found in 1930s German industry.*

The real culprit: Volcker

If the Japanese worker did not destroy the U.S. auto industry, who did? Let us look at the breakdown of the remaining \$9,600 in U.S. auto costs (price plus financing) after labor costs are removed. In addition to direct \$2,600 in interest charges to the consumer, let us consider the interest paid by the firms and the dealers. The firms have had to massively increase their borrowing in recent years. Though they keep their debt service figures secret, conservative estimates put the cost at \$1,000 per car, plus \$500 per car for the dealer. This does not count the way inflation caused by high interest rates has raised the cost of materials. The total interest of firms, dealers, and consumers amount to approximately \$4,100, almost half of the non-labor costs of buying a car. The labor portion has shrunk drastically while interest has zoomed (see Figure 4). The name of the culprit behind the plunge of U.S. auto production is neither Toshio Tagushi of Toyota nor Joe Jones of Ford. Paul Volcker, the Khomeini of the credit markets, is the name you seek.

An EIR Conference

Strategic Perspective for 1982 The Global Strategic Shift in the Light of Recent East Bloc Developments Wednesday, February 17

- 9:00 a.m.** Registration
9:00-12:00 a.m. The hidden strengths of the Soviet command economy and the implications of the Soviet natural gas pipeline
Speakers: Uwe v. Parpart, Director of Research, Fusion Energy Foundation; Rachel Douglas, Soviet Sector Editor, *EIR*
12:00-2:00 p.m. Luncheon
2:00-5:00 p.m. The global strategic shift in light of recent East Bloc developments
Speaker: Lyndon H. LaRouche, Jr., Founder, *EIR*

The Strategic Implications of the Global Economic Crisis Thursday, February 18

- 9:00-12:00 a.m.** Panel: Why does America face a second Great Depression?
Speakers: Dr. Steven Bardwell, Editor-in-Chief, *Fusion* magazine; Uwe v. Parpart; David Goldman, Economics Editor, *EIR*
12:00-2:00 p.m. Luncheon
2:00-5:00 The strategic implications of the world economic crisis
Speaker: Lyndon H. LaRouche, Jr.

Embassy Hall Room
DuPont Plaza Hotel
1500 New Hampshire Avenue N.W.
Washington, D.C.
Registration fee: \$100.00

For more information, call *EIR* Special Services Director Peter Ennis at (212) 247-8820 or *EIR*'s Washington Bureau at (202) 223-8300

Chilean model slated for the remainder of Latin America

by Cynthia Rush

In September 1981, *Executive Intelligence Review* reported to its readers on the fraud of the “economic miracle” created by Milton Friedman’s “Chicago School” for Chile, and explained why the “free-enterprise” scheme adopted by the Reagan administration for the developing sector doesn’t work. A look at the Chilean economy three months later makes the point even more dramatically. Entering 1982, the Chilean government faces:

- **A precarious banking system.** In November of 1981 the government abandoned the Chicago School’s “hands-off” approach and took over four banks and four financing companies belonging to the bankrupt Sahli-Tassara group. Despite statements to the contrary, the government made the move to avert a general banking collapse. Banks were delaying call-ins of loans on which payment was due until after the Dec. 31 reporting period so as not to reveal an alarming number of bad debts.

- **A \$3 billion trade deficit for the year,** due to a \$7.1 billion import bill and \$4.2 billion export bill. To try to limit the growth of the deficit, the government implemented measures in mid-December reducing the term for import credits from 180 to 90 days.

- **A depression-wracked private sector.** Industrial production in 1981 increased by only 1 percent over 1980. The private manufacturers association SOFOFA estimated a fall of 5 percent for industrial production during the last quarter of 1981.

- **A collapse of the construction industry,** signalled by the bankruptcy of the second largest building company in Valparaiso, Construcciones Industriales.

- **The bankruptcy of agriculture.** Carlos Podlech, President of the Chilean Wheatgrowers Association, reported in November 1981 that “as a result of the inflexible application of economic policy, national agriculture is short of finance and in virtual bankruptcy.” Farmers are at the mercy of Chile’s private financial monopolies, which grant credit at usurious rates, and control the sales of inputs and marketing. The Jan. 18 issue of the *Wall Street Journal* reports that there have been so many failures in the wheat-growing area of Talca that Chileans call it the “Bermuda Triangle.” 1981 saw the bankruptcy

of the large sugar consortium CRAV, the main agricultural dairy cooperative in Ñuble, and three major fruit-exporting companies.

- **An unemployment rate of 20 percent.** In his year-end speech, Pinochet announced that the government would be studying possible wage reductions of 5 percent for the lowest-paid workers, and 10 percent for others, as a way of “helping out” the besieged manufacturing sector.

True, as apologists for the Chilean “miracle” are quick to point out, Chile has lowered its inflation rate from over 600 percent in 1974 to 10 or 15 percent in 1981. But at what price? Previously one of the more industrialized nations in South America, Chile today has no economy left to speak of; every major sector is bankrupt, and its highly educated and cultured population beggared—if not murdered. As former central bank president Alvaro Bardon admitted last November, economic growth stands at zero. As a result of the government’s policy of lowering protective tariffs to force domestic industry to be more “competitive,” Chile has been reduced to the status of a tropical free port. It is swamped with imports of color TV sets, electronic goods and other cheap foreign imports that are of no use to its impoverished population.

Dictator Pinochet announced on New Year’s Eve that the Chicago School economic model will continue indefinitely, with only a “few minor alterations.” Just prior to giving the Dec. 31 speech in which he admitted Chile was suffering from a “recession,” Pinochet reshuffled his cabinet to reassert the role of Finance Minister Sergio de Castro, a Chicago-School ideologue, and removed de Castro’s critics.

The only thing allowing Pinochet to make such an announcement is the significant financial backing—\$4 billion dollars worth—that he received in 1981 from the international banking community. That \$4 billion increase brought Chile’s foreign debt to a significant \$15 billion. The question is, why the costly advertising campaign? Why are international bankers going to such lengths to prop up Milton Friedman’s Nazi experiment?

The answer has little to do with Chile itself, which is already destroyed as a sovereign nation. The point is that

Chilean shock treatment is the model that the City of London, and its allies in lower Manhattan and within the Reagan administration, want to impose on the rest of Latin America, beginning with Chile's immediate neighbors, Argentina and Brazil. Henry Kissinger and Alexander Haig are pushing Friedman's voodoo economics as the basis for the much-touted "Caribbean Basin Initiative" and ultimately hope to force the U.S. economy through the same "Chileanization" process.

Under existing conditions, putting Chile through still another round of "miracle" economics is a decision to exterminate that country's population, as the backers of the model readily admit. In an article aptly titled "Chile's Brave New World of Reaganomics" in its Nov. 2 edition, *Fortune* magazine straightforwardly asserts that the only way that the Chilean economic miracle came into being in the first place was "by putting the country through the wringer."

Following a 1975 meeting with Milton Friedman, Sergio de Castro and the Chicago boys began to "swing a budgetary axe that would have delighted David Stockman," wrote *Fortune* author David Dworkin. "They cut spending by 25 percent across the board, pruned the public sector payroll, and either sold off state enterprises or curtailed their access to the treasury." They raised taxes, and eliminated protective tariffs, which allowed a flood of imports into the country and the destruction of domestic industry. The only thing that "surprised" de Castro, Dworkin lies, was "the dire recession triggered . . . by the shock treatment":

National output fell 15 percent in 1975 and wages slid to one-third below what they had been in 1970. Unemployment went to 20 percent and stuck within three points of that level for the next four years. . . . There were outbreaks of mangle and other infectious diseases. Beggars appeared on the streets, and the Catholic Church organized soup kitchens.

Argentina next

For Friedman and his London backers, the "pain" of genocide is a small price to pay—especially for developing-sector nations—to meet the ostensible goal of reducing inflation. Hoping that Chile is under control, the international financial oligarchy is now tackling Argentina, a country that has already suffered five years of monetarist policies under the direction of David Rockefeller's close friend José Martínez de Hoz. But de Hoz's term as finance minister from 1976 to March 1981 was only to soften Argentina up for what it now faces. According to Sergio de Castro, de Hoz didn't go far enough in 1976-81. He "had the recipe" for shock treatment, de Castro complained to *Fortune*, but "he didn't follow it."

New President General Leopoldo Galtieri and Finance Minister Roberto Alemann *are* willing to follow the "recipe," which is why Henry Kissinger and Alexander Haig backed Galtieri's ouster of Roberto Viola last December and his subsequent takeover of the presidency. Roberto Alemann's public commitment to "painful" shock treatment—even with the embarrassing failure of Chile staring him in the face from across the border—will deliver the final blow to Argentina, once more industrialized than Chile.

The starting point for Alemann is the destruction that de Hoz left behind him. At the end of de Hoz's five-year term of free trade and "free enterprise," Argentina's GNP had dropped by 5.2 percent—a decline surpassed only by the war-ravaged economy of El Salvador. With only 48 percent of its installed industrial capacity in use, Argentina today produces at levels well below those of a decade ago. Demand is at an all-time low, leaving companies to stockpile large amounts of finished goods at exorbitant financing rates. In the third quarter of 1981, gross industrial production dropped 22.9 percent; machinery and equipment production dropped by 44.9 percent during the same period.

The core of Alemann's program will be the same budgetary axe-swinging and "fiscal discipline" practiced in Chile. As one of his first acts in office, Alemann froze salaries of members of the armed forces and state sector employees. He also intends to eliminate many of the "inefficient" state sector enterprises through funding cutbacks and "privatization" schemes. During his first term as Finance Minister under President Arturo Frondizi (1958-60), Alemann gained notoriety by firing 100,000 state sector employees and handing 40 of the 44 companies owned by the state sector group DINIE over to the private sector. Under the current conditions of industrial collapse, Alemann's austerity measures could put a large number of the almost 2 million state sector employees out of work. Some Argentine economists have estimated that including people who work part-time—sometimes as little as one hour a day—unemployment ranges around the 4-million mark in a country of 27 million people.

Alemann has announced that his development strategy is based on expanding exports and investment, *not* consumption. Since he doesn't intend to lower interest rates from their current level of 150 percent annually—he has already reversed the emergency package passed by interim President Horacio Liendo last November which placed a ceiling on interest rates—the only investments expected to come into the country are those directed toward speculation. De Hoz's destruction of industry and high interest rate policy attracted a flood of "hot money" for short-term speculation, and this will resume under Alemann. The Finance Minister is also organizing a propaganda push around the potential for

developing Argentina's natural gas and oil reserves. *EIR's* evaluation is that this is an effort to line up Argentina as part of the "Western Hemisphere strategic reserve," and provide Kissinger and Haig with a pretext for trying to reduce Argentina's substantial trade with the Soviet Union.

Will it work?

Whether the City of London can successfully subject Argentina to a full "Chileanization," and extend the model next to Brazil, Peru, and ultimately the United States, depends on whether the model's credibility can be maintained. Despite the expensive press hype given the Chilean model, there are signs to the contrary. Inside Chile, certain factions of the military have become increasingly and publicly critical of Pinochet's handling of the economy, as evidenced by the recent statements by former junta member General Gustavo Leigh attacking the government's economic and social policies. In his December cabinet reshuffling, Pinochet surprised some observers by naming General Luis Danus, a member of the military faction that is displeased with the destruction of Chilean sovereignty, as head of the planning agency Odeplan. Gen. Danus, who often snidely refers to Sergio de Castro's team as the "Chicago kids," is a cousin and cothinker of Gen. Gastón Frez, the director of the state copper corporation Codelco. Given the state of the Chilean economy, Pinochet will probably be forced to pay greater attention to this group of military hardliners who now control key government advisory positions.

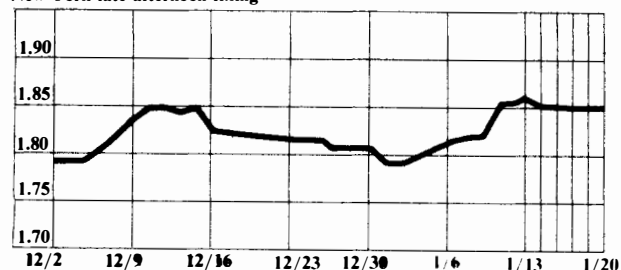
In Argentina, even Alemann's most avid supporters admit that he will have a politically rough time imposing shock treatment. One obstacle facing him is the fact that the military itself has a financial stake in many of the state-owned enterprises he wants to axe, and won't accede to his policies readily. Similarly, the still-powerful Peronist movement and other political parties, are warning of the "social consequences," i.e. social upheaval, that could be unleashed if Alemann pursues his announced program.

This reality creates problems for those who, like the editors of *Fortune* magazine, support the imposition of the Chilean model in Latin America and the United States, dictatorship and all. That *Fortune* desires the Chileanization of the United States is seen in its bald assertion that "if a small undeveloped country can live by the theory of competitive advantage, then surely our infinitely more resourceful economy can. . . . The U.S. economy should neither require the severity seen in Chile . . . but the response time may be just as agonizingly long as it was in Chile. Whether a democracy has enough staying power is a question only Ronald Reagan's Washington—and the passage of time—can answer."

Currency Rates

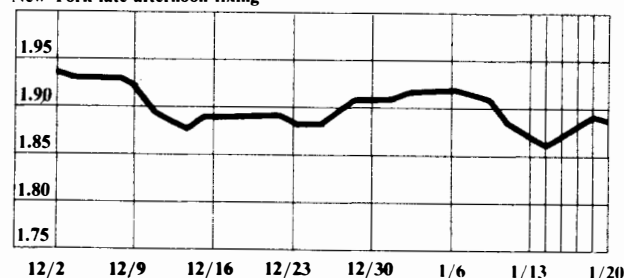
The dollar in Swiss francs

New York late afternoon fixing



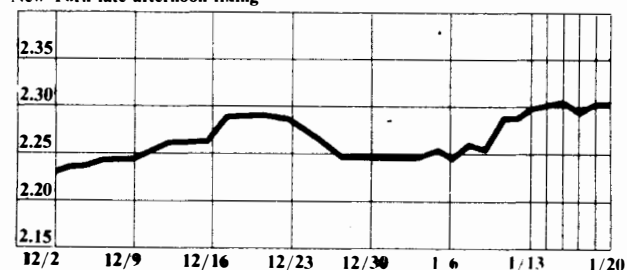
The British pound in dollars

New York late afternoon fixing



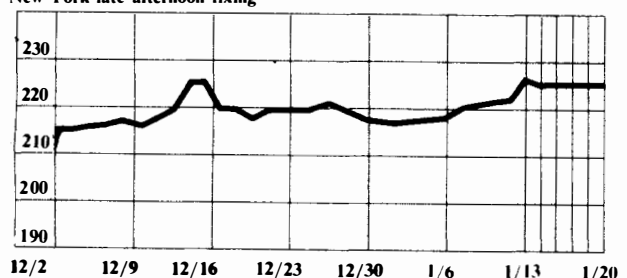
The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing



Interview: the prospects for the next stage of Mexico's nuclear energy program

The following is a Jan. 15 interview with Cecilia Soto de Estévez, who is the President of the Mexican Association of Fusion Energy. In this capacity, she has been advising leading policy circles on the urgency of a full nuclear energy commitment. She is thus in a unique position to reflect on the ongoing international competition for participation in Mexico's ambitious nuclear power program, as well as the role of such high technology projects in improving North-South relations more generally.

Engdahl: What is the current status of Mexico's nuclear development plan?

Estévez: Mexico has one of the most ambitious nuclear program targets in the world at this point. The government plan calls for constructing 20 gigawatts of nuclear electrical generating capacity by the end of the century. In the first part of this program, at Laguna Verde, near Veracruz, two units being built by General Electric will give 1.3 gigawatts in two units by 1983. Now, we are in a process of getting international bidding, to be closed in February, for the second complex, 2.4 gigawatts which will consist of either two or four units. Then the government will render its final decision by next July. This may also be in the same region as Laguna Verde.

This next round of bidding is extremely crucial. The reason is relatively clear. The Mexican planners in government want to be able by the end of the century to construct at least 85 percent of all such nuclear technology domestically. To reach this goal, they will want a standardized design for the rest of the program to the extent possible in order to gain maximum efficiency and experience for this transition to self-sufficiency.

Engdahl: Many ask why the urgency for an oil-wealthy nation such as Mexico to make such a substantial commitment to nuclear technology?

Estévez: The 1980 official government National Energy Plan has targeted a very high rate of growth of the

electric sector of 14.2 percent annually for the period 1980-90, in order to achieve the overall goals of the industrialization program. The plan argues that as nuclear becomes more significant in the economies of the advanced sector, Mexico must become technologically and scientifically in pace with the most advanced developments. It is clearly understood that to burn oil for electricity is the least efficient and most expensive use of this fuel. Nuclear, on the other hand, especially in a country such as ours with large uranium resources, is the cheapest and most economical method to produce electricity. In the process, it will provide us with the technological level sufficient to solve the energy problems of the developing sector into the next century.

Engdahl: Who are the countries bidding for this important next project?

Estévez: Canada, the United States, France, Sweden, and West Germany; seven companies in all. The bidding has more than local importance. The Mexican government asks for a genuine transfer of technology in terms of training of technical and engineering and construction personnel. It wants a long-term agreement on fuel enrichment.

Already, one of the largest concerns of relevant authorities is the bottleneck of trained personnel—skilled technical cadre. This problem has been the subject of much attention. The President, López Portillo, has emphasized that the “spirit of Cancún” [see *EIR*, Nov. 10, 1981] must be realized concretely in the form of the commitment by the so-called North industrialized countries to develop the South or developing nations. In February, López Portillo will go to New Delhi for a follow-up meeting to Cancún called by Prime Minister Indira Gandhi.

Engdahl: Who are the front-runners in the current round of bids?

Estévez: Because of the specific demands of the transfer of nuclear technology and requirements for a complete fuel cycle, I would say France, the United States, and Canada, and perhaps also in that order. Let's take each.

Why France? It would be obvious to go first to the United States. But Carter's "massacre" against nuclear exports is fresh in the minds of everybody in Mexico. Mexico regards seriously the so-called Schlesinger trauma, that is, the embargo of Mexican uranium which had been enriched in the United States as part of the first charge for Laguna Verde. Schlesinger, then Energy Secretary, demanded physical inspection of Mexican facilities by American inspectors, even though it was Mexico which first initiated the Tlatelolco Treaty calling for creation of a nuclear-weapon-free Latin America. Mexico also had been long a signatory to both the non-proliferation treaty and a member of the International Atomic Energy Agency.

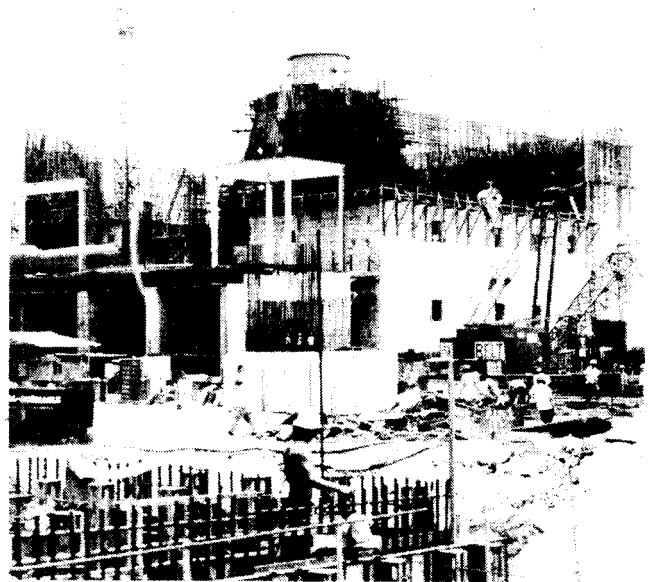
With this abrasive past still somewhat fresh, France appears the front runner because the French are offering serious partnership. This centers in three major areas: 1) France is offering to sell to the Mexican government Iran's 11 percent share in their Eurodif enrichment facility. If accepted, this could give Mexico an assured enriched uranium supply pending their development of advanced-isotope-separation enrichment methods; 2) France also offers a new chemical enrichment process which permits creation of slightly enriched uranium of 3 percent; 3) France is also considering offering Mexico a stockpile of enriched uranium to be stored in Mexico in order to eliminate any fear of a replay of the "Schlesinger trauma."

Engdahl: And the United States?

Estévez: I personally feel that the best option for the United States is not in a specific technological package but lies in the desire of President López Portillo to solidify with President Reagan the idea of developing the U.S.-Mexico relationship as a model for North-South relations generally. He has expressed repeatedly in recent months his grave concern over the high interest-rate policies of the United States and the accompanying developing U.S. economic crisis. If the Mexican government can use the important nuclear export issue as some kind of "opening crack" to reverse the U.S. interest rate policy, López Portillo would possibly sacrifice the more attractive or diversified trade potential of France.

Further, if he can see the possibility of Reagan really and meaningfully changing Carter's nuclear policy, then I think he will weigh the U.S. choice more.

But, personally, I think that the recent negative results of the nuclear-fuel transfer talks with India weakens this chance. There are some definite obstacles to be overcome on the U.S. administration's side: namely, the power of the NRC to override state-to-state agreements;



The initial stage of Mexico's nuclear development: Laguna Verde.

the limits of Ex-Im funds for underwriting nuclear exports; and the so-called Percy-Glenn criteria against transfer of full fuel-cycle capacity.

Engdahl: What about Canada's chances?

Estévez: Canada has put a major lobbying effort into Mexico. They have a certain ally in the leftist Mexican Nuclear Workers Trade Union, SUTIN, who favor Candu (the Canadian-produced heavy water reactor). Thus, it poses a worse dependence problem than the more common light-water reactor models of France and the United States. And many remember too that it was Canada, under the same Prime Minister Trudeau, who supported Carter's nuclear policy wholeheartedly. Canada broke its agreement with Argentina. As to the remaining two countries, West Germany has made very little visible effort to secure the agreement. Sweden has made a big effort, including sending the King and Queen this month. It is possible they may get some subcontracts, but unlikely that they will get the entire major contract.

Executive Intelligence Review is offering a special consulting service on Mexican energy and related development issues, with particular attention to the nuclear issue, during the course of Mexico's current bidding process. The service includes weekly information packets, a monthly evaluation, and regular telephone consultation and updates.

Items covered in depth: factors affecting the relative standing of the seven bidders for the nuclear contract; the emerging policy-makers for the upcoming De la Madrid presidency; Mexico's environmentalists—the open ones and the "moles." A trial packet at reduced cost is available. Contact Peter Ennis, EIR Director of Special Services, for further information: (212) 247-8820, extension 749.

Why the EIR was able to outscore other forecasters on the U.S. budget deficit

by Richard Freeman

The U.S. federal budget deficit will reach some \$100 billion in fiscal 1982. This is the now-familiar, and roughly accurate, consensus—a consensus among the same economic forecasters who totally underestimated that deficit, at a time when the *Executive Intelligence Review* warned that the revenue gap would run out of control, and specified Paul Volcker's policies as the reason why.

It is necessary to examine the record of these projections, not only to demonstrate the accuracy of *EIR*'s forecasts, although that is well worth emphasizing, but to shift the terms of national debate over fiscal policy.

What should be understood is that the econometricians who so grossly underestimated the deficit did so because they were protecting Paul Volcker and the effects of his policies, effects which were quite foreseeable even by these incompetent organizations; and when the forecasters upon whom Washington blindly depends sprang their trap by conceding the actual magnitude of the deficit, they did so to induce the White House to impose further austerity against U.S. living standards and investment, further degradation of America's vast export potential, and further stripping of the essential functions of national government under the Constitution.

They were not simply "forecasting," in short. They had no intention of telling the truth. At the point when they told some approximation of the truth about the deficit, it was because they assumed they could retain their credibility; no one would contest their record; and they could proceed to manipulate the President and the Congress into self-destruction.

Since Volcker initiated his credit massacre in 1979, *EIR* has consistently reported that high interest rates would lead to vast budget deficits through crushing the productive sectors of the economy which generate tax revenues, while hiking the Treasury's borrowing costs, swelling the numbers of those whom government is rightly obliged to assist—and, most fundamentally, wiping out the ability to regenerate U.S. capital-intensive productivity, the key to America's economic future.

Therefore, *EIR* concluded, Volcker and his policies should be ousted. The nation should be committed to a policy of low-cost credit for productive industrial and agricultural output and investment, at the expense of parasitic sectors. And Washington should not hesitate to dispatch funds that will multiply repay themselves into scientific and technological R&D and first-rate education, on the NASA-Apollo space-program model.

What is forecasting?

The low original budget-deficit forecasts by the predominant forecasting outlets (see Figure 1) were designed to soothingly reinforce Mr. Reagan's belief that he could balance the budget and reduce inflation through budget cuts, deregulation of crucial industries, and above all, high interest rates. Thus the President stated in his July 15, 1981 budget review that the fiscal 1981 deficit could be \$42.5 billion.

What were Reagan's current critics saying back then? First, there is the Congressional Budget Office, the unit of Congress created by the Brookings Institution that is officially charged with working up budget projections, and the most-quoted source in budget debates on Capitol Hill. In late December 1981, CBO chief Alice Rivlin, a Carter holdover and Brookings protégée, berated President Reagan for both his policies and his erroneous budget projections for fiscal 1982 and 1983. But what is the CBO record? In July 1981, Rivlin predicted a fiscal 1983 deficit of \$18.4 billion. Six months later, Rivlin revised that estimate to \$150 billion, a flip-flop of \$131.6 billion in less than half a year (see Figure 2).

The margin of error between Rivlin's first prediction and her second, assuming that the second is correct, is 700 percent. But as I commented in last week's report, the CBO is not alone. Between July 1981 and September 1981, Data Resources, the most prestigious of all econometric consulting units, earning the largest annual sales revenues, raised its projection of the FY82 budget

deficit from \$58.0 to \$101.3 billion, an increase of almost 100 percent.

Next consider the case of Evans Economics, one of the Big Ten private econometric consulting firms, which predicted that the FY80 deficit would be \$24.3 billion; in fact it was \$59.5 billion.

Questions of method

The incredible flip-flop of the CBO on its fiscal 1983 budget deficit forecast was explained Jan. 12 by a spokesman for the CBO projections unit, who stated, "We do not release to the public industrial production figures, although we do release our projections for real GNP. The reason is that we can change the industrial-production numbers during the course of a year, and no one would know the difference."

In the same discussion, the CBO spokesman stated, "Our economic forecasts greatly undershot revenues. We underestimated the effects of the high interest rates and the tax-law changes dealing with leasing arrangements." To footnote the latter point: *EIR* had exposed the way in which some of the changes in 1981 tax code provided pure speculative write-offs, and leasing comes under that heading. A firm can easily have its equipment owned by a dummy corporation under its control, and lease the equipment to itself, claiming a tax break. According to the CBO, this will cost the U.S. government billions of dollars in lost revenues, without necessarily enhancing productivity at all. This is merely one

example of misguided tax policy.

The Volcker issue is the major one why most projections are "off the wall." If one regards interest rates as merely an additional charge to the economy, which may hurt industrial production but can be compensated for by growth in "sunrise" sectors of the economy, such as the so-called information sectors, then Volcker's policies are either advantageous or of secondary importance. In this regard, the method that distinguishes *EIR* from the rest of the lot in economics is not the accuracy of its forecasts per se, although the record shows these forecasts are highly reliable. Of greater importance is the method of the forecasts, embodied in the LaRouche-Riemann economic model. Instead of treating the economy as an indiscriminate agglomeration of objects, some useful, some useless, as is done with the Gross National Product metric, *EIR* rejected GNP and treated the economy as a physical system.

Such systems have the ability to reproduce themselves at higher technological levels, embodying further potentials for economic growth, and enriching their citizen's mental powers, or they can degenerate in a spiral of economic collapse. At each point in an economy's evolution, the *EIR* staff weighs the potential in either of these two directions. Using the LaRouche-Riemann economic model, the *EIR* staff was immediately alerted to the dangers inherent in high interest rates as they intersected a heavily indebted and industrially run-down U.S. economy. Each new increment in

Figure 1
Comparison of federal fiscal year budget projections
(in billions of dollars)

Fiscal year	Actual budget deficit	Institutions making projections (dates are time of publication of projections)					
		Data Resources Inc.	Wharton Econometrics	Office of Management and Budget	Fidelity Bank Econometrics	Evans Econometrics	EIR
		Sept. 1980 for 1981; Sept. 1981 for 1982-85	Aug. 31, 1981 for 1983-84	July 15, 1981 for 1982-85	June 29, 1980 for 1981-82	Oct. 23, 1980 for 1980-82; Sept. 1981 for 1983-85	Feb. 9, 1979 for 1980; Feb. 17, 1981 for 1981; Oct. 1981 for 1982
** 1980	-59.5					-24.2	-58.5*
1981	-57.9	-46.6	--		-35.5	-49.4	-65.0
1982		-58.4	-83.4	-42.4	-33.5	-13.6	-97.5 to -102.5
1983		-55.2	-84.9	-22.9	--	-65.2	
1984		-60.9		+0.5	--	-57.5	
1985		-48.2		+5.4		-33.4	

Source: Office of Management and Budget, and the reported statements of each institution cited.

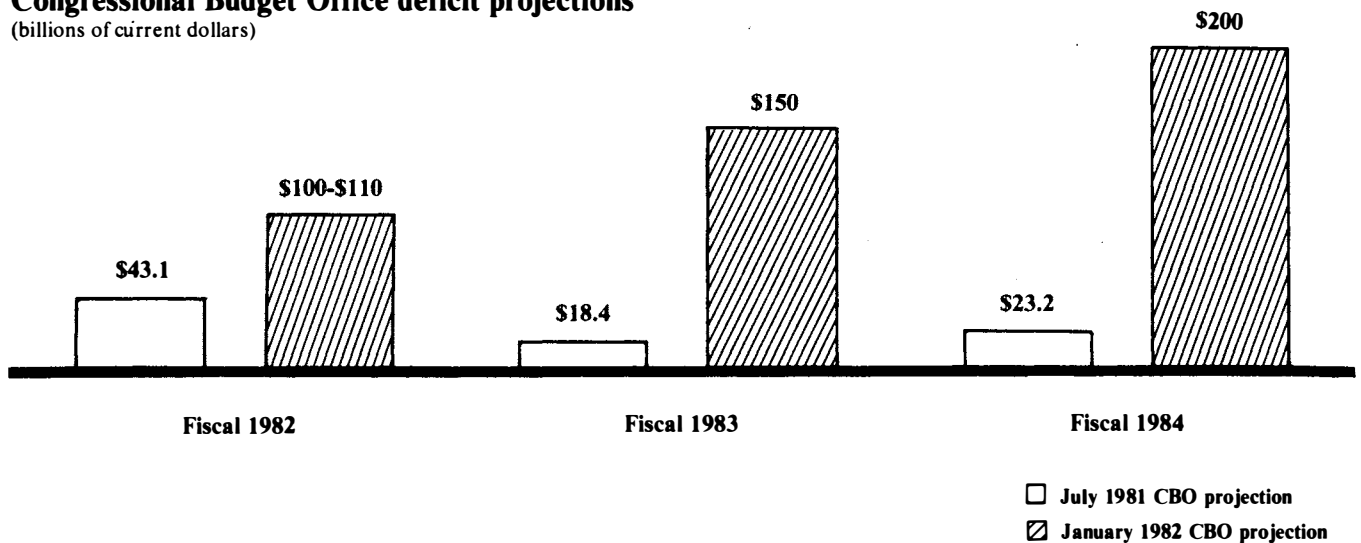
* The *EIR* projection of the federal budget deficit for FY1979 includes on and off-budget items.

** Oct. 1, 1980-Sept. 30, 1981

Figure 2

Congressional Budget Office deficit projections

(billions of current dollars)



interest rates would mean, *EIR* predicted, a new increase in debt service that would have to be drawn directly out of the productive capacity of the economy.

Let us go back for a moment to the Oct. 8-9, 1979 Columbus Day weekend when Volcker, two months into his job as Fed chairman, drastically raised interest rates. These are the comments at the time of the leading economic experts:

- **Rep. Henry Reuss** (D-Wisc.), the long-time chairman of the congressional Joint Economic Committee: "I applaud the Fed and the Treasury for their actions on Saturday."

- **Alan Greenspan**, economic adviser to Presidents Nixon, Ford, and Reagan: "The Fed had no alternative."

- **Robert Triffin**, then professor of economics at Yale University: "Controlling the money supply is the best way to fight a recession."

- **Murray Weidenbaum**, now chairman of Reagan's Council of Economic Advisers: "I really don't have any criticism of Volcker's approach."

- **The *Washington Post***, Oct. 14, 1979: "If the President can 'hang tough' long enough for the Fed's harsh medicine to work . . . then the move could help cool speculative fever and dampen inflation."

- **Sen. Edward Kennedy**: "One of the leading problems in the country at present is inflation. The steps the Fed has taken are not steps that I would differ with."

- **George Bush**, now Vice-President: "The action by Federal Reserve Board Chairman Volcker is a necessary step to curb the staggering growth in the rate of inflation."

While Volcker claimed that he would reduce inflation, during the 30 months since he has been in office, the inflation rate, as underestimated by the Consumer Price Index, has averaged 11.65 percent, the highest sustained rate in the last 35 years.

In response to this public avalanche of support for Volcker, *EIR* published a special four-page editorial by founder Lyndon H. LaRouche, Jr. in its Oct. 30-Nov. 5, 1979 issue, entitled, "Is the Fed's Volcker Actually Insane?" stating that: "The time has come to balance the accounts on Federal Reserve Chairman Volcker's current depressing measures. No matter what the deceptive label Volcker and the Carter administration chose to stick on the bottles of Dr. Volcker's horse liniment, Volcker's package is by no means 'anti-inflationary.' Directly opposite, it is the old 'stagflation' President Nixon's Friedmanite period carried to extreme. . . . There is only one way in which Volcker's measures could lead to a halt in inflation: a depression worse than that of the 1930s depression." That is now happening.

The results of the *EIR* projection released in the Oct. 23-29 issue of *EIR* are valid today. The projection made three main points:

- 1) The trough of the forecast depression is much lower than that of the 1973-74 recession, a conclusion clear from the computer graphs showing rate of surplus production between 1973 and 1981.

- 2) The rate of decline of productive activity will be considerably faster than the 1973-74 recession—which represents the second fastest decline on record, second only to the 1921 recession.

- 3) At least through the end of 1981, there is

no reason to expect the economy will enter into a recovery, according to the computer analysis. The economy is much weaker than it was in 1974, the last time the Federal Reserve put the brakes on credit creation.

Several times between October 1979 and the present, many economists proclaimed that "the recession is over" and "the U.S. economy has learned to live with high interest rates." In September 1980, *EIR* ran a special projection showing why the United States may make what appears to be a recovery, but which would soon end in a collapse.

What fundamentally determines a budget is 1) whether productive expenditures are being made by the government or encouraged by the budget, to add revenues through expanded profits and activity; 2) what level of activity the economy is operating at to provide the tax base to finance the budget; and 3) whether deficits are therefore sustainable in the short term until the United States recovers economically.

If Volcker destroys the economy, no matter how much the budget is cut, the budget will fall into an unviable deficit. In fact, budget-cutting can subvert economic activity and thus *widen* the federal deficit.

Thus, in a private consulting report in October 1981, *EIR* predicted that the deficit for FY82 would be \$55 to \$60 billion above the level of the Reagan administration's projected \$42.5 billion, on the same grounds of

added Volcker tack-on expenses to the budget.

And earlier, in our Feb. 17, 1981 issue, *EIR* declared that the consensus projection of \$35 billion FY81 deficit was \$30 billion too low. We said:

The *Executive Intelligence Review* projects that the policies of Federal Reserve Board Chairman Paul Volcker will add an extra \$30 billion to the fiscal 1981 budget deficit of the United States. This amount is larger by half than all the cuts that Office of Management and Budget director David Stockman and his associates have proposed—and some are very dangerous budget cuts.

Volcker's policy has added between \$20 and \$22 billion to the fiscal year 1981 budget's payment of interest on the public debt. On top of this, the United States carries into fiscal 1981 an extra \$5 billion in unemployment benefit disbursements not there in fiscal year 1979. They were added because of the Volcker-induced recession in 1980. On top of this \$27 billion, there are other costs Volcker's high interest-rate policy has built into the budget which have swelled the deficit.

The lead item here is the sharp loss in federal tax revenues caused by Volcker's recession. All told, the total amount of extra cost built into the federal budget deficit for fiscal year 1981—with some carryover from fiscal year 1980—is at least \$30 billion.

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A banking plan to halt U.S. housing

by Leif Johnson

With all the damage that has already been done to the housing market, it is hard to imagine why the President appointed a commission against housing. It is not called that, of course; it is *on* housing. But the commission's preliminary report of Jan. 12 makes no bones about its purpose: to drain the last drops from the dessicated remains of what once was America's largest industry.

Consider the commission's major recommendation under "Laws and Regulations Affecting Housing Finance." It demands that the federal government enforce a due-on-sale clause in mortgages with penalties against savings institutions in those states that refuse to enforce such clauses. A due-on-sale clause means that a homebuyer cannot assume the existing mortgage of the seller, but must finance the entire mortgage *de novo*. Financing costs to the purchasers will skyrocket at current interest rates.

In New York State, for example, 86 percent of all mortgages held by S&Ls bear an interest rate of less than 10 percent. A due-on-sale clause would boost financing costs of residential homes by an average of 25 percent. That would just about wipe out housing sales.

Add to this the adamant opposition to second mortgages expressed by the Federal Reserve Board's new second-in-command, Preston Martin. Homeowners' equity would be crunched, and wrap-around mortgages—new mortgages which are combined with assumed mortgages to make up the non-cash part of the purchase price—would become impossible. Martin is a member of the President's Commission.

Then look at the commission's proposal for increasing the asset and liability powers of traditional housing finance institutions. The S&Ls and mutual savings banks should be allowed to 1) "Accept demand deposits from all types of customers." That could mean housing. 2) "Invest in secured and unsecured consumer loans." This does not sound like housing at all. 3) "Invest in secured and unsecured commercial and agricultural loans as well as commercial paper and other corporate debt instruments." Well, this is definitely not housing. 4) "Invest in municipal securities, including both revenue bonds and

general obligations." Very little housing again. 5) "Invest in residential and non-residential real-estate loans, whether first or junior liens, without loan-to-value restrictions or mortgage insurance requirements." This allows S&Ls to move out of residential mortgaging.

The last recommendations are that S&Ls be allowed to "invest in service corporation affiliates and invest in equipment leasing."

All this amounts to a quick way out of the housing market for the S&Ls, which currently hold 76 percent of their \$650 billion assets in residential mortgages, and more than half the nation's residential mortgages.

The commission does ask for broad powers of the commercial banks, pension funds, and other institutions to invest in real estate, whether residential or not, and demands that the beleaguered U.S. Treasury finance real-estate paper with tax giveaways—a standard request of commissions.

The commission's final demands are to allow immediate federal chartering of S&Ls to avoid all local restrictions on the S&Ls' freedom to convert to stock-issuing banks, and abolition of both the McFadden Act, which prohibits interstate branch banking, and the Douglas Amendment which prohibits interstate bank holding companies. Unfettered interstate mergers and acquisitions of S&Ls would result.

Thus the commission has really written a blueprint for the final deregulation of U.S. banking and finance, and the transfer of all financial regulatory powers to the Federal Reserve. It could have been written by Fed Chairman Paul Adolph Volcker. It was in fact written by his allies.

Of the 17 staff members, three come from the Harvard-MIT Urban Studies Center, which produced *Metropolis 1985*, the plan for de-industrializing New York City, one of the nation's largest manufacturing centers. Five come from the University of Chicago, the monetarist spawning ground of Milton Friedman, and Yale. Five are from the Maxwell School at Syracuse University, which wrote the scenario for the recent Northeast water crisis hoax, and Stanford, the Western seat of monetarism, and one from the Brookings Institution, the established Eastern ghoulish tank.

Of the 25 Commission members, 10 represent the Universities of Chicago, Yale, Stanford/Hoover Institution and MIT-Harvard.

The chairman, William F. McKenna, served as chief counsel to the Joint Anti-Racketeering Subcommittee of the House Government Operations Committee in 1953, and the following year set up the Organized Crime Unit in the Department of Justice—a unit regarded as the key government cover and dirty operations unit for organized crime. A.G. Becker-Warburg Paribas Becker, Inc., a leading bank of the European oligarchy, has lent its Vice-Chairman, Dr. Maurice Mann, to the Commission.

The food weapon by any other name

The administration's suspension of agricultural negotiations confirms America's reputation as an unreliable supplier.

President Reagan's April lifting of the hated Carter grain embargo notwithstanding, no food producer is convinced that the food weapon is gone. Henry Kissinger's Jan. 18 public promotion of all-out economic warfare against the East bloc should underscore their suspicions. The "father of the food weapon," stated his preference for shutting down American agriculture rather than abandoning this type of economic warfare. "Our farmers this year take satisfaction in the sale of 23 million tons of food to the Soviet Union," Kissinger ranted. "But what will happen when all our plantings and our entire agriculture economy become permanently geared to this level of Soviet imports?"

In the view of many producers, the President's imposition of sanctions against the Soviet Union in response to the Polish crisis has already had the effect of imposing a de facto embargo. Of the seven sanctions, two affect agriculture: the suspension of negotiations for a new long-term grain trade agreement, and the suspension of negotiations for a new U.S.-Soviet maritime agreement.

Talks for a new long-term grain agreement had been postponed once, a year ago. The new suspension simply confirms to the Soviets that the U.S. administration has no commitment to being a reliable supplier. The lack of a maritime agreement (the previous pact expired on Dec. 31) makes it more

difficult for the Soviet Union to send Russian ships into U.S. ports to pick up grain, and opens the way for disruptive action by the International Longshoremens Association which has refused to handle Soviet cargo in the past.

Michael Hall of the National Corn Growers Association told the *Journal of Commerce* that these two actions taken together might give President Reagan "the same results as if he had declared an embargo or total trade sanctions." Already, Hall points out, the uncertainty surrounding the sanctions and the possibility of an official embargo have pulled down grain markets.

While Agriculture Secretary Block, who has been brought into National Security Council deliberations on East-West matters, defensively insists that the Soviets are still free to purchase up to 23 million tons of grain from the U.S. during the 1981-82 year, the fact of the matter is that so far they haven't bothered to buy more than half their quota, about 10 million tons. Many traders insist that the U.S.S.R. now will only trade with the United States as a "last resort."

Indeed, as Secretary Block would undoubtedly prefer to forget, the damage done by the 1980 embargo was not "undone" in April. The Soviets greatly diversified their suppliers during the Carter embargo, renamed by at least one political observer, the Argentina Business Promotion Act of 1980. Argentina has boosted its

grain production and export significantly, and last year sold 90 percent of its 7.8 million ton wheat crop to the Soviet Union. Australia, which has announced that it will not heed the current round of sanctions, has multi-year grain agreements with the Soviets, who were major buyers of Australian grain last year.

Recent reports indicate further that the Soviets will not be purchasing the 43 million tons originally estimated as their import requirement, but more like the 34 million tons imported from non-U.S. sources during the embargo.

Legislation protects producers against an agriculture-only embargo, but that doesn't mean much when you consider that an "across-the-board" trade embargo against the Soviet Union is 80 percent agriculture anyway!

The joke is still all on the American producer, as dairymen too have learned recently. Remember last August when the U.S. government sold 220 million pounds of those much-maligned surplus stocks of butter to the New Zealand Dairy Board because Secretary of State Haig did not want it to fall into the hands of the Soviets? Remember that in addition to a cut-rate price of 70 cents per pound, Secretary Haig gave the New Zealand Dairy Board veto power over any further U.S. dairy sales?

This past week the USDA confirmed that the New Zealand Dairy Board has signed a four-year agreement with the Soviet Union to provide it with at least \$90 million of butter and dry milk annually. The Soviets will pay New Zealand \$1.02 per pound for the butter—about what the U.S. administration turned down last August.

Kemp's foot in the door

Despite the Gold Commission's lack of results, the New York State Congressman has kept the gold issue afloat

A Jan. 14 release from Rep. Jack Kemp, the former football player from Buffalo, has come to my attention, ignored as it was by the newspapers. He demands Paul Volcker's resignation (and prompted a question to the President on this subject at the Jan. 18 press conference). Among his proposals are:

"U.S. support for a proposal by the Chairman [he means the former President, Jelle Zijlstra] of the Bank for International Settlements, under which major central banks would coordinate monetary policy to stabilize the price of gold within an agreed range, as a method for arresting world inflation.

"Initial steps to restore the convertibility of the dollar into gold, which was ended in 1971 by President Nixon. . . .

"The convening of an international monetary conference like the Bretton Woods conference of 1944, which established the postwar monetary system. That system was destroyed by the U.S. suspension of dollar-gold convertibility."

Kemp emphasized these suggestions in a luncheon address Jan. 18 before a private group assembled by ABD Securities, owned by two West German banks, in New York City. Kemp endorsed what he calls the "Mundell-Zijlstra" plan, summarized in the points quoted earlier. Of course, Zijlstra's whole plan—which Mundell says he agrees with—includes a particularly brutal form of credit controls

for the industrial nations, in order to make the return to gold deflationary in the unpleasant old-fashioned way. Kemp toys with another, similar sort of deflation device, to enable the Federal Reserve to lend money through the discount window and through no other means, at "a market-related level" of interest rates.

But we will ignore these reminiscences of the 19th-century Bank of England's mailed fist to call attention to a more interesting feature of Kemp's performance: the other principal feature of the ABD Securities conference was a detailed and plausible presentation of the case for a 30 percent or worse collapse of the dollar's value during 1982 (see article, page 4), something far from indifferent to the future of gold's monetary role.

No one would accuse Mr. Kemp, or even the adroit Jude Wanniski, of comprehending all the implications of this sort of discussion. However, the main activity of Mr. Wanniski's firm during mid-January has been to circulate reports warning strongly against overreaction to the Polish developments. Wanniski, a keen observer of the Polish scene, defends General Jaruzelski as a "continuation of the Polish revolution," and his colleague, Dr. Alan Reynolds, has written a report decrying the futility of economic sanctions.

What does this rather sensible (if sentimental) approach to the Polish crisis have to do with the

gold issue? Since 1971 returning the dollar to gold has been a central objective of European policy, and necessarily so: their domestic and international monetary policy has borne the weight of the uncontrolled growth of the Eurodollar market, which is more a consequence than a cause of rampant foreign-exchange market speculation, inimical to European trade interests. Europe's decision to form the fixed-rate zone called the European Monetary System in 1978 involved, as is well known, a partial remonetization of gold. For the United States to return to a gold-reserve standard boils down to a commitment—as the great Jacques Rueff argued—to meet its current international liabilities with exports of goods rather than inconvertible paper dollars. That is the necessary and sufficient discipline for the American economy.

Europe, furthermore, can only exist in the context of reasonably stable relations between the United States and the Soviet Union. Its refusal to take actions which, ineffective as they might be politically, would severely damage its trade with the East Bloc, is intimately tied up with the monetary issues, as the West German Chancellor has emphasized recently.

If Schmidt is correct that the central political issue is not Poland but the world depression, then the gold issue must come to the surface in the context of any stabilization of the Central European situation. Barring the sort of "geopolitical catastrophe" which some observers predict as "the only way to save the dollar," Europe's monetary bargaining position should emerge enhanced by the shifts in world financial power now under way.

World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$870 mn.	East Africa	Egypt's Roads Authority announced plans for a 9,150 km. asphalt road link stretching down through East Africa to connect Egypt with Sudan, Ethiopia, Kenya, Tanzania, Zambia, and Botswana.	Biggest thing since Britain's Cape-to-Cairo railroad.
\$19 mn.	Mexico from U.S.A.	Mexico has leased an integrated transportation system to move grain from U.S. Gulf ports into Mexico without going through Mexico's clogged and overburdened railroad system. Maritime Akallia, S.A. has leased 2 grain barges, 127 tractor trailers, a warehouse kit, two silos, and docking facilities through Manufacturers Hanover Leasing Corp.	80% of Mexico's grain imports come from U.S.A.
\$50 mn.	China from U.S.A.	AMF has installed the first 6 automated bowling alleys in China, as part of a \$50 mn. package of sporting equipment, clothing machinery, and tire-retreading equipment.	China has few strikes, but will have many spares.
\$85 mn.	Bangladesh from Saudi Arabia	Saudi Fund for Development is giving \$85 mn. aid for Chittagong urea fertilizer plant. Aid is part of \$300 mn. pledged by Saudis in 1977-78.	Bangladesh also building super-phosphate fertilizer mixing plant.
\$92 mn.	Spain from U.S.A.	Guardian Industries Corp. of U.S.A. will build new kiln for the Vidrieras de Llodio glass company it purchased last year.	Alvava province govt. giving major tax breaks to help modernization.
\$270 mn.	Spain from Kuwait/West Germany	A consortium of 18 Spanish steel companies is building a 750,000 tpy pre-reducing steel plant in Huelva, Spain. Spanish private and public companies will have 52% ownership; Kuwait Foreign Trading Contracting will have 25% with \$14 mn. capital; and West Germany's Lurgi, 13% with \$10 mn. capital.	Plant will use local iron ore and natural gas; will reduce Spain's scrap iron imports.
\$215 mn.	Peru from Canada	One of Canada's 3 large engineering firms, SNC of Montreal, won \$215 mn. contract for procurement and construction management for Tintaya copper mine from Peruvian govt. Mine plan calls for 160,000 tpy copper concentrate from rich 2.5% copper ore.	\$100 mn. soft financing from Canadian Export Development Corp.; remainder from banks led by Toronto-Dominion. Tintaya site is over 13,000 ft.
\$100 mn.	Egypt from Italy	Ansaldo of Genoa won contract for supplying and building thermal power station near Cairo. Will run on oil or gas.	World Bank financing.
\$113 mn.	India from U.K.	Northern Engineering Industries will build 120 mw coal-fired electric plant to power electric furnaces used to produce high quality alloys for Indian Metals and Ferro Alloys in Orissa. Letter of intent signed; financing to be arranged will include U.K. ECGD soft terms, since most of equipment will be from NEI companies in U.K.	Turnkey basis. Controlled by Birla group.
\$400 mn.	Brazil from Europe	Brazil is expected to obtain \$400 mn. on soft terms from the European Coal and Steel Community to finance the \$3.3 bn. Carajas iron ore project in return for long-term ore supply contracts under favorable conditions for European steel-makers. As happened in Japan, where Brazil obtained only half the \$1 bn. they were seeking for project, the Europeans are expected to trim the \$600 mn. Brazil wants from them. The World Bank is providing \$300 mn.	Carajas has world's richest iron ore lode; plan is for 25 mn. tpy ore exports by 1985.

Business Briefs

Foreign Exchange

'Geopolitical disaster' to save dollar?

William J. Mazzocco, a former State Department official who is now President of the Banco Ambrosiano Service Corporation in Washington, D.C., warned Jan. 21 that "the only thing that could save the American dollar is a geopolitical catastrophe that would force people to put money into the United States for safety reasons."

Mazzocco predicts a dollar crisis on the basis of dramatic shifts in the world balance-of-payments situation. "The consequence of the Saudis' overproducing and underpricing strategy has been to divert markets from their OPEC partners. Particularly as the depression continues to deepen, and there is an increase in non-OPEC oil as well as coal and gas, the OPEC surplus will turn into a deficit. By the end of 1982 there will be only three countries in surplus, West Germany, Japan, and Saudi Arabia. The rest of the 150 will be in deficit," Mazzocco told *EIR*. "That is bound to have adverse impact on the exchanges, and the dollar, as the major international trading currency, will bear the brunt of it."

Domestic Credit

Fed to hold steady, officials say

Despite increasing criticism of the Federal Reserve's handling of monetary management, there will be no substantial change in Federal Reserve policy, senior Fed officials in New York and Washington have said in background discussions.

An official at the Washington Board of Governors said Jan. 21 in response to Rep. Jack Kemp's demand that Fed Chairman Paul Volcker resign, "Well, he's sure right about us causing the recession. I expect that he'll have an unpleasant time during upcoming testimony on

Capitol Hill, but I expect him to come out intact."

Despite New York Fed President Tony Solomon's concession in a December speech that the Fed's measure of the money supply is dubious, "We expect to see a continuity of policy, with perhaps slightly less attention to the narrow aggregate M-1. By that I mean that Volcker will try to explain away small growth in M-1, for example, with reference to rapid growth in M-2."

Major banks raised their broker loan rate on Jan. 20, in the most recent indication of a new rise in interest rates.

U.S. Industry

Latest figures show scope of depression

U.S. industrial production declined in December for the fifth straight month, bringing the five-month total fall to 7.1 percent, or an annualized level of collapse of 17 percent, the steepest since 1929-32.

The U.S. capacity utilization rate at factories and mines continued to plummet in December, reaching a level of 72.9 percent, the lowest since July of 1975.

The capacity utilization rate had been 78.3 percent in September, and has been declining steadily since then. The December decline was led by the collapse of the auto industry operating rate to below 50 percent. The last time it was below 50 percent was 1958, when it hit 48.3 percent of capacity.

Steel

Anti-dumping suits used to cut capacity?

Suits filed by American steel companies against European competitors in December and January may result in the federal government decreeing that much of the United States carbon-steel production is uncompetitive worldwide and should be scrapped.

According to John M. Starrels, a

trade consultant writing in the Jan. 20 *Journal of Commerce*, the differences between the specialty-steel suit filed by 16 companies and the United Steel Workers of America on Dec. 2, and the 90 suits filed by the steel majors Jan. 11 could force the Administration to decide against protectionism for the large steel-makers.

If the administration did decide that the European companies named in the steelmakers' suit were not dumping or unfairly subsidized, and it would offer the U.S. companies no relief.

Industry analysts have suggested that they brought their 90 suits three weeks ago in order to have the administration provide a cover for their own plans of a production scale-down of as much as 40 percent.

International Credit

Spectacular 1981 rise in Eurodollar lending

Contrary to commercial bank insistence that the "unsustainable rate of lending" of earlier years would finally be cut back, the rate of Eurodollar lending rose by an unexampled 50 percent between 1980 and 1981, to a total of \$200 billion. The 1980 figure represented a rise of 25 percent over the previous year's total.

One major factor in the extraordinary rate of increase was that \$61 billion in credits were booked by American firms, against only \$12.3 billion in 1980, the West German daily *Frankfurter Allgemeine Zeitung* reports. "The lion's share of Eurocredits to Americans were not directed toward productive investment" the German daily comments, "but served to finance big mergers, of which the 12 most important alone consumed \$38.4 billion."

Credits to the developing sector also rose, despite banks' often-stated resolve to cut back their rate of lending, and the largest part of the rise came in loans to Brazil and Mexico. Again, the *FAZ* comments, "Both countries directed the new loans overwhelmingly toward payment of old debts, rather than for new invest-

ments. Among the big borrowers are to be found also many European countries, above all the Belgians, Scandinavians, and Austrians. The Federal Republic of Germany also took up over DM 20 billion in direct or indirect credits, in the reckoning of the Eurobanks. This money served overwhelmingly to pay debts or finance consumption rather than investment."

Investment Policy

German economists want Japan-style growth

Sharply criticizing the central banks of both Great Britain and the United States, a group of 38 prominent West German economists have called for a program to fight unemployment in their country which is based on Japanese models of government deficit financing.

At a press conference in Bonn on Jan. 19, the group, headed by Dr. Krupp of the German Economics Institute of West Berlin, is also calling for interest rates in Germany to be lowered. "The alarming development of the rate of unemployment and of bankruptcies," their statement reads, "have given us cause to appeal to the federal government to finally launch a committed and efficient policy which can improve industrial productivity and help to reestablish sufficient employment rates."

The statement warns that the U.S. and British experiments in monetarism and "supply-side economics" performed since 1979 have had "the most fatal consequences. . . . The Federal Republic of Germany is not free of such dangerous tendencies . . . the repeated demand for budgetary cuts on all administrative levels, including social security . . . point in a direction similar to that in the U.S. and Great Britain."

In contrast to such monetarist approaches, the group is demanding that the federal government assume debt to finance investment programs. These programs would include investment in "the energy sector, in water supply systems, in the implementation of technological im-

provement, . . . housing construction, and in the material improvement of cities."

In an interview Jan. 21 with the German newspaper *Bild-Zeitung*, Karl Klarsen, former chairman of the German Central Bank, emphasized that the German government could assume up to 5 billion marks in new debt to finance investment, without any long-term budgetary crisis, so long as the investments go into industrial expansion and qualified job creation.

Banking

Hongshang rebuffed in Bank of Scotland bid

Britain's Monopolies Commission has rejected the bids of both the Hongkong and Shanghai Bank and the Standard Chartered Banking Corporation to take over the Royal Bank of Scotland, in a surprise mid-January verdict that followed nine months of intense debate inside Britain.

Despite documentation by this publication and others that the Hongshang was still fulfilling the function for which it was created in 1864, i.e., serving as central bank for the East Asian narcotics traffic, American authorities permitted the bank to take over Marine Midland Bank in 1980. Controller of the Currency John Heimann, now with the Warburg investment bank, overruled the New York State bank supervisors in a long-contested fight.

British squeamishness over the Hongshang's longstanding connections to heroin traffic did not, apparently, play a role in the decision. Rather, the decision to let the Hong Kong institution, now largely controlled by overseas Chinese interests with close ties to the mainland, would have represented a deepening of Anglo-Chinese relations. As such, the Hongshang bid was heavily promoted by the British Foreign Office. European press accounts speculate that the Foreign Office must, for unexplained political reasons, have had a change of heart.

Briefly

● **THE BUNDESBANK** lowered its Lombard lending rate to banks to 10 percent Jan. 21. The head of the West German trade union federation, Heinz-Oskar Vetter, said, "we think the Bundesbank could have lowered the rates still lower."

● **ALEXANDRE Lamfalussy**, the Bank for International Settlements' chief economist, roundly criticized U.S. monetary policy Jan. 22. "We are against the free market approaches in the United States and Britain," he said. He predicted that the dollar might fall, with U.S. government intervention on behalf of the dollar necessary. "The U.S. cannot play the role of world leader if the dollar goes down the drain."

● **AIRBORNE FREIGHT**, the American air express and freight company suspected of international narcotics running, has taken Air Wingate, the British subsidiary of the Dutch Pakhoed group, as its agents in the United Kingdom. Airborne, which uses a subsidiary of Pakhoed for its continental European operations, expects to boost its foreign revenues to 25 percent of total sales.

● **BRAZIL'S** debt service ran to \$16.8 billion in 1981, with interest alone consuming \$10.2 billion of this sum, more than 50 percent above the prediction at the beginning of the year. Debt servicing ate up 72 percent of Brazil's export earnings, as against 63 percent in 1980.

● **THE NATIONAL** Statistical Institute of France reported Jan. 18 that corporate bankruptcies and liquidations in France rose to a total of 20,895 in 1981, an increase of 20.3 percent over the 1980 total.

Can Democrats be freed from Harriman's liberal fascism?

by Warren J. Hamerman, Chairman,
National Democratic Policy Committee

Below are excerpts from Mr. Hamerman's speech to the year-end conference of the International Caucus of Labor Committees on Jan. 1.

During the fall of 1981 every faction of the Democratic Party in the United States, except the LaRouche faction associated with *EIR*'s founder, gathered in Washington, D.C. to celebrate the illustrious career of William Averell Harriman on the occasion of his 90th birthday. The celebrants would have been well-advised to first check through the newspaper articles from the 1920s and 1930s in which the career of Averell Harriman as an open proponent of Benito Mussolini is documented.

On Feb. 10, 1927 the *New York Times*, published an article entitled: "Harriman Returns From Tour Abroad, Saw Mussolini in Rome." The article proceeds to quote Averell Harriman directly on how he was "very much impressed" with the economic development of Italy under Mussolini. The straightforward fact of the matter is that during the 1920s and 1930s Averell Harriman openly promoted the economic program and policies of Mussolini as the policy guide for the United States. Furthermore, accounts in newspapers of the day document that during the 1920s and 1930s Averell Harriman was directly conducting financial deals with Hjalmar Schacht, Adolf Hitler's Finance Minister. Not accidentally, Averell Harriman's mother, Mary Averell Harriman, was an open proponent during her last years of Nazi race science. In 1932 Mary Harriman, along with Colonel William Draper, participated in a full-scale Eugenics Conference at the American Museum of Natural History in New York.

That patrician grouping symbolized by the Harriman faction in the Democratic Party has represented an open policy-organizing force for fascism for most of the 20th century. Harriman's father, Edward Henry Harriman, the colleague of Jacob H. Schiff, in the last 20 years before he died in 1909 had been the open collaborator of the British and Chinese oligarchies in a scheme to build a "round-the-world" transportation network. Harriman's family descends from a British East India Company trader who



The Vietnam war was used both to depopulate Indochina and foment domestic radicalism.

migrated from England to America. Averell Harriman himself spent a large part of his political career in close collaboration with Winston Churchill, the man who through 1940 openly lauded Benito Mussolini. Since 1971, Averell Harriman has been married to Pamela Digby Churchill Hayward, the mother of Winston Churchill III, the matron of "Democrats for the 80s," a political action committee. Mrs. Harriman currently runs a salon in her Washington home, conducting sessions on how to transform American politics into a British parliamentary system. The American patricians who control Tom Hayden, Jerry Brown, California Rep. Ron Dellums, and the Socialist International's Michael Harrington intend to complete the wrecking of the Democratic Party and its constituency institutions as a means of unleashing Jacobin shock troops for fascism.

Beyond democracy

The overall strategy for destroying democratic institutions is nowhere more clearly outlined than in the latest book published by Aurelio Peccei, the President of the NATO-founded Club of Rome. In his *One Hundred Pages for the Future*, Peccei writes:

Until quite recently, there were also some reliable self-regulating mechanisms in human systems, but they have also broken down or begun to function erratically. That is the case, for example, with the political institutions of democratic countries. In simpler times, their strength lay in the periodic consultation of the electorate and the alternation

of political parties following the discussion of ideas and evaluation of various policies by citizens.

These mechanisms are no longer able to maintain a productive balance that has been put to the test and readjusted frequently over time, which is fundamental to democracy. Even when the mechanisms function normally, they can no longer satisfy the demand for participation and innovation in our complex and integrated societies of today, confronted as they are with problems that neither the parties nor the voters, nor perhaps even the experts, understand. Our age clearly demands new political and social processes better suited to our times, but they remain to be invented.

In his book Peccei identifies the principal obstacle to transforming the world "beyond democracy," so that massive genocide can occur. Peccei calls that obstacle preventing new political structures the *cult of national sovereignty*. Relying upon the writings of Arnold J. Toynbee, Peccei devotes a significant portion of his book to attacking the historical development of sovereign nation-states. He writes: "The principle of national sovereignty is one of the major obstacles to the collective salvation of humanity." Therefore, any advocate of Global 2000 or supporter of the Peccei program for world-wide population control is guilty of outright treason to their nation.

In place of a citizenry responsible as patriots and

world citizens, Peccei calls for the proliferation of fascist Jacobins like Tom Hayden:

The Club of Rome also realized that our generations, swollen with pride in our technological triumphs, must regain *the sense of human responsibilities* . . . For some time now, the perception of these responsibilities has motivated a number of organizations and small voluntary groups of concerned citizens which have mushroomed all over to respond to the demands of new situations or to change whatever is not going right in society. These groups are now legion. They arose sporadically on the most varied fronts and with different aims. They comprise peace movements, supporters of national liberation, and advocates of women's rights and population control; defenders of minorities, human rights, and civil liberties; apostles of "technology with a human face" and the humanization of work; social workers and activists for social change; ecologists, friends of the Earth or of animals; defenders of consumer rights; non-violent protesters; conscientious objectors, and many others.

These groups are usually small but, should the occasion arise, they can mobilize a host of men and women, young and old, inspired by a profound sense of the common good and by moral obligations which, in their eyes, are more important than all others. They form a kind of popular army, actual or potential, with a function comparable to that of the antibodies generated to restore normal conditions in a biological organism that is diseased or attacked by pathogenic agents. The existence of so many spontaneous organizations and groups testifies to the vitality of our societies, even in the midst of the crisis they are undergoing. Means will have to be found one day to consolidate their scattered efforts in order to direct them towards strategic objectives [emphasis in original].

Within the United States, the "popular army" for Peccei's strategic program includes the Jesuit-trained Michael Harrington (head of the Democratic Socialist Organizing Committee), the Jesuit-trained Tom Hayden and the Jesuit-trained and organized-crime-linked Jerry Brown. The objective of the Socialist International wing of the Democratic Party is to destroy totally the political structure and democratic institutions of the United States. Increasingly since the early 1960s the "Mussolini" or Harriman wing of the Democratic Party has been attempting to transform the Democratic Party into a Jacobin instrument for policies whose touchstone is economic austerity and world-wide population control.

Recently, the Draper Fund published a pamphlet reviewing the history since 1960 for winning hegemony

in U.S. government and political institutions for their Malthusian population-control ideas. The Draper Fund essentially fills out the details of Peccei's program, outlining a 20-year perspective from the Kennedy assassination through George Orwell's 1984.

Coming to power with the Kennedy administration in 1961 were the crowd known as the best and the brightest: Mussolini-advocate W. Averell Harriman, Undersecretary of State George Ball, National Security Adviser McGeorge Bundy, his assistant Walt Rostow, Defense Secretary Robert "bodycount" McNamara, military adviser Gen. Maxwell Taylor, and special White House adviser Robert Komer, later architect of the "Project Phoenix" population-reduction plan in Vietnam, and now creator of the Rapid Deployment Force.

Simultaneously, Harrington, Hayden, and others founded the Students for a Democratic Society in Michigan, in part with Draper funds. SDS's program replicated Mussolini's participatory-democracy rhetoric. With the assassination of John Kennedy by Schlumberger's and the de Menils' Permindex, U.S. and world stability were brutally disrupted. In 1963, J. William Fulbright, the Arkansas Democrat who was then Chairman of the Senate Foreign Relations Committee, introduced for the first time in American history, language in a foreign-aid bill to mandate the government to research the question of population control as part of any determination for foreign aid. That same year, Fulbright, later Libya's official lobbyist in Washington, and others such as James Warburg—the Warburgs, along with the Harriman Schiff group, Churchill, and Montagu Norman, the Governor of the Bank of England, backed Mussolini at least up until 1940—began funding the Institute for Policy Studies.

We saw in the 1974-76 period, before the abominable Carter administration came to power, that the Council on Foreign Relations organized an entire project called Project 1980s, with Cy Vance, Brzezinski, Sam Huntington, and others, to outline the Malthusian policies that the Carter administration would then implement. Similarly, in 1956, several years before Kennedy came to power, Harriman, along with John Kenneth Galbraith, the Arnold Porter law firm, Clark Clifford, and George Ball, took control of the Democratic Advisory Council in the Democratic Party. They did a whole range of studies designing the policies which later became population control, and the Vietnam War.

In 1965, a special commission was established with funds from the Carnegie Corporation setting "a national agenda for the year 2000." The commission was co-chaired by Daniel Bell, the Harvard sociologist who later taught David Stockman, among others. This grouping, which began the first projections going through the population-control questions facing Amer-

ican foreign policy until the end of the century, included: Brzezinski; Huntington, who later wrote the "Collapse of Democracy" pamphlet for the Trilateral Commission; systems-analysis specialist Wassily Leontiev, who together with Robert Roosa of Brown Brothers Harriman, Leonard Woodcock of the United Auto Workers, and others in 1965 set up the Independent Commission on National Economic Policy (ICNEP) group, advocating "fascism with a democratic face"; Pat Moynihan, who was campaign aide to Averell Harriman; and Eugene Rostow, now Reagan's chief at the Arms Control and Disarmament Agency.

1965 also was the year in which the Tavistock Institute began its studies on the effect of the NASA space program. It concluded that the American economy was producing too many scientists and engineers, and this represented a dangerous political phenomenon. Over at the Defense Department, Bob McNamara, the designer of body-count values for judging success in extermination policies, was implementing the destruction of the long-range scientific and R&D programs. And in 1965, George Ball appointed the first-ever full-time population officer to the State Department, Robert Barnet, who set up a task force to study the impact of the Vietnam War on Vietnam's demographics.

The State Department task force included Cy Vance's friend and later ambassador to Italy Richard Gardner. The next year, the Vietnam War was escalated massively, under McNamara and Gen. Maxwell Taylor. McNamara is on record as saying:

Is an overpopulated world inevitable? No, it is not, but there are only two ways of preventing a world of 10 billion inhabitants. Either the birth rate drops or the rate of death will rise. There is no other way. There are of course many ways to make the death rate increase. In the thermonuclear age war can take care of it very quickly and in a definitive way. Famine and disease are the two oldest obstacles that nature has put in front of demographic growth. Neither has left the scene. In simple terms, we can say that excessive population growth is the main obstacle to economic and social progress of most developing countries.

It is no accident that Averell Harriman, the Undersecretary of State for Asian Affairs during the Kennedy administration, who handled the final negotiations in Laos, had a 60-year family interest in Asia, going back to his father and Jacob Schiff's railroad contracts. Averell Harriman is one of the founding fathers of the Vietnam War. In 1966, General Draper, the Nazi eugenicist who ran economic policy in Germany at the end of World War II, along with former NATO Ambassador Moore, and Kenneth Keating, created the Draper Fund's Population Crisis Committee, which has played

such an important role both in the Democratic Party and in destroying the Congress ever since.

In 1965, the Democratic Party grouping of Averell Harriman and Fulbright were pushing through the Congress legislation to establish the Office of Population Affairs in the State Department and HEW. They began a three-year series of hearings with 120 witnesses testifying on the importance of re-directing all the American foreign policy along the metric of its effectiveness in holding down the world's population. In 1967 alone Fulbright had \$35 million appropriated for these population-control programs. The grouping around the Draper Fund is none other than, again, George Ball, Gen. William Westmoreland, and Maxwell Taylor, the men who created and ran the Vietnam War. Maxwell Taylor has also been quoted in the *EIR* advocating the linking of population control to national security:

You should note that my thinking is already quite selective about what can be saved. I have already written off more than a billion people. These people are in places in Africa, Asia, Latin America. You can't save them. The population crisis and the food-supply question dictate that we should not even try. It's a waste of time. The Soviets are not about to save them either. There will be a horrible consequence of our failure to heed the warnings of General Draper and others. These people will suffer from cycles of natural deaths, disaster, famine, hunger, floods, and drought. Upwards of 500 million people. Most will never make it. The only humanitarian thing to do is implement population control. People can be saved, but we must be selective.

It is the ethics of Nazism and fascism from the two generals—Taylor, and Westmoreland—along with McNamara's Pentagon, that created and directed the Vietnam War. During the middle 1960s the offices within the government of the Johnson administration become more and more developed in terms of their population-control staffs.

The year 1968 was a turning point. The Vietnam War, created as a population-control experiment, had already developed groupings in the United States proto-fascist movements around Tom Hayden, who is a mere pet dog for population control and the Weathermen.

In 1969 Aurelio Peccei and Alexander King of NATO founded the Club of Rome, the same year that Henry Kissinger took over as National Security Adviser, and Congress established its Commission on Population Growth and the American Future. Sen. Joseph Tydings of Maryland, along with Fulbright, was the leader for the Malthusian perspective on the Senate side. In the House of Representatives, Rep. George

Bush and Rep. James Scheuer took the lead.

Throughout the 1970s the Harriman/London grouping promoted a series of "megaconferences" through the United Nations to promote Malthusian programs. The megaconferences included themes on Human Environment (1972), Population (1974 at Bucharest), Food (1974), Human Settlements (1976), Water and Desertification (1977), Science and Technology for Development (1979), and Renewable Sources of Energy (1981 in Nairobi). Also during the 1970s, Robert McNamara had transferred his "bodycount economics" procedures to the World Bank.

The last destruction of any vestiges of independent political machines in the United States, in particular around the Democratic Party, occurred in the 1970s. The 1972 Democratic National Convention, which nominated George McGovern, symbolized this collapse. After the economic crisis of 1971, the Democratic Party institutions in the Midwest went down without a fight on the question of the auto sector and the question of technological investment in that sector. The reason was that the President of the UAW in the mid-1970s, Leonard Woodcock, co-founder of ICNEP, is the son of a British operative in the Churchill/Beaverbrook circle, an avowed supporter of Mussolini. The overt resurfacing of a Mussolini policy, the Jacobinizing destruction of democratic institutions in the 1970s, initiated the particular game-plan which is now being played out within the United States and Western Europe, for the objective of population control.

The consequences of Malthusian policies

During the middle of the 1970s Lyndon LaRouche raised a scientific theme at the moment when the controllers of the Democratic Party were shifting once again into an overt Mussolini policy posture. After the Bucharest World Population Control Conference, LaRouche developed the thesis that the then-current economic policies of Malthusianism which McNamara was implementing through the World Bank would threaten not merely the outbreak of thermonuclear war under conditions of crisis, but would also threaten to unleash irreversible processes of ecological holocaust on a world scale. During the 1973 to 1974 period, the LaRouche thesis of an ecological holocaust threat was presented from the standpoint that ecology like the human economy, is a global phenomenon, and that it is impossible to have the destruction of any aspect of the world, in Africa or Asia for instance, without destroying the world population in its totality. Secondly at that point, the LaRouche study looked at the economic policies which were reducing energy flows on the human part of the world economy to see what effect they would have on the environment as a totality.

We analyzed in that period the effects of the Mc-

Namara plan to destroy the world agricultural capability. In great detail at that point we showed that the programs then being put into effect in Latin America and the Middle East, the slash-and-burn agricultural methods, would lead to the laterization of soil, and the destruction of agriculture. In the Mideast growing desertification was projected.

Some years later, we in fact reviewed the effect which some of these processes would have on weather patterns on a global scale, and concluded at that time that by the period 1981, at latest, if the then-current economic policies were not changed, we would see the actual collapse of the soil conditions and food-production capacities in key areas. Then, once having developed an understanding of the destruction of the agricultural capacity, the following hypothesis was posed.

Obviously, there would not be sufficient nutrition produced for a growing world population. In some detail, we traced through the actual plans which McNamara's collaborators such as Lester Brown and the rest of the NATO crowd who created the vegetarian myth around the program they called the "diet for a smaller planet," had for meatless diets. By reducing the quality and quantity of caloric intake it was already obvious in 1974 that the populations of Asia, Africa, and Latin America would be experiencing widespread famine by the late 1970s. In the 1974 study designed by LaRouche, the conclusion was reached that by the 1981 period millions of deaths would be occurring through lack of food on a world scale.

Reducing the nutritional level of populations raises the probability of disease spreading. The immunological system of man requires large amounts of protein. Under conditions of reduced quality of food, epidemics spread rapidly because of the reduced resistance. Disease attacks the "weak links" in the human species. In 1816, for example, a pandemic spread from India through the rest of the world because of reduced living standards imposed by British Malthusian colonial policies. Human disease worldwide from deadly influenzas to cholera and plague are the symptoms associated with the advanced phase of ecological holocaust.

The conclusion of the 1974 study of the implications of the McNamara policies at the World Bank were that under conditions of general financial collapse in the early 1980s, by as early as 1990 one billion of the world's population would be destroyed and that processes leading to a "Black Death"-style collapse of the human species and general ecological holocaust would be irreversible. When the Carter administration released its official *Global 2000* policy document, they advocated the reduction of the world's population by 2 billion before the end of the 20th century.

The end result of the destruction of democratic institutions and the advocacy of Mussolini economic programs is war and ecological holocaust.

'Tom Hayden and Jerry Brown are a menace to the entire human race'

by William Wertz

This speech was given by William Wertz, West Coast coordinator for the National Democratic Policy Committee, on Jan. 1 at the New York conference of the International Caucus of Labor Committees. Mr. Wertz, running against Gov. Jerry Brown for the Democratic nomination for U.S. Senate in the 1982 elections, is already well known to California citizens as the "philosopher-candidate."

The campaign against Jerry Brown and Tom Hayden, Brown's puppet-master, is nothing less than a campaign against genocide, and a campaign against Sodom and Gomorrah. In fact, back in July 1981, the Democratic Party executive of California met in San José, very near where the med-fly began to proliferate, and voted to censor the NDPC (National Democratic Policy Committee) because the NDPC had in fact attacked Paul Volcker and Alexander Haig for their genocide policy. We had dared to attack Willy Brandt of the Socialist International for his similar genocide policy under the guise of the North-South committee, and we had truthfully exposed Jerry Brown as the candidate of sodomy.

The fact of the matter is that Jerry Brown and Tom Hayden represent the greatest danger of fascism in this country. It is no accident that Averell Harriman and his ilk have promoted the career of Tom Hayden over the last 20 years, just as Averell Harriman previously had sponsored and advocated the policies of Mussolini.

If Jerry Brown and Tom Hayden are not defeated in the coming elections, then we will have missed a tremendous opportunity, a necessary opportunity, to prevent the imposition of Mussolini Fascism in this country, with its international consequences of genocide and the greater danger of thermonuclear war.

California is in fact the laboratory for fascism in this country. California under Brown and Hayden is probably in the most advanced state of decay of any section of this country. Tom Hayden right now controls one-quarter

of the Democratic Central Committee in the state. He claims to have elected approximately 53 officials to government offices in the state. His intention is in fact to elect as many as 100 officials, to gain control of the Democratic Party Central Committee this year, and Brown and Hayden view their current electoral campaigns as inseparable.

If Jerry Brown is elected to the U.S. Senate, that would represent a step in the direction of a national fascist movement in this country, because Jerry Brown would have the platform from which Tom Hayden's Campaign for Economic Democracy could be spread beyond California, where it has so far concentrated. Not only is Brown running for U.S. Senate, but Tom Hayden is running for the State Assembly, in hopes of establishing his own public credibility as a first step toward a move to control the California state legislature, and in combination with Brown, to impose through mob rule a fascist regime in this country.

Tom Hayden and Jerry Brown are the creation of the Harriman faction in this country. They are the creation of the Socialist International, and they are carrying out the program of the Club of Rome: to destroy nation-states, to create a new international "one-world order" based on Schachtian economics. It is not an exaggeration to say that Tom Hayden and his Campaign for Economic Democracy are the Brown Shirts of the 1980s.

I would like to discuss Tom Hayden's "grooming," the making of a fascist. Then, I would like to describe the actual basis for the alliance between Hayden and Jerry Brown: Brown's Jesuitical training, and the underbelly of the Hayden-Brown phenomenon, the organized-crime network that controls Hollywood.

Tom Hayden's goals

First of all, it is no way an exaggeration to say that Tom Hayden is America's Hitler, and that as such, he is

the puppet-master of Jerry Brown. Tom Hayden was selected nearly 20 years ago by the social-democratic wing of the Democratic Party. It could not have been said about the Democratic Party of World War II, through the first and only administration of John F. Kennedy, that it was extremely environmentalist, or that it was a vehicle for imposing fascism, despite efforts made in that direction. It was only after the assassination of Kennedy that a 20-year-long coup was initiated with the formation of the New Left. This included the creation of SDS—whose first president was Tom Hayden—and also the creation of the Institute for Policy Studies, which played the crucial role in bringing Tom Hayden to relative power in California today.

Tom Hayden's entire career was oriented toward the destruction of the traditional leadership of the Democratic Party of World War II and its aftermath. This begins with the Port Huron statement of 1962. If you look back at that statement, what you find is a call for the destruction of the bipartisan Whig alliance in the nation, such as it existed. It included Southern Democrats, northern urban-based Democratic machines, and conservative Republicans. It was that combination which Tom Hayden was deployed to destroy, beginning with the effort to transform the civil rights movement into a racial battering-ram on behalf of a "post-industrial society." The civil rights movement was committed to economic expansion as the only means by which civil rights could be achieved. However, Hayden's operation was designed to transform it into a race-war vehicle for bringing about just the opposite of that, a "post-industrial society."

Hayden spent approximately three years in Newark, New Jersey. After his sojourn in that city, in 1967, there was a major urban riot—which Tom Hayden was in large part responsible for. After the effort to transform the civil rights movement in this direction, Tom Hayden was deployed to utilize the anti-war movement for the purpose of destroying the Democratic Party domestically, and at the same time, to create the basis for imposing genocide in the Third World. Tom Hayden was the domestic side of the war in Vietnam.

Tom Hayden deployed to Paris, where he met with Averell Harriman, before leading the riots outside the Democratic National Convention in Chicago in 1968. The riots played a crucial role not only in defeating Humphrey in 1968, but more importantly, in bringing about the nomination of McGovern in 1972. The McGovern Rules, which are the internal ordering principles of the Democratic Party as it exists today, allowed the take-over of the Democratic Party by the Hayden faction during the 1970s. These principles will lead to the Democratic Party becoming a fascist movement under Brown's and Hayden's direction during the 1980s, unless we stop it.

Hayden is to Volcker what Hitler was to [Nazi Finance Minister Hjalmar] Schacht, a battering ram to impose Draconian fascist austerity on domestic populations for the purpose of bailing out financial institutions which are controlled by London and Lower Manhattan.

Hayden, of course, identified the energy issue as his focal point, and all his efforts have been oriented toward that since the anti-war movement. He has proposed to destroy all nuclear power, and in California he has largely succeeded in that, for the purpose of bringing about a solar-powered Brave New World. If successful in California, he will move, and he has stated this, to shut down all 72 operating nuclear power plants in this country. It is that policy, combined with his opposition to water development, which is critical to bringing about the economic collapse which Paul Volcker is deployed to achieve through high interest rates.

The labor policy which is appropriate to such fascist austerity is identical to that imposed in Nazi Germany. First of all, Hayden advocates a shift out of capital-intensive forms of employment into labor-intensive forms of employment. That is a slave-labor policy, the policy of Albert Speer, and it leads, under present conditions, to the concentration camp system.

At the same time Hayden advocates corporatism. What he advocates is the corporatism of Mussolini, the corporatism of the Nazi Labor Front. He calls for tripartite boards involving labor, business, and government, for the purpose of determining how to utilize diminishing resources.

In terms of the international consequences of this policy, it is genocide. If in fact you shift the domestic side of the economy away from capital-intensive forms of employment to labor-intensive forms, if you impose corporatism to achieve that, the effect internationally is genocide, because there will be nothing left for the Third World to utilize but "appropriate technologies." That is precisely what Tom Hayden advocates, the same policy as that of Robert S. "body-count" McNamara: "appropriate technologies" for the Third World. Hayden actually states that migration from rural villages to urban centers should be prevented by making available solar power on the village level. This is genocide.

And to the extent to which that sort of policy is achieved, it will result in the same war, but far worse, as the fascist policies which were imposed in the 1930s. It is therefore no accident that when martial law was declared in Poland, Tom Hayden and Jane Fonda appeared on television in California endorsing the new direction of Solidarity. That same night Jerry Brown appeared on television endorsing the annexation of the Golan Heights by Israel.

These so-called anti-war warriors are following a policy which can lead only to thermonuclear holocaust.

The further point by Hayden and Brown is their "cult of irrationality." Hayden's Campaign for Economic Democracy has the same back-to-nature, irrational gnostic belief structure as Hitler's youth movement. Hitler, of course, was a member of the Thule Society. The swastika is a primitive symbol for the Sun. The Thule Society was a branch of Theosophy, created by Edward Bulwer-Lytton, the director of Britain's Opium War against China. Bulwer-Lytton's protégé, Alistair Crowley, created the Order of the Golden Dawn. Aldous Huxley was a member of that cult, as was Karl Haushofer, the ghost-writer of *Mein Kampf*.

Literally, it is this same network which created the Campaign for Economic Democracy in California. Huxley was deployed to California to create a mass-movement controlled by the Order of the Golden Dawn. The CED is such a sun-worshipping death-cult.

More importantly, the CED is a project which resulted from social engineering, by the Club of Rome and its Tavistockian extension, the Stanford Research Institute. One of the key individuals in creating the CED was Willis Harmon of the Stanford Research Institute, who wrote the paper entitled, "Changing Images of Man." The basic idea of that document was to destroy the image of man as technologically progressive. In the document, Willis Harmon states that the neolithic idea of animal-identification is very useful in achieving this change, that the gnostic gospels can be used to destroy the Old Testament idea of dominion over nature, and the New Testament perspective flowing from there. It is precisely this project that has led to Tom Hayden's ideology and that of Hayden's CED.

The CED was not created from scratch. It was founded by the Institute for Policy Studies, specifically, the Foundation for National Progress, which is the IPS funding conduit for the West Coast. It produces *Mother Jones* magazine. Tom Hayden's CED was also funded by the Rockefeller Family Fund, the Field Foundation, the Stern Fund, and the Playboy Foundation.

Additionally, Tom Hayden's most outstanding achievement, the takeover of Santa Monica, was accomplished through the misuse of both CETA and Law Enforcement Assistance Administration funds. The CED was put on the CETA payroll in order to campaign for the takeover of Santa Monica. The Labor Department official who complained about this was transferred to Texas by the Carter administration. Moreover, \$250,000 of LEAA funds were utilized by a so-called crime-prevention community organization for the purpose of organizing for rent control, which was the issue the CED utilized to get elected.

The Jesuit Jerry Brown

Brown is Hayden's natural ally. The basis for that is Brown's Jesuit training. He went to St. Ignatius prepa-

ratory college in San Francisco. He attended the Sacred Heart novitiate for three and a half years in Los Catos, California. While there he practiced the particular form of self-flagellation associated with the oath of obedience to the Jesuit order, which is the binding of arms and legs for long periods of time. Brown was known as the novitiate who was most capable of enduring the pain and pressure associated with such self-binding.

It is a fact that that is precisely what Jerry Brown has attempted to do to the citizens of California, and will do to this nation, if not stopped.

The Jesuits were a military-enforcement arm on behalf of an inquisition against science and technology from their founding in the early 1500s. Jerry Brown has led a virtual Jesuit-style inquisition against high-technology throughout his adult career.

There are only two books on his desk in California's capital, Sacramento. *The Rules of the Society of Jesus*, and *Mind and Nature* by Gregory Bateson. He has stated publicly that his administration is run on the basis of the 11th and 12th rules of St. Ignatius Loyola, which call for self-mortification and self-abnegation.

The philosopher on whom the Jesuits base their teaching is Aristotle, and his *Nicomachean Ethics*. Aristotle in the first chapter of that work denies the Platonic idea that the Good exists and is knowable, and that man can contribute to a universal idea of the Good. Jerry Brown is an Aristotelean, and like Aristotle, who is the philosopher of Dante's *Inferno*, is burning in the Inferno. Denying that idea of the Good, and denying that man can know Good and act on the basis of that knowledge, destroys the very basis of morality.

It is for that reason that Jerry Brown is the natural ally of Tom Hayden. And it is for that reason that what Brown has done is to introduce a Sodom and Gomorrah in the State of California.

One of the first acts of his administration when he was made Governor in 1975 was to legalize sodomy between consenting adults. The same year he decriminalized marijuana. The year afterward, he signed the natural-death act, which is the precedent for the euthanasia bill in Washington, D.C.

Jerry Brown is an instrument of Dope, Inc. He appointed Dope, Inc. to run the university system of California. Gregory Bateson, Aldous Huxley's associate, the former husband of Margaret Mead and who participated in the MK-Ultra LSD distribution experiment, was appointed to the Board of Regents. Bateson gave the first prayer-breakfast at the Governor's mansion. It was a lecture on the use of peyote!

Willie Brown, the Speaker of the Assembly, was appointed to the Board of Regents by Jerry Brown. Willie Brown received \$12,000 from Resorts International to campaign among blacks in New Jersey for the legalization of gambling. Willy Brown received \$15,000

this year from an association that represents the drug-paraphernalia industry, in order to defeat an anti-paraphernalia bill. Brown is the lawyer for Studio West, which is the western version of Studio 54 in New York.

Another appointee was none other than Willis Harmon of the Stanford Research Institute, putting Harmon where he could actually carry out mass brainwashing based on the "Changing Images of Man" through the state university system. Harmon, an adviser to the State Energy Commission, dictating Jerry Brown and Tom Hayden's energy policy. The other appointee was David Geffen, founder of Asylum Records.

One of Jerry Brown's judicial appointments was the son of Milton Loures, the pornography king of Los Angeles County. Jerry Brown was recently in attendance at a fund-raising party at Milton Loures's house in his honor. Linda Ronstadt, Brown's pretended companion, in fact has stated that it is her innermost fantasy to seduce a priest. Jerry Brown's finance chairman in 1978 was Richard Klugman, the Hollywood promoter whose clients include Donna Summer and KISS, "Knights in Service of Satan."

So it is no exaggeration to say that Jerry Brown is the candidate of sodomy. It is that lack of morality which led, for instance, to one of the many cabinet members recruited from the Zen Center, Huey Johnson, head of human resources, proposing that there be negative population growth in California, and that it be accomplished by forced sterilization. Immediately, both the black and hispanic caucuses in California called for his firing. Jerry Brown refused.

This is the nexus that has to be destroyed if we are to prevent this country from falling prey to fascism, and to a Sodom and Gomorrah, such that the population would be so numb that they would not be able to resist genocide and thermonuclear war. That, I think, is one of the major tasks that we face for 1982. We have to establish that not only the emperor has no clothes, but the Governor has no clothes.

Did organized crime give DNC to Manatt?

by Timothy Pike

Ongoing investigations into the nexus of organized crime associated with Meyer Lansky and Detroit's Max Fisher have raised some interesting questions regarding the current National Chairman of the Democratic National Committee, banker Charles "Chuckie" Manatt. The most important questions: was Manatt's ascension to the highest office of the DNC a preparatory move on the

part of organized crime to install California's kooky Governor Jerry Brown in the White House in 1984?

To answer this question one must look first at the "elder statesmen" of the California Democratic Party, since they are the sponsors of Jerry Brown's and Chuck Manatt's political careers. This group includes Edmund G. "Pat" Brown Sr., Jerry Brown's father; Paul Ziffren, former chairman of the California Democratic Committee and current partner in the law firm Gibson, Dunn and Crutcher; and Stephen Reinhardt, former Los Angeles Police Commissioner currently serving as a Carter appointee to the federal bench. The current head of the Organized Crime Intelligence Bureau in California is Charles Casey—Pat Brown's son-in-law.

Fixing things for Jerry

How did Jerry Brown become Governor? His dad got him the job. In 1974 Jerry Brown won the Democratic Party nomination over Joe Alioto, the popular and powerful Mayor of San Francisco. To accomplish this, Pat Brown had to make use of his connections to sabotage Alioto's campaign.

Pat Brown's connections ran through his relationship to Sidney Korshak, an old friend of Paul Ziffren's from his days of defending the mob in Chicago. Through Blackie Leavitt of the Culinary Workers, a Korshak associate, Pat Brown arranged to deny Alioto the COPE endorsement of the AFL-CIO, an endorsement that Alioto was considered certain to get. The attorney for the Culinary Workers at the time was Jerry Brown's campaign manager, Stephen Reinhardt.

For the embattled Alioto it was the beginning of the end; he also had to contend with the campaign of a third candidate for the nomination, Bob Moretti, then Speaker of the Assembly. Moretti's campaign simply served to drain votes away from Alioto.

Moretti's campaign manager was Charles Manatt, who would go on to co-chair Jerry Brown's campaign for Governor after Alioto was safely out of the way.

Who is Sidney Korshak?

Just who is the Sidney Korshak whose connections were so useful in producing this result?

Korshak represents in the most visible way the interface between those "above suspicion" in the international narcotics business and the "muscle" of organized crime. As an attorney, Korshak is known as "Chicago's boy." Among Sidney's major clients is Gulf and Western Industries, the owners of Paramount movie productions and the Madison Square Garden Corporation. Korshak's relationship with Gulf and Western dates from his association with Philip Levine, a one-time real estate partner with mob kingpin Meyer Lansky in New Jersey who, in 1967, took the proceeds from the sale of MGM stock to the Bronfman family and invest-

ed \$22 million in Gulf and Western. Levine became president of G&W's real estate subsidiary and subsequently headed a new corporate entity created by Gulf and Western called Transnation.

Levine's good friend Korshak convinced Levine to purchase the Acapulco Towers in Mexico jointly with Moe Morton. The towers became a source of embarrassment to Levine a year later when the Illinois Race Board hearings revealed that the Towers served as a safe house for Lansky and friends in 1970 and Levine's business partner was instrumental in smuggling Lansky in and out of Mexico.

Levine died a year later. By this time, however, Korshak had met Gulf and Western chairman Charlie Bluhdorn and demonstrated the advantages of keeping a man with Sid's connections on to "consult."

One of Gulf and Western's major stock holders also represents an interesting lead into the international narcotics syndicate. Carl Lindner, chairman of American Financial Corp., is reported to own 8.6 percent of the stock in Gulf and Western. Lindner is also on the board of directors of United Brands, whose honorary chairman is Max Fisher. Law enforcement sources have estimated that perhaps as much as 20 percent of the cocaine shipped into the United States from Latin America comes in by way of United Brands ships. Lindner is also a major stockholder in the Charter Oil Company, otherwise known as the "Billy Carter Oil Company" which scandalized the nation in 1980.

By situating himself in the center of the "hot money" deals relating to sports, entertainment, and real estate Sidney Korshak can be credibly viewed as a potential successor to Meyer Lansky at the helm of the international narcotics and money laundering operations, as some suspect. Hardly the kind of person that prominent politicians are supposed to be friendly with.

All in the family

In the case of Pat Brown, Ziffren, and Reinhardt, such relationships are "all in the family." Pat Brown certainly is not new to the business of hot money since his association with Bernie Cornfeld of Investors Overseas Services, the mutual funds swindler whose company was used by Lansky to launder the proceeds of narcotics trafficking and the Las Vegas skim. Brown's law firm Ball, Hunt, Hart, Brown, and Baerwitz, was chosen by the Jacobs family to represent their firm Emprise in an action to attempt to keep their contract with the Golden Gate Fields racetrack after a bribery conviction in the State of California. The Jacobs family is part of the Meyer Lansky/Max Fisher corporate shell network.

Stephen Reinhardt is not stranger to such relationships either. Reinhardt once found himself in the position of enjoying a tax shelter with Lansky associate Moe Dalitz (unwittingly, of course). Reinhardt negoti-

ated a major loan from the Culinary Workers to the La Costa resort controlled by Dalitz and Morris Shenker.

The Carter Justice Department denounced its own prime witness in the Brilab cases, Joe Hauser, when Joe made the mistake of mentioning that Reinhardt had been the conduit of illegal campaign contributions from Sidney Korshak to Jerry Brown's 1976 presidential campaign. Co-chairman of the Brown campaign at that time was Charles Manatt. It's "all in the family," and Banker Manatt is the Brown family pet.

Manatt's associates

Jerry Brown's current efforts to be elected to the United States Senate and thus gain a national forum for his rabidly Malthusian policies are being coordinated by Mickey Kantor, a Manatt law partner who was also the campaign manager for Jerry Brown's unsuccessful presidential bid in 1976.

The current Southern California chairman of the Democratic Party is Peter J. Kelly, another law partner of Charles Manatt. Peter Kelly was recently the master of ceremonies at a fundraiser for Tom Hayden's Campaign for Economic Democracy at which Pat Brown presided as honorary chairman of the event, thus demonstrating publicly for the first time the relationship between those who are acting as midwives to transform the Democratic Party into a vehicle for Malthusian zero growth controlled by Dope, Inc.

In fact the Manatt law firm, which specializes in sports and entertainment clientele, is rapidly becoming the legal representative in California for the upper levels of the Dope, Inc. machinery. Among the clients listed for Manatt, Phelps, Rothenberg, and Tunney are: Eli Lilly, Gulf and Western Manufacturing, and Playboy Enterprises. Playboy, of course, is at the center of the drug legalization lobby through sponsorship of the Playboy Foundation, the grantor of the seed money for the founding of NORML. Hugh Hefner himself paid fees to Korshak to mediate between Hefner and Lew Wasserman of MCA in a dispute over film rights. Among the individual clients of the firm, a notable standout is Jerry Brown's reported "girlfriend" Linda Ronstadt. Another client is Jerry Plotkin, the former hostage to Iranian terrorists who was reported to be under police investigation as a drug runner at the time he was taken hostage at the Embassy in Teheran.

Manatt sits on the board of directors of Tiger International, the company that owns Flying Tiger Lines, rumored to be involved in the South East Asian drug trade during its early years. Manatt is also the chairman of the First Los Angeles Bank. Another Manatt law partner, Alan Rothenberg, is a director of the bank and is friends with Jerry's Zen guru, Roshi Baker, and served the Brown administration as a commissioner in the Department of Transportation.

Italian officials: Mossad cosponsors Red Brigades

by Muriel Mirak

When, at the conclusion of a visit to Rome Jan. 9, Israeli Foreign Minister Yitzhak Shamir granted an interview to the prestigious national daily newspaper *Corriere della Sera*, the one question neither he nor anyone else in politics expected to be posed, was thrown rudely on the table: is it or is not true that the Israeli intelligence service, Mossad, is behind the international terrorism? Mr. Shamir quickly dubbed the question absurd, and refused further comment. Days later, however, it reemerged, this time in the form of a documented statement issued to the press by Judge Ferdinando Imposimato, the leading magistrate in Italy's years-long battle against terrorism.

In laying bare Israeli intelligence's terrorist capabilities, Imposimato was overturning the tables in a political poker game of very high stakes. If effective international action follows up Imposimato's lead, not just Italy but the entire world may finally be liberated from the political gangsters that have been holding it hostage for over a decade. Those networks comprehend not only international terrorism, whether "left" or "right," but the worldwide drug cartel and arms smuggling outfit as well. They are identical to the Italian-Libyan-Israeli nexus unearthed—and all too prematurely reburied—in Billygate.

Imposimato's revelations

Judge Imposimato made his dramatic revelations on Jan. 17 to the Rome daily, *Il Messaggero*, and faint echoes sounded in the U.S. *Newark Star Ledger*, *Boston Globe*, and *Washington Post*. Imposimato stated that a massive destabilization effort against Italy has involved

intelligence services of non-PLO Palestinians, Eastern Europeans, Libyans, Syrians, and anti-Mubarak Egyptians. The judge added, "At least up until 1978, the Israeli secret services had also infiltrated the Italian subversive organizations and more than once placed at the disposal of the Red Brigades weapons, funds, and information."

Italian secret services, he declared, "were incapable of perceiving this enormous danger, whereas the only ones to have immediately grasped it and followed its development intelligently and attentively—*without thwarting it, but rather exploiting it for their own purposes*—were the Israeli secret service agents."

Imposimato documented his findings with the confessions of two arrested Red Brigades militants, Patrizio Peci and Alfredo Bonavita, who "have talked, supplying proof of the collaboration offered by the Israeli secret services, who went so far as to furnish information useful to the search for traitors . . . and the recruitment of new troops."

Links to the Israelis had already turned up, indirectly, in early January, when Imposimato arrested criminologist Francesco Senzani, suspected of having organized the Dozier kidnaping. In one direction Senzani's tracks led to Italian Socialist Party (PSI) Defense Minister Lelio Lagorio, widely reputed to be Mossad's man in Italy; in another direction, they led to Haig and Kissinger's protégé Michael Ledeen, whom the Italian weekly magazine *Europeo* revealed last week to be a Mossad agent.

The Senzani arrest triggered a chain reaction, as at least a dozen new names came to light in the Dozier

connection, and as many warrants were issued for their arrest.

'Left' vs. 'right'

Not only have the arrests exposed the lie of "left vs. right" terrorism, but they have further exposed their unified command to be the international drug cartel. "Left," "right," arms smuggling and drug trafficking, in Imposimato's findings, are one and the same thing. The judge explained it this way: "The militants of this international centralized command have been engaged in a colossal effort over the past months to spread heroin in Italy on a vast scale. That's why almost all the biggest traffickers, those who supply the pushers with a steady flow, come from Libya and Syria. On the one hand, they succeed in addicting our youth, burning out an entire generation, and on the other, they shore up massive capital with which to invest in arms purchases."

Taking the example of a notorious terrorist Mauro Folini, Imposimato explains how Folini, a confessed Soviet KGB operative, originally worked out of Libya, then made contact with the Italian Autonomia Operaia group (which later became the Red Brigades). In cooperation with Italian Socialist Party protégé Franco Piperno and the PSI-founded magazine *Metropoli*, Folini organized arms shipments into Italy. At the same time, Folini was working with neo-fascist terrorist groups directly linked to the recently exposed secret Masonic lodge, Propaganda 2.

Another case cited by the judge is that of Paolo Lapponi, son-in-law of the PSI leader Giacomo Mancini who, working under the cosmetic cover of the Combatant Communist units, marketed arms and drugs with the mafia.

The Billy Carter parallel

The parallels to the case of Billy Carter, working through the Sicilian PSI mafioso Michele Papa in arms and drugs dealing with Libya's terrorist leader Qaddafi, could not be more direct.

This, the magistrate concluded, is the nature of the network which orchestrated the assassination of former Prime Minister Aldo Moro in 1978, is the same which killed Sadat, and unleashed Ali Agca, the would-be assassin of Pope John Paul II. This is the network which organized the attempt on the life of President Reagan.

Precisely what the terrorist contingent led by Senza-ni had in mind was revealed just days before Imposimato announced his findings to the press. According to documents and heavy weaponry seized in Brigadists' safehouses, the strategy called for the kidnaping of Fiat industrialist Romiti, assaults against Rome police headquarters, the assassination of a "top anti-terrorist magistrate" (most probably Imposimato himself), and a clamorous military attack against the National Council

meeting of the Christian Democratic Party on January 22, with the projected murder of 80 of its members. Such a succession of killings would then catapult the country into chaos, anarchy and civil war.

"But why?" one asks. What would the purpose of such a bloody massacre be?

In the words of CD party general secretary Flaminio Piccoli, "the Red Brigades, by eliminating part of the CD leadership, would . . . provoke a dramatic and confused situation in the country, making it possible for serious political events . . . to worsen the situation, in a process of destabilization for international reasons." The "international reasons" to which a host of other Italian political leaders have also alluded over the past weeks, were most explicitly identified by Judge Imposimato, in whose view "the plan aimed at reducing Italy to a country wracked by civil war, such that the United States were forced to rely on Israel for security in the Mediterranean."

Spadolini's Mideast policy

The credibility of Imposimato's startling analysis must be tested on the scales of the increasingly aggressive Middle East diplomacy carried out by the current Spadolini government in Italy. Foreign Minister Emilio Colombo completed a tour of Jordan and Saudi Arabia earlier in January which, according to highly placed foreign policy experts in the Christian Democracy, was part of a Reagan-backed European effort to bring a Saudi peace plan into reality. Colombo, according to reliable political observers, was engaged in serious shuttle diplomacy, mediating the moderate Arab position to the Israeli government, in the person of Foreign Minister Shamir. And when the Israeli diplomat then visited Rome, significant pressure was exerted on him, by both the Vatican and the Spadolini government, to clinch agreement to the Fahd plan in Tel Aviv.

Underlining the government's pressure tactic, the Republican Party newspaper *Voce Repubblicana*, known to reflect Prime Minister Spadolini's views, almost daily quoted the visiting Israeli diplomat's protestations of "willingness" to talk to the Jordanians and Saudis. News of Egyptian President Mubarak's imminent trip to Italy, his first foreign visit since Sadat's death, received ample coverage in the Italian press, in hopes a Mideast settlement was in the offing.

The Andreotti government

Such was the role that Italy in 1978 envisioned playing, as European mediator for a just peace in the Mideast, based on mutual respect for the integrity of the state of Israel and a Palestine nation, informed by broader cooperative efforts toward industrialization of the area. Such, in fact, was the content of a major foreign policy declaration that then Prime Minister

Giulio Andreotti pronounced on March 16, 1978 as his government was being sworn in. That same day, CD President Aldo Moro was kidnaped, in an obvious attempt to kill Andreotti's national unity government, which enjoyed Communist Party support, and rend asunder the majority of industrialists, Catholics, and Communist-organized labor that it rested on.

Italy survived the ordeal of the Moro assassination and bucked the efforts, led by Socialist Party spokesmen, to bring the state to a pact with the terrorist devil. But Andreotti's government buckled under the massive political pressures of scandals and continuing terrorism until it fell in late 1979, opening the way to a succession of ruling coalitions with the pro-terrorist Socialists, which totally reversed the Andreotti-Vatican position on the Middle East.

It is only with the formation of the Spadolini government—itself an “ugly duckling” taken under the wing of a re-emerging Vatican-Communist alliance—that Italy has begun to recover its diplomatic mission in the Mediterranean. And that is one of the reasons the sights of the international terrorist command have focused on Italy now as in 1978.

Unlike four years ago, when the most courageous political leaders of the country would only whisper that “dark forces” were intent on destabilizing Italy, or that “secret services” of “some foreign country” were involved, today there are politicians and magistrates, like Imposimato, who have decided to name the names of the terrorist controllers, and call the bluff of the enemy.

This method was pioneered in Italy by the European Labor Party (EAP), the small political formation founded on the ideas of Lyndon LaRouche, leader of the National Democratic Policy Committee. Following the Moro assassination, the EAP issued a dossier outlining the command structure of international terrorism, which flows from the oligarchical families of Venice, Rome, and Britain, down through the banks managing their family funds, to the secret intelligence services and think tanks protecting them, through the arms and drugs traffic, to the street-level assassins.

The EAP put the finger of the British secret services and Mossad, tracing their agents into the PSI, as well as the Carter administration's Ambassador Richard Gardner and his Georgetown allies Kissinger and Haig. The EAP promoted massive distribution of the explosive dossier among law enforcement and political officials, urging them to shift their attention from street-level Red Brigades to the political controllers pulling their strings. That, the EAP insisted, would be the only efficient means of ridding the country of the terrorist pest.

Imposimato's disclosures have sounded the opening shots in what must become the last round in the secret intelligence warfare called terrorism.

CENTRAL AMERICA

Mr. Haig comes out of the closet

by Dennis Small, Latin America Editor

For the past 14 months, this magazine has been reporting on Secretary of State Alexander Haig's secret alliance with the Socialist International to destabilize and depopulate Central America. Earlier this month—on Jan. 8, to be precise—Haig finally came out of the closet and met openly in Foggy Bottom with Felipe González, the head of the Spanish Socialist Party and the Socialist International's case-officer for the Central American insurrection.

Since that congenial tête-à-tête, the following events have occurred:

- The Socialist government of France announced it would sell \$17 million in arms to the Sandinista government of Nicaragua.

- On Jan. 9, Nicaraguan Interior Minister Tomás Borge announced that his government had dismantled a major rightwing plot to dynamite Nicaragua's cement and petrochemical plants, and charged “foreign intelligence agencies” with complicity. Knowledgeable Washington sources have admitted to *EIR* that Haig's State Department was involved in setting up the covert operation.

- On Jan. 10, a group of 36 Haitian exiles sailed from Miami to Haiti to try to overthrow the Duvalier dictatorship. Again the State Department is reliably reported to have been behind the move.

- On Jan. 13, Canadian Prime Minister Pierre Elliott Trudeau, a close ally of French President Mitterrand who shares the perspective of enforced backwardness for the Third World, traveled to Mexico to meet with President José López Portillo to try to neutralize his independent foreign policy, and in particular to derail his well-known opposition to the Haig-Socialist policy for Central America.

These fast-breaking developments in the Caribbean Basin region are all a direct outcome of the Haig-González meeting, whose central agenda item was the refurbishment of their shared strategy of reducing the area's population through civil war and social dislocation. Under the guise of what sources close to Haig term “cooling out” the area, the two men in fact agreed to continue their established division of labor, whereby the Socialist International funds and encourages *leftist* in-

surrectionaries across Central America, while Haig gives backing to the area's *rightwing* military forces. As the two duped sides keep butchering each other—Haig and González concurred—the U.S. Secretary of State would continue to blame the area's problems on alleged Mexican, Cuban, and Soviet support for terrorism.

However, Haig's meeting with González, which was virtually blacked out by all major American media, blows the cover off Haig's professed concern for halting terrorism in the region, and showed him to be in bed with the very Socialists who are the leading spokesmen for using terrorism as a means of political expression. Haig's State Department issued only the mildest of pro-forma "protests" against the French sale of arms to the Sandinistas. Haig in fact met with French Defense Minister Charles Hernu less than 24 hours after the announcement of the sale, and would go no further than to express his "concern."

It was Mexican President José López Portillo who issued the strongest condemnation of the arms sale. In a biting release Jan. 12, López Portillo noted: "Not all nations understand that the solution to conflicts must be peaceful, which is to say that this concept must include the control of arms sales to *all* countries, not just to some."

The López Portillo rebuke—to Haig, the French, and the Sandinistas—was particularly significant because Mexico and France had collaborated in an August 1981 initiative to bring the Salvadoran conflict to a negotiated solution. At the time, the Haig State Department had attacked the Mexican move as an alleged endorsement of the Salvadoran guerrilla movement.

As *EIR* has documented, Haig's collaboration with the Socialist International to depopulate Central America dates back to early 1981. In March 1981, for instance, Haig met quietly with Socialist International Foreign Secretary Pierre Schori; a month later he closeted himself with Canadian socialist leader Edward Broadbent.

The Haig-González destabilization pact is being clothed for the credulous as an effort to "cool out" the region. But the events of the last week belie that claim, as does the fact that the behind-the-scenes mover of the entire deal was none other than French terrorism advocate Régis Debray, formerly a companion of Che Guevara in the hills of Bolivia, and today an official foreign policy adviser to the Mitterrand government.

Debray is a primary instrument in the Socialist International's commitment to global depopulation. In a recent book, Debray argued that man must "rid ourselves of the notion of good and evil. . . . Hitler, Stalin, Khomeini exist and we cannot dismiss them as exotic monsters. . . . The notion of progress is illusory . . . Funerals are always the warm points of political life . . . All societies start as a society of the friends of the deceased."

Trudeau has no success in Mexico

by Dolia E. Pettingell

Canadian Prime Minister Pierre Trudeau's Jan. 12-16 visit to Mexico concluded with Trudeau leaving Mexico empty-handed. Trudeau shares the socialist policy outlook, sits on the anti-technology Brandt Commission, and has been deployed over the past years by the Queen of England to try to win independent nations like Mexico into her "Third Way" socialist alliance.

During his trip to Mexico, Trudeau took advantage of Mexico's real economic problems—a result of the U.S. Federal Reserve's high interest-rate policy and the collapse of international oil prices—and offered Mexico \$5 billion for financing the construction of Canadian-made Candu nuclear reactors in Mexico. Mexico has not yet decided on a partner for her ambitious nuclear energy program, for which seven companies from five nations are now bidding.

López Portillo's rejection of Trudeau's politically conditioned financial offer was made public Jan. 12 in an interview he gave to Radio Canada. Ruling out any "special relation" with Canada, the Mexican President stated that Canada stands the same chances of winning Mexico's nuclear bid as any other country. "If results are what I expect, the bids will be in late this year and Canada should get a fair share," López Portillo stated simply.

As for Trudeau's crass attempt to manipulate Mexico's financial vulnerability, López Portillo said: "Mexico has not sacrificed nor will it lose its negotiating capacity in the international community due to the drop in its oil exports."

One of Trudeau's liabilities with López Portillo is that the Canadian Prime Minister's allies in Mexico are centered around former Mexican President Miguel Alemán. Alemán is linked to the Acapulco-centered drug interests, and controls, among others, Mexico City Mayor Carlos Hank González, a sworn enemy of López Portillo.

In Mexico, Trudeau went out of his way to advertise his close ties to Hank González. After receiving the key to Mexico City from Hank González, Trudeau turned to López Portillo and taunted the lame-duck Mexican President: "Sometime you will come back to this great city, and if you find that you don't have a key, I will let you use mine."

The bigger game in the coup plot against Nicaragua

by Gretchen Small

At a televised press conference on Jan. 9, Nicaraguan Interior Minister Tomás Borge and the Ministry's head of security, Lenin Serna, announced that a far-ranging plot for economic sabotage and general uprising against the Sandinista government had been cracked. Borge accused officials of the governments of Venezuela, Costa Rica, Argentina, and the United States of direct involvement in the planned coup. Once triggered by the blowing up of Nicaragua's only oil refinery and major cement factory, a more general uprising and invasion of armed exiles was to have followed.

At the press conference, one William Baltodano, the head of the Somocista Nicaraguan Democratic Union, and Julio González Cerrón, a Venezuelan businessman reputedly working for Venezuelan military intelligence (DIM) at the time, were presented as the principals in the plot. Before the cameras, Baltodano reported his trips from Miami to Buenos Aires, Caracas, and San José to

arrange financing (citing \$50,000 from the Argentine military) and weapons for the operation. Other members of the group handled contacts with government officials in Colombia, Chile, and the United States.

Despite denials by principals outside Nicaragua, intelligence sources in Washington, Caracas, and Miami all readily acknowledged privately that the operation certainly had all the earmarks of a "Haig job." Georgetown University sources specified the importance of the "Miami connection," where Venezuelan government and intelligence officials are very active.

The damaging details of the exposed plot, probably one among many under way, have led some observers to wonder if the operation was not *deliberately* "blown"—thus bolstering Borge's repeated warnings that such plots were under way.

Venezuelan government officials, including the Foreign Minister and the head of military intelligence quickly conferred with U.S. Ambassador to the Organization of American States William Middendorf and then issued a formal statement categorically denying any government involvement in the plot. The Venezuelans charged Borge with fabricating the plot at Cuba's behest as a factional move, and virtually called on the Nicaraguan government to purge Borge. Borge has since received renewed Nicaraguan government backing, but relations between the two countries are now at the breaking point.

State Department sends a warning to Duvalier

by Carlos Wesley

An attempt by Haitian exiles to invade the island and topple the corrupt Duvalier regime collapsed this week after the exiles' backers in the U.S. State Department decided to pull the plug on the operation, and the would-be invaders were unable to establish a beachhead on Haiti.

As of mid-week army units loyal to Jean-Claude ("Baby Doc") Duvalier were reported to be mopping up a small suicide squad of rebels on the island of Tortuga, about eight kilometers off the Haitian coast. The main body of insurgents, led by Miami resident Bernard Sansaricq and said to number about 30 men, were meanwhile being towed back to Florida by a U.S. Coast Guard cutter after their boat suffered engine trouble on the high seas.

"The invasion was a warning from Vernon Walters," said a source close to U.S. intelligence circles. According to this source, Walters, the former Deputy Director of

the CIA who now works as a special adviser to Secretary of State Haig, is letting the Duvaliers know that the State Department will not put up for much longer with the regime's inability to bring to a complete halt the outflow of Haitian "boat-people" refugees headed for the U.S. This was confirmed for *EIR* by persons within Sansaricq's inner circle, who said: "Bernard Sansaricq got the green light from the United States. He would never had tried the invasion without it. And it was the United States who also pulled the plug on the operation—as a kind of last-chance warning to Duvalier."

Since Haiti has been singled out as a "basket case" slated for triage by the authors of the *Global 2000 Report* on mass population reduction, it has come in for especially harsh treatment from the Haig State Department. Haitian "boat people" are being interdicted on the high seas by U.S. naval vessels, in violation of international law. Those refugees who do manage to reach U.S. shores are being denied asylum and are either confined in concentration camps set up in Florida, Montana, Puerto Rico, and elsewhere, or summarily deported back to Haiti and starvation.

In the view of the Haig State Department, the bloody-handed Duvalier has proven inept and inadequate at imposing the new level of efficient brutality needed to stop Haitians from emigrating to the United States.



Philip Klutznick talks to EIR about dangers in the Mideast

Philip Klutznick, Secretary of Commerce under Jimmy Carter, is a prominent American Jewish leader. The Chicago businessman has served as President of the World Jewish Congress, and as Chairman of the executive committee of the B'nai B'rith Anti-Defamation League. He was interviewed by EIR's Middle East Editor Robert Dreyfuss on Jan. 15, immediately upon returning from a trip to Israel, where he met with Foreign Minister Shamir and other top Israeli officials.

Dreyfuss: I understand that you just returned from Israel. When I spoke to you a few weeks back. . . .

Klutznick: That's right. I came back about a week ago.

Dreyfuss: I want want to know what you thought about the situation in Israel. . . .

Klutznick: In what respect? I went to Israel because I had commitments with the President of Israel in connection with an education program, and because the annual meeting of the Museum of the Diaspora was held, and I'm an officer of that Museum. While I was there I spent time with the Foreign Minister, I spent considerable time with other important personalities in the government, including some aides to Mr. Begin. Mr. Begin was still in the recovery stage, so I did not ask to see him. And we discussed at considerable length my views, and on facts we were in general agreement; on assumptions, there were some differences between us, but that's not unusual. That's happened before. By and large it was a very satisfactory meeting. I found no public criticism or charges of any kind, which somewhat surprised me.

Dreyfuss: A number of people in the United States are obviously quite upset about recent Israeli actions. . . .

Klutznick: Well, I was there when the Golan Heights took place, and the interaction between our government and the Israeli government, and they were also very much upset over there, and there was some criticism by Israelis of their own government. I stayed away from that issue. I pursued the rule right along that the government of Israel is the government of an independent state, and if it wants to act and my government wants to react—well, if

I can be helpful in bringing them together, fine; but I'm not going to exacerbate the situation that this turned out to be. On top of that, my Senator and the chairman of the Foreign Relations committee of the Senate was there at the same time, Charles Percy, and he was keeping busy on that, so I left it to him.

Dreyfuss: I heard that Senator Percy gave a strong warning to Mr. Begin that if the Israelis do not leave the Sinai as per schedule, then there would be no U.S. Ambassador in Israel. . . .

Klutznick: Well, I think that's an exaggeration. I spent an evening with the Senator, and talked to him several times while he was there. He lived right above me. He was quite firm, in connection with the recent exchange, and he came away with the hope that it was behind us and Israel, and he said so publicly. He also said publicly that the United States does not want to be surprised by these things, and that if we are friends and partners we ought not to be surprised, and he did say that, as I recall, there was not a single Israeli official that could be found that did not say that they were going through with the withdrawal. Quite the contrary.

On the other hand, it would be inaccurate to say that there were not quite a few people who were worried about what would happen after the withdrawal, and they were somewhat concerned that once they had withdrawn from the last of the Sinai that they would be faced with a different situation. Former Ambassador Dinitz even said publicly that the United States ought to make some pledges before the final withdrawal. There is concern generally about what will happen after April. But the government itself is quite sturdy; when I say the government, Begin—my last talk with him which was before this trip, he assured that they were going to go through with this; Shamir—assured me that they were going to go through with this; all of the other lesser lights in the foreign office, the same way. Most responsible journalists there assume that.

Dreyfuss: Everyone here is quite aware that the pro-Israeli lobby put a lot of its chips on their effort to defeat

the AWACS vote, and suffered a defeat there. Some of my friends in the intelligence community were indicating to me that Ambassador Arens would be arriving in Washington with a mandate from the Israeli administration to try to disrupt or sour U.S.-Saudi relations, and there are some people who think that the Israelis might go so far as to hold on to Sinai or to hit Lebanon precisely in order to put pressure on the Arabs and because Reagan seems to support the Fahd plan which some Israeli officials call . . .

Klutznick: A plan for the destruction of Israel . . .

Dreyfuss: . . . a plan for a new holocaust.

Klutznick: Well, number one, no government, no responsible government, mandates its ambassador to stand in a straitjacket. Beyond which, the present government has great regard for the new ambassador, who is even more hardline than some of the members of the government itself. So, I think that is rumor, and not fact. Certainly, the ambassador is acquainted with the concern that the Israeli government has with the generally assumed leaning of the United States toward the Saudis. I think that concern is being exaggerated in the press. There is no question that the present Israel government would be happier if the AWACS contest had gone the other way, but to suggest that to enlarge the issue by saying that the government had a major defeat when all the strength of the President of the United States only produced a couple of votes in his favor indicates that there's not much consideration given to the intelligence of the Israel government. Now, I think that the AWACS defeat was a defeat for us, for the Israelis, and for the Saudis. It should never have taken place. But that issue is over. It leaves some very bad feelings. It will take some time to be dissipated.

Dreyfuss: So you yourself don't detect some note of dangerous irrationality on the part of the current Israeli government that could get everybody involved in a war? Isn't there something rather urgent about the next few months in this regard?

Klutznick: When you talk about irrationality—the latest talk, of course, is about the danger of a war over the Golan Heights between Syria and Israel. I don't believe that the Syrians will undertake that effort, even as much as they want to, because they're not prepared to defeat Israel in battle, and nobody commits suicide. With the absence of Egypt from any confrontation, I can only quote what one of the top generals of Jordan told me: that no combination of Arab states can defeat Israel. And therefore I don't think that what we're talking about is a war that could be started irrationally. The Israelis can't afford a war either, in light of all the problems that they are faced with. There may be skirmishes. Lebanon could present a problem, although more and more the

Israelis are saying, "We can solve this problem diplomatically, as far as the missiles are concerned." I think that 7,000 miles away, we tend to get more irrational than the people that are there. I don't sense in Shamir's policies—I understand the fear of Sharon, and yet there is some evidence that his improvement of civilian administration on the West Bank has satisfied some Palestinians. The thought may be the father to the wish that too many people are expressing.

It would be the worst thing for American interests and for Israeli interests to have an irrational war. None of the Arabs are looking for that, and the least of the Arabs that are looking for that are the Saudis. If it happens, it'll be an accident, and we should quit listening to the loud talk and take a look at the realities and the complexities of the situation that is evolving in the Middle East. There is concern in Israel, among a lot of people, about April; April has become a deadline. Yet Secretary Haig is there, and was pushing for a solution of the autonomy issue before April. He admits that there is little chance of getting it, but if he does get it, it could ease the situation before April considerably, for Egypt, for Israel, and for us, as well as for some of the people on the West Bank. Instead of looking for a war, we should be looking for a solution to the autonomy impasse, and I think the Secretary's efforts in that regard are to be applauded.

Dreyfuss: On the autonomy issue, you do have your own views on that. You did suggest that the Fahd plan was worth negotiating . . .

Klutznick: I didn't say that. I said it ought to be discussed. You know, I don't know where people get that notion. I said it was a significant development, especially since several countries had joined in it, and that it ought not to be rejected out of hand without being looked at. I also said that it is inconceivable that Israel would accept it—just as it was inconceivable that the Egyptians and Israelis would have accepted the positions that became the basis of the Camp David talks on the basis of the speeches that were made when Sadat came to the Knesset in Jerusalem. What I said was that it was a new development, and one that we should listen to. And I believe that any gesture, no matter how inadequate it is, if it becomes public from a contestant, should never be rejected out of hand without being examined privately, because there might be a core of a thought there that can be pursued otherwise. Negotiations in public never solved as extensive a problem as we have in the Middle East, and even a whisper might mean the difference between peace and war.

Dreyfuss: How would you describe your views on the question of the West Bank?

Klutznick: I've been clear on that, if you've read what

I've written. I've said that I do not think you can solve the problem unless you solve the problem of the Palestinians, and in one instance I said that I would not exclude the possibility that there might have to be a limited independent state. I believe that some of my friends in Israel don't believe that; they'd rather live with what they call "autonomy." I think that a successful full autonomy conclusion as the first step between Egypt and Israel supported by the United States, if it is a full autonomy solution, will find a lot of people on the West Bank who will take it as a first step. Now it will take a considerable time to move from there to something that they would like better. But it's like any negotiation. Here are two elements that are in fear of one another; you have to have a cooling period when they get acquainted with one another. I have been very clear on that, and some of my friends have assailed me on this ground.

Dreyfuss: And have some of your friends in Israel supported you on that?

Klutznick: Oh, there are—you know, I have a lot of brave friends who support me privately. There are people in the Labor Alignment [the Labor Party-allied bloc in Knesset—ed.] who have long ago spoken that way, and I'll give you my best authority, with whom I've stuck since the beginning, because I loved him and supported him: Ben Gurion. In April of 1973 he said that "for a complete and genuine peace I would give up all the land that we gathered except East Jerusalem and the Golan Heights, and I'd even be willing to find a partial solution for the Golan Heights"—*Saturday Review*, April 1973.

Dreyfuss: But there's an incredible gap, isn't there, between that and the stand of the present government, which is not only not thinking along those lines but, as the *Jerusalem Post* reports, is thinking about annexing the Israeli settlements in the West Bank and Gaza.

Klutznick: Let's look at this thing. I'm not supporting *people*, unless they do the right thing. What they say, I tend to ignore. When Begin became Prime Minister, you know what people said—and he was the man who made possible the Camp David accords. I don't know what Begin will do under conditions that are not yet clear, and therefore I'm not predicting what he'll do. But even if he were to do what he did in the Golan, in connection with the settlements, that doesn't stop a settlement in which he would go back! I don't know what's in his mind. You seem to forget that when a peace is negotiated, then what has happened is less important than what is done. Who would have told you that he would have given up Yamit? Even the Golan: there is a debate as to whether he has annexed it or just applied the laws of Israel to it. But suppose Syria and Israel sat down tomorrow and worked out everything except the Golan—there's nothing to stop a sovereign government from reversing itself. The impor-

tant thing is to try to create an atmosphere in which governments sit down and start talking.

Dreyfuss: One last thing. I know that there has been a lot of controversy about our contributing editor and founder, Mr. LaRouche, and the *EIR* has for a long time been called anti-Semitic by people in the American Jewish community. This has become nasty at times, and . . .

Klutznick: What is Mr. LaRouche's background?

Dreyfuss: In what sense?

Klutznick: I mean, where does his family come from?

Dreyfuss: Well, he was born in New Hampshire. His family comes from a French-Canadian background, Quaker . . .

Klutznick: You know, the thing that I abhor most among some of my colleagues is when they use the words anti-Semitism too loosely. That's a very tough charge—and it includes Arabs as well. And there are a lot of people who get very sensitive. For example, I have a very good friend who's a Quaker, and he gets very upset about some of the things that are said about him; I'm sure you know him, I won't mention his name.

I had to sit recently with one of America's fine journalists and explain the Jewish community and its attitude toward Israel and the Middle East in terms of historical perspective. People forget. To the Jewish community that's alive today, it is a fact that they are one of the most privileged Jewish communities of all history. The last time there was a Jewish state was nearly 2,000 years ago, and it was destroyed and there hasn't been one since. This is a precious relationship that transcends the ability of a non-Jew to understand. And therefore there's a tendency to—look, they call me a traitor when I say you should deal with your enemies to make peace. After all, I'm a Jew, so they can't call me an anti-Semite, so they said, "This is terrible, with all of your background and so on."

Well, if you're going to stand for what you think is the right way to handle the problem, if people call you names, they call you names. . . . When you do these kinds of things, people are going to respond to an emotional relationship, which unless you're a Jew and know Jewish history you can forget—that is what inspires the kind of reaction you desire. An old friend is taking me to task because he didn't like my conclusions: "Why did you do this? You're highly respected." He asked me if I'm pro-Arab, and I said to him: "Maybe you are pro-Arab. I'm trying to solve this thing, and you are trying to keep it where it is."

You must understand, and I'm afraid that the general community doesn't understand how much Israel means to the Jewish community, to people who have no intention at all of living there, because of the historic fact that

after 2,000 years the dream has been realized. Now I'm trying to explain to you why these things happen. And immediately if someone says it, and he is the president of an organization, you begin to think that it's everyone saying it. It isn't everybody saying it.

Dreyfuss: No. Specifically, it's the ADL which put out a series of fact sheets . . .

Klutznick: I know, I know. I know only too well. I'm a honorary Vice-Chairman, and I don't agree with some of the things they send out, and I write them from time to time too. I didn't comment on this to them, because as a matter of fact I didn't consider it important. If I were to take action every time a Jew called someone an anti-Semite I'd be spending all my time at it. I think you are undersensitized—many people are—to the depth of the feeling on the Israel security and future, and you are oversensitized to the reaction of Jews who think that Israel is being harmed. So you'll have to solve that problem a different way. In a free country, there's no way to solve it but to live with it.

Dreyfuss: I don't think we're undersensitized to the feelings of the average Jew whether in the United States or in Israel who have all sorts of memories about the last 40 years . . .

Klutznick: And to young people, who don't have those memories, the issue of Israel itself is much more important.

Dreyfuss: But the question is that the political leadership of the ADL operates as a little gang, as a political faction. . . .

Klutznick: You said it, I didn't. The ADL is supposed to be an institution that seeks out and tries to avoid conflict between social groups, between Jews and other groups, and not only involving Jews. It looks for human rights and like any other organization it is not 100 percent perfect . . .

Dreyfuss: That's a kind way of putting it . . .

Klutznick: Look, I've been affiliated with it for over half a century. I know what that organization lived through. It was founded in 1913, I joined it in 1925. And I know what they were involved in, and I don't always agree with it. I've been an officer of it. I was Chairman of the Executive Committee 25 years ago. I know that they make their mistakes, and are prepared to correct them when they are made. If you have any information that what they've been saying is in error, I'd be delighted to make myself the messenger.

Dreyfuss: We felt it necessary to publish a point by point refutation of what the ADL has said against us . . .

Klutznick: . . . Why don't you send it to me?

WEST GERMANY

The Ruhr looks to creating real jobs

from our Dortmund correspondents

The Chamber of Industry and Commerce of the steel-producing city of Dortmund in West Germany has put forward a proposal for the creation of energy-generating capacity that would create 40,000 new industrial jobs in the industrial region along Germany's border with France. As with the American Midwest, the Ruhr, the industrial powerhouse of Europe, has been afflicted with economic collapse, with unemployment in cities like Dortmund reaching an official 10 percent, thanks to the effects of Federal Reserve Chairman Paul Volcker's policy of fiscal austerity to industry. But in contrast so far to the U.S. industrialists, the forces represented on the Dortmund Chamber of Industry and Commerce are countering Volcker's depression with a program that would bring new, high-technology jobs to the region.

The Dortmund proposal gives crucial political back-up to West German Chancellor Helmut Schmidt, who informed President Ronald Reagan during his Jan. 5 visit to the United States, that Volcker's interest rate policy is dooming the world to depression and therefore represents the gravest security threat to the Atlantic Alliance. The proposal reflects the programmatic influence of the European Labor Party, led by Helga Zepp-LaRouche, that has been the most outspoken force in West Germany against the "greenie fascists" who are demanding the dismantling of West Germany's industrial and nuclear energy program.

How to create jobs

Rejecting the notion that economic development is impossible because of "limited resources," the Dortmund industrial group begins with the premise that to revitalize the Ruhr's industrial strength requires a rapid *upgrading* of its energy resources. Taking stock of all the outstanding proposals for new energy-generating facilities which in recent years have been held up by greenie pressure on the regional government, the report proposes:

- construction of a light-water nuclear reactor in Hamm;
- more rapid completion of the Schmehausen high-temperature reactor;
- application of new coal technologies in combina-

tion with the High Temperature Reactor;

- construction of new runways for the regional airport; and
- intensified support of regional research facilities.

The jobs generated from this program, the Dortmund report concludes, both in energy sector and in industry, would total 40,000 new jobs within the decade.

The proposal is a counterattack against environmentalist organizations—not just in Germany, but throughout Europe and the United States—that have campaigned for the Ruhr to be forced through a transition into a “post-industrial society.” Among these environmentalist organizations is the German Marshall Fund of John J. McCloy, Jr., based in Washington, D.C., a sponsoring organization for Willy Brandt’s Socialist International. Since 1976, the Fund has been pressuring the West German government to adopt the view that the Ruhr industries are hopelessly outmoded and uncompetitive and that the only future for the area lies in building up post-industrial service industries such as entertainment and banking.

The Dortmund industrial grouping soundly rejected this idea, similar to the arguments heard in the United States for the dismantling of the steel and auto industries. That the Ruhr be shifted onto a “service-sector” footing is an absurd idea, says the Dortmund report, given that “a considerable part of the service sector is dependent upon the development of the industrial base.”

The report then counters the environmentalists: “As desirable as progress in the area of environmentalism may be, nevertheless, exaggerated pressure [on industry] must not lead to a situation in which the productive capacities of the manufacturing sector are injured, to the degree that the prospects of expansion [of industry] are thereby made impossible.”

Organizing against depression

The Dortmund Chamber is the first industry grouping in West Germany to flout the greenies and put the issue of nuclear energy development at the top of the agenda. But in large part the ground had already been prepared by the European Labor Party. In late 1980, the EAP issued a pamphlet entitled, “The Future of the Ruhr Region,” which was widely circulated in the state of North Rhein Westphalia, calling for extensive recapitalization of the Ruhr’s industries on the basis of a buildup of nuclear power facilities. The pamphlet paved the way for intensive discussions between EAP representatives and trade union, government and business agencies throughout the area on the need for a clear counter-offensive against environmentalist constraints against industrial investment.

Last fall, the national Miners Union stepped forward as the first major organization to endorse a bold

program of nuclear energy development, coupling its demands with harsh denunciations in the union newspaper of the environmentalist youth movement in West Germany.

Hartmut Cramer, Chairman of the EAP in North Rhein Westphalia, reports that the EAP will use the Dortmund Chamber proposal, as well as the earlier Miners Union endorsements, to build a “steamroller” of support behind nuclear power throughout the region.

“The political situation in the Ruhr region has become what one can only describe as stormy,” Cramer reports. The area’s population is openly alarmed about the high unemployment rates, but thus far, Cramer notes, the state government has been too intimidated by the environmentalists to come out in favor of economic reconstruction based on nuclear power. Nothing short of widespread, public support, Cramer emphasizes, will give the state government of North Rhein Westphalia the confidence to move on the Dortmund proposal.

Schmidt’s effort

After meetings with top trade-union leaders, Schmidt told the German parliament Jan. 20 that solutions to unemployment cannot be made in national terms. He demanded that world interest rates be lowered as the most urgent precondition for investment and employment, a policy the DGB agrees with.

The West German government is expected to launch a 6 to 7 billion deutschmark emergency job-creation program in February. Fifty percent of these funds are slated for road and rail construction. How the program is to be financed has not yet been determined, although it is known that the government opposes creating further national debt.

Both Schmidt and the DGB support the long-term perspective of the program. A fight is building throughout the country over the construction of nuclear-power facilities. In the parliamentary discussion, Christian Democrat Gerhard Stoltenberg, the pro-industry governor of the northern state of Schleswig-Holstein, stated that investment in energy would have to be secured by law if necessary to circumvent environmentalist obstruction of nuclear power. Stoltenberg demanded that blocking of private housing construction also be eased. Economics Minister Otto von Lambsdorff of the FDP, whose policies recently have come more into line with those of Schmidt, also called for shortening procedures for licensing nuclear plants.

However, no union outside the miners has taken a stand in favor of nuclear development. Hesitant to offend the environmentalists and the German Marshall Fund, the national unions will only be compelled to build support for nuclear development when they feel pressure from regional-industry-labor coalitions such as the EAP has been creating in the Ruhr.



Olivier Stirn on French policy

The following interview with Olivier Stirn was conducted by Christine Juarez of EIR's Paris bureau in late December. M. Stirn served as State Secretary for Foreign Affairs under President Valéry Giscard d'Estaing for many years, functioning as a Deputy Foreign Minister. He is one of the handful of Giscard collaborators who has remained active since the election of François Mitterrand, writing many articles for various newspapers publications outlining his opposition to the policies and methods of the Socialist government. Olivier Stirn plans to create a social-democratic party in France, as he explains in the interview.

Juarez: Can you comment on François Mitterrand's foreign policy, in particular as far as the Middle East is concerned? Don't you think that Foreign Minister Cheysson's support for the Fahd plan, then his almost unconditional support for Israel as well as Libya, form something of an incoherent policy?

Stirn: First I would say that French policy today is not in all areas fundamentally different from yesterday. There is a certain continuity, notably in East-West relations and in French relations with the United States. . . . But you are right to bring up the Middle East, for this is one of the areas in which there is perhaps or there will perhaps be differences with the previous policy. There are none on principles, Mitterrand has recalled these principles: on the one hand, Israel must have safe and recognized borders, and on the other the Palestinians must be able to be organized and have their own homeland.

But you are right to bring up a certain number of contradictions. . . . I note in effect that there is a contradiction in wanting to support Libya on the one hand—which is one of the best-known enemies of Israel—and in wanting on the other to align oneself with Israel's positions to the extent of recognizing that the Camp David accords were excellent for the entire Middle East problem. This had not been the position of the Europeans

who, without condemning Camp David, considered that Camp David did not add very much, and at any rate did not solve the problem. There is also obviously a contradiction in wanting to say in the Arab countries, "We must have a Palestinian state, we must go very far in the recognition of the Palestinians and the PLO," and at the same time trying to support Israel's positions. . . .

• So President Mitterrand's policy is very harshly criticized by the Arabs, such as with [Foreign Minister Claude] Cheysson's recent statements in Israel, and at the same time Israel has no confidence, it seems, in some of Mitterrand's statements. Consequently there are at the present time many ambiguities, and no one really knows what is the real policy sought by the French government.

Juarez: Looking further at the Middle East, if there were a break between Israel and the United States, after Israel's annexation of the Golan Heights, would France have a role to play, alongside England, vis-à-vis Israel?

Stirn: There could be a card to play, but we don't even know if Mitterrand will go through with the trip he is supposed to make to Israel in February, and so it's difficult for me to answer. As long as it's not clear what France wants, then it seems difficult for France to play a card. If France moves closer to Israel after this Golan affair then the Arabs will probably no longer give France's position any weight, so I don't see how France could play a mediating role. I think that if France departs from any of the main principles, which are recognition of Israel by the Arabs, within safe and recognized borders, and recognition of the necessity to find a homeland for the Palestinians—if France departs from these two principles, backing one to the detriment of the other, which seems to be the case, then the role she will be able to play will be weak.

Juarez: You said there was little change in France's East-West policy. But looking at the deterioration of East-West relations since the military takeover in Poland, we have to wonder if it is really the same policy, since Giscard knew how to be firm toward the East bloc, but also how to mediate East-West relations.

Stirn: I was referring to loyalty to the Atlantic Alliance and the United States. Mitterrand has made a certain number of commitments in this respect, which show that there is no change and that loyalty to the Alliance and notably to the U.S. is a constant in French policy.

But you are right, France is losing her influence, the influence she exerted as a member of the Western alliance on the Eastern European countries. France is a European country, one of the countries which could have the ear of the East, and that could be useful for the West. She has lost that role, and it's true that in the Polish affair France's voice is heard by no one, is listened to by no one. That's absolutely certain.

Juarez: What do you think of the Polish events, and do you see a solution?

Stirn! I think that in these events in Poland we have to measure what can be done, and not just the feelings one has. The feelings we have are obviously of great solidarity for the Polish people, and a great sadness at seeing what had been won in terms of trade union liberties especially, be undermined. In this respect, feelings are unanimous, or almost. But reality, unfortunately, is not always a reflection of feelings. And reality is that we can't do everything.

Nonetheless, it seems to me that we could make the Soviets understand that there are limits which cannot be crossed without resulting in a certain number of serious sanctions, with serious consequences. For example, it could be indicated that if Solidarity's legal existence is not recognized, that if a certain number of union leaders are kept in prison, there would be a risk of calling into question cooperation with the Soviet Union and financial aid—I am not speaking of food aid. For just as it is normal to maintain food aid to a people which really needs it, it is abnormal to maintain financial aid to a state whose orientations one fundamentally disapproves of. We do not give low interest and financially advantageous loans to Chile or to countries whose dictatorial regime we disapprove of. I don't see why we should give such advantages to the Polish state, if it did not evolve. . . .

Juarez: When you worked under President Giscard, you were able to take part in his European policy, which was based on a Franco-German alliance. Now we are witnessing the creation of what some have called a new "entente cordiale" between France and England. What do you think of this development?

Stirn: No, I do not think this would suffice to make a strong Europe. In reality, we need a close entente between France and West Germany. This is a *sine qua non* for the existence of Europe. And I would regret it if this condition were undermined. It would be very serious for the strength of Europe. This does not prevent us from having good relations with the British. It is certain that Europe cannot be made with only two parties; it must be made with a group of countries who participate in it; there must not be any privileged parties. But we need a solid Franco-German entente which draws almost all the other European countries into uniting. . . .

Juarez: On the domestic side, do you think the time has come in which the Socialists can govern without the Communists, in other words, without the influence which the Communists have in a good part of organized labor in France? What are the possibilities for the creation of a center-left government in France?

Stirn: I don't think so. I don't think that Mitterrand wants to govern with the Center; I think he prefers to

reinforce his own party to the detriment of the Communists. He is not the loser in this respect, since the PCF is weakening, and when the PCF weakens, it is the Socialist Party that benefits. So I don't think he wants to change his strategy. . . . As for the Communists, they are so weak that to break out of the coalition now would isolate them completely and might contribute to accelerating their weakening. So I don't believe there will be a disruption of the current governing majority. . . .

Juarez: The Socialist Party had, I believe, a lot of sympathy for the British Social Democratic movement. So what would be the difference, in terms of ideas, between what the French Socialists want, the type of social-democracy you want to create, and West German Chancellor Schmidt's social-democracy?

Stirn: I don't think you can say that the PSF has much sympathy for the British Social Democrats. They are rather closer to the British Labourites. But what is true is that within the French Socialist Party there exists a social democratic current which has sympathies for the British Social Democrats, and which represent about 30 percent of the Communist Party. This is also true in the trade unions, in Force Ouvrière, and even in the CFDT [the two major, non-communist-dominated federations—ed.]. There is a social-democratic current, which for the time being votes socialist.

My concern is to create a big social-democratic party which, one day, will recover that 30 percent of the Socialist electorate, plus a certain number of currents from the present opposition.

And I think that this social-democratic ideal will be rather close to the German Social Democrats, except that there would be no left-wing faction as you have in the SPD, since that would be the Socialist Party. It will be the moderate tendency of the SPD. . . .

Juarez: What are your ideas on economic policy?

Stirn: I recognize that the market economy is necessary to economic development and therefore to social progress, but I would like to see very broad collaboration like you have in Germany, where comprehensive economic legislation is voted on each year after the agreement of the unions, business, and the government. From the company to the state level, I think we need a broad collaboration between all economic forces. This is one of the characteristics of social democracy . . . and one of the things that differentiates social democracy from socialism. Socialism is based on the class struggle, which begins from the standpoint that the classes must fight each other and that little by little the working class must eliminate the other class, whereas in social democracy we believe in collaboration of social categories and we want to build this collaboration with structures that would reach from the small company to the state.

Kissinger makes a comeback

A circle allied with the former shuttler and war-instigator has staged a new power play.

At stake in the fight over Mideast policy has been whether the United States would break with the decade-long legacy of Kissinger's destructive step-by-step diplomacy, which fostered the 1973 Mideast war and the later destruction of Lebanon, or establish a Geneva-style Arab-Israeli forum in line with the peace plan of Saudi Crown Prince Fahd.

President Reagan and certain of his advisers have been giving the Fahd plan a close look since Reagan won Senate approval last October for the AWACS sale to Saudi Arabia. Since then, Kissinger's top agent in the administration, Alexander Haig, along with U.N. Ambassador Jeane Kirkpatrick and Israel's fanatical Menachem Begin, have mobilized to keep Washington on Kissinger's policy track.

First, following two weeks of intensive behind-the-scenes talks between Arab governments and the United States, Kirkpatrick registered a veto of a Syrian resolution at the Jan. 20 U.N. Security Council session on Israel's illegal annexation of the Golan Heights.

Her vote was all the more stunning since Syria had substantially softened its resolution calling for voluntary sanctions by U.N. members against Israel in retribution for the Golan grab. The modified Syrian resolution was based on a Saudi plan which earlier this month was reported receiving serious consideration by the White House. Washington is expected to suffer a set-

back in its effort to cultivate closer relations with the moderate Arabs led by Saudi Arabia.

Second, former Carter administration special envoy to the Mideast Sol Linowitz suddenly appeared in the Middle East, shuttling Kissinger-style between Israel and Egypt in the capacity of a "special aide" to Haig. The quiet insertion of Linowitz into Mideast diplomacy is part of Haig's ploy to appoint a special Mideast envoy to continue step-by-step diplomacy in the name of Camp David following the completion of the treaty's provisions, when Israel returns the last part of the Sinai on April 25. The White House was reported to be unenthusiastic about Haig's proposal earlier this month that such an emissary be appointed.

Third, on Jan. 19 Begin warned that he objected to terms of an agreement settling Israel's objections to European participation in a Sinai multinational peacekeeping force. Begin stated outright that the agreement could invite "linkage" between European troop presence and another peace plan, either that of the European Community or Crown Prince Fahd's. Both plans call upon Israel to negotiate with the Palestinians, which Begin has absolutely refused to do.

Israel's threat to delay its withdrawal from Sinai is aimed, according to a well informed British source, at effectively blackmailing the United States and Egypt into

maintaining the Camp David framework of Israeli-Arab bilateral peace treaties, and blocking Egypt's reconciliation with the Arab world.

In meetings with Egyptian Foreign Minister Hassan Ali and President Mubarak on Jan. 18 and 19, Israeli Defense Minister Ariel Sharon attempted to win Egypt's approval for extending the deadline of the evacuation of Israelis from the Sinai, and demanded minor modifications in the new Egyptian-Israeli border at the Sinai town of Rafah.

Despite Sharon's boasting that he had won such concessions, there are no signs that Egypt will give Israel any leeway on complying with the withdrawal date.

Speaking before the Israeli parliamentary committee on foreign affairs and security on Jan. 18, Israeli Foreign Minister Yitzhak Shamir complained that the Mubarak regime had hardened its stance on Palestinian autonomy. Under the rubric of Camp David, Egypt and Israel have engaged in a bumpy two-year dialogue on Palestinian autonomy. Now, Mubarak is saying that whatever formula is reached must be approved by the Palestinians themselves, a major departure from Anwar Sadat's policy.

Paris sources warn that Israel may try to destabilize Mubarak, using its allies in the Egyptian Coptic community, just as it tried to destabilize Sadat last year. Israel's rationale is that a destabilized Egypt would justify a last-minute move to break its treaty agreements and retain the Sinai. Such a move by Israel would drastically radicalize the Arab world and create the crisis conditions which Henry Kissinger and his ilk are now primed to "manage."

Atalaya '82: Plotting against Mexico?

A collection of European oligarchs met to "orient" Mexican businessmen against government industrialization policy.

Four hundred individuals from around the world met in Guadalajara, Mexico on Jan. 14-17 to "analyze the historical, philosophical, and sociological role" of private enterprise in Mexico and the world. One political commentator here characterized this elite, \$2,000-per-head gathering, called "Atalaya '82," as a re-run of the infamous "Chipinque '76" conference held in Mexico six years ago, which then President Luis Echeverría denounced as "fascist." The similarity comes not so much from the meetings' semi-secret nature, as from the content of the discussions.

Although the Atalaya meeting was closed to the public for most of its sessions, we have been able to determine, from the scant leaks in the press and from some of our well-informed sources, that one of the most enthusiastic sponsors of the meeting, Don Agustín Legorreta, the President of the Banco Nacional de Mexico (Banamex), the largest private bank in the country, decided at the meeting to terminate his half-hearted support for the government's industrialization plans. Legorreta declared that the next Mexican administration must be one of austerity, along the lines demanded by the IMF. "We should not resign ourselves to sacrificing the quality of our country's development to maintain growth with inflation. This is like a cancer which sooner or later will have fatal consequences."

Other notables of the Mexican private sector also reaffirmed their familiar Friedmanite positions: they attacked the government for excessive public spending; they defended high interest rates as a supposed fount of increased savings; and they opposed increases in minimum legal bank reserve ratios. They said they did not fear greater state participation in the economy, because the true creators of wealth are private businessmen, and not the state.

Political analysts here were hardly surprised by these remarks; but Legorreta's renunciation of the government's policy of "growth with inflation," which he had previously tolerated and on occasion even endorsed, was big news.

What could cause such a sudden shift in line, in the midst of a presidential succession period?

The answer is quite simple, if we look at the Atalaya meeting as a whole and the kind of people who were there. It included a mixture of European Christian Democrats, members of the Opus Dei, and, above all, elements of the most sinister and rotten European oligarchies who intend to reclaim their feudal dominion over the world.

Exemplary is the case of one Professor Nikolaus Lobkowicz, the President of the University of Munich up until three weeks ago. He descends from Czechoslovak oligarchic families intermarried with the royal family of Liechtenstein.

Our professor is an intimate friend of Armin Mohler. Mohler is the head of West Germany's Siemens Foundation and a former member of Hitler's Waffen SS.

Professor Lobkowicz is now working with the ex-president of the Sorbonne on a project to reorganize the Catholic Church and wipe out the positive influence of the Vatican on world affairs.

It was no accident that such oligarchs were invited to "orient" the Mexicans, since Don Agustín Legorreta himself aspires to join that elitist circle. He is a member of the Islet Foundation, a vehicle of the Schlumberger family fortune. In fact, Remy Schlumberger is listed as a "proprietary counselor" on the board of Legorreta's Banamex bank. The Schlumberger family's business empire has traditionally been based in Europe, especially France, with the backing of powerful oligarchic families from Geneva and England. Members of the family were directors of the murderous Permindex organization, which was responsible for the dozens of assassination attempts against French president Charles de Gaulle.

Legorreta is also a member of Henry Kissinger's International Business Advisory Council of Georgetown University.

One is therefore rightly concerned about the kind of ideas which Atalaya '82 tried to put into the minds of Mexican businessmen. For if the banking leader who appeared to support the government's industrialization plans is now seeking to destroy them, what then is being planned by those who have consistently advocated the destruction of the Mexican state for being an obstacle to their goals of economic domination?

International Intelligence

Showdown over collapse in Iran?

Top-level British intelligence sources report that they expect a rapid disintegration in Iran which could touch off a U.S.-Soviet confrontation in the Persian Gulf in the near future. "It's a throwback to 1910 and to the World War I situations in which the big powers were drawn in," said one London specialist.

This source ridiculed reports that Iran has achieved stability, declaring that the Khomeini regime "is sowing the seeds of its own destruction," which could come "as early as April or May."

Moscow is reported by some analysts to have concentrated up to 24 divisions of its troops along its border with Iran. And Moscow is said to have extensive covert networks within the tribal and ethnic minorities there which could be activated in a crisis. There are also reports of Soviet troop concentrations along the Turkish border, and Turkey may have built up its forces on that eastern frontier. The Turkish movements are probably not aimed at countering Moscow, which would be impossible, but at ensuring Turkish security in the event of a blowup in Iran.

Amnesty International pressures Mexico

Amnesty International (AI) and Mexican leftists have stepped up a "human-rights" campaign against the Mexican government, drawing on a report on "torture and repression" in Mexico recently presented to the U.N. Commission on Human Rights by AI.

The AI report charges that there are 570 *deaparecidos* in Mexico, and charged that "torture, assassination threats, and repression" are being mounted against the left. In particular, AI is using the problem Mexico faces with the flow of Guatemalan refugees; if the López Portillo government allows them to stay in

Mexico, it risks subversion by the guerrillas and terrorists among them, and if it sends them back to Guatemala, it faces further AI attack.

A delegation from the U.N. Commission on Human Rights arrived in Mexico in the third week in January to carry out a "study" of the refugee problem. *Uno Mas Uno* charged Jan. 19 that Mexico is both deporting hundreds of Guatemalans, who will be persecuted by the army there, and forcing other refugees into Mexican concentration camps without food or water.

Turks reject British conflict scenarios

The government of Gen. Kenan Evren is sending out signals that Turkey does not wish to play along with a revived centuries-old Anglo-Venetian scenario for polarizing the eastern Mediterranean and pitting Turkey against the U.S.S.R.

As an expression of this commitment, Turkey has signed a \$600 million trade deal with its Soviet neighbor, ignoring calls by the U.S. State Department to curtail economic ties with Moscow. The agreement represents a 30 percent increase over last year's Turkish-Soviet trade figure. Istanbul, explained Foreign Minister Ilter Turkmen, "has a special interest in its economic ties with the Soviet Union."

Efforts to destabilize (if not topple) the Evren regime and make it more malleable for operations against Moscow are being primed by the Cyprus conflict with Greece, which has intensified since the election of Greek Socialist Andreas Papandreou, a British asset. Rauf Denktash, leader of the Turkish community in Cyprus, another British asset, has been threatening to launch "a pre-emptive military operation" against the Greek segment of the island.

According to one Greek Cypriot press source, Israeli intelligence may have deliberately leaked reports of a "Greek troop build-up" in Cyprus to the Turks to heat things up. The British La-

bour Party is meanwhile egging on militant Greek Cypriots. Its leader, Michael Foot, is the brother of one of the architects of the Cyprus problem, former Governor of Cyprus Lord Caradon.

Brazil nationalizes D.K. Ludwig empire

Rogue billionaire Daniel K. Ludwig will soon agree on the transfer of his 4 million acre paper pulp empire on the Amazon to a group of Brazilian businessmen. The deal was reached after a long period of conflict between Ludwig and the Brazilian authorities. Ludwig threatened to close down his tree plantations and mill unless the Brazilian government gave him generous concessions, which the Brazilians refused. They understood Ludwig, who has been linked to the Miami-Bahamas gambling and dope mob, to be a threat to national security.

In the transaction soon to be completed, control over the property will pass to a group of two dozen Brazilian businessmen, headed by Ludwig's long-term local front man, Augusto Azevedo Antunes. This private sector consortium will come up with \$60 million, while the government's Banco do Brasil will provide \$180 million.

Who gains and who loses? Brazil comes out ahead in getting rid of the unsavory Ludwig. Other foreign investors will now be able to join in \$30 billion dollar plans to extract the nearby fabulous Carajás mineral deposits without having Ludwig's many scandals hanging over their heads.

Chief presidential advisor for civilian affairs Leitão de Abreu claims that Ludwig will not be reimbursed by Brazil for the up to \$500 million of his own he claims to have invested in the troubled forestry project. These losses are likely to turn up as credits on the U.S. income tax of one of the world's richest men.

The profitable aspects of the operation have already been stripped by Ludwig or will now be sold separately. A kaolin (chalk) mine is going to Antunes

for \$40 million and bauxite deposits to Alcoa for much more.

While salvaging what he can from his tropical experiment, the 85-year old magnate is hardly retiring. His penchant has turned to snapping up the savings banks hobbled by high interest rates in one western U.S. state after another. He has hit in Arizona, California, Colorado, and most recently he landed the United Savings Association of Texas, having \$1.8 billion in assets for a mere \$47 million of his ready cash.

India plans economic revival

Indian Prime Minister Indira Gandhi, in a nationwide televised broadcast on the completion of two years in office, outlined a 20-point program for the economic development of India. The program features the government's plan for improving "the working of public sector enterprises by increasing efficiency, capacity utilization and the generation of internal resources."

To add impetus to the proposed program, Mrs. Gandhi reshuffled her cabinet, naming the pro-industry Commerce Minister Pranab Kumar Mukherjee as the new Finance Minister. The reshuffle also gave the cabinet a wider regional representation.

Pressing for a new economic order to prevent worldwide economic depression, Mrs. Gandhi early this month invited 34 developing nations from Africa, Asia, and Latin America to participate in a conference in New Delhi next month. Mrs. Gandhi's invitation has met with an overwhelming response. Last week, in an interview with Novosti Press Agency, Mrs. Gandhi spoke out against the concept of a limited nuclear war and said, "In India we wish for peace because it is indispensable for the realization of our dreams of development."

While the Indian Premier is planning to steer the nation to economic stability, a fractious and disruptive opposition has called for a general strike of industrial workers to shut down essential services.

However, because of India's much-improved economic condition the call failed to generate much support.

IMF destabilizes its own puppets in Bolivia

One does not risk much in predicting yet another coup in Bolivia. The IMF, with apparent backing from the Reagan administration, is so intent on forcing Bolivia to adopt the entire gory "Chilean model" that it will probably get the government of General Celso Torrelío overthrown shortly after he bites the bullet.

Everyone in La Paz has been preparing for the devaluation and dismantling of industry mandated by the IMF and Bank of America as conditions for yet another 90-day postponement of debt service due from the \$2 billion-per-year cocaine exporter whose public cupboard is bare. Since people expect prices to shoot up by 30 to 50 percent overnight, store shelves have been emptied. Importers are struggling to get dollars to pay bills before the peso becomes worthless. Workers and miners are preparing mass strikes against the measures, with the support of local industrialists who understand that the elimination of protective tariffs will wipe them out.

And, in classical Bolivian style, Col. Faustino Rico Toro, commander of the military academy and accomplished cocaine paste trafficker, announced at a military ceremony attended by the incumbent dictator-president that he would take power the instant his commander carries out the planned untempered economic shock.

Torrelío was trundled in a few months ago as part of a deal with the Reagan administration to closet the more blatant "Cocaine Coup" generals in return for U.S. recognition and a rollover from the international banks.

He is endeavoring to provide a cover for the IMF, et al. by revealing a 10-year \$500 million plan to coax peasants into replacing a million acres of coca bushes with crops less embarrassing to official Washington.

Briefly

● **EGYPTIAN COPTIC** extremists are being mobilized by the same intelligence services that carried out the assassination of Egyptian President Sadat, to spread sectarian violence and destabilize the regime of Hosni Mubarak, says a well-placed French intelligence source. Mubarak has pledged not to release the deposed Coptic Pope Chenuda from house arrest for fear of renewed sectarian unrest erupting in Egypt.

● **ISRAEL** is now prepared for Muslim Brotherhood leader Salam Attar to replace the collapsing Assad regime in Syria, say Lebanese sources.

● **SOTIRIS RIGANAKOS**, a Greek socialist convicted in Sweden of heroin dealing, statutory rape, and other crimes, has had his eight-year sentence reduced to only two years, meaning that he will be out on parole in a couple of months. The Stockholm Court of Appeals decision has caused a scandal reverberating against Riganakos's powerful connections, including former Swedish Prime Minister Olof Palme.

● **BULGARIAN** Prime Minister Grisha Filipov announced Jan. 13 that Bulgaria will introduce a "New Economic Mechanism," the term used in decentralized Hungary, and will increase the role of "market forces" while cutting back on government subsidies which fail to meet efficiency and quality standards.

● **PEKING REVIEW**, an official Chinese publication, admits that "the economic results are today not only below the level of the economically advanced countries, but also below those achieved in China in the past." The theoretical journal *Red Flag*, reflecting the factional discord that situation has aggravated, reports that some Chinese leaders had even plotted to oust Deng. The Dengists are gearing up for a purge of their opponents.

Quicker than it takes to say 'Watergate'

by Richard Cohen, Washington Bureau Chief

The stench of Watergate is beginning to permeate Washington, D.C. Unless he begins radical action against organized-crime elements within his Justice Department and other FBI bailiwicks on Capitol Hill—already under attack for the Harrison Williams caper—Ronald Reagan will be out of the White House faster than you can say “Richard Nixon.”

Observers who have noted, as we have, that the President has capitulated step by step to the pin-striped Trilateral Commission crowd on foreign and domestic policy may wonder why such treatment has been put on the agenda.

The answer lies in the fact that the first few months of 1982 are rigged to detonate an international crisis of mammoth proportions, particularly in the economic sphere, which will test Mr. Reagan's mettle in an unprecedented way. The danger to the Trilateral faction under these worse-than-Depression conditions is the President's identification with Franklin D. Roosevelt, whose model he might follow by rallying the country to a mobilization of industrial and moral power. It is a chance they do not wish to take.

Mr. Reagan's mistakes

But the White House's ability to fight off an increasingly evident plot against the presidency seriously deteriorated during late December and early January. During this period the President once again exhibited two consistent and dangerous flaws repeatedly identified by

this reporter. When confronted during the course of 1981 by serious challenges from Malthusian elements associated with the Bank for International Settlements (BIS), including leading East Coast banking strata and their counterparts in the Kissinger-dominated wing of the Republican Party and the Manatt-O'Neill-Kirkland wing of the Democratic Party, President Reagan repeatedly chose the path of “practical political compromise.”

Resolving not to repeat the Nixon blunder of “stonewalling” this crowd during the Watergate fiasco, Reagan has chosen the equally fatal tactic of “dodging bullets,” a tactic which only works when there is room to maneuver. Reagan's maneuvering room ran out with the disastrous decision to feed National Security Adviser Richard V. Allen to the Washington wolves, which only resulted in increasing their appetite. As of mid-January, virtually all of Reagan's close associates, including Presidential Counsellor Edwin Meese III, Special Assistant to the President Michael Deaver, and Sen. Paul Laxalt (R-Nev.) have been or are about to be stung with lethal scandals, with the President's name appearing on the periphery of some of those scandals.

Similarly, sources close to the White House have recently reported that, under intense pressure from Kissinger crony James Baker III, the White House Chief of Staff, and his wind-up toy David Stockman, the President has decided upon two deadly compromises with the BIS crowd. The President will attempt to dodge the bullet of Wall Street/BIS demands for tax increases



The President with GOP leaders Robert Michel (l.), Howard Baker and Peter Domenici (far r.) in March 1981, after his first round of budget cuts.

and cuts in the FY83 defense budget by using the occasion of his first State of the Union address to sell a tax increase in the "conservative" format of transferring essential federal programs to states and municipalities whose budget resources are already decimated. Capitol Hill observers predict a "Great National Tax Debate" when the President's program reaches a hostile Democratic-controlled House Ways and Means Committee.

Already, the purpose of sucking Mr. Reagan into such a charade is becoming evident. The media-generated image of a Reagan hostile to the living standards of the poor and the average citizen, while lavishing tax favors on the rich, will be pounded on, while at the same time the economic advisers to Democratic National Chairman Charles "Banker" Manatt and AFL-CIO President Lane Kirkland promote massive new taxes on consumption as their alternative!

The Fed question

Secondly, the President has been under intense pressure to dodge the bullet of a \$150 billion budget deficit for FY83. Sources close to the White House suggest that the President either has made or will shortly make what he hopes is a deal with the Federal Reserve Board, aimed at relaxing 1982 monetary targets, in an illusory quest to blunt projected depression-level unemployment, bankruptcy, and budget gaps. Already, suggestions are surfacing that in order to secure the deal, Reagan will have to yield greater ground to Fed sup-

porters in the day-to-day operations of the White House staff.

These two January capitulations to Volcker and the BIS were also generated by the second flaw I identified during the course of 1981. The President, as highlighted in his Jan. 19 press conference, still maintains the belief that his earlier "economic recovery program" and particularly its supply-side tax cuts will generate an economic recovery by July 1982.

Importantly, as *EIR* founder Lyndon H. LaRouche, Jr. warned throughout the course of 1981, Reagan's failure to declare war on Volcker's polices and the unregulated offshore banking operations authored by London and the BIS crowd, the same forces he is now bargaining with, can only result in an economic catastrophe with devastating national security implications. While Volcker and his friends have successfully drawn the President into deadly tax and budget-deficit traps, they in no way intend the U.S. economy to escape a serious depression by June or July. In short, Reagan has been set up—set up to take the full brunt of popular outrage for a Volcker-rigged collapse.

Senate Minority Leader Robert Byrd (D-W.Va.) and House Speaker Tip O'Neill are already lining up their forces for large-scale tax increases and intensive spring confrontations with the White House in the tax-debate hoax, and the sudden Washington appearance of Democratic-linked economists like Lester Thurow, Wassily Leontiev, Lawrence Klein, and James Tobin of Yale

means that the Democratic Senators and Congressmen are being outfitted with the full-scale AFL-CIO Malthusian line (see page 64).

This hasty promotion of credit rationing and lowered living standards by Wall Street-run Democratic think tankers prior to the President's State of the Union Address was inspired by growing leaks starting in late December that the President had fallen for the tax trap. The President's new tax program will include an increase in gasoline taxes, combined with an unloading of expensive programs onto the backs of states and municipalities. Among those programs expected to be transferred out are Aid for Dependent Children, Supplementary Social Security, (reduced) federal urban aid, and some federal education programs. The exise-tax component is still under dispute.

A relieved Senate Majority Leader Howard Baker proclaimed the program a "humdinger." Similar noises were reported from the offices of House Minority Leader Bob Michel (R-Ill.). Republican desperation over 1982 House and Senate races had been successfully manipulated by Volcker, by New York bankers, and by inside men James Baker and David Stockman as early as August to build a tax-increase lobbying force against the President. Senate leaders Robert Dole (R-Kans.), Chairman of the Senate Finance Committee, and Pete Domenici (R-N.M.), Chairman of the Senate Budget Committee, along with House leaders, urged Reagan to steeply increase taxes, warning that Republican re-elections will be difficult with a 1983 budget deficit of over \$100 billion facing them all. Even Reagan stalwart Laxalt has endorsed the Baker-Stockman line and he is reported to have played a major role in assembling the new package.

The 1982 tax package gleefully soaked up by Republicans will, of course, do anything but help election chances. Already, House sources report that Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.)—who was seriously set back in his efforts to strike an anti-Volcker accord with the White House last year, and is now in no position to buck O'Neill—will oppose the President's program. And the resignation of supply-sider Paul Craig Roberts from his post at Treasury on Jan. 18, in opposition to the tax package, may have been intended to build the aura of Reagan "friend of the rich" in the midst of depression.

In addition, Hill sources report that the President is on the verge of endorsing an internal reorganization plan written by Stockman that would in effect write off the U.S. nuclear industry. With the elimination of the Department of Energy, Stockman is promoting the transfer of most nuclear-related subdivisions to the Department of Commerce, whose Secretary, Malcolm Baldrige, is a crony of George Bush. Baldrige in turn is reportedly attempting to "get close" to the President

through after-hours socializing. In the Senate, Energy Committee Chairman James McClure (R-Ida.), a staunch supporter of nuclear power, will lose oversight of this area to anti-nuclear Sen. Robert Packwood (R-Or.), Chuck Percy (R-Ill.), and John Glenn (D-Oh.).

The President's men

While the President stumbled into these traps, he was being systematically isolated from his loyal advisers. Even before Richard Allen was fed to the wolves, Presidential political advisor Lyn Nofsziger announced his resignation effective in late January, after losing a series of contests with Baker over political appointments. And during December, at the height of the Allen scandal, Reagan's adviser Deputy Chief of Staff Michael Deaver quietly announced his intention to leave the White House in late 1982. And in early December, an effort began to oust Reagan Counselor Meese, the most important White House loyalist. Following a spate of press-generated rumors questioning Meese's administrative capabilities and staying power during the period of his Washington absence when the Polish crisis broke, Washington has witnessed a day-to-day, step-by-step campaign to drive Meese out of the administration.

The operation against Meese greatly intensified with the IRS "tax-break" scandal. In a move that has all the appearances of a set-up, a reversal of long-standing federal policy of refusing tax exemptions to racially discriminatory private schools was engineered by the number-two men at Justice and Treasury, and summarily approved by the White House without discussion. Next, the *Washington Post* charged that Meese was the presidential aide responsible for the "racist" move. Later reports identify James Baker as in fact responsible, but the Washington media have ignored them. Intelligence sources report that the decision to tarnish Meese with the "racist" stigma was aimed at preventing him from taking over the Justice Department, as previously mooted, and at protecting Walter Sheridan-organized crime networks in Justice. By Jan. 10, Reagan himself was taking responsibility for the decision, and the media have tacked the "racist" tag on the President, adding to his "anti-poor, anti-worker" image.

One of the targets of these early scandals told me something the President has apparently refused to acknowledge, that these efforts are in fact aimed at Mr. Reagan. *EIR* has learned that by early February, a major scandal will be launched by NBC, the *Washington Post*, and the *New York Times*, operating closely with Kennedy staffer Walter Sheridan, to implicate Michael Deaver in a wide-ranging scandal that will also involve several members of Congress, Interstate Commerce Commission Chairman Reese Taylor, a former top aide to Laxalt, National Security Adviser Clark, and the President himself.

Henry Kissinger sharpens the knife

by Lonnie Wolfe

Henry Kissinger, the despised former Secretary of State whom President Ronald Reagan promised to keep away from all policy influence, has made a bid to direct the Reagan administration on a course toward early confrontation with the Soviet Union. Kissinger's assumption of such power emerged publicly in the pages of the *New York Times*, on Jan. 17 and 18, in a pair of op eds in which he intoned against the Reagan administration for being "weak on the Soviets."

Kissinger's directives do not merely signify the former Secretary of State's own pretensions to power; Kissinger is speaking for the Malthusian faction of the City of London—to whom Kissinger owes his training and career—which is determined to severely destabilize both the United States and the Soviet Union.

In his sizable *New York Times* articles, Kissinger demanded of the Reagan administration that it halt all financial credits to Poland and the Soviet Union; re-establish "linkage" in order to punish the Soviets diplomatically, economically, and politically for "bad behavior"; enjoin the NATO allies to build up conventional forces for possible limited wars; and formulate strict guidelines for trade with the East.

What Fat Henry is doing

Kissinger's public expostulations are intended to bolster his subordinates in the State Department, notably Secretary of State Alexander Haig and Deputy Secretary Lawrence Eagleburger, who for months have been promoting a Cold War posture toward the Soviet Union. On Kissinger's instructions, Undersecretary of State Robert Hormats, a former aide to Kissinger, has been dispatched to demand that the OECD nations adopt a tough sanction policy against the Soviet Union—despite the allies' repeated indications that they believe the policy will not be to the benefit of the West. Undersecretary of State for Security Affairs James Buckley is placing the same demand before the current NATO coordinating committee meeting in Brussels.

Meanwhile, State Department spokesmen announced that Haig's Jan. 26 meeting with Soviet For-

eign Minister Andrei Gromyko will not set a date for the beginning of new strategic arms limitations talks, nor would any contacts with the Russians do so, until Poland returns to pre-martial-law conditions. The change in the meeting, which will now only take one day instead of two, was attributed by foreign-policy observers to Kissinger's criticism of the administration for failing to link the arms talks to Poland.

Seeking reorganization

As we go to press, the White House has announced the appointment of Robert MacPharlane, Haig's chief counsel at the State Department and the former military affairs advisor to Henry Kissinger at the National Security Council, to be chief deputy to newly appointed National Security Adviser William Clark. In addition, three advocates of Kissinger's hardline—Thomas Reed, former Air Force Secretary, the ancient cold warrior Clare Booth Luce, and William F. Buckley, Jr.—have been named as 30-day consultants to reorganize the staff and the structure of the NSC.

In recent months Kissinger has been loudly calling for a reorganization of the NSC process, a point re-emphasized in the *Times* articles. In addition, Kissinger had pressed for someone he trusts to be named Clark's chief deputy, thinking that he could use that person to control Clark and the President. But some sources say that Clark still intends to pursue an "independent" policy. It is too early to tell whether Reagan-confidant Clark will acquiesce to a role as Kissinger's messenger.

Undeterred by the stabilization of the Polish situation so far under the martial law regime of Polish nationalist Wojciech Jaruzelski, Kissinger and his colleagues, both in the State Department and London, are now talking privately of detonating a series of crises along the Soviet Union's borders. Immediate targets for conflict are the Middle East and the Balkans. The timetable for these developments, according to foreign policy analysts, is March-April.

It is the hope of Kissinger's British sponsors that continued hot spots in the Mediterranean and the Balkans will make it impossible for the Soviet leadership to consolidate the centralization of power under the military and related cadre—the combination of power responsible for stabilizing Poland. Thus, Kissinger is madly summoning the West to a brinkmanship policy—despite the lack of military preparedness on the part of the allies and despite the Soviet Union's manifest signs that it will not be tricked into permitting the disintegration of the East bloc.

"I think old Henry has gone blind, and he must think it's contagious," was one policy analyst's comment on Kissinger's *New York Times* articles. "The West might win a blind man's bluff with the Soviets, maybe, but the Soviets are not blind."

State Department spokesman Dean Fisher refused Jan. 18 to confirm whether Kissinger had briefed Secretary of State Haig on his articles in the *New York Times*. However, Fisher did confirm that Kissinger speaks regularly with Haig on all foreign-policy matters. This consultation is reportedly intensified during periods of crisis.

But Kissinger is merely the bearer of the latest instructions from London, as a comparison of the Georgetown professor's remarks in the *Times* and the British press show. On the question of the Polish debt and financing, Kissinger states that the greatest weapon of the West is the Polish debt to Western banks. He calls for the West to end financing of this debt, forcing the Soviets to eat it, so to speak. Kissinger's formulation is identical to the London *Economist* editorial of Jan. 9.

The policy is now being implemented by leading British financial institutions, including the Bank of England, who have attempted to break up Polish debt renegotiation meetings. The National Bank of Westminster declared the Polish debt "non-performing," followed in suit by Dope, Inc.'s Hongkong and Shanghai Bank's American subsidiary, the Marine Midland Bank.

A day after the *Times* published Kissinger's diatribe, British Foreign Secretary Lord Carrington went before the House of Commons Foreign Relations Committee and announced that Western financial institutions would refuse to renegotiate the Polish debt until martial law is ended and Solidarity leader Lech Walesa released.

Similarly, Kissinger argues that the 1945 Yalta Agreement specifically decreed that there be free elections in Poland. He also claims the 1975 Helsinki accords further modify Yalta, concluding what "is especially inadmissible is the proposition that the Red Army is the guarantor of irreversible history." These arguments for a provocative re-evaluation of Yalta—itsself a *casus belli*—are also taken from the London *Economist* editorial of Jan. 9, as are his points on linkage, while Kissinger's recommendation on strict trade guidelines came from the London *Times* editorial of Jan. 13 and policy speeches by various British bankers during January.

As for his call for a conventional arms build-up, Kissinger echoes recommendations from the London International Institute for Strategic Studies (IISS) and similar think tanks.

Kissinger, as his *Times* pieces make clear, hysterically believes his former theses that the Soviet bloc is unraveling and that this process can be sped by confrontation. However, this proposition is contested among more realistic Anglo-American policy circles. At least one official of the Royal Institute of International Affairs termed Kissinger's assessment of the East bloc "insane" and labeled those pushing confrontation under current circumstances "mad."

Documentation

Dean Rusk dissents on brinksmanship

Dean Rusk, Secretary of State under President Kennedy, in a Jan. 18 interview agreed with the thesis that the Soviets may move into a military-based economic build-up from the Polish events. Rusk told a journalist that U.S. posture must now be to pull back so that "we don't shoot ourselves in the foot" and try to work out some common policy with Europe. "The Soviets are frightened of course by the Polish situation, but I get no comfort from that," he said, "because when the Soviets are frightened, they are very, very dangerous. One has to be very careful about these things."

Rusk, however, is only talking about pulling back in the short term, and holds all manner of fantasies that the Soviet bloc will fall apart. Neither does he have any reasonable policy proposal, although he agrees with West German Chancellor Helmut Schmidt's assertion that we must get interest rates down. Rusk was Secretary of State when George Ball as Undersecretary set up the Office of Population Affairs; he is a core Democratic supporter of Global 2000. Rusk's one major policy proposal is for a nuclear-free zone not only in Europe but in the Mideast as well.

Q: Mr. Secretary, are you beginning to get the impression the Polish crisis has backfired on us, and that we have only provoked the Soviet military into taking charge and mobilizing the economic and military resources of the bloc?

A: This is possible, one has to watch the Polish military carefully to see if it's an old-style, non-ideological military dictatorship like in Latin America or the old Pilsudski regime, or if it is an ideological, strongly communist dictatorship. A very high-level Russian official told me at the end of the 1960s that they were concerned that China might emerge as a non-ideological military dictatorship, which Moscow might not be able to ideologically control.

It is possible that the present Polish regime is more military than ideological. The Soviets may not like this very much, but they like Solidarity even less. So they are playing it in two stages: 1) let the Polish military deal

with Solidarity; 2) the Soviets can later deal with getting ideological control over the Polish military.

But this is just Poland. The problem we are facing, as you said, is where the influence of the Soviet military on the Soviet leadership is more than usual. The very fact of the transition to new leadership means that no one can get in without the consent of the Soviet military, so everyone is jockeying for the favor of the military. And I think we have one appropriate response in the U.S., which is already occurring: a similar phenomenon where the need for a defense buildup is making all politicians jockey for public support of defense, which greatly increases the influence in Washington of the military.

But of course the Soviets do have problems of their own, nationalities problems, youth dissatisfaction, a strong nostalgia in Eastern Europe for Western culture. . . .

Q: Sir, I cannot accept that theory so popular with the British International Institute of Strategic Studies that the Soviet bloc will fall apart if we only let them. Besides, even if they do in the long run, in the short run, as Lord Keynes might have said, we could get blown up.

A: Well, as Secretary of State George Marshall once said during the Berlin crisis, "I've seen it worse." The issue of Poland, of what happens in Eastern Europe, is not an issue between the U.S. and the Soviets. There are no issues within the Soviet bloc which are an issue between us and them.

The fact is the Polish people are not ready to fight, and we cannot fight for them. I once spent an evening with 200 students at Oxford with Mahatma Gandhi and I remember he said: "They'll speak of me in spiritual terms." Then his voice became more harsh, "But they will forget that I have discovered the secret of raw power. We can't meet the British shot for shot, but we can sit down. And they can't run India without us. We may starve, we may be killed, but the British will have to go. That's raw power." But unfortunately there is no evidence that the Polish people have the will to do this. Neither did the Czechs before them.

So why should we get American steelworkers in the streets? We should express ourselves on the rhetorical level, but not do anything else—not shoot ourselves in the foot. We can keep propaganda pressure on, but not go beyond that. Food sanctions are wrong, they would just be sanctions against the Polish people. I rather favor shipping massively food into Poland through the U.N. and other international agencies.

High technology? I'd squeeze back, but no more than we've done. Not only can they get it from Western Europe, but as you said earlier, it will just encourage them to rev up their economy and generate it themselves. During the '60s we once stopped the Germans from building a pipeline between the Soviet Union and Europe, and later I was thanked heartily by one Soviet

official, who said that as a result of our efforts they had developed the technology themselves.

Q: What about Kissinger's plan to call in debt?

A: Ridiculous. Poland can't pay, so that would force them to renege and we'd just lose our money. That's a prime example of shooting oneself in the foot. Crazy.

Q: But U.S. banks are owed little, why not do it anyway and let the Germans take the dirty end of the stick?

A: Even crazier. That would be very bad for the alliance.

And unlike Poland, Europe is an issue between the U.S. and the Soviets—in fact, it is the only issue. There would be no issue that could possibly drive the U.S. and U.S.S.R. to war, were Europe and Japan safe from Soviet military threat. So these Europeans who accuse us of using them for a battleground are stupid—the only thing we could get killed for, in fact, is for their sakes.

NATO is suffering the problems of success, brilliant success. These complaints could hurt NATO. But the practical problem, as I said, is that someone has in fact to defend Europe, and the Europeans don't want to do so. Assume the Soviets invaded Poland tomorrow, and there was an emergency meeting of the NATO foreign ministers. Imagine if Secretary Haig rose and announced "Poland is a European problem. We want to get the views of our European allies before we reach any conclusions. I shall remain silent." Pandemonium would break loose, consternation among the Europeans, because they could never decide together on anything. They sit back like a pouting dowager, waiting for us to tell them what to do.

Q: Sir, are you saying one positive result from your standpoint of the Polish crisis could be a new impetus for a European Defense Community, in which Europe would have a stronger voice within NATO?

A: Yes, yes, I'd love it. We could work very well with Europe—if there was a Europe. But there is no Europe! So I'd hope that the administration will find a way to pass the ball to the Europeans. Hold their feet to the fire and have them come up with a policy for a change.

Q: Other than that, you think there's nothing we should do?

A: Nothing, just that, especially since the Polish people won't fight. If we just stay calm, my guess is that Poland will come out as a compromise. We can preserve some of the reforms of the last two years, liberalization can proceed on the quiet as it does in Hungary. In diplomacy, as in law, there is a fundamental difference between rape and seduction. We can get what we want, but only by seduction.

Q: But Mr. Secretary, I thought you said you were worried about the shift in Soviet thinking?

A: Yes, I am. The Soviets are a different kettle from Poland. There we have to be very careful.

There is one issue which is not an issue between the U.S. and the U.S.S.R., but which is a life and death issue to the Soviets. That is their monopoly control over the Communist parties. If that frays, as it did in Czechoslovakia, they'll move. That is a fact which we must accept. We cannot do a thing about it. It is frustrating for us, but we can't. If we did, we could easily get our foot shot. Why go to war over that?

The Soviets are frightened about the Polish events, but I get no comfort from that, because when the Soviets are frightened, they are very dangerous. One has to be careful about those things.

Q: What do you think of Kissinger's *New York Times* proposal?

A: I'll tell you a story about Henry. When I got the news from Oslo that he'd been awarded the Nobel Peace Prize, I called him to congratulate him. And I told him, "Henry, I guess now you will be needing to hire a tax expert—because the IRS knows damn well you didn't earn that." No one will listen to him.

Q: What then is the current discussion at the White House on what to do about the problem we've been talking about?

A: I have no idea. I presume Haig is thinking about what I said about Europe, we need to get them to adopt a point of view. I like the idea of a European Defense Community. I assume, it was discussed in the corridors of the European Defense Ministers' meeting.

Do you remember the old Rapacki-Morgenthau plan for the pull-back of all troops from both East and West Europe? Well, given these developments, I'm not sure it's such a bad idea. Especially if we also proposed making Scandinavia, West and East Europe, and the Middle East into a nuclear-free zone.

Q: Sir, why don't we just ask Brezhnev to move to Mars? The Soviets will never accept that.

A: Of course, but I disagree with George Kennan, who says don't make propositions they won't accept. We should lay our own desires clearly on the table.

Q: Isn't this just an extension of the President's "zero solution"?

A: Yes, it's a more extreme version of the zero solution. But some bold, simple proposal might have some value.

Q: Obviously this would have little practical effect on the Soviets. Are you hoping to influence our European allies to come up with, as you said, some sort of European policy?

A: It ought to help in that.

Abscam

Charges confirm FBI-DOJ crimes

by Andrew Rotstein

The Senate leadership has rescheduled to Feb. 2 deliberations on the expulsion motion against Abscam target Harrison Williams, Democrat of New Jersey, amidst a widening scandal which threatens to blow apart the entire Justice Department "sting" operation.

Senator Williams was convicted by Judge George Pratt in May 1980 on nine counts of bribery and conspiracy as part of the Justice Department's entrapment operation against elected officials known as Abscam (for "Arab scam"). FBI agents, who work for the Justice Department (DOJ), posed as Arab sheikhs offering bribes and investment opportunities. In Williams's case, contacts with the "sheikh" were arranged by a convicted criminal, Mel Weinberg, who was paid by the DOJ to "get their man." Four bribe scenarios were mounted over a 13-month period, and Williams still refused the bribes. He was convicted of a supposed disposition to use his influence, i.e., a supposed disposition to commit a crime that was never committed. Williams was viewed by President Jimmy Carter as a political enemy.

Cynthia Marie Weinberg, the estranged wife of the FBI's Weinberg, charged Jan. 16 that her husband perjured himself throughout the Abscam trials of 1980-81, and that FBI Abscam agents also lied under oath. As a result of those trials, half a dozen members of Congress have already been driven from office.

Attorneys representing Williams, a four-term Senate spokesman for the interests of labor and the elderly in particular, have announced that they will submit an affidavit from Mrs. Weinberg in a motion to vacate Williams's conviction. On Jan. 20, a lawyer for Stanley Weisz, who was found guilty in the Abscam trial which also convicted Rep. Richard Kelly (R-Fla.), included affidavits from Weinberg's wife among 300 pages of evidentiary material in a motion to reopen his client's due-process arguments before Federal District Judge William Bryant of Washington, D.C. Meanwhile, on Jan. 21 Williams's attorney asked for a sentencing postponement in view of the Weinberg perjury charges.

The charges were first brought to the attention of the DOJ by columnist Jack Anderson, whose associate Indy Badhwar had conducted exhaustive interviews with Mrs. Weinberg. The department, confronted with detailed

charges and photographic evidence of goods allegedly extorted by Weinberg, was forced to announce an official investigation. Judges and defense attorneys in the Abscam cases were informed of these developments. Weisz's counsel, Michael Dennis of Garden City, New York, sensing that a probe of DOJ and FBI misconduct by the department and the bureau themselves was rather unlikely to probe very deeply, has moved for empaneling a special grand jury and appointment of a special prosecutor to pursue the matter.

Marie Weinberg's affidavit states: "I make this affidavit because I feel that my husband committed perjury with the knowledge of the FBI which injured a number of innocent people and I want the truth to be known." She charges that her husband • lied throughout his testimony, specifically when he denied having received gifts and payoffs from potential Abscam targets;

- "squirreled away" in their Florida condominium tapes which were later claimed to have been lost, believed by defense attorneys to contain exculpatory evidence;

- altered a tape to change the appearance of his own whereabouts at a certain time;

- secretly taped conversations with FBI agents as leverage against them should his own misconduct come to light;

- intercepted a \$75,000 payment intended for Kenneth MacDonald, a former New Jersey state official, and split the loot with Abscam target Angelo Errichetti, former mayor of Camden, New Jersey. MacDonald is now facing trial for allegedly accepting the bribe;

- gave or sold valuable merchandise, including furniture, clothing, furs, and a \$4,000 organ to FBI agents, including John Good, an Abscam agent in Chicago, and Anthony Amoroso, whose pose as an Arab sheikh trying to buy American politicians has been viewed by a credulous television audience of millions. FBI regulations strictly forbid any such activities.

Even more significant than the misdeeds of the obsessive con artists are the implication of the FBI agents, whose testimony corroborated Weinberg's on points challenged by the latter's wife. If the government operatives who staged the sting can be shown to have netted some expensive trinkets from the affair, in addition to perjuring themselves to cover for Weinberg's extracurricular doings, the government is left with very little case indeed against Senator Williams and others.

Nor have the new scandals only hit the DOJ's underlings. Jack Anderson writes that when his expose of Abscam misconduct began, some months back, FBI Director William Webster subtly attempted to quash the series. Webster summoned the columnist to a private meeting and assured him that he was "misinformed" and that the investigation had been carried out accord-

ing to the strictest standards.

In another instance, Brooklyn Organized Crime Strike Force Prosecutor Thomas Puccio produced in court, as proof of Weinberg's credibility, a phony sales receipt for a microwave oven Weinberg is accused of having received from Errichetti's nephew. FBI agents working directly under Puccio knew the receipt from a Florida store to be a fraud.

The outrageous conduct of the DOJ in the affair would be downright laughable if the intentions of Abscam's architects—smashing allies of labor on Capitol Hill and discrediting Congress as an institution—were not so treacherous. For example, FBI agents apparently lost 44 tapes of conversations when the evidence was left in a rented car the group used in a "night on the town." More recently, after the Justice Department learned of Mrs. Weinberg's charges, it dispatched eight FBI agents to "guard" her in her home. Being only too familiar by then with the Bureau's methods, she immediately requested local police to protect her from the Feds!

Turning point for the Williams case?

On Jan. 21, ABC's national television program 20/20 featured not only Mrs. Weinberg and her charges but evidence of tampering with the serial numbers on Weinberg's ill-gotten goods. Moreover, former Watergate Prosecutor Samuel Dash appeared on the program characterizing Abscam as illegal and unconstitutional. The overall effect of such coverage could parallel Edward R. Murrow's belated but powerful 1954 challenge to Sen. Joe McCarthy's methods.

Mrs. Weinberg's charges intersect a growing realization among more sober Republican elements that the ongoing attempts to destabilize the Reagan administration through controlled scandal-mongering around the cases of Richard Allen, William Casey, and Raymond Donovan—not to mention the rumored cases being prepared against Sen. Paul Laxalt and the President himself—show the same handiwork as the Carter DOJ's Abscam. In fact, the current troubles of Labor Secretary Donovan are being orchestrated by Abscam Prosecutor Puccio, who is using one Mario Montuoro, a convicted heroin dealer turned union dissident, as his informant—spouting information which Puccio knowingly sat on during Donovan's confirmation hearings last year. The Laxalt affair is run by similar networks in the Organized Crime Section of the DOJ which date from the Robert Kennedy era.

Thus, the overzealousness of the media and DOJ may backfire in the Williams vote. With a two-thirds vote of the Senate needed to expel him, an act of conscience and prudence by even 34 Senators could mortally wound this phase of the operation against constitutional government.

Shaheen and other coverup suspects

by Jeffrey Steinberg,
Counterintelligence Director

Reports are circulating in Washington, D.C., that certain networks within the Criminal Division and the Office of Public Responsibility of the Department of Justice may be involved in a criminal conspiracy to cover up government crimes relating to the Carter administration's Abscam frame-ups of members of the U.S. Senate and House of Representatives.

According to sources in the nation's capital, Justice Department operatives are conducting an investigation into a \$35,000 investment in a publication edited by syndicated columnist Jack Anderson. The alleged source of the investment was U.S. Senator Harrison Williams (D-N.J.), a victim of the Abscam frame-ups whose cause has been championed in Anderson's columns. The sources report that the "investment" story is a fraud authored by the Justice Department to provide grounds for conducting a cover-up of the new, massive evidence that has been submitted to the Department of Justice and to Washington, D.C. Federal District Court Judge William Bryant as the result of Anderson's ongoing independent inquiry into Abscam "sting" operative Melvin Weinberg.

EIR has been informed that one of the central figures in the alleged cover-up and false allegations effort is Michael Shaheen of the Justice Department's Office of Public Responsibility (OPR).

Cover up witchhunt tactics

According to one New York City area source intimately familiar with the inner workings of the Organized Crime Strike Force, Eastern District of New York, Michael Shaheen has been the primary Justice Department official responsible for concealing government misconduct in Abscam since the initial illegal leaking of confidential FBI and Justice Department documents facilitated the handing down of phony indictments in spring 1980.

According to FBI documents made available only after all of the Abscam defendants had already been indicted, tried and convicted, as late as January 1980 the FBI and Strike Force head-hunters who were after the scalp of Sen. Harrison Williams were forced to

acknowledge that they had no grounds for indictment of Williams.

Rather than pursue an investigation that was without merit, FBI and Strike Force personnel in New York leaked word to the *New York Times* and other publications of the ongoing "sting" efforts against a half dozen U.S. Congressmen—and then proceeded to demand Grand Jury indictments on the grounds that the leaks had shut off the government's ability to pursue any further investigations. Through this maneuver, Eastern District Strike Force head Thomas Puccio was able to land his indictments—including an indictment against Sen. Williams.

What made this entire criminal operation possible was the ongoing cover-up effort carried out personally by Michael Shaheen. As the result of the February 1980 *New York Times* leaking of the Abscam "sting," Shaheen was charged with overall responsibility for unearthing the source of the *Times*' story. After months of investigation, Shaheen issued findings that particularly whitewashed the role of Strike Force head Puccio, despite reports from informed sources that at least one of the press calls was made to a Philadelphia newspaper from a phone in Puccio's private office in Brooklyn. For this cover-up, Shaheen received, according to a New York City source, a \$6,000 bonus from the Department of Justice.

Other sources have reported that this was not the first time that Shaheen was personally involved in coming to the aid of Puccio when he violated Department guidelines and even criminal statutes. During the mid-1970s, the Drug Enforcement Administration (DEA) amassed a voluminous file on Puccio, centering around Puccio's dealings with several major international heroin traffickers whom he was providing with sealed grand jury documents that identified, among other classified government evidence, the names of DEA informants inside the international drug ring.

Billygate taint

The same Michael Shaheen was the Carter administration's "Mr. Fixit" in the Billygate affair. Shaheen issued the Office of Public Responsibility findings that thoroughly vindicated President Carter, national security adviser Brzezinski, and then Attorney General Benjamin Civiletti from any wrongdoing in the sordid affair that reportedly resulted in at least \$25 million being stashed in a Carter family offshore bank account.

Shaheen's brother William was the U.S. attorney in New Hampshire during Jimmy Carter's presidency. Investigators are probing his possible involvement in attempts to interfere with the campaign of Lyndon LaRouche in the 1980 Democratic primary. LaRouche is known as an outspoken opponent of the forces represented by his brother.

What's down the road

Union concessions in the auto and trucking sectors represent a new victory for Paul Volcker in destroying living standards.

Wage givebacks, work-rule changes, and other concessions offered by unions in the pacesetter auto and trucking industry contracts indicate the early phases of a rout for organized labor.

The contracts with the Teamsters union and the United Auto Workers (UAW) had been targeted by Federal Reserve chief Paul Volcker and others to set an example for other unions. In testimony before Senate Budget hearings last summer, Volcker vowed that "the living standard of the average American must come down." Reports from the trucking and auto union negotiations indicate that Volcker has won.

In hopes of saving the trucking industry from collapse, the Teamster leadership accepted early negotiations of the Master Freight Agreement, not scheduled to expire until March 31. Although details were not released pending ratification, sources close to the union report the contract includes a one-year wage freeze, a reduction in cost-of-living increases, and other significant concessions affecting some 300,000 Teamster drivers and other employees out of the total 544,000 workers in the industry nationwide.

Some industry sources are predicting that more than 35 percent of the trucks now on the road will be eliminated by 1984. Volcker's economic slump combined with government deregulation of the industry has already cost 120,000 Teams-

ters their jobs since the last contract.

Since October 1979 when Volcker began squeezing the economy, ton miles of freight dropped from 43 million to 31 million in the third quarter of 1981. New truck sales of the largest over-the-road category have dropped nearly 15 percent over the already depressed levels of 1980. The average age of trucks on the road has increased by 10 percent over the last year, while the total number of trucks has declined.

One-third of all trucking firms are reported to be "paper bankrupt." At this stage pension commitments are preventing many from declaring bankruptcy. But, a move is reportedly underway to amend the Employee Retirement Investment Security Act (ERISA), which currently regulates privately held pension funds. The amendment sought would make it easier for trucking companies to go out of business or merge, without continuing to pay into pension and benefit funds. If the ERISA amendments pass, industry spokesmen perceive a 15 percent level of permanent shutdowns.

Facing these depression conditions, Teamster negotiators agreed to the following concessions, according to sources close to the union:

- a one-year wage freeze;
- reduction in cost-of-living adjustments, a portion of which will go toward the pension fund;

- removal of restrictions so that long-distance drivers can deliver shipments directly to city customers without transferring them at transshipment points outside the city. This rule had been a major source of job protection for more than half the union membership;

- a one-year period of lower wages, ranging from 70 to 90 percent of current levels, for newly hired employees.

In a similar situation the United Autoworkers agreed to open its contracts early with General Motors and Ford. Over Volcker's 30-month term in office, the prime lending rate has risen to an average of 16.55 per year driving down U.S. auto production by more than 30 percent.

The UAW has offered wage concessions to both GM and Ford on condition that the savings are passed along to car buyers in the form of price cuts. The move is a foot in the door for wage-price controls, and one step further to Volcker further regimenting the economy. While GM has agreed to the UAW offer, Ford has offered a counter-proposal which seeks cuts in paid time off in return for profit sharing and job security. Ford, having lost more than \$700 million in the first nine months of 1981, is in a worse position than GM and can't accept the same UAW offer.

UAW President Fraser has played ball with Volcker, around the "Chrysler bailout" and in his call for credit controls to bail out the economy (Volcker himself favors credit controls as the next phase for destroying productive output). As for the Teamsters, there is still some possibility that they will wake up and mobilize their 2 million members against Volcker.

National News

Hearings set in Congress to investigate Vesco

A special unit of the Senate Judiciary Committee has now set Feb. 3 as the date to begin investigations of a Justice Department cover-up regarding fugitive financier Robert Vesco. The Carter Justice Department, which was run by Benjamin Civiletti, has been accused of dropping politically sensitive investigations, including Vesco's ties to Democratic Party leaders, and the Carter administration, for political reasons.

The first witness called by the Judiciary Committee unit will be former Democratic Party National Chairman John White, who had been accused of using his political connections for Vesco.

The investigation will be conducted by a special subgroup of the committee set up for this purpose. The group is headed by Sens. Orrin Hatch (R-Utah) and Dennis DeConcini (D-Ariz.).

Congressional sources noted that any investigation of Robert Vesco could lead directly to the Billygate scandal, and to the network in the Justice Department which covered it up. On Jan. 9 *EIR* founder Lyndon LaRouche called on Congress to immediately reopen the Billygate affair to protect the security of the President.

Buckley runs phony Global 2000 debate

Undersecretary of State James Buckley, considered by the population-control lobby as their "point man" in the Reagan administration, has commissioned two opposing reports on government funding of global population-control programs.

One report opposing government funding for international population control, written by Jacqueline Kasan of Humboldt University, California, claims there is no basis to the idea that popula-

tion decline enhances economic growth. The other report, written by Neil Eberstadt of Harvard, demands more government funds for population control education in the Third World, foreign aid for abortion research, and the creation of a special U.S. agency, as well as upgraded U.S.-World Bank cooperation, on international population control.

Buckley has met with both authors and will render his "careful assessment" on the reports.

Opponents of Constitution push budget reform

At a mid-January conference in the nation's capital, the Committee for a Responsible Federal Budget launched a campaign to further weaken Congress's constitutionally mandated control over federal spending. Not surprisingly, the Committee is composed of the same group of Wall Street investment bankers and supporters of population reduction who stand behind Federal Reserve Chairman Paul Volcker. Weakening Congress's powers of budgetary debate and evaluation is key to the elimination of congressional roadblocks against gutting the federal budget.

Numerous members of the House and Senate were invited to the conference. Included on the Committee's Board of Directors are:

- *Edmund Muskie*, former Secretary of State and an ally of Democratic National Committee Chairman Charles Manatt; Muskie was the Carter administration official who released the genocidal population reduction plan, the *Global 2000 Report*.

- *Peter Peterson*, a top New York investment banker from Lehman Brothers Kuhn Loeb;

- *Brock Adams*, Trilateral Commission member and former Transportation Secretary;

- *Jim McIntyre*, Office of Management and Budget Director under the Carter administration;

- *C. William Verity*, the head of

Armco Steel and the President's Task Force on Volunteerism.

Organizers for the Committee include former Connecticut Democratic Rep. Bob Gaimo and former Oklahoma Republican Sen. Henry Bellmon, both of whom were leaders of their respective congressional budget committees.

Starting with meetings for the National Association of Manufacturers in March and for the Business Roundtable in February, the committee will move to a nationwide series of meetings for state Chambers of Commerce. The group is seeking to impose in the House a restriction limiting budget debate and congressional amendments, comparable to that instituted in the Senate by the 1974 Budget Act, a product of the Brookings Institution.

Khomeniacs swarm around nation's capital

Ayatollah Khomeini's terrorists, disguised as diplomats from Iran, are reportedly in Washington, D.C., with plans for terror and possibly political assassination.

Despite the fact that the United States has no diplomatic relations with Teheran, at least 60 Iranians have managed to attach themselves to the diplomatic mission of Iran in the Algerian Embassy. So overt has their presence been that the State Department is going through the motions of asking Algeria to reduce the number of Iranians allowed in its Iranian Interests Section.

But, in a sad replay of Jimmy Carter's willingness to cooperate with the mullahs, the Reagan administration has shown no sign that it is willing to offend Teheran.

According to Iranian sources, Karim Mokri, the brother of Khomeini's ambassador to Moscow, is currently in Washington to organize a network for the mullahs, bringing with him over \$1 million in liquid funds. Mokri's family, scattered throughout Europe, particularly Switzerland, is reportedly closely

Briefly

linked to the Iranian military. Several of Mokri's other relatives are prominent in the ruling Islamic Republican Party and local administrations in Iran.

On Jan. 20, exactly one year after the release of the American hostages, Iran is said to have planned to send up to 20 more Iranians to the U.S. capital. Security specialists are expecting some attempt to stage a spectacular act of terrorism after that date.

Part of the support for the new Iranian terrorism effort may have been conducted through the Islamic Center in Washington, which, during 1980, was taken over by pro-Khomeini radicals. That takeover was organized by Bahram Nahidian, an Iranian rug merchant, who is said to have been the ringleader of the Tabatabai assassination. The Civiletti Justice Department refused to pick up Nahidian for questioning on the Tabatabai murder.

Now, up to \$15 million has been laundered through the Islamic Center to create other local centers of potential pro-Khomeini activity in the United States.

Global 2000 moles draft Reagan policy

The White House Council on Environmental Quality (CEQ) plans to issue an annual report that will contain what a spokesman termed "back-door" praise for the Carter administration's genocidal *Global 2000 Report*.

Scheduled for release in late March or early April, a CEQ spokesman said the language of the report will be "carefully drafted to sneak past the White House censors." The CEQ's plan, its spokesman confirms, is to initiate an interagency task force to rewrite the *Global 2000 Report* from a "free-enterprise" and "national security" standpoint acceptable as Reagan doctrine.

The CEQ staff is dominated by Global 2000 backers, including World Wildlife Fund head Russell Train and members of the Committee for the Year 2000, many of whom will be involved in the

rewrite effort. Their report will probably be issued under the signature of President Reagan.

Depression wreaks havoc with Ohio budget

The State of Ohio is facing a huge \$1 billion shortfall by June, 1983, according to the latest revised projections of the Office of Management and Budget. This estimate comes just two months after a \$1.3 billion tax increase, the largest in the state's history.

"We're somewhere on the downside of a very serious depression," said OMB head Howard Collier. "We're not even near the bottom."

With unemployment at an official 12.5 percent last month and nearly 1.5 million unemployed or on welfare, tax receipts have been dropping precipitously in real dollar terms for three years, while costs have skyrocketed. Current estimates point to a \$760 million further decline from previously lowered projections among the four primary tax sources. Auto sales taxes will be hardest hit, falling more than 20 percent short of original estimates in fiscal years 1982 and 1983 and costing the state nearly \$200 million.

Concomitantly, welfare costs are expected to soar by nearly that amount, while state loans to insolvent public school systems will rise by \$60 million. From August, 1979 to September, 1981, caseloads in the Aid to Families with Dependent Children program have risen from 472,000 to 610,000—a rise of 30 percent—while General Relief recipients have doubled. Despite stringent new federal restrictions, AFDC cases are coming in at 10,000 per month.

Columbus officials characterize the Governor and legislature as being in a "state of shock" over both the projections and the brutal level of budget cuts and taxes needed to only temporarily overcome the deficit. What is mooted is a 50 percent slash in major budget items like mental health and prisons, and an 85 percent cut in education.

● **SHINTARO ABE**, Japan's Minister of International Trade and Industry, told President Reagan in a private meeting Jan. 17 that high U.S. interest rates are the major cause of the American trade deficit with Japan.

● **HENRY KISSINGER'S** associates at Georgetown University's Center for Strategic and International Security Affairs have been holding a series of closed-door seminars for members of Congress on whether or not the United States is ready for an energy emergency. According to one source involved in coordinating the meetings, the boys at CSIS have come to the conclusion that "our energy emergency planning is in serious disarray," and they are urging more authority for the executive in a crisis.

● **AN EMERGENCY** Mobilization Preparedness Board was formally established by the Reagan administration on Dec. 29, *EIR* has learned. Such a board has been a goal of circles of the Eastern Establishment who want a structure for virtual dictatorial control over the economy in the event of an economic, monetary or military crisis. The board will be chaired by the National Security Adviser and consist of representatives of 22 agencies at the Deputy Secretary or Undersecretary level. The White House announcement on the board declared that it will upgrade the government's capability to respond to "major peacetime or war-related emergencies."

● **TWO ERRORS** in our Jan. 19 article on water development: 4,000 million acre-feet of water run into the ocean without being available for human use; and a 1-gigawatt nuclear plant cleans and discharges about 75,000 gallons of fresh water daily.

The DNC is Thurowly fascist

The deceptively named Democracy Project, an organization connected to Tom Hayden's Santa Monica-based Campaign for Economic Democracy, held a conference on Capitol Hill on Jan. 13 titled "Beyond Reaganomics, What kind of 'Industrial Policy'?" The Democracy Project's President, Ralph Nader associate Mark Green, introduced the conference with a call for "foresight in place of ignorance," and complained that Reagan's economic policies produced economic collapse in an "ad hoc" and unplanned manner. Succeeding speakers presented various schemes for implementing policies of nationally imposed reductions in living standards, increased taxation of consumption, confiscation of pension funds and other savings for investment in failing industries and financial institutions.

Thanks in part to my associates, the Democracy Project and other Hayden productions are becoming increasingly understood as leftward stalking horses for Charles Manatt's Democratic National Committee. Manatt lent one of his law partners to the board of the Democracy Project.

Lester Thurow of MIT, an economic adviser to Manatt's DNC, told the conference that he wants a 5-to-10-year period of reduced working-class consumption to be brought about through progressive consumption taxes, adjustments in the tax deductibility of interest payments on consumer and mortgage loans, the outlawing of all cost-of-living escalators, of all union contracts of more than one year's duration, and of free collective bar-

gaining by individual trade unions. When I asked Thurow why he didn't call his policies by the appropriate historic term, "fascism," he responded, "fascism is when you hold a gun to someone's head. I'm only recommending tax and investment policies."

Other speakers included California Governor Jerry Brown's economic adviser, Michael Keischnik, who claimed to be an "unabashed" spokesman for high-technology industrialization because of his authorship of Brown's "explicitly industrial policy," which calls for scrapping nuclear energy and heavy industry in favor of "bio-engineering, photo-voltaics, software, and robotics," and Eugene Keilin of Lazard Frères and New York City's Municipal Assistance Corporation (MAC) who represented Felix Rohatyn's plan to form a national Reconstruction Finance Corporation to save the United States the same way MAC saved New York City. When I told Keilin that MAC had destroyed every service but debt service in New York and that it was Lazard Frères, not New York, which had been saved, he coolly answered, "Lazard's survival was never in doubt. New York City's was. New York has suffered less under us than it would have if we left it to the tender ministrations of Richard Nixon and William Simon."

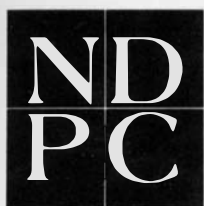
A new D.C. computer game

At the invitation of Henry Reuss, three Democratic Party-linked Nobel Economics Prize recipients testified to him on the prospects for the American economy. Wassily Leontiev opened the Jan. 19 Joint Economic Committee hearings by proposing as an alternative to constitutional government the creation of a computerized, "Independent

Agency," which would eliminate what he called the "guesswork" in economic policy-making and dictate "alternate scenarios," among which elected policy makers would have to choose. Leontiev insisted that this super-agency, modeled on the Club of Rome-dominated Congressional Research Service, should determine the "direction and scope of the data-gathering activities of the Federal, and, in some instances . . . state and local governments." It would actually function as an electronic combination Nazi Labor Front, National Reindustrialization Board, and Reconstruction Finance Corporation by directing "day to day . . . cooperation . . ." between "business, labor, and government in all aspects of economic decision-making" including the administration of a wage-reducing "incomes policy" by mediating in "an overall agreement between organized labor and organized business extended to all major sectors of the economy."

Congressman Reuss told Leontiev, "I agree totally with everything you have said," and suggested, to Leontiev's delight, that a number of Malthusian-minded "advisory" bodies including the Congressional Research Service, the Office of Technology Assessment, and the Congressional Budget office, be merged with various executive agencies to form the super computer control agency Leontiev desires.

Also testifying for incomes policies and other aspects of fascist economic measures were Nobel laureate and systems-analysis cultist James Tobin, a member of John Kennedy's Council of Economic Advisers, and now a co-chairman of the advisory board of the National Policy Exchange; and Lawrence Klein, former Carter economic adviser and director of the Wharton School.



National Democratic Policy Committee **presents**

A National Conference on Water From Alaska

Saturday, February 27, 1982
 Houston Marriott Hotel – Greenspoint
 255 East North Belt Drive, Houston, Texas
 at Intercontinental Airport
 \$50 registration: includes luncheon
 For more information, call Nicholas Benton (713) 266-5445

For the first time since the mid-1960s, a serious revival of interest in tapping the enormous water and hydroelectric potential of Alaska and Canada is occurring. The dramatic threat of shortages facing major agricultural and growth areas of the nation are well known. Overcoming the fiscal and ideological constraints that have doomed regional water development plans in recent years will be the subject of this conference. It will demonstrate both the economic necessity and engineering feasibility of water from Alaska, which would cost less to the national economy than the effects of scarcity and shortages will.

- 9:00-10:00 a.m. Welcome and opening statements**
- 10:00-12:00 noon Panel: "The Engineering Feasibility of Delivering Water From Alaska."** Experts on plans developed in the 1960s and before, including the Ralph M. Parsons Company's "North American Water and Power Alliance," will detail the feasibility and enormous water and hydroelectric yield potential of water from Alaska to Canada, Mexico and the United States.
- 12:00-2:30 p.m. Luncheon and address: "The Moral and Economic Necessity of Developing Population Growth Potential"** by *EIR* founder Lyndon H. LaRouche Jr.
- 2:30-4:30 p.m. Panel: "The Economic Feasibility of Water From Alaska."** Proofs will be presented that the nation will spend more in increased costs due to scarcity if it doesn't transfer water from Alaska than if it does. Panelists: *EIR* Economics Editor David Goldman; California Democrat Will Wertz, challenging Jerry Brown for the U.S. Senate; and Kansas State Rep. Keith Farrar (R-Hugoton), a member of the High Plains Study Council.
- 4:30-6:00 p.m. Closing remarks and reception.**

Mail to P.O. Box 740191, Houston, Texas 77274
A National Conference on Water From Alaska

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